IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4-21CV-1310-O-BP**
	§	
Defendants,	§	
	§	
and	§	
	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
	§	
Relief Defendants.	§	
	§	

RECEIVER'S MOTION FOR APPROVAL OF FARMOUT AGREEMENT AND TO EXTEND LEASE

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the "Receiver") for the Receivership Parties (as defined in the Receivership Order [ECF No. 17])[1] and the receivership estates (collectively, the "Receivership Estates") in the above-captioned case (the "Case" or the "Receivership"), hereby files this *Motion for Approval of Farmout Agreement and to Extend Lease* (the "Motion") in connection with leases in Val Verde and Crockett Counties, seeking entry of the proposed form of order attached hereto as **Exhibit D**.

I. BACKGROUND

1. Barron Petroleum LLC ("Barron") drilled 11 wells and developed an 18-mile, 6 inch gas pipeline in Crockett and Val Verde Counties. Attached hereto as **Exhibit A** is a general description of the gas gathering system. The gas gathering system is connected to an Enterprise Sales Point ("Enterprise"). There are 6 separate leases, generally referred to as the Carson, Childress and West Ranch Leases (the "Crockett/Val Verde Leases"). The record title holders of the leasehold estate are 1178137 B.C. Ltd. and Heartland Group Ventures, LLC, with 51% and 49% interests respectively. As of December 1, 2021, there were 9 inactive wells and 2 "active" wells. The wells were all drilled and cased between 2019 through 2021. The Receiver understands that completion operations for the "active" wells (and the Receiver believes for some of the inactive wells) were undertaken in various stages during that time span in an order that was inconsistent with established oilfield operational practices and prudent commercial development. Most of the wells appear to have had some downhole completion operations performed, but available operational reports are incomplete and inconsistent with ordinary operational sequencing.

[1] Capitalized terms used herein but not otherwise defined shall have the meaning ascribed in the Receivership Order.

2. The 9 inactive wells are on the Childress Ranch and the two other wells [BU 19 and BU 20] are on the Carson Ranch. Of the Childress Ranch wells, 6 wells were never fracture stimulated or flow tested to establish productivity. Frac jobs on the other 3 wells were allegedly scheduled for December 2021. Compression was never set on the Childress tank battery. Pipeline compression was never installed for the Childress Ranch wells, which is operationally necessary to flow the wells. A small compressor was installed at or near the Carson tank battery in late 2021, but was inadequate to flow the wells against pipeline pressure at the Enterprise meter (ostensibly a mistake borne of inexperience). Total reported production prior to December 1, 2021 was 0 bopd x 1,368 mcf x 0 bwpd for the BU 19 well and 0 bopd x 748 mcf x 0 bwpd for the BU 20 well.[2] It is currently unclear whether or not the rental compressor was sized correctly to handle the gas volume or pressure to enter the sales point for the Enterprise. On information and belief, all drilling and subsequent operations were under the control and/or direction of Sunny Sahota.

3. Exploration and potential development of the Crockett/Val Verde Leases project is by "conventional" methods. The Carson Ranch is a "dry gas" field, limited to natural gas without significant high-Btu natural gas liquids (which would otherwise enhance the value of the hydrocarbon stream and justify greater investment in lesser overall volumes). The BU 19 and BU 20 are the only wells on the Crockett/Val Verde Leases which are operationally capable of flowing to a sales pipeline but only in an intermittent fashion. Some of the other wells are not tied into the Carson/Childress gathering system and those that are lack compression facilities. The Receiver understands that this is required under generally accepted petroleum engineering standards in order the establish reservoir size (most of the wells' downhole logs show the presence of hydrocarbon-charged rock), and therefore the commerciality of a well. Because of the paucity of data on

[2] This information was derived from publicly available production records filed by Barron and 2021 gas statements.

producibility of the BU 19 and 20, "reserves" estimates cannot be developed, and similarly, the field is "unproven".[3] In other words, it is not possible at this time to quantify the recoverable natural gas from the wells in any scientific way. As a result, the additional investment required to established commerciality of the project is still risk-intensive because there is not any degree of assurance that further expenditures will result in acceptable rates of return for the investment needed to finish connecting the wells to a sales line and install the expensive but needed compression facilities and gathering facilities/meters, much less justify incremental multi-million dollar drilling capital in new wells.

4. A further complicating factor is the inability to establish even a range of value. For the reasons stated above, no credible reserve report can be prepared without a longer sustained production history. This significantly limits the marketability of the properties to developers of conventional oil and gas projects, and only risk-tolerant investors are likely to express interest. However, notwithstanding this, there is prior testimony adduced by Roger and Sunny Sahota that the Crockett/Val Verde Leases, if funds were spent to drill dozens of wells, could be worth hundreds of millions of dollars.

5. The 11 drilling locations were identified by Dr. William Purves ("Dr. Purves"). Dr. Purves has access to 3-D Seismic covering the Crockett/Val Verde Leases. Dr. Purves does not have the license or other right to allow full third-party access to the 3-D Seismic. Dr. Purves has been cooperative with the Receiver, including providing multi-hour presentations regarding his analysis of the potential for the Crockett/Val Verde Leases. However, many sophisticated investors insist on the ability to independently analyze all available 3-D Seismic, which is uniformly recognized as a condition to choosing any possible well locations (and even then, drilled

[3] "Unproven" has been defined as reserves that are considered less certain to be recovered than proved reserves.

at significant capital risk). After some considerable effort, the Receiver's counsel identified the owner of the 3-D Seismic. Her counsel, Mr. Darrell Jones, negotiated an agreement to allow potential investors identified by the Receiver due diligence access to the 3-D Seismic at no additional cost. As a result, potential investors were not dependent on the analysis of Dr. Purves and were able to conduct their own analysis.

6. Even if the Receiver, in her business judgment, wanted to risk millions of dollars on the Crockett/Val Verde Leases, the Receiver simply does not have the funds to attempt to develop the leases. The Receiver elected to solicit third party investors, recognizing that a sale of the leases would not generate a present value which reflects the potential value. Similarly, it is unlikely that a third party investor would agree to a price which recognizes the potential upside given the lack of current production and other issues identified by the Receiver. The Receiver, the lessors, and Dr. Purves have worked together to identify potential investors. At least one major industry participant spent weeks conducting a thorough technical review but ultimately declined to pursue the opportunity without even asking for or proposing commercial terms.

7. The lessors have been very cooperative. Two extensions of one lease which was at the end of its primary term have been granted without any additional consideration. The lessors also agreed to an additional six-month extension, conditioned upon payment of the consideration more fully delineated in Paragraph 9 below. The lessors also have a consent right to any assignment and/or a consent right to change of operator, which said lessors have also agreed to grant for the consideration set forth in Paragraph 9. With respect to each of the Carson and Childress leases, there is also a surface use agreement ("SUA") with the lessors or related parties.

8. The lessors have a twenty-five (25%) percent royalty. The pool of potential investors is limited by the size of the royalty granted in the Crockett/Val Verde Leases. In addition,

from information available to the Receiver, Dr. Purves (through his wholly owned entity, Highlander Energy, LLC) claims a royalty entitlement on the Carson/Childress leases which is carved from the lessors' royalty, and also claims a 4% of an 8/8 overriding royalty interest under the West lease. Dr. Purves also asserts that Highlander Energy, LLC is owed $167,237.59, as an unpaid leasing bonus. Dr. Purves has requested payment of this amount. The Receiver has not agreed to any payment to Dr. Purves beyond production royalty payments. The Receiver has taken the position that any contractual claim of Dr. Purves or Highlander Energy, LLC is to be addressed in the claims allowance and distribution process and subject to the approval of this Court.

9. The lessors and the Receiver have reached a farmout agreement (the "Farmout Agreement") with SDMB Resources LLC, *et al.* ("Farmees"), subject to this Court's approval, which (a) designates Atoka Operating, Inc. ("Atoka") as the operator under the operating agreement which governs operations under the Farmout Agreement, (b) provides a payment to Receiver by Farmees of $100,000, a payment to the Carson/Childress lessors of (i) $25,000 by the Receiver, and (ii) $25,000 by the Farmees, (c) extends the primary term of the I.W. Carson leases, (d) creates the opportunity to have one or more of the existing wells begin producing, (e) provides a carried 50% working interest in the 11 existing wells until recovery by the Receiver of the sum of $5.5 million, (f) following payout of the carried 50% working interest, reserves to the Receiver a 7.5% cost-bearing working interest for any future development (new drilling), subject to the terms of the Farmout Agreement, (g) provides a mechanism to give the Receiver a potential for upside returns by participating in any wells drilled after the carried interest is fully expended (but without an obligation to do so), and (h) installs a knowledgeable and competent operator who satisfies the concerns of the lessors to such a transfer. The arrangement closely tracks a common "cash-and-carry" consideration from the Farmee group, whereby the Receiver will convey half of

its interest in the Crockett/Val Verde Leases to the Farmee, subject to a condition subsequent in the form of a reversion of the leasehold interest if contemplated operations are not performed and the carry value is not expended for the Receiver's value enhancement within two years from the start of the Farmout Agreement's term. During that time, the Receiver will be entitled to one-half of the net revenue attributable to working interest production sales. After the carry has been fully expended, the Farmees will be entitled to an incremental 92.5% working interest of the Crockett/Val Verde Leases, with the Receiver retaining 7.5% (which can be freely marketed for sale without restriction). A copy of the Farmout Agreement is attached hereto as **Exhibit B**.

10. Each of the principals and/or investors in the Farmees have executed a Declaration which confirms that they "have not solicited any entity or individual to invest in the E&P operations to be undertaken pursuant to the Farmout." Further, they "have neither asked for, nor received, any transaction-based compensation from any other investor in SDMB or THMXT in connection with investing in the E&P operations described in the Farmout." The Declarations are attached hereto as **Exhibit C**.

11. There are no assurances that this agreement will result in value for the investors. In the Receiver's business judgment, this agreement provides an opportunity to determine the value of the Crockett/Val Verde Leases at no cost or risk. Further, if it is determined that such value exists, there will be an opportunity to participate in disproportionate upside returns after being de-risked without the Receiver's capital or to sell the residual interest at a substantial premium to current value.

II. RELIEF REQUESTED

12. The Receiver seeks Court approval to enter into the Farmout Agreement with the Farmees in connection with the Crockett/Val Verde Leases, in substantially the form attached

hereto as **Exhibit B**, and to sign all related documents in connection therewith, including the Joint Operating Agreement.

13. The Receiver also seeks approval to pay the lessors of the Carson/Childress leases the sum $25,000 in full satisfaction of Receiver's obligation for the extension of the Carson leases and for the Carson/Childress lessors' granting of consent to assign and consent to change of operator.

III. ARGUMENT AND AUTHORITIES

14. Federal courts have broad powers and wide discretion to determine relief in an equity receivership. *SEC v. Elliot*, 953 F.2d 1560, 1566 (11th Cir. 1992) (citing *SEC v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 372 (5th Cir. 1982) (additional citations omitted)). While caselaw involving district courts' administration of an equity receivership is "sparse," two basic principles emerge from cases involving receiverships. *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986). First, courts have "extremely broad" powers and discretion to "determine the appropriate action to be taken in the administration of the receivership." *Id.*; *see SEC v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 373 (holding that the court overseeing the receivership is given "wide discretionary power" in light of "the concern for orderly administration"). Second, a "primary purpose" of receivership is to promote the orderly and efficient administration of the estate. *Hardy*, 803 F.2d at 1038. In a receivership, the order appointing the receiver governs the administration of the receivership. *See, e.g., Liberte Cap. Grp., LLC v. Capwill*, 248 Fed. App'x 650, 655 (6th Cir. 2007). If the order appointing the receiver is silent on an aspect of the receivership's administration, courts look to the common law governing receiverships that has arisen and evolved over the centuries. Only if both the order appointing the receiver and federal receivership common law are silent on the determinative issues should courts look to other bodies of law for guidance. *See, e.g., Janvey v. Alguire*, Civil No. 3:09-CV-0724-N, 2014 U.S. Dist. LEXIS, at *103–04 (N.D. Tex. Jul. 30, 2014)

(noting the dearth of guidance available from existing caselaw on the interplay between the Federal Arbitration Act and federal equity receiverships and, as a result, looking to bankruptcy caselaw for guidance).

15. The Receiver's authority to enter into farmout agreements is not discussed in the Receivership Order and federal receivership common law appears to be silent on the matter; thus, it is prudent to look to bankruptcy case law.

16. Bankruptcy courts have granted a debtor's motion for authority to enter into farmout agreement as being in the best interest of the bankruptcy estate where the properties to be farmed out had resulted only in expenses, and the farmout agreement would place any expense or risk on the other party, while leaving the debtor and its partners in the position of receiving potential upside from the other party's efforts.[4] Here, the Farmout Agreement provides an opportunity to determine the value of the Carson/Val Verde Leases at no cost. Next, it puts the risk and expense on another party to potentially get one or more of the wells to produce. Last, if it is determined that such value exists, there will be an opportunity to participate. Ultimately, the Farmout Agreement provides the Receivership Estates the opportunity to participate in any potential upside to the value of the Crockett/Val Verde Leases without having to endure related risks and expenses.

17. Additionally, a debtor must demonstrate sound business judgment for entering into a farmout agreement outside the ordinary course of business. *In re Cont'l Air Lines, Inc.*, 780 F.2d

[4] *See, e.g.*, Mot. for Authority to Enter into Agreement for Farmout of Mineral Interests in Algoa Field, Galveston County, Texas [ECF No. 218] and Order Authorizing Debtor to Enter into Agreement [ECF No. 237], *In re Houston Petroleum Co.*, Case No. 08-31769-H5-11 (Bankr. S.D. Tex. Jan. 29, 2009); *see also* Mot. for Authority to Enter into Agreement for Farmout of Certain Mineral Interests in the Clear Creek Field, Beauregard Parish, Louisiana [ECF No. 454] and Order Authorizing Mot. for Authority to Enter into Agreement for Farmout of Certain Mineral Interests in the Clear Creek Field, Beauregard Parish, Louisiana [ECF No. 481], *In re Turnkey E&P Corp.*, No. 08-37358 -H2-11 (Bankr. S.D. Tex. Feb. 4, 2010) (granting farmout agreement as in best interests of the estate where properties to be farmed out were not producing any revenue, and expenses and risks would be placed on other party under agreement while leaving debtor in the position of receiving potential upside from other party's efforts).

1223, 1226 (5th Cir. 1986). Here, the Receiver has sound business reasons for entering into the Farmout Agreement. The Receiver has been unable to find other alternative methods of performing the necessary operations to maintain and produce value out the leases. As discussed above, in the business judgment of the Receiver, a true sale of the Crockett/Val Verde Leases will not recognize the potential value of the leases. Similarly, having the Receiver operate and develop the Crockett/Val Verde Leases is impractical and risks most (if not all) of the funds which have been recovered to date. Instead, the Receiver is seeking approval of the commercially reasonable and customary method of sharing such risk, which courts have also allowed. *See In re Chira*, 343 B.R. 361, 368 (Bankr. S.D. Fla. 2006) (explaining that "generally a receiver cannot enter into contracts binding the estate in receivership to performance extending in time beyond the duration of the receivership," but an exception exists for a "'receiver to make contracts which are usual and customary in the particular operation, although they extend beyond the term of the receivership.'" (quoting *Wigton v. Climax Coal Co.*, 270 Pa. 420, 424 (1921) (citing *Gay v. Hudson River Elec. Power Co.*, 173 F. 1003, 1006 (N.D.N.Y. 1909))). The proposed agreement will also shift the payment of costs associated with any "end of life" or plugging obligations, enabling the Receivership Estates to avoid the potential burden of these costs. The Receiver believes that the proposed transaction is the most likely way to maximize and preserve the realizable value of the underlying leases.

IV. CONCLUSION

For the foregoing reasons, the Receiver requests that this Court enter an order in the form proposed in **Exhibit D**, granting her Motion and for such further relief to which she may be entitled.

Dated: October 17, 2022

Respectfully submitted,

By: */s/ Danielle N. Rushing*

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COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on October 17, 2022, the foregoing document was served via CM/ECF on all parties appearing in this Case, including counsel for Plaintiff, Securities and Exchange Commission and on the following unrepresented parties on this Court's docket:

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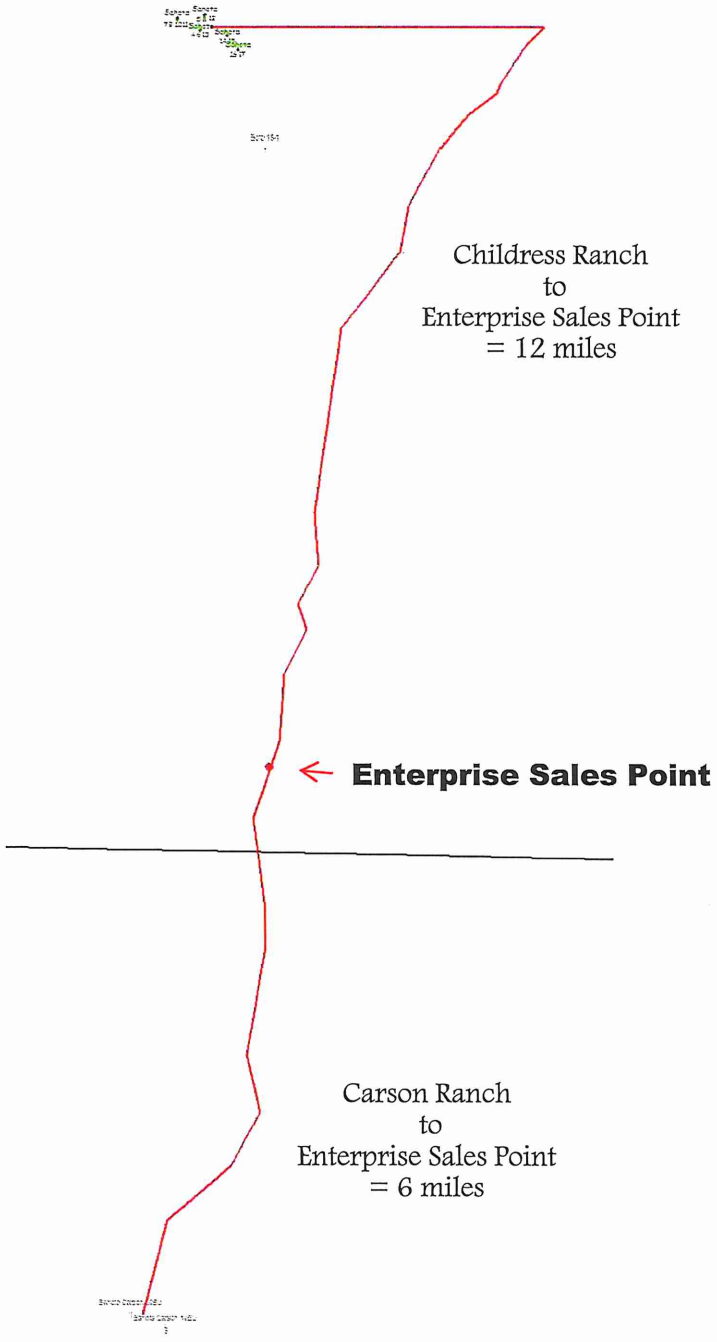
EXHIBIT A

GAS GATHERING SYSTEM



Contract Oil & Gas Operations

Gas Gathering System

Crockett & Val Verde Counties

KEY:
Active Wells
Operated Wells
Permitted Wells, No Completion Report
Gas Line

EXHIBIT B

FARMOUT AGREEMENT

FARMOUT AGREEMENT

THIS FARMOUT AGREEMENT (this "Agreement") is entered into on the 14th day of October, 2022 ("**Effective Date**") by and between Deborah D. Williamson Solely In Her Capacity as Court Appointed Receiver for the Estates of Heartland Group Ventures, LLC *et al*, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division (**"Receiver"** or **Farmor**") and SDMB Resources LLC ("**SDMB**"), THXMT, LLC ("**THXMT**") and Atoka Operating, Inc. ("Atoka", collectively with SDMB, THXMT, "**Farmee**"). The persons named above and their respective successors and assigns (if any), may sometimes individually be referred to as "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Farmor is the Receiver for the owner of (1) leasehold and other interests in certain oil and gas leases and supplemental agreements as described in Schedule "A" (the "**Leases**"), (2) working interests and other interests in the hydrocarbon wells listed on Schedule "B" (the "**Initial Wells**") and the pipeline easements listed on Schedule "C" (the "**Pipeline Easements**", and together with the Leases and the Initial Wells, the "**Subject Properties**");

WHEREAS, Farmor is authorized to negotiate and deal in the Leases and the Initial Wells by virtue of the existing and issued orders of the United States District Court for the Northern District of Texas (Fort Worth Division) (the "**Court**") in Cause No. 4:21-CV-01310-O (the "**Court Action**");

WHEREAS, Farmee proposes to operate and develop the Leases and Initial Wells on the terms and subject to the conditions, set forth herein;

NOW, THEREFORE, Farmor and Farmee agree as follows:

I. INTERPRETATION

1.1 **Definitions**. As used in this Agreement, the following capitalized words and terms shall have the meaning ascribed to them below and in the Recitals above. Any capitalized term used in this Agreement and not specifically defined in this Agreement shall have the same meaning as in the Joint Operating Agreement:

A. "**Accounting Procedure**" means the COPAS Accounting Procedure attached as Schedule "D", which is made a part hereof;

B. "**Assigned WI**" means a 50% working interest in and to the Leases and Initial Wells as described herein.

C. "**Assignment**" means the document, attached as Schedule "E" and made a part hereof, by which Farmor will transfer and convey fifty percent (50%) of all right, title and interest in and to the Subject Properties to Farmee;

D. **"Bonus"** means a non-refundable bonus payment of one hundred thousand dollars ($100,000).

E. "**Burdens**" means those royalties, overriding royalties, production payments, net profits interests or other charges, if any, applying against the Leases or Initial Wells, or the production or proceeds of production of Hydrocarbons from the Leases or Initial Wells;

F. **"Carry"** means a credit of $5,500,000 to Farmor's Retained WI Joint Interest Billing account under the JOA given at Closing.

G. "**Carry Deadline**" means the earlier of (i) the second anniversary of the entry of the Court order approving the Transaction Documents in the Court Action, or (ii) the full expenditure and exhaustion by Farmee of the Carry for the for Farmor's joint interest account for the Subject Properties as set forth in Article 3 below.

H. "**Claim**" means any liability, loss, demand, damage, encumbrance, cause of action of any kind, order, subpoena, obligation, cost, royalty, fee, assessment, duty, charge, penalty, fine, judgment, interest or award (including reasonable legal counsel fees and cost of litigation of the person asserting the Claim), whether arising by applicable law, contract, tort, voluntary settlement or in any other manner.

I. **"Closing"** shall mean the later of (i) the date of the last signature below or (ii) Court approval by entry of an appropriate order in the Court Action.

J. **"Earning Operation"** has the meaning set forth in Section 3.4(b).

K. **"Farmor's Final WI"** shall mean the right, after the Carry is exhausted, of Receiver to participate to the extent of a 7.5% (of 8/8) cost-bearing working interest in any Other Wells pursuant to the terms and conditions of the JOA and this Agreement.

L. "**Force Majeure**" shall mean in respect of any person ("**Excused Party**") an event (i) which is beyond the reasonable control of the Excused Party, and (ii) which was not the result of fault or negligence on the part of the Excused Party. Force Majeure events include (to the extent meeting (i) and (ii)): expropriation or confiscation of facilities; act of public enemy; act of war; rebellion or sabotage or damage resulting therefrom; terrorism; epidemics and pandemics; riots; change of law; restraint by order of a Governmental Entity; pollution or hazardous substances at a site; strikes; loss in transit; fire; flood, lightning, tornado, hurricane, earthquake or other similar adverse events; acts or delays of suppliers or other vendors in supplying labor, equipment or consumables; general supply chain interruptions; or causes other than those events or occurrences specified above of a similar nature or effect.

M. "**Governmental Entities**" means any government whether federal, provincial, state, tribal, territorial, local, regional, municipal or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government having jurisdiction over the Subject Properties, the Parties or the work to be carried out or funded hereunder;

N. "**Highlander Agreement**" means that certain agreement between Roger Sahota-Barron Petroleum LLC and Highlander Energy LLC.

O. "**Highlander Claims**" means the overriding royalty interest in those certain Oil and Gas Leases between I. W. Carson LLC and Barron Petroleum LLC covering those lands in Val Verde County, Texas, as more particularly described in that certain Highlander Agreement. Highlander Energy LLC is the holder of such overriding royalty interest.

P. "**JOA**" means the Joint Operating Agreement that designates Farmee as operator attached hereto as Schedule "F", which is made a part hereof.

Q. "**Lease Operating Expenses**" has the meaning delineated in the COPAS principles as generally embodied in the Accounting Procedure.

R. **"Operator"** means Atoka.

S. "**Ordinary Lease Expenses**" means all capital expense, major expense, Lease Operating Expense and general and administrative expense (other than overhead and salaries/consulting fees), arising under any Transaction Document, collectively and without regard to the Preliminary Phase or afterward.

T. **"Other Wells"** shall mean one or more additional wells drilled on the Leases, in accordance with the JOA and in the manner set forth therein and herein, after the Preliminary Phase.

U. **"Preliminary Phase"** means the re-entry, re-work, stimulation, and/or attempts to produce one or more of the Initial Wells.

V. **"Retained WI"** means a 50% working interest retained by Farmor, subject to the Carry, as described herein.

W. "**Special Warranty of Title**" means a warranty of title to Farmor's right, title and interest in and to the Leases and the oil and gas wells and facilities located thereupon as of the date of this Agreement, which warranty period commences on December 1, 2021 and then only as to claims, liens and encumbrances made by, through or under Farmor, but not otherwise. The Special Warranty of Title is

subject to (i) all matters of record as of the date of this Agreement, (ii) the Highlander Claims, and (iii) all matters of record in the Court Action.

X. "**Transaction Documents**" is defined in Section 7.5 below.

1.2 **Schedules**. The following Schedules and Exhibits are attached hereto and made part of this Agreement:

A. Schedule "A", which describes the Leases;

B. Schedule "B", which describes the Initial Wells;

C. Schedule "C", which describes the Pipeline Easements;

D. Schedule "D" which is the **"Accounting Procedure"**;

E. Schedule "E" which is the **"Assignment"**; and

F. Schedule "F" which is the applicable joint operating agreement form **("JOA").**

1.3 **Conflicts**. If any provision contained in the body of this Agreement conflicts with a schedule attached hereto, the provisions of this Agreement shall prevail. If any provision of this Agreement conflicts with a provision of the JOA, then the provisions of this Agreement shall prevail.

1.4 **Court Approval**. Performance of this Agreement is strictly conditioned upon Court approval in the Court Action, with any and all such modifications or amendments as may be required therefor. Farmor shall initiate the approval process within 5 business days of Farmee's written confirmation that this document and the other Transaction Documents are in substantially the final form to consummate the transaction.

II. TITLE AND ENCUMBRANCES

2.1 **Warranties**. Except for the Special Warranty of Title, Farmor makes or gives no representations or warranties of any kind or character with respect to the Subject Properties.

III. ASSIGNMENT TO FARMEE

3.1 **Farmee Payment of Bonus; Assignment to Farmee**. Farmee agrees that at Closing it will pay Farmor the Bonus.

3.2 **Assignment of Subject Properties**. Upon receipt of the Bonus and Farmor's confirmation that Atoka has been recognized by the Texas Railroad Commission as the operator of record for all of the wells, pipelines and facilities upon the Leases, Farmor shall tender the Assignment to Farmee, subject to the Transaction Documents and providing for the Special

Warranty of Title. The Assignment shall convey the Assigned WI, and shall reserve the Retained WI. Notwithstanding Exhibit C to the JOA, the Retained WI shall be subject to the Carry and to defense and indemnity by Farmee from and against third-party claims pertaining to or arising from the Subject Properties (other than those arising from a breach of the Special Warranty of Title). Further, the additional insureds, consistent with the terms on page 34 of the JOA that Atoka carries shall extend to working interest owners under the JOA and includes coverage of "sudden and accidental" pollution events. Subject to the Carry Deadline, upon the full application and exhaustion of the Carry, the Retained WI shall automatically be assigned and transferred to Farmee, save and except therefrom Farmor's Final WI (which shall be deemed an amendment of Exhibit A to the JOA to reflect the revised leasehold ownership). The Assignment shall be effective as of its delivery to Farmee, but shall be subject to reversion of the rights and estates therein conveyed to Farmor upon:

A. Farmee's material breach of any Transaction Document, or

B. Farmee's failure to timely complete the Preliminary Phase.

3.3 As soon as practicable after the Effective Date, the Parties shall sign and deliver such other documents, and take such other actions, as are necessary to have Farmee assume all liabilities for the Leases (and lands described therein) and the wells, easements and surface facilities thereupon, including a novation of obligations owed to the "Lessors" under one or more of the Leases and any associated surface use agreements, or under applicable law. In the event of a reversion to Farmor of the rights and interest assigned pursuant to the Assignment, Farmee shall deliver a recordable assignment to Farmor memorizing same, the from and substance of which shall be as prepared by Farmor in its reasonable discretion.

3.4 **Recompletion and Re-entry Program; Development Drilling**.

A. Farmee will, at Farmee's sole risk and expense, retain Operator undertake the Preliminary Phase. The Preliminary Phase will be completed as soon as commercially feasible, but in no event later than the first anniversary of the Court Action order approving the Transaction Documents, or else this Agreement and the Transaction Documents shall automatically terminate and Farmor shall owe no duties to Farmee hereunder or otherwise, though Farmee shall continue to be bound to the allocation of risks and liabilities for Claims as set forth elsewhere herein. The working interest in the Leases and Initial Wells upon delivery of the Assignment shall be owned and held as: (i) 50% to Farmor (subject to the Carry); (ii) 30% to SDMB; (iii) 10% to THXMT; and (iv) 10% to Atoka. Ordinary Lease Expenses shall be borne and paid in full by Farmee until such time as the Carry is satisfied in full (which satisfaction shall be subject to audit by Farmor under generally accepted accounting principles and COPAS standard rules). Notwithstanding any provision of the JOA, including Exhibit B therein, which would dictate a different result, contingent liabilities to third parties accruing to the joint account of the Parties under the Accounting Procedures which arises under applicable law or any agreement, shall be subject to Section 6.2 in all respects and

the performance and satisfaction of same shall not be charged against the Carry and shall instead be solely for Farmor's account, except as expressly set forth in Section 3.2(B) below.

B. After completion of the Preliminary Phase, SDMB shall have the option to elect to drill one or more Other Wells. Expenses for the Other wells shall be subject to the Carry until it is exhausted and fully applied, then those expenses shall be borne and paid in proportion to working interest ownership. After the Carry is exhausted, SDMB shall give written notice to Receiver of Receiver's right to participate to the extent of Farmor's Final WI and pursuant to the JOA (except for those provisions thereof subject to the last sentence of this paragraph). Notwithstanding the JOA, if without the drilling, deepening, reworking, completing or re-completing of a well, or any other operation under this Agreement (the "**Earning Operation**"), any lease that would be maintained, perpetuated, earned or acquired, any Party hereto elects not to participate in the Earning Operation after notice and election (or failure to timely elect which shall be deemed an election not to participate) under the terms of the JOA, then said non-consenting party shall not be entitled to any interest in any such perpetuated lease and shall forfeit all rights to earn an interest in such perpetuated lease as to all lands not then allocated to a producing well and associated spacing unit for which said non-consenting party was a consenting party. Revenue entitlement for Farmor's Final WI shall be 7.5% so long as Farmor pay its undisputed invoices when due under the JOA in the ordinary course. Any provision of the JOA that would operate to permanently divest Farmor of leasehold rights based on Farmor's elections for Other Wells except for the risk surcharges that are percentages of new capital investment by Farmee, shall be disregarded.

C. The Carry shall be applied to Ordinary Lease Expense from the inception of the Preliminary Phase forward until exhausted. Farmor shall owe no amounts for any cost, risk or expense incurred in the operation or ownership of the Leases or any well or facility located thereupon, without regard to when drilled or installed or operated, until Farmor's Final WI becomes effective.

D. Revenue entitlement attributable to Farmor's Retained WI shall at all times prior to the exhaustion of the Carry be an amount equal to 50% of the total net revenue interest attributable to the working interests created by the Leases.

3.5 **Joint Operating Agreement**. Farmee or its designee will be the designated operator of the Subject Properties and the Parties agree that the Joint Operating Agreement attached hereto as Schedule "F" (the "JOA") will govern the relationship and operations between Farmor and Farmee related to the Subject Properties and all wells drilled on the Subject Properties, but only to the extent there is no conflict between the terms of this Agreement, the Assignment, the JOA itself, and subject in any event to the Carry. In the event of a conflict, the terms of this Agreement will prevail. The Parties agree to execute the JOA and deliver to one another at the effective date of the Assignment as provided for elsewhere herein, but the JOA shall govern all subject matter contemplated therein from the date of

this Agreement onward to the extent there is no conflict between the terms of this Agreement and the terms of the JOA.

3.6 **Lease Operating Expenses**. Notwithstanding anything otherwise provided herein, Farmor will be responsible to timely pay its proportional share of Lease Operating Expenses related to the Subject Properties once the Carry is fully expended, but not before.

IV. FARMOR TAG-ALONG; PREFERENTIAL RIGHT; MARKETING

4.1 **Farmor Tag Along**: In the event that any Party commences marketing or negotiation to sell, transfer or otherwise dispose of all or any part of its interest in the Leases or wells located thereupon (subject to the consent right of Farmor provided for elsewhere herein), that Party shall promptly so inform all Parties, and thereafter, any Party shall have the option (at its sole discretion) to sell its interest in the same Leases and wells to any potential or actual buyer/transferee upon matching economic terms and transaction consummation timing. This right shall be memorialized in the Assignment.

4.2 **Preferential Purchase Right**. Subject to Farmor's consent right elsewhere herein, in the event that Farmor determines to sell its interest under this Agreement or in the Leases, Farmee shall have the right, for a period of 10 days after notice of the sales agreement from Farmor, to purchase Farmor's interest which is subject to the third-party sales agreement on the identical terms and conditions as agreed to by the third party.

4.3 **Hydrocarbons Marketed for Farmor**. Notwithstanding Section 11 of the JOA, Operator shall always market and sell Farmor's share of hydrocarbons from all Wells on the Leases on identical terms and conditions as Farmee receives for its own share, subject to Farmor's right to take in-kind as provided for in said Section 11.

V. REPRESENTATIONS AND WARRANTIES

5.1 **Representations, Warranties and Covenants of Farmee**. Farmee hereby represents and warrants to Farmor that:

A. SDMB Resources LLC is a limited liability company duly organized and validly existing under the laws of Texas, THXMT, LLC is a limited liability company duly organized and validly existing under the laws of Florida, and Atoka Operating, Inc. is a corporation duly organized and validly existing under the laws of Texas. All three entities are authorized to carry on business on the Subject Properties, and now have the right, power and absolute authority to enter into and perform its obligations under this Agreement.

B. The execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders' and directors' actions and will not result in any violation of, be in conflict with or constitute a

default under any articles, charter, bylaw or other governing document to which Farmor is bound.

C. The execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which Farmee is bound, nor under any judgment, decree, order, statute, regulation, rule or license applicable to it.

D. The Transaction Documents delivered in connection herewith constitute valid and binding obligations of it enforceable against it in accordance with their terms.

E. Farmee has and possesses the financial means and resources to pay all the amounts required or provided to be paid under the Transaction Documents.

F. Farmee has available and has conferred with legal and technical counsel and consultants in connection with its undertaking hereunder to evaluate the potential results of projects specified hereunder and payment of the sums provided hereunder.

G. All parties acknowledge that the interests subject to this Agreement are not registered with either state or federal securities regulatory authorities and may not be traded or transferred as securities in reliance on any Transaction Document.

H. Farmee is (or is thoroughly advised in all respects by those who are) particularly sophisticated and experienced in the oil and gas industry in the geographic area of the Subject Properties, are fully aware from their own prior knowledge of what information they should rely upon and have requested and received all material information a reasonable investor would have prior to each Party's respective performance hereunder.

I. Farmee understands that the investment decision contemplated herein is highly speculative and risk-intensive, and the possibility exists that Farmee could lose its entire investment and be called upon to fund additional operations or otherwise comply with applicable law.

VI. LIABILITY OF THE PARTIES

6.1 **No Partnership**. Nothing contained in this Agreement shall be construed as creating a partnership or similar association. However, liability and obligation of the collective members of "Farmee" shall be joint and several.

6.2 **General Allocation of Risk and Liability**. Until the date that the Carry is fully expended and satisfied and Farmor's Final WI becomes effective, Farmor shall have no risk, expense (including Lease Operating Expenses), liability or obligations for any Claim in connection with the Leases (and any agreements executed in connection therewith), or any other matter involving or arising from operations upon the Leases or the lands covered thereby or

described in any of them. Liability and obligation for all Claims (other than a breach of this Agreement) shall be as follows (disregarding the date of this Agreement and regardless of the pre-existing environmental condition of the property):

A. Farmee shall defend, indemnify and save harmless Farmor from and against all Claims that Farmor or its advisors, attorneys, representatives, consultants or contractors may suffer or incur or otherwise be exposed to because of Farmee's undertaking performance of any Transaction Document or because of Farmor's ownership or operation of the Subject Properties, without limit as to time or amount, until Farmor's Final WI becomes effective after satisfaction of the Carry, after which time the risk of and liability for all Claims shall be allocated under the applicable provisions of the JOA (and subject to the obligations of the parties thereto), but Farmee shall defend and indemnify Farmor, but not any successors and assigns, as to liabilities arising from exploration and development operations on the subject properties over and above the pro rata percentage of Farmor's Final WI, but if Farmor has not transferred Farmor's Final WI.

B. ***FARMEE ACKNOWLEDGES THAT (I) THE SUBJECT PROPERTIES HAVE BEEN OPERATED AS OIL AND GAS PRODUCING WELLS AND FACILITIES AND THAT THERE MAY BE ENVIRONMENTAL CONTAMINATION ORIGINATING THEREFROM AS OF THE DATE OF THIS AGREEMENT; (II) FARMOR KNOWS NOTHING ABOUT THE SUBJECT PROPERTIES THAT HAS NOT BEEN MADE AVAILABLE TO FARMEE; AND (III) FARMEE ASSUMES ALL RISKS AND ALL CLAIMS ARISING FROM OWNERSHIP OR OPERATION OF THE SUBJECT PROPERTIES OR ATTRIBUTABLE THERETO WITHOUT REGARD TO THE DATE OF THIS AGREEMENT (ALL OF WHICH ARE SUBJECT TO SECTION 6.2(1)). FARMOR NEGATES AND DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES OF EVERY TYPE AND CHARACTER OTHER THAN THE SPECIAL WARRANTY OF TITLE, INCLUDING FITNESS FOR PURPOSE OR MERCHANTABILITY.***

VII. GENERAL / MISCELLANEOUS

7.1 **Governing Law**. This Agreement and the relationship of the Parties shall be interpreted and construed in accordance with the laws of the State of Texas. Venue for any dispute arising under any of the Transaction Documents or otherwise in connection with any matter between Farmor and Farmee shall lie exclusively in the U.S. District Court for the Northern District of Texas (Fort Worth Division). Each Party waives the right to a jury trial in all cases.

7.2 **Force Majeure**. Notwithstanding anything otherwise provided herein, each Party's obligations hereunder shall be excused and suspended for so long as such Party is an Excused Party as a result of an event of Force Majeure. In order to claim contractual relief as a result of an event of Force Majeure, a Party purporting to be an Excused Party must give the other Party reasonably prompt notice of the event of Force Majeure and any such notice shall include reasonable details thereof.

7.3 **Further Assurances**. From time to time, as and when reasonably requested by a Party, the other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further and other actions to implement or give effect to this Agreement.

7.4 **Waiver**. No waiver by a Party of any breach of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that Party unless the same be expressed in writing under the authority of that Party and any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

7.5 **Entire Agreement**. This Agreement supersedes any and all other agreements, documents, writings and verbal understandings between the Parties relating to the subject matter hereof, other than the Joint Operating Agreement and the Assignment (collectively, the "**Transaction Documents**"), and the Transaction Documents express the entire agreement of the Parties with respect to the subject matter hereof.

7.6 **Amendment**. No amendment or variation of the provisions of this Agreement shall be binding upon any Party unless it is in writing executed by the Parties.

7.7 **Assignment of this Agreement**. Prior to Farmor's written acknowledgement that the Carry has been fully exhausted (including a right to audit Farmee's accounting under the Accounting Procedures), any attempted assignment or transfer of any rights, titles or interests by Farmee of this Agreement or the any Transaction Document shall be void, and upon such an attempt, Farmor may, as a cumulative remedy, terminate this Agreement without liability to or recourse by Farmee. Once the contemplated acknowledgment is delivered, then subject to the other terms of this Agreement (including the Drag-Along), Farmee may freely assign and transfer its rights under this Agreement and the Transaction Documents; provided that any transfer of operatorship of any of the Subject Properties is subject a consent right of Farmor in its reasonable discretion. Farmor may assign or transfer its rights and interests hereunder at any time.

7.8 **Severability**. If any provision of this Agreement is deemed or determined to be void, voidable or unenforceable, in whole or in part, it shall be deemed not to affect or impair the validity of any other provision of this Agreement and such void, voidable or unenforceable provision shall be severable from this Agreement.

7.9 **Addresses for Service**. Any notice, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given and received when delivered personally, or on the date of delivery when delivered prior to 5:00 p.m. local time on a business day by scanned email to the Party designated to receive such notice, otherwise on the next succeeding business day, or on the day following the day sent by overnight courier, or on the third business day after the same if sent by certified mail, postage and charges prepaid, directed to the following addresses or to such other or additional addresses as any Party might designate by written notice to the other Party:

Farmor:

For Deborah D. Williamson Solely In Her Capacity as Court Appointed Receiver for the Estates of Heartland Group Ventures, LLC *et al*, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

Atten: Deborah D. Williamson

DWilliamson@dykema.com

112 E. Pecan Street, Suite 1800

San Antonio, TX 78205-1521

Farmee:

For SDMB Resources LLC

Atten: David Underwood

duriverfront@gmail.com

5900 Balcones Drive, Suite 100

Austin, TX 78731

For THXMT, LLC

C/O: Duggan Bertsch, LLC

Atten: Michael A. Passananti, J.D.

mpassananti@dugganbertsch.com

303 W. Madison, Suite 1000

Chicago, IL 60606

For Atoka Operating, Inc.

16200 Addison Road, Suite 155

Addison, TX 75001

Either Party may, upon written notice to the other Party, change the addresses and persons to whom such communications are to be directed.

[**SIGNATURE PAGE FOLLOWS**]

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

FARMEE:

SDMB Resources LLC

By: _____
Name: David Underwood
Title: Manager

FARMOR:

Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

By: _____
Name: Deborah D. Williamson
Title: Court-Appointed Receiver

FARMEE:

THXMT, LLC

By: _____
Name: David Calzaretta
Title: Manager

FARMEE:

Atoka Operating, Inc.

By: _____
Name: Scott G. Heape
Title: President

SCHEDULE "A" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Leases

1. Oil and Gas Lease and Supplemental Agreement by and between I. W. Carson LLC, as Lessor, and Deadwood Cattle Co., LLC, as Lessee, dated December 31, 2018, a memorandum of which recorded as Document No. 00311551, Official Public Records of Val Verde County, Texas, as amended by Amendment to Oil and Gas Lease dated March 14, 2019, recorded as Document No. 00312441, Official Public Records, of Val Verde County, Texas, and as extended by Amendment recorded as Document No. 00332401, Second Amendment recorded as Document No. 00334020, Third Amendment recorded as Document No. 00336098 and Fourth Amendment that has yet to be recorded, covering those certain lands totaling 1,140 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

2. Oil and Gas Lease and Supplemental Agreement dated May 8, 2020, recorded as Document No. 00320877, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,072.25 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

3. Oil and Gas Lease and Supplemental Agreement dated December 31, 2020, recorded as Document No. 00324936, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,190.15 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease; and

4. Oil and Gas Lease and Supplemental Agreement dated June 30, 2021, a memorandum of which recorded as Document No. 00328728, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease.

5. Oil and Gas Lease and Supplemental Agreement dated September 24, 2020, a memorandum of which is recorded in Volume 889, Page 546, Official Public Records of Crockett County, Texas, by and between Petro Childress, LLC, et al, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 1,000 acres, more or less, in Crockett County, Texas, more particularly described in said Lease.

6. Oil and Gas Lease dated effective as of October 1, 2020, between Robert West Simons, individually and as Attorney in Fact for Edwin M. Simons, Jr., Robert M. West, III, Margo Chrisann West and Rebekah Simons West (undivided 1/5 interest each), as Lessor, and Barron

Petroleum LLC, as Lessee, covering 6,174.90 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease, and covering all rights as to depths below 1,500 feet.

SCHEDULE "B" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group, Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Wells

Carson Lease (Val Verde County, Texas)

Sahota Carson 20BU #1 Well—API 46530878

Sahota Carson 19BU #3 Well—API 46530879

Childress Lease (Crockett County, Texas)

Sahota #4 Well—API 10542489

Sahota #5 Well—API 10542490

Sahota #6 Well—API 10542491

Sahota #7 Well—API 10542492

Sahota #8 Well—API 10542493

Sahota #9 Well—API 10542494

Sahota #12 Well-API 10542497

Sahota #13 Well-API 10542498

Sahota #14 Well-API 10542499

SCHEDULE "C" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group, Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Pipeline Easements

1. Surface Use and Right of Way Agreement from Joe S. Pierce, V, to Barron Petroleum, LLC, dated April 13, 2021, recorded in Volume 896, Page 408, Official Public Records of Crockett County, Texas.

2. Surface Use and Right of Way Agreement from Bill Cole Ranches Ltd., to Barron Petroleum, LLC, dated January 19, 2021, recorded in Volume 893, Page 87, Official Public Records of Crockett County, Texas, and as Document No. 325208, Official Public Records of Val Verde County, Texas.

3. All pipeline easements on or through the lands subject to the Leases set forth in Schedule A.

SCHEDULE "D" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Accounting Procedure

See attached.

Exhibit "B"
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that Operating Agreement (the "Agreement") dated October 14, 2022, between Atoka Operating, Inc., herein named Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein Non-Operators.

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

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

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

4. ADJUSTMENTS

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

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

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

5. EXPENDITURE AUDITS

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

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

those Non-Operators approving such audit.

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

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

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

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

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ☐ ***(Optional Provision – Forfeiture Penalties)***

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

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the

Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of the majority in interest of the Non-Operators, which approval shall be binding on all Parties.

C. AFFILIATES

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

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

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

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

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

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

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

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

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

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

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

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

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

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

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

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

3. MATERIAL

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

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $25,000.00. 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 Operator reasonably determines that charges for such Affiliate's good and services are estimated to exceed the average commercial rates or charges prevailing in the area of the Joint Property.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

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

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

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

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

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

III. OVERHEAD

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

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

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

- 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 $12,500.00 (prorated for less than a full month)

Producing Well Rate per month $1,250.00

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

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date 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 six percent _____(6%) 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 six percent (6%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.

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

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

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

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

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator’s expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

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

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

(1) 6% of total costs if such costs are less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% 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) 6% of total costs if such costs are more than $50,000.00 but less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

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

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

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

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

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

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

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

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

B. FREIGHT

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

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 (“Material Pricing Manual”) and other COPAS MFIs in effect at the time of the transfer.

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

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

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

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

C. TAXES

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

D. CONDITION

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

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

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

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

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

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

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

1. DIRECTED INVENTORIES

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

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

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

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

SCHEDULE "E" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Assignment

See attached.

ASSIGNMENT OF OIL AND GAS LEASE

STATE OF TEXAS KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF VAL VERDE

THAT, subject to the terms, reservations and conditions hereinafter set forth, **DEBORAH D. WILLIAMSON SOLELY IN HER CAPACITY AS COURT APPOINTED RECEIVER FOR THE ESTATES OF HEARTLAND GROUP VENTURES, LLC *ET AL*, CIVIL NO. 4:21-CV-01310-O, UNITED STATES DISTRICT COURT FOR THE NORTHERN DIVISION OF TEXAS, FORT WORTH DIVISION**, (hereinafter referred to as "Assignor"), for and in consideration of One Hundred and No/100 Dollars ($100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, BARGAIN, SELL, CONVEY and ASSIGN unto **SDMB RESOURCES LLC** ("SDMB"), **THXMT, LLC** ("THXMT"), and **ATOKA OPERATING, INC.** ("Atoka", and together with SDMB and THXMT, the "Assignee"), part of Assignor's right, title and interest, as further specified in that certain Farmout Agreement dated October 14, 2022 between Assignor and Assignee (the "Farmout Agreement"), in and to the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Leases"), insofar as the Leases cover and relate to the lands described in said Leases to the extent held (the "Lands"), in and to the wells described in Exhibit "B" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Wells"), and in and to the pipeline easements described in Exhibit "C" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Pipelines"). The working interest in the Leases, Wells and Pipelines upon delivery of this Assignment shall be owned and held as follows: (i) 30% to SDMB; (ii) 10% to THXMT; and (iii) 10% to Atoka (the "Working Interest"), with the remaining 50% belonging to Assignor.

Assignee expressly assumes all of the obligations under the Leases, whether express or implied, as to the interests conveyed hereby.

Assignee shall keep Assignor apprised by quarterly written statement of all wells drilled or being drilled by Assignee located on the Leases or on lands pooled therewith, the producing status of all such wells and current production information for all producing wells. Assignee shall, promptly after same is prepared or received by Assignee, deliver to Assignor copies of permits to drill, daily drilling reports, well history reports, rework reports, and reports on production of each well drilled by or on behalf of Assignee or in which Assignee has a present or reversionary interest in the Leases or lands pooled therewith. Assignee shall promptly furnish Assignor copies of all logs, including electrical surveys, mud logs, core analysis, and reports on drill stem tests for each well referred to in this paragraph. All information required herein shall be furnished by Assignee to Assignor, free of all costs or charges to Assignor, upon its availability to Assignee or its agents. The duration of the assigned Working Interest is subject to Section 3.4 of the Farmout Agreement.

Assignee shall indemnify and defend Assignor from and against any plugging, replugging, abandonment, removal, disposal and restoration liabilities and obligations associated with Assignee's operations on the Leases. Such obligations and liabilities shall include, but not be limited to, all necessary and proper plugging and abandonment and/or removal and disposal of any wells drilled by Assignee, and all structures and equipment located on or associated with any wells drilled by Assignee, the necessary and proper capping and burying of all associated flow lines, and any necessary disposal of naturally occurring radioactive material or asbestos associated with Assignee's operations on the Leases. Assignee shall ensure that all plugging, replugging, abandonment, removal, disposal and restoration operations shall be in compliance with applicable laws and regulations and conducted in a good and workmanlike manner.

Assignor and Assignee shall indemnify each other as set forth in section 6.2 of the Farmout Agreement.

Assignor agrees to warrant and forever defend title to the Leases but only by, through and under Assignor, but not otherwise and with full substitution and subrogation in favor of Assignee to all covenants and warranties by others heretofore given or made in Assignor's chain of title with respect to the Leases.

This assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and all terms, provisions and reservations contained in this Assignment shall be deemed as covenants running with the land.

This assignment is further subject to the terms and provisions of the Farmout Agreement containing certain obligations and covenants between Assignor and Assignee which shall not be merged into this assignment, or otherwise be negated by the execution and delivery of this assignment and which shall survive the execution and delivery of this assignment (subject to the terms set forth therein).

EXECUTED AND EFFECTIVE this 14th day of October, 2022 (the "Effective Date").

[*Signatures continue on the following page*]

ASSIGNOR:

RECEIVERSHIP OF THE ESTATES OF HEARTLAND GROUP VENTURES, LLC, et al, CIVIL NO. 4:21-CV-01310-O, UNITED STATES DISTRICT COURT FOR THE NORTHERN DIVISION OF TEXAS, FORT WORTH DIVISION

By: _____
Name: Deborah D. Williamson
Title: Court-Appointed Receiver

112 E. Pecan Street, Suite 1800
San Antonio, Texas 78205-1521

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

SDMB RESOURCES LLC

By: _____
Name: David Underwood
Title: Manager

5900 Balcones Drive, Suite 100
Austin, Texas 78731

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

THXMT, LLC

By: _____
Name: David Calzaretta
Title: Manager

303 W. Madison, Suite 1000
Chicago, Illinois 60606

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

ATOKA OPERATING, INC.

By: _____
Name: Scott G. Heape
Title: President

16200 Addison Road, Suite 155
Addison, Texas 75001

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

EXHIBIT "A"
Attached to and made a part of Assignment, Conveyance and Bill of Sale effective _____, 2022

The Carson Lease

1. Oil and Gas Lease and Supplemental Agreement by and between I. W. Carson LLC, as Lessor, and Deadwood Cattle Co., LLC, as Lessee, dated December 31, 2018, a memorandum of which recorded as Document No. 00311551, Official Public Records of Val Verde County, Texas, as amended by Amendment to Oil and Gas Lease dated March 14, 2019, recorded as Document No. 00312441, Official Public Records, of Val Verde County, Texas, and as extended by Amendment recorded as Document No. 00332401, Second Amendment recorded as Document No. 00334020, Third Amendment recorded as Document No. 00336098 and Fourth Amendment that has yet to be recorded, covering those certain lands totaling 1,140 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

2. Oil and Gas Lease and Supplemental Agreement dated May 8, 2020, a memorandum of which recorded as Document No. 00320879, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,072.25 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

3. Oil and Gas Lease and Supplemental Agreement dated December 31, 2020, a memorandum of which recorded as Document No. 00324934, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,190.15 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease; and

4. Oil and Gas Lease and Supplemental Agreement dated June 30, 2021, a memorandum of which recorded as Document No. 00328728, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease.

The Childress Lease

1. Oil and Gas Lease and Supplemental Agreement dated September 24, 2020, a memorandum of which recorded in Volume 889, Page 546, Official Public Records of Crockett County, Texas, by and between Petro Childress LLC, et al, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas, more particularly described in said Lease.

The West Lease

1. Oil and Gas Lease dated effective as of October 1, 2020, between Robert West Simons, individually and as Attorney in Fact for Edwin M. Simons, Jr., Robert M. West, III, Margo Chrisann West and Rebekah Simons West (undivided 1/5 interest each), as Lessor, and Barron Petroleum LLC, as Lessee, covering 6,174.90 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease, and covering all rights as to depths below 1,500 feet.

EXHIBIT "B"

Wells

Carson Lease:

Sahota Carson 20BU #1 Well – API 46530878

Sahota Carson 19BU #3 Well – API 46530879

Childress Lease:

Sahota #4 Well – API 10542489

Sahota #5 Well—API 10542490

Sahota #6 Well—API 10542491

Sahota #7 Well—API 10542492

Sahota #8 Well—API 10542493

Sahota #9 Well—API 10542494

Sahota #12 Well-API 10542497

Sahota #13 Well-API 10542498

Sahota #14 Well-API 10542499

EXHIBIT "C"

Pipelines

1. Surface Use and Right of Way Agreement from Joe S. Pierce, V, to Barron Petroleum, LLC, dated April 13, 2021, recorded in Volume 896, Page 408, Official Public Records of Crockett County, Texas.

2. Surface Use and Right of Way Agreement from Bill Cole Ranches Ltd., to Barron Petroleum, LLC, dated January 19, 2021, recorded in Volume 893, Page 87, Official Public Records of Crockett County, Texas, and as Document No. 325208, Official Public Records of Val Verde County, Texas.

3. All pipeline easements on or through the lands subject to the Leases set forth in Exhibit "A".

SCHEDULE "F" attached to and forming part of Farmout Agreement dated as of the 14th day of October, 2022 between The Heartland Group Ventures, LLC as Farmor and SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc. as Farmee.

Joint Operating Agreement

See attached.

UNIT AREA NAME:
PROSPECT:
COUNTY: Val Verde
PROSPECT STATE: Texas

O P E R A T I N G A G R E E M E N T

dated

October 14, 2022

by and between

Atoka Operating, Inc.

and

SDMB Resources LLC,

THXMT, LLC

and

Receivership for the Estates of Heartland Group Ventures, LLC et al, Civil No. 4:21-CV-01310-O
United States District Court for the Northern Division of Texas, Fort Worth Division

OPERATING AGREEMENT

THIS AGREEMENT (the "Agreement"), entered into this October 14, 2022, between Atoka Operating, Inc., hereinafter designated as "OPERATOR", and the signatory parties other than Operator, sometimes hereinafter referred to individually herein as "NON-OPERATOR" and collectively as "NON-OPERATORS."

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases (or interests therein) covering and, if so indicated, unleased oil and gas interests in, the tracts of land described in Exhibit "A" and all parties have reached an agreement, but not as partners, to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

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

(1) The words "party" and "parties" shall always mean a party or parties to this agreement.

(2) The parties to this agreement may be referred to as "it" or "they" whether the parties are corporate bodies, partnerships, associations or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate and all other liquid or gaseous hydrocarbons unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the unit area which are owned by parties to this agreement.

(5) The term "oil and gas interest(s)" shall mean unleased fee and mineral interests in tracts of land lying within the unit area.

(6) The term "unit area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests developed or operated or intended to be developed or operated, for oil or gas purposes under this agreement. Such land, oil and gas leasehold interests and oil and gas interests are described in attached Exhibit "A" and shall include only the land, oil and gas leasehold interests and oil and gas interests described in Exhibit "A".

(7) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the unit area or as specified by the Operator.

(8) All exhibits attached to this agreement and the lands described therein, and the riders attached to this agreement, are made a part of this agreement as fully as though copied in full in this agreement. Reference is hereby made to such exhibits and riders for all purposes of this agreement including a more particular description of the lands covered and subject to this agreement and other defined terms.

(9) The words “equipment” and “materials” as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the unit area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Failure of Title:

Any defects of title in the unit area that exist or that may develop shall be the joint responsibility of all parties and if a title loss occurs, it shall be the loss of all parties with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such loss occurs, there shall be no change in or adjustment of the interests of the parties in the remaining portion of the unit area. If the title to any lease or oil and gas interest, is ever rejected by the examining attorney engaged by the Operator, all parties may then be asked by the Operator to state whether they will waive the title defect(s) and accept such leases or interest or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, it shall be the joint and several obligations of the parties refusing to so waive to cure title to their satisfaction.

Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including but not limited to preliminary, supplemental, drillsite, shut-in gas royalty opinions and division order title opinions) shall be borne by the parties in the proportion that the interest of each party bears to the total interest of all parties as such interests appear in Exhibit "A". The Operator shall, with respect to the unit area, have the exclusive right but not the obligation to prepare and record pooling designations or declarations, as well as the right to conduct hearings before Governmental Agencies for the securing of density spacing, pooling or other regulatory orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

B. Loss of Leases for Other Than Title Failure:

If any lease or oil and gas interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the remaining portion of the unit area.

3. INTERESTS OF PARTIES

Exhibit "A" lists all of the initial parties to this agreement and their respective percentage or fractional interests under this agreement. Unless changed by other provisions of this agreement or other written agreement(s) between the parties effected thereby and their respective successors and assigns, all costs and liabilities incurred in operations under this agreement shall be borne and paid and all equipment and material acquired in operations on the unit area shall be owned by the parties as their interests are given in Exhibit “A”.

In the same manner, the parties and their respective successors and assigns shall, subject to the provisions of this agreement and any other written agreements between the parties hereto which are affected thereby, also own all production of oil and gas from the unit area subject to the payment of the royalties and overriding royalties, and the satisfaction of other burdens on production, all as set forth in Exhibit “A.”

Nothing containing in this Section 3 shall be deemed an assignment or cross assignment of interests.

4. OPERATOR OF UNIT

Atoka Operating, Inc. shall be the Operator of the unit area, and shall conduct and direct and have full control of all operations of the unit area as permitted and required by, and within the limits of, this agreement. Operator shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the Non-Operators for losses sustained, or liabilities incurred, except such as may result from its gross negligence or willful breach of the express provisions of this agreement.

5. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed shall be determined by the Operator. All employees shall be the employees of the Operator.

6. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the unit area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expenses basis provided in the Accounting Procedure attached hereto and marked Exhibit "B".

Operator, at its election, shall have the right from time to time, to demand and receive from one or more of the Non-Operators payment in advance of their respective shares of the estimated amount of the costs to be incurred in the development and operations hereunder during the next thirty (30) days or such lesser time period as is deemed appropriate by Operator, which right may be exercised only by submission to the concerned Non-Operator of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each Non-Operator receiving such a statement and invoice shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such statement and invoice is received. If any Non-Operator receiving such an invoice fails to pay its share of said statement within said time, the amount due shall bear interest at the rate of eighteen percent (18%) per annum until paid or such lesser rate as is the maximum rate allowed by law or, if Operator so elects by written notice to the Non-Operator(s) who fail to so pay, such failure shall cause such non-paying Non-Operator to be deemed for all purposes to be a “Non-Consenting Party”, as such term is hereinafter defined. Proper adjustment shall be made monthly between advances and actual costs, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

7. OPERATOR'S LIENS AND SECURITY INTERESTS

Operator is given a first and preferred lien and security interest on the interest of each party in the unit area, and in (i) each party's interest in oil and gas produced from the unit area and the proceeds thereof, including resulting from the sale of such oil and gas, (ii) upon each party's interest in material and equipment and personal property now or hereafter located on the lands described in Exhibit “A” (including both surface and subsurface now or hereafter located on the lands described in Exhibit “A” which are used or useful or held for use in connection with the exploration, development or operating of the leases, oil and gas interests and lands described in Exhibit “A,” excluding, however, rigs, drill pipe, compressors, rolling stock, workover rigs and tools), and (iii) upon all rights of each party hereto, now or hereafter existing or acquired with respect to all subleases, farmout agreements, assignments of interest, operating rights, contracts, operating agreements, rights of way, franchises, benefits concerning the lands, leases and oil and gas interests described on Exhibit “A.” Such first and preferred lien and security interest shall secure the payment of all sums, including interest, due from each such party to Operator.

Each party assigns to Operator its interest in oil and gas from the unit area and in the event any party fails to pay any amount owning by it to Operator as its share of such costs and expense or such advance estimate within the time specified for payment thereof pursuant to this agreement, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or oil and gas interests in the unit area of the delinquent party up to the amount owing, including interest, by such party and apply same to the amount owing, and each such purchaser of oil or gas is expressly authorized to rely upon this assignment of production and the proceeds thereof and Operator's statement as to the amount owing by such party.

Each party hereto hereby consents to and expressly agrees to the provisions of Rider "A" attached hereto and incorporated herein by reference for all purposes, expressly including (a) the perfecting of a security interest and mortgage to secure the debts and obligations to Operator of each party hereto by the recording thereof and/or of this Operating Agreement (at the election of Operator), and (b) the nonjudicial foreclosure procedure set forth in Rider "A." Operator shall, however, have no obligation, either expressed or implied, to record Rider "A" or this Operating Agreement or to perfect any lien or security interest and any such recording or perfection shall be at the sole and absolute discretion of the Operator without prejudice to any rights of Operator hereunder.

In the event of the failure of any Non-Operator to promptly pay its proportionate part of the cost and expense of development and operation when due, the other Non-Operators and Operator, within thirty (30) days after the rendition of a statement therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the Non-Operators so contributing shall be entitled to, and be deemed to be assignees of, the same lien rights and security interest as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the Non-Operators under the lien and security interest conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the Non-Operators and Operator proportionately in accordance with the contributions theretofore made by them.

8. TERM OF AGREEMENT

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the unit area, whether by production, extension, renewal or otherwise and/or so long as oil and/or gas production continues from any such lease or oil and gas interest comprising the unit area. It is agreed that the termination of this agreement shall not relieve any party hereto from any liability that has accrued or attached prior to the date of such termination.

9. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well not already drilled as of the date of this agreement shall be drilled on the unit area except any well drilled pursuant to the provisions of Section 10 of the agreement, it being understood that the consent to the drilling of a well shall include consent to all expenditures in the drilling, testing, completing and equipping of the well, including tankage, fracing and/or surface or subsurface facilities and appurtenances reasonably deemed necessary or appropriate by the Operator; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 10 of this agreement or a well which is reworked, plugged back or deepened in regard to which the total cost for the project does not exceed Twenty Thousand and no/100 ($20,000.00), it being understood that the consent to the reworking, plugging back or deepening of a well

shall include consent to all expenditures in conducting such operations and the completing and equipping of said well reasonably deemed necessary or appropriate by the Operator, including tankage, fracing and/or surface or subsurface facilities and appurtenances reasonably deemed necessary or appropriate by the Operator; (c) Operator shall not undertake any single project estimated by the Operator to require an expenditure in excess of Twenty Thousand and no/100 Dollars ($20,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, breakout, environmental hazard, blowout or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life, property and the environment but Operator shall, as promptly as practical report the emergency to the other parties.

10. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the unit area, or upon the reworking, deepening or plugging back of either a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties on the unit area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and estimated cost of the operation (the parties expressly recognizing however that such cost may exceed such estimate). The parties receiving such a notice shall have fifteen (15) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to twenty-four (24) hours) after receipt of such notice within which to notify the parties wishing to do the work whether they elect to participate in the proposed operation. An election to participate shall also constitute an election to participate in the cost of the proposed Operation. Failure of a party receiving such a notice to so reply to it within the time period above fixed shall constitute an election by that party not to participate in the proposed operation and the cost thereof.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within one hundred twenty (120) days after the expiration of the notice period of fifteen (15) days (or as promptly as practical after the expiration of the 24-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete such operation with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the dry hole at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by the Operator at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights and the

share of Non-Consenting Party in all production and revenue interest from said well until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(A) 500% of each Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections of the well (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 150% of each such Non-Consenting Party's share of the cost of operation of the said well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be the interest which would have been chargeable to the concerned Non-Consenting party had it participated in the well from the beginning of the operation; and

(B) 500% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing the well, after deducting any cash contributions received under Section 22, plus 500% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connection), which would have been chargeable to such Non-Consenting Party if it had participated in the well from the beginning of the operation.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing an other equipment in the existing well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of such a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value (net of all amounts which the Consenting Parties are entitled to receive as specified in subparagraphs (A) and (B) of this section above) at the time of such abandonment.

Within ninety (90) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of any equipment in or connected to any resulting well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month (or at designated intervals if mutually agreeable) thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Operator shall furnish the Non-Consenting Parties with an itemized statement of the quantity of oil and gas produced from such well, and the amount of proceeds realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total amounts due the Consenting Parties in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance, it shall be paid to such Non-Consenting Party.

If the parties have not contracted for sale of gas production attributable to any relinquished interest at the time such gas is available for deliver, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of oil and gas and liquid hydrocarbons during the recoupment period and such share of oil, gas and liquid hydrocarbons shall continue to be subject to any sales contract so entered into by the Consenting Parties for the full term thereof even after the expiration of the recoupment period.

If and when the Consenting Parties recover from a Non-Consenting Party's interest the amounts provided for above, the Non-Consenting Party shall thereafter own the same interest in such well, the operating rights, working interest therein, the material and equipment in or pertaining thereto and the production from the unit area as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of such well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of such unit area and the well in accordance with the terms of this agreement and the accounting procedure schedule labeled Exhibit "B" attached to this agreement.

11. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall upon giving prior written notice to Operator have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the unit area, subject to the limitations of any gas or liquid hydrocarbon sales contracts to the contrary binding such interest, and also 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. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties or other payments due on its share of such production and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind of separate disposition by any party of its proportionate share of the production shall be borne by such party.

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 and liquid hydrocarbon sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with the standard form of Gas Balancing Agreement of or specified by Operator or such other form as is agreed to by Operator and the concerned parties.

Operator is authorized by all Non-Operators (but Operator has no obligation to do so) to execute division orders and to receive and disburse all funds relating to oil and gas sales, pay all related production, severance, gathering and other taxes, pay all royalties and overriding royalties and pay to each party the net amount of its proportionate share of such funds. However, if Operator does not elect to so execute, receive and disburse, each party entitled to receive proceeds from the sale of oil and gas hereunder, so long as such entitlement continues, (i) shall execute all Division Orders and Contracts of Sale pertaining to its interest in production from the unit area, (ii) and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production subject to (aa) the limitations of any gas or liquid hydrocarbons sales contracts to the contrary binding such interest, and (bb) Section 7 of this agreement.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced form the unit area and give Operator notice thereof, Operator shall have the right, subject to revocation at will by the party owning such share, but not the obligation, to purchase such oil and gas, or sell it to others, for the time being, at not less than the price which Operator receives for its portion of the oil and gas produced from the unit area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time, subject to the limitations described above, its right to take in kind or separately dispose of its share of all oil and gas not previously delivered to a purchaser. Operator shall have no liability for decisions made concerning price, term or otherwise related to marketing.

12. ACCESS TO UNIT AREA

Each party shall have access to the unit area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records to the extent, and only to the extent, relating directly thereto. Operator shall, upon request received from a Non-Operator before or within sixty (60) days after the end of the calendar month covered thereby, furnish each of the requesting parties (at the sole expense of the party so requesting) with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and if existing and in the possession of Operator, shall make available to a requesting Non-Operator samples of any cores or cuttings taken from any well drilled on the unit area.

13. DRILLING, COMPLETION AND EQUIPPING RATES OF OPERATOR AND OTHERS

All wells drilled on the unit area shall be drilled, completed and equipped on a competitive basis at the rates prevailing at the time in the area. Operator, if it so desires, may employ its own tools, equipment, rigs, mud logger, trailer(s), rolling stock, employees and contractors in the drilling and/or equipping and/or completing of wells, but its charges therefor shall not exceed the prevailing rates within one-hundred fifty miles of the unit area, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in such geographic area in contracts of independent contractors who are doing work of a similar nature.

14. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 10 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "B", less the total of: (i) the estimated cost of salvaging, and (ii) the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to merchantability, suitability for any purpose, quantity, quality or fitness for use of the equipment and material, all of its interest in the leasehold estate as to, but only as to the drilling unit for the concerned well and further limited to the interval or intervals and drilling unit therefore of the formation or formations then open to production. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the unit area to the total of the percentages of participation therein of all such assignees. There shall be no readjustment of interest in the remaining portion of the unit area.

After the assignment, the assignors shall have no further responsibility, liability or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator may, in the discretion of Operator, continue to operate the assigned well and drilling unit for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional costs and charges which may arise as the result of the separate ownership of the assigned well and drilling unit.

15. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Each party shall pay all delay rentals and shut-in well payments which may be required under the terms of the lease or leases and submit evidence of each payment to the other parties at least ten (10) days prior to the payment date. Operator may also make such delay rentals and shut-in well payments which may be required under the terms of such leases but assumes no liability whatsoever for failure to do so. The paying party shall be reimbursed by Operator for 100% of any such delay rental payment and 100% of any such shut-in well payment. The amount of such reimbursement shall be charged by Operator to the joint account of the parties and treated in all respects the same as costs incurred in the development and operation of the unit area. Each party responsible for such payment shall diligently attempt to make proper payment, but shall not be held liable to the other parties in damages for the loss of any lease therein if, through mistake or oversight, any rental or shut-in well payment is not paid or is erroneously paid. The loss of any lease or interest therein which results from a failure to pay or an erroneous payment of rental or shut-in well payment shall be a joint loss and there shall be no readjustment or interest in the remaining portion of the unit area. If any party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Section 20 of this agreement.

Operator shall, when practical and known by Operator, attempt to notify each other party hereto of the date on which any gas well located on the unit area is shut-in for more than sixty (60) continuous days, but assumes no liability whatsoever for failure to do so.

16. SALE BY OPERATOR

Should a sale be made by Operator of rights and interests of Operator in the unit area, the transferee of the present Operator shall, if Operator so elects by notice to the non-Operators assume the duties of and act as Operator. The retiring Operator shall continue to serve as Operator and discharge its duties in that capacity under this agreement, until its successor Operator begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than thirty (30) days after the sale of its rights and interests has been completed.

17. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, notwithstanding any other provisions to the contrary except for Sections 14 and 21, no party, absent the express prior written approval of a majority vote in interest and not in number of the parties and the Operator, shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the unit area and in wells, equipment and production unless such disposition is pursuant to either Section 14 or Section 21 or covers either:

(1) The entire undivided interest in all leases and equipment and production; or

(2) An equal undivided interest in all leases and equipment and production in the unit area.

Every such sale, encumbrance, transfer or other disposition made by any party of an interest in the unit area shall be made expressly subject to this agreement and shall be made without prejudice to the rights of the other parties.

Further, in the event of any transfer sale, encumbrance, other disposition or other act of any Non-Operator within the unit area which gives rise to the need or necessity for separate storage or measurement of production, the Non-Operator creating the need or necessity (including by going non-consent or electing

out) shall alone bear the cost of purchase, installation and operation of the equipment, fixtures and facilities arising therefrom.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive bills 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 interests within the scope of the operations embraced in this agreement.

18. RESIGNATION OF OPERATOR

Operator may resign with or without cause from its duties and obligation as Operator at any time upon notice of not less than thirty (30) days given to all other parties. Operator may be removed if it becomes bankrupt for more than thirty (30) days or is placed in receivership for more than twenty (20) days, such removal to be accomplished by the affirmative signed written vote of a majority of interest of Non-Operators, such removal to become effective immediately upon complete copies thereof being provided to Operator. In case of such resignation or removal, all parties to this agreement shall select by majority vote in interest, not in number, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The resigning or removed Operator shall; (i) deliver to its successor all records and information directly related to the unit area and reasonably necessary to the discharge by the new Operator of its duties and obligations, and (ii) execute such governmental forms as are appropriate to reflect and accomplish a change of operator. Resignation or removal of the Operator shall be without prejudice to all amounts then due by Non-Operators to such resigning or removed Operator.

19. LIABILITY OF PARTIES
(Including Environmental)

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable, subject to the provisions of this agreement and any other written agreements between the parties effected thereby, only for its proportionate share of the costs of developing and operating the unit area. Accordingly, the liens and security interests and assignments of production and proceeds granted by each party in Section 7 are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

Save and except to the extent and only to the extent such liability, cost or expense directly results from, or arises out of, the gross and willful negligence of Operator, each party is severally liable for the proportionate share of such party of all liability for a (i) governmental required clean-up of the unit area or any part thereof, and (ii) all claims concerning the unit area in favor of any government body or any other person for damage to the environment. The provisions of this paragraph shall survive the termination of this Operating Agreement or a change of Operator for the maximum time period allowed by law.

20. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this agreement, each and all of the other parties shall be notified promptly and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the unit area.

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

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party which assignment shall be without warranty of title, either express or implied.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Only a lease taken before the expiration of its predecessor lease or taken or contracted for within six (6) months before or after the expiration of the existing lease shall be deemed a renewal lease subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

21. SURRENDER OF LEASES

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

However, should any party desire to surrender its interest in any lease or in any portion thereof and other parties not agree or consent, 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 on the portion of the unit area covered by the assigned interest and any rights in production thereafter secured on such portion of the unit area to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from any obligations thereafter accruing, but not thereto fore accrued, with respect to the interest assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease interest assigned, the production therefrom and the equipment located thereon. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment as assigned, determined in accordance with the provisions of Exhibit “B,” less the total of (i) the estimated costs of salvaging, and (ii) the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest and the payment therefor shall be shared by the parties assigned in the proportions that the interest of each bears to the interest of all parties assigned. Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the unit area; and the interest assigned or surrendered, and subsequent operations thereof, shall not thereafter be subject to the terms and provisions of this agreement SAVE and EXCEPT if Operator so elects by written notice in which event the acreage assigned shall at the option of Operator therein exercised be deemed subject to an agreement identical to this Operating Agreement between all parties assigned or owning an interest therein and Operator.

22. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operations and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly

execute an assignment of the acreage without warranty of title, to all parties to this agreement sharing in the cost of drilling the well or other operation in the proportion that their individual interests in the unit area at the time bear to the total of all interests sharing in the well or operation cost. If all parties hereto are so sharing such acreage shall become a part of the unit area and be governed by all the provisions of this agreement otherwise it shall not be deemed part of the unit area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the unit area.

23. PROVISIONS CONCERNING TAXATION

(INTERNAL REVENUE CODE ELECTION)

This agreement is not intended to create and shall not be construed to create a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter “K”, Chapter 1, Subtitle “A” of the Internal Revenue Code of 1986, as amended (the "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 Regulations enacted pursuant to the Code. 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 unit 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 thereof is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elections, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

(OTHER TAXES)

Operator shall if practical render for ad valorem taxation, all property subject to this agreement which by law should be rendered for such taxes, and Operator may pay (but shall suffer no liability to Non-Operators for a failure to so render and is under no obligation of any kind to so pay) all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments made on their behalf, if any are so made, in the manner provided in Exhibit “B”.

If any tax assessment is considered unreasonable by Operator, it may at its election and discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination. When any such protested valuation shall have been finally determined, Operator may, at its option, pay the assessment for the joint account, together with interest and penalty accrued, and the total cost, so paid, if any, shall then be assessed against the parties, and be paid by them, as provided in Exhibit “B”.

24. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance as may be outlined in Exhibit "C" attached to and made a part hereof.

25. CLAIMS AND LAWSUITS

If any party to this agreement is sued on any alleged cause of action arising out of operations or lack thereof on the unit area, or by a governmental body on a claim relating to the unit area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this agreement, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with the attorney selected by the Operator as chairman. Except as otherwise herein provided, suits may be settled during litigation only with the joint consent of all parties effected by such settlement; provided however, that if a majority in interest desire to settle and a minority in interest fail after notice to so consent within three (3) days, such minority shall nevertheless be deemed to have consented unless such minority proportionately among such minority indemnify the majority to the satisfaction of such majority (i) from any further expense thereafter incurred in the defense of such suit, and (ii) any excess liability suffered by reason of such minority declining to so consent. No charge shall be made for routine services performed by the full-time employee staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits and approved by the Operator or a majority in interest of the parties, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the unit area.

Attorneys other than staff attorneys for the parties, may be employed by Operator in lawsuits involving unit area operations, title and environmental matters and, if outside counsel is employed, their fees and expenses shall be considered unit area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the unit area without regard to the provisions of Section 9. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss (except for governmental body claims relating to the unit area and environmental matters) rather than a joint loss under prior provisions of this agreement and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the unit area, title matters and environmental matters conducted for the joint account of the parties, shall be handled by Operator and counsel selected by the Operator. The settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed Twenty Thousand ($20,000.00) Dollars; and, if settled, the sums paid in settlement and the fees and expenses of counsel, if any, shall be charged as expense to and be paid by all parties in proportion to their then interests in the unit area.

26. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving notice, so far as they are affected by the force majeure, shall be suspended

during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

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 or the sale of oil and gas produced from the Unit Area by the party involved, contrary to its wishes; and, all such difficulties shall be handled entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, weather, explosion, governmental restraint, unavailability of equipment, unavailability of third party transportation, compression or treatment facilities, 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.

27. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by hand delivery, or by United States mail, or via a recognized national courier service such as Federal Express or UPS (by next business day air), all postage or charges prepaid, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The notice to be given under any provision hereof shall be deemed given and received on the earlier of the date actually received or three days after having been deposited in the United States mail or two business days after being so sent by such a courier service, and the time for any party to give any notice in response to a notice shall run from the earlier of the date the originating notice is actually received or is so deemed given or received. 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.

28. LATER CREATED INTERESTS

If any party hereto should, after the date of this agreement, create any overriding royalty, production payment, or other burden against its interest in the unit area, and if any other party or parties should receive an assignment pursuant to Sections 14 or 21 of this agreement or conduct non-consent operations pursuant to Section 10 of this agreement and, as a result, become entitled to receive the unit area, oil and gas interest or lease interest, or production otherwise belonging to such party, OR if the Operator or one or more parties hereto becomes entitled to receive the unit area, oil and gas interest or lease interest, or production otherwise belonging to, another party pursuant to Section 7 of this agreement, the Operator, party or parties entitled to receive such interest of another party shall receive same free and clear of burdens which may have been created subsequent to the date of this agreement and the party creating such subsequent burdens shall save entitled Operator, party or parties harmless with respect to the receipt thereof.

29. FILINGS

Operator may, but shall suffer no liability to Non-Operators for its failure to do so, apply to the appropriate State or Federal agency(ies) which have jurisdiction for the highest possible price determination for oil or gas attributable to any well drilled or operated pursuant to this agreement. Operator further agrees, upon request received within one (1) year after such an application is made, to supply all parties with copies of all information submitted in support of such an application. Operator is authorized to charge and invoice the joint account for its reasonable overhead and the charges of consultants incurred with respect to any such application.

30. GOVERNING LAW

The essential validity of this agreement and all matters pertaining thereto including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the State of Texas.

This agreement may be signed in multiple counterparts, each of which shall be considered an original for all purposes and shall be binding upon the parties and upon their heirs, successors, representatives and assigns. Also, this agreement shall be binding upon all parties who sign same, without regard to whether all parties do so sign.

31. WAIVER OF PARTITION RIGHTS

If permitted by the laws of the state or states in which the unit area is located, each party waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest herein or in the unit area or any part thereof.

32. SEQUENCE OF OPERATIONS

If a majority in interest of the parties participating in a well cannot agree on the sequence and timing of further operations regarding such well, the following elections shall control in the order enumerated below:

(1) an election to do additional logging, coring or testing;

(2) an election to attempt to complete the well at either the authorized depth or in the objective formation;

(3) an election to deepen the well;

(4) an election to sidetrack the well; and

(5) an election to plug back and attempt to complete the well.

Notwithstanding the above sequence however, if the hole is in such a condition that, in the opinion of the Operator a reasonably prudent Operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy of losing the same prior to completing the well at the authorized depth or objective formation, the operation which, in the opinion of the Operator, is then less likely to jeopardize the hole will be conducted.

33. BANKRUPTCY

If, following the granting of relief under the federal bankruptcy statutes of the United States to any party hereto as debtor thereunder, this agreement should be held to be an executory contract within the meaning of such statutes, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by debtor or any trustee for debtor within thirty (30) days from the date an order for relief is entered under such statutes as to the rejection or assumption of this agreement. In the event of an assumption, Operator or said other party shall be entitled to adequate assurances as to future performance of debtor's obligations hereunder and the protection of the interest of all other parties.

34. RECORDED MEMORANDUM

The parties to this agreement hereby authorize the Operator to execute and record in the public records of the county(ies) and state(s) of location of the unit area, as the attorney-in-fact for each Non-Operator, which power is coupled with an interest and shall last so long as this agreement is in force, a memorandum of this agreement and the mortgage and financing statement attached hereto as Rider A giving notice to third parties of the existence of this agreement and of the mortgage lien and security interest created and granted by each party, as debtor, to all other parties, as secured parties.

35. OTHER PROVISIONS

SEE ATTACHED RIDERS "A", "B" and "C"
INCORPORATED HEREIN BY THIS REFERENCE FOR ALL PURPOSES

This Agreement shall be held effective beginning at 7:00 o'clock A.M., C.S.T., on October 14, 2022.

O P E R A T O R:
ATOKA OPERATING, INC.

By: _____
Scott G. Heape, President

N O N – O P E R A T O R:
SDMB RESOURCES LLC

By: _____
David Underwood, Manager

N O N – O P E R A T O R:
THXMT, LLC

By: _____
David Calzaretta, Manager

N O N – O P E R A T O R:
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

By: _____
Deborah D. Williamson, Court-Appointed Receiver

STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _____, 2022, by Scott G. Heape, President of Atoka Operating, Inc., a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Underwood, Manager of SDMB Resources LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Calzaretta, Manager of THXMT, LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by Deborah D. Williamson, Court-Appointed Receiver of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, on behalf of said estate.

_____
Notary Public, State of _____

My commission expires:

_____

Rider A - To Operating Agreement

FINANCING STATEMENT, MORTGAGE AND
MEMORANDUM OF OPERATING AGREEMENT

This document is presented to the Secretary of State of Texas for filing as a Financing Statement pursuant to TEX. BUS. COM. CODE. ANN. § 9.501 or other applicable statutes, and to the County Clerk of those counties in Texas referred to on Schedule 1 hereto, for filing in the Financing Statement Records and the Real Estate Records as a Financing Statement pursuant to TEX. BUS. COM. CODE ANN. § 9.501 or other applicable statues, to perfect security interests and as a Mortgage (with power of nonjudicial sale under deed to trust) and as an assignment of production to secure debt, mutually granted to the parties to that certain Operating Agreement dated October 14, 2022 between Atoka Operating, Inc. as Operator and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, as Non-Operators. The names and addresses of the Secured Parties and Debtors are as follows:

Secured Parties' Names and Addresses	Debtors' Name and Addresses
See Schedule 1 attached hereto and incorporated herein.	See Schedule 1 attached hereto and incorporated herein.

If Operator should elect to proceed to foreclose the lien of Operator as against the interest of a Non-Operator having an interest in the unit area, or if Non-Operator should elect to proceed to foreclose the lien of Non-Operator as against the interest of Operator having an interest in the unit area, the Operating Agreement of which this Rider A is a part does hereby include provisions for nonjudicial sale under the laws of the State of Texas, and Scott G. Heape is hereby appointed as Trustee for such Purpose. In such instance, the party initiating the foreclosure shall be called "Secured Party" and the party whose interest is foreclosed shall be called "Debtor." Upon such default, said Trustee or Secured Party shall at least 21 days preceding the date of nonjudicial sale serve written notice of the proposed sale by certified mail on Debtor according to the records of Secured Party. Service of such notice shall be deemed completed upon deposit of a notice enclosed in a post-paid wrapper properly addressed to the Debtor and each other party obligated to pay said obligations at the most recent address or addresses as shown on the records of Secured Party in a post office or other official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such services was completed shall be prima Facie evidence of the facts of service. After such notice, said Trustee shall proceed to sell all of the interest of Debtor in the unit area land and leases, described on attached Exhibit "A" incorporated herein for all purposes and the personal property located thereon and the oil and gas produced therefrom including (i) both surface and subsurface property and equipment now or hereafter located on the lands described in Exhibit "A" which are used or useful or held for use in connection with the exploration, development or operation of the leases, oil and gas interest, and lands described on Exhibit "A" excluding, however, rigs, drill pipe, compressors, rolling stock, workover rigs and tools, (ii) all subleases, farmout agreements, assignments of interest, operating rights, contracts, operating agreements, rights-of-way, franchises, privileges, permits, licenses, easements, appurtenances or benefits concerning the lands, leases and oil and gas interests described on Exhibit "A", and (iii) all proceeds of any of the foregoing now or hereafter existing including but not limited to the proceeds derived from the sale of oil or gas (including liquid hydrocarbons) produced from the lands described in Exhibit "A", at public auction to the highest bidder for cash after having given notice of the time and place of sale and in

the manner and after the advertisement of such sale as is now required by the statutes of the State of Texas in making sales of real estate under deeds of trust. Sale of a part of the realty/property will not exhaust the power of sale and sales may be made from time to time until all of the realty/property is sold or the obligation paid in full. Said Trustee shall have authority to appoint an attorney-in-fact to act as Trustee in conducting the foreclosure sale and executing a deed, assignment, bill of sale or other lawful conveyance to the purchasers; and it is further agreed that said Trustee or his successor may sell said property together or in lots and/or parcels as to him shall be deemed expedient and after such sales as aforesaid shall make, execute and deliver to the purchaser or purchasers thereof good and sufficient deeds, assignments, bills of sale or other lawful conveyances to vest in said purchaser or purchasers title to the Debtor's interest in the lands and leases described on Exhibit "A" in fee simple together with all personal property used or obtained in connection therewith and together with all oil and gas and liquid hydrocarbons produced therefrom and all of the proceeds of production attributable thereto, including proceeds of production held by any party for the payment to Debtor. From the proceeds of said sale said Trustee shall first pay all charges, costs and expenses in executing these provisions, and secondly, pay all sums due by the Trustee for taxes in the preservation of the security and thereafter pay all of the remaining sums to Secured Party for the satisfaction of the debts of Debtor hereunder, and the balance, if any, shall be paid to Debtor.

It is agreed that such sale shall be a perpetual bar against Debtor and the heirs, successors, assigns and legal representatives of Debtor and all other persons claiming under Debtor. It is further agreed that said Trustee or any holder or holder of said obligation or Secured Party shall have the right to become the purchaser or purchasers at such sale if the highest bidder or bidders in which event the bid or bids may be credited upon said indebtedness of Debtor. It is stipulated and agreed that in case of any sale hereunder by Trustee or his successors all prerequisites or said sale shall be presumed to have been performed and any conveyance given hereunder and statements of fact or recitals therein made as to the nonpayment of money secured or as to any default under the terms hereof or as to the request of the Trustee to enforce this trust or as to the proper and due appointment of any successor or substitute Trustee or as to the advertisement of sale or the time, place and terms of sale or as to any other preliminary act or thing shall be taken in all courts and equity as prima facie evidence that the facts so stated are true. Secured Party may appoint a substitute or successor Trustee.

The collateral to which the security interest and mortgage and assignment of production to secure debt apply are all of each Debtor's interest in all property interests described above including personal property, accounts, inventory and general intangibles and proceeds and products thereof relating or pertaining to the oil and gas leases and lands described in attached Exhibit “A”.

The undersigned parties further give notice that they entered into the Operating Agreement described above and which grants certain liens and otherwise affects the title (including but not limited to an assignment of production of oil, gas and liquid hydrocarbons and the proceeds thereof to secure all amounts due in and under such operating agreement) to the oil and gas leases and lands described in attached Exhibit "A". Complete originals of the Operating Agreements are located in the offices of Operator.

SECURED PARTIES'/DEBTORS' SIGNATURES:

O P E R A T O R:
ATOKA OPERATING, INC.

By:_____
Scott G. Heape, President

N O N – O P E R A T O R:
SDMB RESOURCES LLC

By: _____
David Underwood, Manager

N O N – O P E R A T O R:
THXMT, LLC

By: _____
David Calzaretta, Manager

N O N – O P E R A T O R:
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

By: _____
Deborah D. Williamson, Court-Appointed Receiver

STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _____, 2022, by Scott G. Heape, President of Atoka Operating, Inc., a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Underwood, Manager of SDMB Resources LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Calzaretta, Manager of THXMT, LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by Deborah D. Williamson, Court-Appointed Receiver of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, on behalf of said estate.

_____
Notary Public, State of _____

My commission expires:

_____

SCHEDULE 1

Additional Secured Parties' Names and Addresses
Atoka Operating, Inc
16200 Addison Road, Suite 155
Addison, Texas 75001

Additional Debtor's Names and Addresses
Atoka Operating, Inc.
16200 Addison Road, Suite 155
Addison, Texas 75001

Rider B – To Operating Agreement

In or Out Election
And
Future Non-Participation

The existing wells on the date of this Operating Agreement, or if there be none the initial well drilled on the unit area from and after the date of this Operating Agreement, shall not be subject to the "In or Out Election" provided for below; however, all further wells (the "additional wells") shall be governed hereby.

With regard to additional wells the Operator may, if the Operator so elects by written notice to all Non-Operators, at any time prior to the drilling or deepening of an additional well subject such additional well to be so drilled or deepened and all future additional wells on the unit area which are drilled or deepened to an "In or Out Election". In the event the Operator so elects, the parties hereto shall have the right to participate on an "in or out basis" ONLY with respect to the drilling or deepening operation for the concerned additional well. Any party who, after an "In or Out Election" has been so made by Operator, declines to participate in the proposed drilling or deepening operation for an additional well by timely notifying the Operator of an election to participate in accordance with Section 10 of this Operating Agreement shall, in lieu of the provisions of said Section 10, be deemed (with regard to ALL of the unit area not then included in drilling units for then producing wells) to have forever waived any right whatsoever to ever participate as to any further operations regarding, or oil and gas production from, or additional wells thereafter drilled on, the unit area SAVE AND EXCEPT for drilling units for then producing wells and oil and gas production from such then producing wells. Further, such non-consenting party hereby agrees, immediately upon such waiver occurring, to convey by recordable assignment, executed before a notary and acknowledged and then delivered to Operator, all of such non-consenting party's right, title and interest in and to the unit area not included in drilling units for then producing wells, which conveyance shall be free and clear of liens, claims and encumbrances except those in existence on the date of this Operating Agreement and on such date of record in the County or Counties where such unit Area is located. In the event such a non-consenting party fails to timely deliver to Operator such an assignment, then, in that event, Operator is hereby authorized to execute same as (and appointed as) the attorney-in-fact for such non-consenting party, which power of Operator is irrevocable and coupled with an interest. Operator shall, upon having received the assignment of non-consenting party, offer each consenting party the right to participate therein for a proportionate share (i.e., proportionate to the then interest of the consenting party to the total interests for all consenting parties) or such greater share as Operator elects; however, no consenting party shall have any obligation to so participate therein.

Rider C - To Operating Agreement

Prior Agreements

This Operating Agreement supersedes and replaces all prior Operating Agreement(s) executed by some or all of the Parties insofar as same cover the unit area.

EXHIBIT "A"

Attached to and made a part of that Operating Agreement (the "Agreement) dated October 14, 2022, between Atoka Operating, Inc., herein named Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein Non-Operators.

A. SCHEDULE OF LEASES:

The Carson Lease

(1) Oil and Gas Lease and Supplemental Agreement by and between I. W. Carson LLC, as Lessor, and Deadwood Cattle Co., LLC, as Lessee, dated December 31, 2018, a memorandum of which recorded as Document No. 00311551, Official Public Records of Val Verde County, Texas, as amended by Amendment to Oil and Gas Lease dated March 14, 2019, recorded as Document No. 00312441, Official Public Records, of Val Verde County, Texas, and as extended by Amendment recorded as Document No. 00332401, Second Amendment recorded as Document No. 00334020, Third Amendment recorded as Document No. 00336098 and Fourth Amendment that has yet to be recorded, covering those certain lands totaling 1,140 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

(2) Oil and Gas Lease and Supplemental Agreement dated May 8, 2020, a memorandum of which recorded as Document No. 00320879, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,072.25 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

(3) Oil and Gas Lease and Supplemental Agreement dated December 31, 2020, a memorandum of which recorded as Document No. 00324934, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,190.15 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease; and

(4) Oil and Gas Lease and Supplemental Agreement dated June 30, 2021, a memorandum of which recorded as Document No. 00328728, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease.

The Childress Lease

(1) Oil and Gas Lease and Supplemental Agreement dated September 24, 2020, a memorandum of which recorded in Volume 889, Page 546, Official Public Records of Crockett County, Texas, by and between Petro Childress LLC, et al, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas, more particularly described in said Lease.

The West Lease

(1) Oil and Gas Lease dated effective as of October 1, 2020, between Robert West Simons, individually and as Attorney in Fact for Edwin M. Simons, Jr., Robert M. West, III, Margo Chrisann West and Rebekah Simons West, as Lessor, and Barron Petroleum LLC, as Lessee, memoranda of which are recorded as Document Numbers 00323094, 00323095, 00323096 and 00323097, Official Public Records of Val Verde County, Texas, covering 6,174.93 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease, as to depths below 1,500 feet.

B. DESCRIPTION OF LANDS COVERED:

(1) The Carson Lease – those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas.

(2) The Childress Lease – those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas.

(3) The West Lease – those certain lands totaling 6,194.93 acres, more or less, in Val Verde County, Texas, as to depths below 1,500 feet.

C. BURDENS:

All parties shall bear their proportionate share of (i) all lessor royalties, and (ii) any overriding royalty interest obligation.

D. PARTIES:

	WORKING INTEREST
Atoka Operating, Inc. 16200 Addison Road, Suite 155 Addison, Texas 75001	10%

SDMB Resources LLC 5900 Balcones Drive, Suite 100 Austin, Texas 78731	30%
THXMT, LLC 303 W. Madison, Suite 1000 Chicago, Illinois 60606	10%
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United Stated District Court for the Northern Division of Texas, Fort Worth Division 112 E. Pecan Street, Suite 1800 San Antonio, Texas 78205-1521	50%
TOTAL	**100%**

Exhibit "B"
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that Operating Agreement (the "Agreement") dated October 14, 2022, between Atoka Operating, Inc., herein named Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein 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
- Responsibility for implementing safety and environmental practices
- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

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

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

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

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

4. ADJUSTMENTS

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

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

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

5. EXPENDITURE AUDITS

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

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

those Non-Operators approving such audit.

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

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

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

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

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ☐ ***(Optional Provision – Forfeiture Penalties)***

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

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the

Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of the majority in interest of the Non-Operators, which approval shall be binding on all Parties.

C. AFFILIATES

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

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

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

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

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

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

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

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

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

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

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

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

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

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

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

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

3. MATERIAL

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

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $25,000.00. 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 Operator reasonably determines that charges for such Affiliate's good and services are estimated to exceed the average commercial rates or charges prevailing in the area of the Joint Property.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

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

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

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

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

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

III. OVERHEAD

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

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

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

- 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 $12,500.00 (prorated for less than a full month)

Producing Well Rate per month $1,250.00

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

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date 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 six percent _____(6%) 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 six percent (6%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.

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

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

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

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

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

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

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

(1) 6% of total costs if such costs are less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% 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) 6% of total costs if such costs are more than $50,000.00 but less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

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

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

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

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

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

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

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

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

B. FREIGHT

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

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing Manual") and other COPAS MFIs in effect at the time of the transfer.

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

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

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

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

C. TAXES

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

D. CONDITION

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

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

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

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

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

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

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

1. DIRECTED INVENTORIES

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

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

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

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

EXHIBIT "C"

INSURANCE AND INDEMNITY

Attached to and made a part of that Operating Agreement dated October 14, 2022, between Atoka Operating, Inc., Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein Non-Operators.

At all times while operations are conducted under this Agreement, Operator shall maintain for the benefit of all parties hereto, insurance of the types and in the amounts as follows or such greater amounts as Operator, in the sole discretion of Operator deems appropriate. Premiums for such insurance shall be charged to the Joint Account.

Non-operating working interest owners shall be Additional Insureds on the liability insurance policies, but only with respect to the performance of all work hereunder.

All such insurance shall be carried in a company or companies selected by Operator; shall be maintained in full force and effect during the terms of this Operating Agreement. If so required, and requested by any Non-Operator, Operator agrees to request its insurance carrier to furnish certificates of insurance evidencing such insurance coverages to Non-Operator.

Non-operating working interest owners agree that the limits and coverage carried by Operator are adequate and shall hold Operator harmless if any claim exceeds such limit or is not covered by such policy. Such coverages and limits may change or be unavailable from time to time and Operator does not guarantee their continuance but will use best commercial efforts to provide such coverages and limits at reasonable costs.

a. Workers' Compensation and Employers' Liability insurance, if applicable, in accordance with the laws of the state of Texas. The Employers' Liability limit will be $1,000,000 per accident.

b. Automobile Public Liability insurance covering all owned, non-owned and hired vehicles with a combined single limit of not less than $1,000,000.

c. Comprehensive General Liability, bodily injury and property damage insurance with a combined single limit of not less than $1,000,000 for each occurrence//aggregated. This would include contractual liability coverage.

d. Umbrella Liability with limits of not less than $10,000,000 per occurrence and $10,000,000 annual aggregate.

Operator may, if Operator so elects (but is under no obligation to do so), also carry other insurance, such as blow out insurance, for the benefit of Operator and Non-Operators, in which event the premiums for same shall be charged to the Joint Account.

ASSIGNMENT OF OIL AND GAS LEASE

STATE OF TEXAS KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF VAL VERDE

THAT, subject to the terms, reservations and conditions hereinafter set forth, **DEBORAH D. WILLIAMSON SOLELY IN HER CAPACITY AS COURT APPOINTED RECEIVER FOR THE ESTATES OF HEARTLAND GROUP VENTURES, LLC *ET AL*, CIVIL NO. 4:21-CV-01310-O, UNITED STATES DISTRICT COURT FOR THE NORTHERN DIVISION OF TEXAS, FORT WORTH DIVISION**, (hereinafter referred to as "Assignor"), for and in consideration of One Hundred and No/100 Dollars ($100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, BARGAIN, SELL, CONVEY and ASSIGN unto **SDMB RESOURCES LLC** ("SDMB"), **THXMT, LLC** ("THXMT"), and **ATOKA OPERATING, INC.** ("Atoka", and together with SDMB and THXMT, the "Assignee"), part of Assignor's right, title and interest, as further specified in that certain Farmout Agreement dated October 14, 2022 between Assignor and Assignee (the "Farmout Agreement"), in and to the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Leases"), insofar as the Leases cover and relate to the lands described in said Leases to the extent held (the "Lands"), in and to the wells described in Exhibit "B" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Wells"), and in and to the pipeline easements described in Exhibit "C" attached hereto and made a part hereof for all purposes (hereinafter referred to as the "Pipelines"). The working interest in the Leases, Wells and Pipelines upon delivery of this Assignment shall be owned and held as follows: (i) 30% to SDMB; (ii) 10% to THXMT; and (iii) 10% to Atoka (the "Working Interest"), with the remaining 50% belonging to Assignor.

Assignee expressly assumes all of the obligations under the Leases, whether express or implied, as to the interests conveyed hereby.

Assignee shall keep Assignor apprised by quarterly written statement of all wells drilled or being drilled by Assignee located on the Leases or on lands pooled therewith, the producing status of all such wells and current production information for all producing wells. Assignee shall, promptly after same is prepared or received by Assignee, deliver to Assignor copies of permits to drill, daily drilling reports, well history reports, rework reports, and reports on production of each well drilled by or on behalf of Assignee or in which Assignee has a present or reversionary interest in the Leases or lands pooled therewith. Assignee shall promptly furnish Assignor copies of all logs, including electrical surveys, mud logs, core analysis, and reports on drill stem tests for each well referred to in this paragraph. All information required herein shall be furnished by Assignee to Assignor, free of all costs or charges to Assignor, upon its availability to Assignee or its agents. The duration of the assigned Working Interest is subject to Section 3.4 of the Farmout Agreement.

Assignee shall indemnify and defend Assignor from and against any plugging, replugging, abandonment, removal, disposal and restoration liabilities and obligations associated with Assignee's operations on the Leases. Such obligations and liabilities shall include, but not be limited to, all necessary and proper plugging and abandonment and/or removal and disposal of any wells drilled by Assignee, and all structures and equipment located on or associated with any wells drilled by Assignee, the necessary and proper capping and burying of all associated flow lines, and any necessary disposal of naturally occurring radioactive material or asbestos associated with Assignee's operations on the Leases. Assignee shall ensure that all plugging, replugging, abandonment, removal, disposal and restoration operations shall be in compliance with applicable laws and regulations and conducted in a good and workmanlike manner.

Assignor and Assignee shall indemnify each other as set forth in section 6.2 of the Farmout Agreement.

Assignor agrees to warrant and forever defend title to the Leases but only by, through and under Assignor, but not otherwise and with full substitution and subrogation in favor of Assignee to all covenants and warranties by others heretofore given or made in Assignor's chain of title with respect to the Leases.

This assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and all terms, provisions and reservations contained in this Assignment shall be deemed as covenants running with the land.

This assignment is further subject to the terms and provisions of the Farmout Agreement containing certain obligations and covenants between Assignor and Assignee which shall not be merged into this assignment, or otherwise be negated by the execution and delivery of this assignment and which shall survive the execution and delivery of this assignment (subject to the terms set forth therein).

EXECUTED AND EFFECTIVE this 14th day of October, 2022 (the "Effective Date").

[*Signatures continue on the following page*]

ASSIGNOR:

RECEIVERSHIP OF THE ESTATES OF HEARTLAND GROUP VENTURES, LLC, et al, CIVIL NO. 4:21-CV-01310-O, UNITED STATES DISTRICT COURT FOR THE NORTHERN DIVISION OF TEXAS, FORT WORTH DIVISION

By: _____
Name: Deborah D. Williamson
Title: Court-Appointed Receiver

112 E. Pecan Street, Suite 1800
San Antonio, Texas 78205-1521

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

SDMB RESOURCES LLC

By: _____
Name: David Underwood
Title: Manager

5900 Balcones Drive, Suite 100
Austin, Texas 78731

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

THXMT, LLC

By: _____
Name: David Calzaretta
Title: Manager

303 W. Madison, Suite 1000
Chicago, Illinois 60606

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

ASSIGNEE:

ATOKA OPERATING, INC.

By: _____
Name: Scott G. Heape
Title: President

16200 Addison Road, Suite 155
Addison, Texas 75001

STATE OF TEXAS

COUNTY OF VAL VERDE

On this ____ day of _____, 2022, before me the undersigned authority personally appeared _____, whose genuine signature is affixed to the foregoing document as _____ of _____ _____, and who acknowledged, in my presence, that he signed the above and foregoing document as his own free act and deed on behalf of said _____ acting and as the free act and deed of such _____ and for the uses and purposes therein set forth and apparent.

I have hereto set my hand and official seal this _____ day of _____, 2022.

_____
Notary Public in and for
the State of Texas

EXHIBIT "A"
Attached to and made a part of Assignment, Conveyance and Bill of Sale effective _____, 2022

The Carson Lease

1. Oil and Gas Lease and Supplemental Agreement by and between I. W. Carson LLC, as Lessor, and Deadwood Cattle Co., LLC, as Lessee, dated December 31, 2018, a memorandum of which recorded as Document No. 00311551, Official Public Records of Val Verde County, Texas, as amended by Amendment to Oil and Gas Lease dated March 14, 2019, recorded as Document No. 00312441, Official Public Records, of Val Verde County, Texas, and as extended by Amendment recorded as Document No. 00332401, Second Amendment recorded as Document No. 00334020, Third Amendment recorded as Document No. 00336098 and Fourth Amendment that has yet to be recorded, covering those certain lands totaling 1,140 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

2. Oil and Gas Lease and Supplemental Agreement dated May 8, 2020, a memorandum of which recorded as Document No. 00320879, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,072.25 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

3. Oil and Gas Lease and Supplemental Agreement dated December 31, 2020, a memorandum of which recorded as Document No. 00324934, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,190.15 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease; and

4. Oil and Gas Lease and Supplemental Agreement dated June 30, 2021, a memorandum of which recorded as Document No. 00328728, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease.

The Childress Lease

1. Oil and Gas Lease and Supplemental Agreement dated September 24, 2020, a memorandum of which recorded in Volume 889, Page 546, Official Public Records of Crockett County, Texas, by and between Petro Childress LLC, et al, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas, more particularly described in said Lease.

The West Lease

1. Oil and Gas Lease dated effective as of October 1, 2020, between Robert West Simons, individually and as Attorney in Fact for Edwin M. Simons, Jr., Robert M. West, III, Margo Chrisann West and Rebekah Simons West (undivided 1/5 interest each), as Lessor, and Barron Petroleum LLC, as Lessee, covering 6,174.90 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease, and covering all rights as to depths below 1,500 feet.

EXHIBIT "B"

Wells

Carson Lease:

Sahota Carson 20BU #1 Well – API 46530878

Sahota Carson 19BU #3 Well – API 46530879

Childress Lease:

Sahota #4 Well – API 10542489

Sahota #5 Well—API 10542490

Sahota #6 Well—API 10542491

Sahota #7 Well—API 10542492

Sahota #8 Well—API 10542493

Sahota #9 Well—API 10542494

Sahota #12 Well-API 10542497

Sahota #13 Well-API 10542498

Sahota #14 Well-API 10542499

EXHIBIT "C"

Pipelines

1. Surface Use and Right of Way Agreement from Joe S. Pierce, V, to Barron Petroleum, LLC, dated April 13, 2021, recorded in Volume 896, Page 408, Official Public Records of Crockett County, Texas.

2. Surface Use and Right of Way Agreement from Bill Cole Ranches Ltd., to Barron Petroleum, LLC, dated January 19, 2021, recorded in Volume 893, Page 87, Official Public Records of Crockett County, Texas, and as Document No. 325208, Official Public Records of Val Verde County, Texas.

3. All pipeline easements on or through the lands subject to the Leases set forth in Exhibit "A".

UNIT AREA NAME:
PROSPECT:
COUNTY: Val Verde
PROSPECT STATE: Texas

O P E R A T I N G A G R E E M E N T

dated

October 14, 2022

by and between

Atoka Operating, Inc.

and

SDMB Resources LLC,

THXMT, LLC

and

Receivership for the Estates of Heartland Group Ventures, LLC et al, Civil No. 4:21-CV-01310-O
United States District Court for the Northern Division of Texas, Fort Worth Division

OPERATING AGREEMENT

THIS AGREEMENT (the "Agreement"), entered into this October 14, 2022, between Atoka Operating, Inc., hereinafter designated as "OPERATOR", and the signatory parties other than Operator, sometimes hereinafter referred to individually herein as "NON-OPERATOR" and collectively as "NON-OPERATORS."

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases (or interests therein) covering and, if so indicated, unleased oil and gas interests in, the tracts of land described in Exhibit "A" and all parties have reached an agreement, but not as partners, to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

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

(1) The words "party" and "parties" shall always mean a party or parties to this agreement.

(2) The parties to this agreement may be referred to as "it" or "they" whether the parties are corporate bodies, partnerships, associations or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate and all other liquid or gaseous hydrocarbons unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the unit area which are owned by parties to this agreement.

(5) The term "oil and gas interest(s)" shall mean unleased fee and mineral interests in tracts of land lying within the unit area.

(6) The term "unit area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests developed or operated or intended to be developed or operated, for oil or gas purposes under this agreement. Such land, oil and gas leasehold interests and oil and gas interests are described in attached Exhibit "A" and shall include only the land, oil and gas leasehold interests and oil and gas interests described in Exhibit "A".

(7) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the unit area or as specified by the Operator.

(8) All exhibits attached to this agreement and the lands described therein, and the riders attached to this agreement, are made a part of this agreement as fully as though copied in full in this agreement. Reference is hereby made to such exhibits and riders for all purposes of this agreement including a more particular description of the lands covered and subject to this agreement and other defined terms.

(9) The words “equipment” and “materials” as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the unit area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Failure of Title:

Any defects of title in the unit area that exist or that may develop shall be the joint responsibility of all parties and if a title loss occurs, it shall be the loss of all parties with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such loss occurs, there shall be no change in or adjustment of the interests of the parties in the remaining portion of the unit area. If the title to any lease or oil and gas interest, is ever rejected by the examining attorney engaged by the Operator, all parties may then be asked by the Operator to state whether they will waive the title defect(s) and accept such leases or interest or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, it shall be the joint and several obligations of the parties refusing to so waive to cure title to their satisfaction.

Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including but not limited to preliminary, supplemental, drillsite, shut-in gas royalty opinions and division order title opinions) shall be borne by the parties in the proportion that the interest of each party bears to the total interest of all parties as such interests appear in Exhibit "A". The Operator shall, with respect to the unit area, have the exclusive right but not the obligation to prepare and record pooling designations or declarations, as well as the right to conduct hearings before Governmental Agencies for the securing of density spacing, pooling or other regulatory orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

B. Loss of Leases for Other Than Title Failure:

If any lease or oil and gas interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the remaining portion of the unit area.

3. INTERESTS OF PARTIES

Exhibit "A" lists all of the initial parties to this agreement and their respective percentage or fractional interests under this agreement. Unless changed by other provisions of this agreement or other written agreement(s) between the parties effected thereby and their respective successors and assigns, all costs and liabilities incurred in operations under this agreement shall be borne and paid and all equipment and material acquired in operations on the unit area shall be owned by the parties as their interests are given in Exhibit “A”.

In the same manner, the parties and their respective successors and assigns shall, subject to the provisions of this agreement and any other written agreements between the parties hereto which are affected thereby, also own all production of oil and gas from the unit area subject to the payment of the royalties and overriding royalties, and the satisfaction of other burdens on production, all as set forth in Exhibit “A.”

Nothing containing in this Section 3 shall be deemed an assignment or cross assignment of interests.

4. OPERATOR OF UNIT

Atoka Operating, Inc. shall be the Operator of the unit area, and shall conduct and direct and have full control of all operations of the unit area as permitted and required by, and within the limits of, this agreement. Operator shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the Non-Operators for losses sustained, or liabilities incurred, except such as may result from its gross negligence or willful breach of the express provisions of this agreement.

5. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed shall be determined by the Operator. All employees shall be the employees of the Operator.

6. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the unit area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expenses basis provided in the Accounting Procedure attached hereto and marked Exhibit "B".

Operator, at its election, shall have the right from time to time, to demand and receive from one or more of the Non-Operators payment in advance of their respective shares of the estimated amount of the costs to be incurred in the development and operations hereunder during the next thirty (30) days or such lesser time period as is deemed appropriate by Operator, which right may be exercised only by submission to the concerned Non-Operator of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each Non-Operator receiving such a statement and invoice shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such statement and invoice is received. If any Non-Operator receiving such an invoice fails to pay its share of said statement within said time, the amount due shall bear interest at the rate of eighteen percent (18%) per annum until paid or such lesser rate as is the maximum rate allowed by law or, if Operator so elects by written notice to the Non-Operator(s) who fail to so pay, such failure shall cause such non-paying Non-Operator to be deemed for all purposes to be a “Non-Consenting Party”, as such term is hereinafter defined. Proper adjustment shall be made monthly between advances and actual costs, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

7. OPERATOR'S LIENS AND SECURITY INTERESTS

Operator is given a first and preferred lien and security interest on the interest of each party in the unit area, and in (i) each party's interest in oil and gas produced from the unit area and the proceeds thereof, including resulting from the sale of such oil and gas, (ii) upon each party's interest in material and equipment and personal property now or hereafter located on the lands described in Exhibit “A” (including both surface and subsurface now or hereafter located on the lands described in Exhibit “A” which are used or useful or held for use in connection with the exploration, development or operating of the leases, oil and gas interests and lands described in Exhibit “A,” excluding, however, rigs, drill pipe, compressors, rolling stock, workover rigs and tools), and (iii) upon all rights of each party hereto, now or hereafter existing or acquired with respect to all subleases, farmout agreements, assignments of interest, operating rights, contracts, operating agreements, rights of way, franchises, benefits concerning the lands, leases and oil and gas interests described on Exhibit “A.” Such first and preferred lien and security interest shall secure the payment of all sums, including interest, due from each such party to Operator.

Each party assigns to Operator its interest in oil and gas from the unit area and in the event any party fails to pay any amount owning by it to Operator as its share of such costs and expense or such advance estimate within the time specified for payment thereof pursuant to this agreement, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or oil and gas interests in the unit area of the delinquent party up to the amount owing, including interest, by such party and apply same to the amount owing, and each such purchaser of oil or gas is expressly authorized to rely upon this assignment of production and the proceeds thereof and Operator's statement as to the amount owing by such party.

Each party hereto hereby consents to and expressly agrees to the provisions of Rider "A" attached hereto and incorporated herein by reference for all purposes, expressly including (a) the perfecting of a security interest and mortgage to secure the debts and obligations to Operator of each party hereto by the recording thereof and/or of this Operating Agreement (at the election of Operator), and (b) the nonjudicial foreclosure procedure set forth in Rider "A." Operator shall, however, have no obligation, either expressed or implied, to record Rider "A" or this Operating Agreement or to perfect any lien or security interest and any such recording or perfection shall be at the sole and absolute discretion of the Operator without prejudice to any rights of Operator hereunder.

In the event of the failure of any Non-Operator to promptly pay its proportionate part of the cost and expense of development and operation when due, the other Non-Operators and Operator, within thirty (30) days after the rendition of a statement therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the Non-Operators so contributing shall be entitled to, and be deemed to be assignees of, the same lien rights and security interest as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the Non-Operators under the lien and security interest conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the Non-Operators and Operator proportionately in accordance with the contributions theretofore made by them.

8. TERM OF AGREEMENT

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the unit area, whether by production, extension, renewal or otherwise and/or so long as oil and/or gas production continues from any such lease or oil and gas interest comprising the unit area. It is agreed that the termination of this agreement shall not relieve any party hereto from any liability that has accrued or attached prior to the date of such termination.

9. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well not already drilled as of the date of this agreement shall be drilled on the unit area except any well drilled pursuant to the provisions of Section 10 of the agreement, it being understood that the consent to the drilling of a well shall include consent to all expenditures in the drilling, testing, completing and equipping of the well, including tankage, fracing and/or surface or subsurface facilities and appurtenances reasonably deemed necessary or appropriate by the Operator; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 10 of this agreement or a well which is reworked, plugged back or deepened in regard to which the total cost for the project does not exceed Twenty Thousand and no/100 ($20,000.00), it being understood that the consent to the reworking, plugging back or deepening of a well

shall include consent to all expenditures in conducting such operations and the completing and equipping of said well reasonably deemed necessary or appropriate by the Operator, including tankage, fracing and/or surface or subsurface facilities and appurtenances reasonably deemed necessary or appropriate by the Operator; (c) Operator shall not undertake any single project estimated by the Operator to require an expenditure in excess of Twenty Thousand and no/100 Dollars ($20,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, breakout, environmental hazard, blowout or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life, property and the environment but Operator shall, as promptly as practical report the emergency to the other parties.

10. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the unit area, or upon the reworking, deepening or plugging back of either a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties on the unit area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and estimated cost of the operation (the parties expressly recognizing however that such cost may exceed such estimate). The parties receiving such a notice shall have fifteen (15) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to twenty-four (24) hours) after receipt of such notice within which to notify the parties wishing to do the work whether they elect to participate in the proposed operation. An election to participate shall also constitute an election to participate in the cost of the proposed Operation. Failure of a party receiving such a notice to so reply to it within the time period above fixed shall constitute an election by that party not to participate in the proposed operation and the cost thereof.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within one hundred twenty (120) days after the expiration of the notice period of fifteen (15) days (or as promptly as practical after the expiration of the 24-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete such operation with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the dry hole at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by the Operator at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights and the

share of Non-Consenting Party in all production and revenue interest from said well until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(A) 500% of each Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections of the well (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 150% of each such Non-Consenting Party's share of the cost of operation of the said well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be the interest which would have been chargeable to the concerned Non-Consenting party had it participated in the well from the beginning of the operation; and

(B) 500% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing the well, after deducting any cash contributions received under Section 22, plus 500% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connection), which would have been chargeable to such Non-Consenting Party if it had participated in the well from the beginning of the operation.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing an other equipment in the existing well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of such a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value (net of all amounts which the Consenting Parties are entitled to receive as specified in subparagraphs (A) and (B) of this section above) at the time of such abandonment.

Within ninety (90) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of any equipment in or connected to any resulting well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month (or at designated intervals if mutually agreeable) thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Operator shall furnish the Non-Consenting Parties with an itemized statement of the quantity of oil and gas produced from such well, and the amount of proceeds realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total amounts due the Consenting Parties in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance, it shall be paid to such Non-Consenting Party.

If the parties have not contracted for sale of gas production attributable to any relinquished interest at the time such gas is available for deliver, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of oil and gas and liquid hydrocarbons during the recoupment period and such share of oil, gas and liquid hydrocarbons shall continue to be subject to any sales contract so entered into by the Consenting Parties for the full term thereof even after the expiration of the recoupment period.

If and when the Consenting Parties recover from a Non-Consenting Party's interest the amounts provided for above, the Non-Consenting Party shall thereafter own the same interest in such well, the operating rights, working interest therein, the material and equipment in or pertaining thereto and the production from the unit area as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of such well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of such unit area and the well in accordance with the terms of this agreement and the accounting procedure schedule labeled Exhibit "B" attached to this agreement.

11. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall upon giving prior written notice to Operator have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the unit area, subject to the limitations of any gas or liquid hydrocarbon sales contracts to the contrary binding such interest, and also 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. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties or other payments due on its share of such production and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind of separate disposition by any party of its proportionate share of the production shall be borne by such party.

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 and liquid hydrocarbon sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with the standard form of Gas Balancing Agreement of or specified by Operator or such other form as is agreed to by Operator and the concerned parties.

Operator is authorized by all Non-Operators (but Operator has no obligation to do so) to execute division orders and to receive and disburse all funds relating to oil and gas sales, pay all related production, severance, gathering and other taxes, pay all royalties and overriding royalties and pay to each party the net amount of its proportionate share of such funds. However, if Operator does not elect to so execute, receive and disburse, each party entitled to receive proceeds from the sale of oil and gas hereunder, so long as such entitlement continues, (i) shall execute all Division Orders and Contracts of Sale pertaining to its interest in production from the unit area, (ii) and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production subject to (aa) the limitations of any gas or liquid hydrocarbons sales contracts to the contrary binding such interest, and (bb) Section 7 of this agreement.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced form the unit area and give Operator notice thereof, Operator shall have the right, subject to revocation at will by the party owning such share, but not the obligation, to purchase such oil and gas, or sell it to others, for the time being, at not less than the price which Operator receives for its portion of the oil and gas produced from the unit area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time, subject to the limitations described above, its right to take in kind or separately dispose of its share of all oil and gas not previously delivered to a purchaser. Operator shall have no liability for decisions made concerning price, term or otherwise related to marketing.

12. ACCESS TO UNIT AREA

Each party shall have access to the unit area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records to the extent, and only to the extent, relating directly thereto. Operator shall, upon request received from a Non-Operator before or within sixty (60) days after the end of the calendar month covered thereby, furnish each of the requesting parties (at the sole expense of the party so requesting) with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and if existing and in the possession of Operator, shall make available to a requesting Non-Operator samples of any cores or cuttings taken from any well drilled on the unit area.

13. DRILLING, COMPLETION AND EQUIPPING RATES OF OPERATOR AND OTHERS

All wells drilled on the unit area shall be drilled, completed and equipped on a competitive basis at the rates prevailing at the time in the area. Operator, if it so desires, may employ its own tools, equipment, rigs, mud logger, trailer(s), rolling stock, employees and contractors in the drilling and/or equipping and/or completing of wells, but its charges therefor shall not exceed the prevailing rates within one-hundred fifty miles of the unit area, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in such geographic area in contracts of independent contractors who are doing work of a similar nature.

14. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 10 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "B", less the total of: (i) the estimated cost of salvaging, and (ii) the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to merchantability, suitability for any purpose, quantity, quality or fitness for use of the equipment and material, all of its interest in the leasehold estate as to, but only as to the drilling unit for the concerned well and further limited to the interval or intervals and drilling unit therefore of the formation or formations then open to production. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the unit area to the total of the percentages of participation therein of all such assignees. There shall be no readjustment of interest in the remaining portion of the unit area.

After the assignment, the assignors shall have no further responsibility, liability or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator may, in the discretion of Operator, continue to operate the assigned well and drilling unit for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional costs and charges which may arise as the result of the separate ownership of the assigned well and drilling unit.

15. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Each party shall pay all delay rentals and shut-in well payments which may be required under the terms of the lease or leases and submit evidence of each payment to the other parties at least ten (10) days prior to the payment date. Operator may also make such delay rentals and shut-in well payments which may be required under the terms of such leases but assumes no liability whatsoever for failure to do so. The paying party shall be reimbursed by Operator for 100% of any such delay rental payment and 100% of any such shut-in well payment. The amount of such reimbursement shall be charged by Operator to the joint account of the parties and treated in all respects the same as costs incurred in the development and operation of the unit area. Each party responsible for such payment shall diligently attempt to make proper payment, but shall not be held liable to the other parties in damages for the loss of any lease therein if, through mistake or oversight, any rental or shut-in well payment is not paid or is erroneously paid. The loss of any lease or interest therein which results from a failure to pay or an erroneous payment of rental or shut-in well payment shall be a joint loss and there shall be no readjustment or interest in the remaining portion of the unit area. If any party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Section 20 of this agreement.

Operator shall, when practical and known by Operator, attempt to notify each other party hereto of the date on which any gas well located on the unit area is shut-in for more than sixty (60) continuous days, but assumes no liability whatsoever for failure to do so.

16. SALE BY OPERATOR

Should a sale be made by Operator of rights and interests of Operator in the unit area, the transferee of the present Operator shall, if Operator so elects by notice to the non-Operators assume the duties of and act as Operator. The retiring Operator shall continue to serve as Operator and discharge its duties in that capacity under this agreement, until its successor Operator begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than thirty (30) days after the sale of its rights and interests has been completed.

17. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, notwithstanding any other provisions to the contrary except for Sections 14 and 21, no party, absent the express prior written approval of a majority vote in interest and not in number of the parties and the Operator, shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the unit area and in wells, equipment and production unless such disposition is pursuant to either Section 14 or Section 21 or covers either:

(1) The entire undivided interest in all leases and equipment and production; or

(2) An equal undivided interest in all leases and equipment and production in the unit area.

Every such sale, encumbrance, transfer or other disposition made by any party of an interest in the unit area shall be made expressly subject to this agreement and shall be made without prejudice to the rights of the other parties.

Further, in the event of any transfer sale, encumbrance, other disposition or other act of any Non-Operator within the unit area which gives rise to the need or necessity for separate storage or measurement of production, the Non-Operator creating the need or necessity (including by going non-consent or electing

out) shall alone bear the cost of purchase, installation and operation of the equipment, fixtures and facilities arising therefrom.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive bills 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 interests within the scope of the operations embraced in this agreement.

18. RESIGNATION OF OPERATOR

Operator may resign with or without cause from its duties and obligation as Operator at any time upon notice of not less than thirty (30) days given to all other parties. Operator may be removed if it becomes bankrupt for more than thirty (30) days or is placed in receivership for more than twenty (20) days, such removal to be accomplished by the affirmative signed written vote of a majority of interest of Non-Operators, such removal to become effective immediately upon complete copies thereof being provided to Operator. In case of such resignation or removal, all parties to this agreement shall select by majority vote in interest, not in number, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The resigning or removed Operator shall; (i) deliver to its successor all records and information directly related to the unit area and reasonably necessary to the discharge by the new Operator of its duties and obligations, and (ii) execute such governmental forms as are appropriate to reflect and accomplish a change of operator. Resignation or removal of the Operator shall be without prejudice to all amounts then due by Non-Operators to such resigning or removed Operator.

19. LIABILITY OF PARTIES
(Including Environmental)

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable, subject to the provisions of this agreement and any other written agreements between the parties effected thereby, only for its proportionate share of the costs of developing and operating the unit area. Accordingly, the liens and security interests and assignments of production and proceeds granted by each party in Section 7 are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

Save and except to the extent and only to the extent such liability, cost or expense directly results from, or arises out of, the gross and willful negligence of Operator, each party is severally liable for the proportionate share of such party of all liability for a (i) governmental required clean-up of the unit area or any part thereof, and (ii) all claims concerning the unit area in favor of any government body or any other person for damage to the environment. The provisions of this paragraph shall survive the termination of this Operating Agreement or a change of Operator for the maximum time period allowed by law.

20. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this agreement, each and all of the other parties shall be notified promptly and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the unit area.

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

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party which assignment shall be without warranty of title, either express or implied.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Only a lease taken before the expiration of its predecessor lease or taken or contracted for within six (6) months before or after the expiration of the existing lease shall be deemed a renewal lease subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

21. SURRENDER OF LEASES

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

However, should any party desire to surrender its interest in any lease or in any portion thereof and other parties not agree or consent, 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 on the portion of the unit area covered by the assigned interest and any rights in production thereafter secured on such portion of the unit area to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from any obligations thereafter accruing, but not thereto fore accrued, with respect to the interest assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease interest assigned, the production therefrom and the equipment located thereon. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment as assigned, determined in accordance with the provisions of Exhibit “B,” less the total of (i) the estimated costs of salvaging, and (ii) the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest and the payment therefor shall be shared by the parties assigned in the proportions that the interest of each bears to the interest of all parties assigned. Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the unit area; and the interest assigned or surrendered, and subsequent operations thereof, shall not thereafter be subject to the terms and provisions of this agreement SAVE and EXCEPT if Operator so elects by written notice in which event the acreage assigned shall at the option of Operator therein exercised be deemed subject to an agreement identical to this Operating Agreement between all parties assigned or owning an interest therein and Operator.

22. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operations and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly

execute an assignment of the acreage without warranty of title, to all parties to this agreement sharing in the cost of drilling the well or other operation in the proportion that their individual interests in the unit area at the time bear to the total of all interests sharing in the well or operation cost. If all parties hereto are so sharing such acreage shall become a part of the unit area and be governed by all the provisions of this agreement otherwise it shall not be deemed part of the unit area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the unit area.

23. PROVISIONS CONCERNING TAXATION

(INTERNAL REVENUE CODE ELECTION)

This agreement is not intended to create and shall not be construed to create a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter “K”, Chapter 1, Subtitle “A” of the Internal Revenue Code of 1986, as amended (the "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 Regulations enacted pursuant to the Code. 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 unit 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 thereof is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elections, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

(OTHER TAXES)

Operator shall if practical render for ad valorem taxation, all property subject to this agreement which by law should be rendered for such taxes, and Operator may pay (but shall suffer no liability to Non-Operators for a failure to so render and is under no obligation of any kind to so pay) all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments made on their behalf, if any are so made, in the manner provided in Exhibit “B”.

If any tax assessment is considered unreasonable by Operator, it may at its election and discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination. When any such protested valuation shall have been finally determined, Operator may, at its option, pay the assessment for the joint account, together with interest and penalty accrued, and the total cost, so paid, if any, shall then be assessed against the parties, and be paid by them, as provided in Exhibit “B”.

24. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance as may be outlined in Exhibit "C" attached to and made a part hereof.

25. CLAIMS AND LAWSUITS

If any party to this agreement is sued on any alleged cause of action arising out of operations or lack thereof on the unit area, or by a governmental body on a claim relating to the unit area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this agreement, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with the attorney selected by the Operator as chairman. Except as otherwise herein provided, suits may be settled during litigation only with the joint consent of all parties effected by such settlement; provided however, that if a majority in interest desire to settle and a minority in interest fail after notice to so consent within three (3) days, such minority shall nevertheless be deemed to have consented unless such minority proportionately among such minority indemnify the majority to the satisfaction of such majority (i) from any further expense thereafter incurred in the defense of such suit, and (ii) any excess liability suffered by reason of such minority declining to so consent. No charge shall be made for routine services performed by the full-time employee staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits and approved by the Operator or a majority in interest of the parties, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the unit area.

Attorneys other than staff attorneys for the parties, may be employed by Operator in lawsuits involving unit area operations, title and environmental matters and, if outside counsel is employed, their fees and expenses shall be considered unit area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the unit area without regard to the provisions of Section 9. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss (except for governmental body claims relating to the unit area and environmental matters) rather than a joint loss under prior provisions of this agreement and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the unit area, title matters and environmental matters conducted for the joint account of the parties, shall be handled by Operator and counsel selected by the Operator. The settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed Twenty Thousand ($20,000.00) Dollars; and, if settled, the sums paid in settlement and the fees and expenses of counsel, if any, shall be charged as expense to and be paid by all parties in proportion to their then interests in the unit area.

26. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving notice, so far as they are affected by the force majeure, shall be suspended

during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

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 or the sale of oil and gas produced from the Unit Area by the party involved, contrary to its wishes; and, all such difficulties shall be handled entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, weather, explosion, governmental restraint, unavailability of equipment, unavailability of third party transportation, compression or treatment facilities, 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.

27. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by hand delivery, or by United States mail, or via a recognized national courier service such as Federal Express or UPS (by next business day air), all postage or charges prepaid, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The notice to be given under any provision hereof shall be deemed given and received on the earlier of the date actually received or three days after having been deposited in the United States mail or two business days after being so sent by such a courier service, and the time for any party to give any notice in response to a notice shall run from the earlier of the date the originating notice is actually received or is so deemed given or received. 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.

28. LATER CREATED INTERESTS

If any party hereto should, after the date of this agreement, create any overriding royalty, production payment, or other burden against its interest in the unit area, and if any other party or parties should receive an assignment pursuant to Sections 14 or 21 of this agreement or conduct non-consent operations pursuant to Section 10 of this agreement and, as a result, become entitled to receive the unit area, oil and gas interest or lease interest, or production otherwise belonging to such party, OR if the Operator or one or more parties hereto becomes entitled to receive the unit area, oil and gas interest or lease interest, or production otherwise belonging to, another party pursuant to Section 7 of this agreement, the Operator, party or parties entitled to receive such interest of another party shall receive same free and clear of burdens which may have been created subsequent to the date of this agreement and the party creating such subsequent burdens shall save entitled Operator, party or parties harmless with respect to the receipt thereof.

29. FILINGS

Operator may, but shall suffer no liability to Non-Operators for its failure to do so, apply to the appropriate State or Federal agency(ies) which have jurisdiction for the highest possible price determination for oil or gas attributable to any well drilled or operated pursuant to this agreement. Operator further agrees, upon request received within one (1) year after such an application is made, to supply all parties with copies of all information submitted in support of such an application. Operator is authorized to charge and invoice the joint account for its reasonable overhead and the charges of consultants incurred with respect to any such application.

30. GOVERNING LAW

The essential validity of this agreement and all matters pertaining thereto including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the State of Texas.

This agreement may be signed in multiple counterparts, each of which shall be considered an original for all purposes and shall be binding upon the parties and upon their heirs, successors, representatives and assigns. Also, this agreement shall be binding upon all parties who sign same, without regard to whether all parties do so sign.

31. WAIVER OF PARTITION RIGHTS

If permitted by the laws of the state or states in which the unit area is located, each party waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest herein or in the unit area or any part thereof.

32. SEQUENCE OF OPERATIONS

If a majority in interest of the parties participating in a well cannot agree on the sequence and timing of further operations regarding such well, the following elections shall control in the order enumerated below:

(1) an election to do additional logging, coring or testing;

(2) an election to attempt to complete the well at either the authorized depth or in the objective formation;

(3) an election to deepen the well;

(4) an election to sidetrack the well; and

(5) an election to plug back and attempt to complete the well.

Notwithstanding the above sequence however, if the hole is in such a condition that, in the opinion of the Operator a reasonably prudent Operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy of losing the same prior to completing the well at the authorized depth or objective formation, the operation which, in the opinion of the Operator, is then less likely to jeopardize the hole will be conducted.

33. BANKRUPTCY

If, following the granting of relief under the federal bankruptcy statutes of the United States to any party hereto as debtor thereunder, this agreement should be held to be an executory contract within the meaning of such statutes, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by debtor or any trustee for debtor within thirty (30) days from the date an order for relief is entered under such statutes as to the rejection or assumption of this agreement. In the event of an assumption, Operator or said other party shall be entitled to adequate assurances as to future performance of debtor's obligations hereunder and the protection of the interest of all other parties.

34. RECORDED MEMORANDUM

The parties to this agreement hereby authorize the Operator to execute and record in the public records of the county(ies) and state(s) of location of the unit area, as the attorney-in-fact for each Non-Operator, which power is coupled with an interest and shall last so long as this agreement is in force, a memorandum of this agreement and the mortgage and financing statement attached hereto as Rider A giving notice to third parties of the existence of this agreement and of the mortgage lien and security interest created and granted by each party, as debtor, to all other parties, as secured parties.

35. OTHER PROVISIONS

SEE ATTACHED RIDERS "A", "B" and "C"
INCORPORATED HEREIN BY THIS REFERENCE FOR ALL PURPOSES

This Agreement shall be held effective beginning at 7:00 o'clock A.M., C.S.T., on October 14, 2022.

O P E R A T O R:
ATOKA OPERATING, INC.

By: _____
Scott G. Heape, President

N O N – O P E R A T O R:
SDMB RESOURCES LLC

By: _____
David Underwood, Manager

N O N – O P E R A T O R:
THXMT, LLC

By: _____
David Calzaretta, Manager

N O N – O P E R A T O R:
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

By: _____
Deborah D. Williamson, Court-Appointed Receiver

STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _____, 2022, by Scott G. Heape, President of Atoka Operating, Inc., a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Underwood, Manager of SDMB Resources LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Calzaretta, Manager of THXMT, LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by Deborah D. Williamson, Court-Appointed Receiver of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, on behalf of said estate.

_____
Notary Public, State of _____

My commission expires:

_____

Rider A - To Operating Agreement

FINANCING STATEMENT, MORTGAGE AND
MEMORANDUM OF OPERATING AGREEMENT

This document is presented to the Secretary of State of Texas for filing as a Financing Statement pursuant to TEX. BUS. COM. CODE. ANN. § 9.501 or other applicable statutes, and to the County Clerk of those counties in Texas referred to on Schedule 1 hereto, for filing in the Financing Statement Records and the Real Estate Records as a Financing Statement pursuant to TEX. BUS. COM. CODE ANN. § 9.501 or other applicable statues, to perfect security interests and as a Mortgage (with power of nonjudicial sale under deed to trust) and as an assignment of production to secure debt, mutually granted to the parties to that certain Operating Agreement dated October 14, 2022 between Atoka Operating, Inc. as Operator and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, as Non-Operators. The names and addresses of the Secured Parties and Debtors are as follows:

Secured Parties' Names and Addresses	Debtors' Name and Addresses
See Schedule 1 attached hereto and incorporated herein.	See Schedule 1 attached hereto and incorporated herein.

If Operator should elect to proceed to foreclose the lien of Operator as against the interest of a Non-Operator having an interest in the unit area, or if Non-Operator should elect to proceed to foreclose the lien of Non-Operator as against the interest of Operator having an interest in the unit area, the Operating Agreement of which this Rider A is a part does hereby include provisions for nonjudicial sale under the laws of the State of Texas, and Scott G. Heape is hereby appointed as Trustee for such Purpose. In such instance, the party initiating the foreclosure shall be called "Secured Party" and the party whose interest is foreclosed shall be called "Debtor." Upon such default, said Trustee or Secured Party shall at least 21 days preceding the date of nonjudicial sale serve written notice of the proposed sale by certified mail on Debtor according to the records of Secured Party. Service of such notice shall be deemed completed upon deposit of a notice enclosed in a post-paid wrapper properly addressed to the Debtor and each other party obligated to pay said obligations at the most recent address or addresses as shown on the records of Secured Party in a post office or other official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such services was completed shall be prima Facie evidence of the facts of service. After such notice, said Trustee shall proceed to sell all of the interest of Debtor in the unit area land and leases, described on attached Exhibit "A" incorporated herein for all purposes and the personal property located thereon and the oil and gas produced therefrom including (i) both surface and subsurface property and equipment now or hereafter located on the lands described in Exhibit "A" which are used or useful or held for use in connection with the exploration, development or operation of the leases, oil and gas interest, and lands described on Exhibit "A" excluding, however, rigs, drill pipe, compressors, rolling stock, workover rigs and tools, (ii) all subleases, farmout agreements, assignments of interest, operating rights, contracts, operating agreements, rights-of-way, franchises, privileges, permits, licenses, easements, appurtenances or benefits concerning the lands, leases and oil and gas interests described on Exhibit "A", and (iii) all proceeds of any of the foregoing now or hereafter existing including but not limited to the proceeds derived from the sale of oil or gas (including liquid hydrocarbons) produced from the lands described in Exhibit "A", at public auction to the highest bidder for cash after having given notice of the time and place of sale and in

the manner and after the advertisement of such sale as is now required by the statutes of the State of Texas in making sales of real estate under deeds of trust. Sale of a part of the realty/property will not exhaust the power of sale and sales may be made from time to time until all of the realty/property is sold or the obligation paid in full. Said Trustee shall have authority to appoint an attorney-in-fact to act as Trustee in conducting the foreclosure sale and executing a deed, assignment, bill of sale or other lawful conveyance to the purchasers; and it is further agreed that said Trustee or his successor may sell said property together or in lots and/or parcels as to him shall be deemed expedient and after such sales as aforesaid shall make, execute and deliver to the purchaser or purchasers thereof good and sufficient deeds, assignments, bills of sale or other lawful conveyances to vest in said purchaser or purchasers title to the Debtor's interest in the lands and leases described on Exhibit "A" in fee simple together with all personal property used or obtained in connection therewith and together with all oil and gas and liquid hydrocarbons produced therefrom and all of the proceeds of production attributable thereto, including proceeds of production held by any party for the payment to Debtor. From the proceeds of said sale said Trustee shall first pay all charges, costs and expenses in executing these provisions, and secondly, pay all sums due by the Trustee for taxes in the preservation of the security and thereafter pay all of the remaining sums to Secured Party for the satisfaction of the debts of Debtor hereunder, and the balance, if any, shall be paid to Debtor.

It is agreed that such sale shall be a perpetual bar against Debtor and the heirs, successors, assigns and legal representatives of Debtor and all other persons claiming under Debtor. It is further agreed that said Trustee or any holder or holder of said obligation or Secured Party shall have the right to become the purchaser or purchasers at such sale if the highest bidder or bidders in which event the bid or bids may be credited upon said indebtedness of Debtor. It is stipulated and agreed that in case of any sale hereunder by Trustee or his successors all prerequisites or said sale shall be presumed to have been performed and any conveyance given hereunder and statements of fact or recitals therein made as to the nonpayment of money secured or as to any default under the terms hereof or as to the request of the Trustee to enforce this trust or as to the proper and due appointment of any successor or substitute Trustee or as to the advertisement of sale or the time, place and terms of sale or as to any other preliminary act or thing shall be taken in all courts and equity as prima facie evidence that the facts so stated are true. Secured Party may appoint a substitute or successor Trustee.

The collateral to which the security interest and mortgage and assignment of production to secure debt apply are all of each Debtor's interest in all property interests described above including personal property, accounts, inventory and general intangibles and proceeds and products thereof relating or pertaining to the oil and gas leases and lands described in attached Exhibit “A”.

The undersigned parties further give notice that they entered into the Operating Agreement described above and which grants certain liens and otherwise affects the title (including but not limited to an assignment of production of oil, gas and liquid hydrocarbons and the proceeds thereof to secure all amounts due in and under such operating agreement) to the oil and gas leases and lands described in attached Exhibit "A". Complete originals of the Operating Agreements are located in the offices of Operator.

SECURED PARTIES'/DEBTORS' SIGNATURES:

O P E R A T O R:
ATOKA OPERATING, INC.

By:_____
Scott G. Heape, President

N O N – O P E R A T O R:
SDMB RESOURCES LLC

By: _____
David Underwood, Manager

N O N – O P E R A T O R:
THXMT, LLC

By: _____
David Calzaretta, Manager

N O N – O P E R A T O R:
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division

By: _____
Deborah D. Williamson, Court-Appointed Receiver

STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _____, 2022, by Scott G. Heape, President of Atoka Operating, Inc., a Texas corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Underwood, Manager of SDMB Resources LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by David Calzaretta, Manager of THXMT, LLC, a Texas limited liability company, on behalf of said company.

_____
Notary Public, State of _____

My commission expires:

_____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2022, by Deborah D. Williamson, Court-Appointed Receiver of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, on behalf of said estate.

_____
Notary Public, State of _____

My commission expires:

_____

SCHEDULE 1

Additional Secured Parties' Names and Addresses
Atoka Operating, Inc
16200 Addison Road, Suite 155
Addison, Texas 75001

Additional Debtor's Names and Addresses
Atoka Operating, Inc.
16200 Addison Road, Suite 155
Addison, Texas 75001

Rider B – To Operating Agreement

In or Out Election
And
Future Non-Participation

The existing wells on the date of this Operating Agreement, or if there be none the initial well drilled on the unit area from and after the date of this Operating Agreement, shall not be subject to the "In or Out Election" provided for below; however, all further wells (the "additional wells") shall be governed hereby.

With regard to additional wells the Operator may, if the Operator so elects by written notice to all Non-Operators, at any time prior to the drilling or deepening of an additional well subject such additional well to be so drilled or deepened and all future additional wells on the unit area which are drilled or deepened to an "In or Out Election". In the event the Operator so elects, the parties hereto shall have the right to participate on an "in or out basis" ONLY with respect to the drilling or deepening operation for the concerned additional well. Any party who, after an "In or Out Election" has been so made by Operator, declines to participate in the proposed drilling or deepening operation for an additional well by timely notifying the Operator of an election to participate in accordance with Section 10 of this Operating Agreement shall, in lieu of the provisions of said Section 10, be deemed (with regard to ALL of the unit area not then included in drilling units for then producing wells) to have forever waived any right whatsoever to ever participate as to any further operations regarding, or oil and gas production from, or additional wells thereafter drilled on, the unit area SAVE AND EXCEPT for drilling units for then producing wells and oil and gas production from such then producing wells. Further, such non-consenting party hereby agrees, immediately upon such waiver occurring, to convey by recordable assignment, executed before a notary and acknowledged and then delivered to Operator, all of such non-consenting party's right, title and interest in and to the unit area not included in drilling units for then producing wells, which conveyance shall be free and clear of liens, claims and encumbrances except those in existence on the date of this Operating Agreement and on such date of record in the County or Counties where such unit Area is located. In the event such a non-consenting party fails to timely deliver to Operator such an assignment, then, in that event, Operator is hereby authorized to execute same as (and appointed as) the attorney-in-fact for such non-consenting party, which power of Operator is irrevocable and coupled with an interest. Operator shall, upon having received the assignment of non-consenting party, offer each consenting party the right to participate therein for a proportionate share (i.e., proportionate to the then interest of the consenting party to the total interests for all consenting parties) or such greater share as Operator elects; however, no consenting party shall have any obligation to so participate therein.

Rider C - To Operating Agreement

Prior Agreements

This Operating Agreement supersedes and replaces all prior Operating Agreement(s) executed by some or all of the Parties insofar as same cover the unit area.

EXHIBIT "A"

Attached to and made a part of that Operating Agreement (the "Agreement) dated October 14, 2022, between Atoka Operating, Inc., herein named Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein Non-Operators.

A. SCHEDULE OF LEASES:

The Carson Lease

(1) Oil and Gas Lease and Supplemental Agreement by and between I. W. Carson LLC, as Lessor, and Deadwood Cattle Co., LLC, as Lessee, dated December 31, 2018, a memorandum of which recorded as Document No. 00311551, Official Public Records of Val Verde County, Texas, as amended by Amendment to Oil and Gas Lease dated March 14, 2019, recorded as Document No. 00312441, Official Public Records, of Val Verde County, Texas, and as extended by Amendment recorded as Document No. 00332401, Second Amendment recorded as Document No. 00334020, Third Amendment recorded as Document No. 00336098 and Fourth Amendment that has yet to be recorded, covering those certain lands totaling 1,140 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

(2) Oil and Gas Lease and Supplemental Agreement dated May 8, 2020, a memorandum of which recorded as Document No. 00320879, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,072.25 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease;

(3) Oil and Gas Lease and Supplemental Agreement dated December 31, 2020, a memorandum of which recorded as Document No. 00324934, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,190.15 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease; and

(4) Oil and Gas Lease and Supplemental Agreement dated June 30, 2021, a memorandum of which recorded as Document No. 00328728, Official Public Records of Val Verde County, Texas, by and between I. W. Carson LLC, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease.

The Childress Lease

(1) Oil and Gas Lease and Supplemental Agreement dated September 24, 2020, a memorandum of which recorded in Volume 889, Page 546, Official Public Records of Crockett County, Texas, by and between Petro Childress LLC, et al, as Lessor, and Barron Petroleum LLC, as Lessee, covering those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas, more particularly described in said Lease.

The West Lease

(1) Oil and Gas Lease dated effective as of October 1, 2020, between Robert West Simons, individually and as Attorney in Fact for Edwin M. Simons, Jr., Robert M. West, III, Margo Chrisann West and Rebekah Simons West, as Lessor, and Barron Petroleum LLC, as Lessee, memoranda of which are recorded as Document Numbers 00323094, 00323095, 00323096 and 00323097, Official Public Records of Val Verde County, Texas, covering 6,174.93 acres, more or less, in Val Verde County, Texas, more particularly described in said Lease, as to depths below 1,500 feet.

B. DESCRIPTION OF LANDS COVERED:

(1) The Carson Lease – those certain lands totaling 3,048.70 acres, more or less, in Val Verde County, Texas.

(2) The Childress Lease – those certain lands totaling 1,000.00 acres, more or less, in Crockett County, Texas.

(3) The West Lease – those certain lands totaling 6,194.93 acres, more or less, in Val Verde County, Texas, as to depths below 1,500 feet.

C. BURDENS:

All parties shall bear their proportionate share of (i) all lessor royalties, and (ii) any overriding royalty interest obligation.

D. PARTIES:

	WORKING INTEREST
Atoka Operating, Inc. 16200 Addison Road, Suite 155 Addison, Texas 75001	10%

SDMB Resources LLC 5900 Balcones Drive, Suite 100 Austin, Texas 78731	30%
THXMT, LLC 303 W. Madison, Suite 1000 Chicago, Illinois 60606	10%
Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United Stated District Court for the Northern Division of Texas, Fort Worth Division 112 E. Pecan Street, Suite 1800 San Antonio, Texas 78205-1521	50%
TOTAL	**100%**

Exhibit "B"
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that Operating Agreement (the "Agreement") dated October 14, 2022, between Atoka Operating, Inc., herein named Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein 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
- Responsibility for implementing safety and environmental practices
- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

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

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

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

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

4. ADJUSTMENTS

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

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

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

5. EXPENDITURE AUDITS

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

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

those Non-Operators approving such audit.

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

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

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

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

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ☐ ***(Optional Provision – Forfeiture Penalties)***

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

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the

Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of the majority in interest of the Non-Operators, which approval shall be binding on all Parties.

C. AFFILIATES

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

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

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

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

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

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

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

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

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

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

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

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

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

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

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

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

3. MATERIAL

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

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $25,000.00. 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 Operator reasonably determines that charges for such Affiliate's good and services are estimated to exceed the average commercial rates or charges prevailing in the area of the Joint Property.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

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

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

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

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

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

III. OVERHEAD

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

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

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

- 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 $12,500.00 (prorated for less than a full month)

Producing Well Rate per month $1,250.00

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

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date 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 six percent _____(6%) 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 six percent (6%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.

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

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

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

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

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

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

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

(1) 6% of total costs if such costs are less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% 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) 6% of total costs if such costs are more than $50,000.00 but less than $100,000; plus

(2) 4% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

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

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

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

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

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

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

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

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

B. FREIGHT

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

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing Manual") and other COPAS MFIs in effect at the time of the transfer.

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

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

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

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

C. TAXES

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

D. CONDITION

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

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

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

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

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

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

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

1. DIRECTED INVENTORIES

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

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

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

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

EXHIBIT "C"

INSURANCE AND INDEMNITY

Attached to and made a part of that Operating Agreement dated October 14, 2022, between Atoka Operating, Inc., Operator, and SDMB Resources LLC, THXMT, LLC and Receivership of the Estates of Heartland Group Ventures, LLC, et al, Civil No. 4:21-CV-01310-O, United States District Court for the Northern Division of Texas, Fort Worth Division, herein Non-Operators.

At all times while operations are conducted under this Agreement, Operator shall maintain for the benefit of all parties hereto, insurance of the types and in the amounts as follows or such greater amounts as Operator, in the sole discretion of Operator deems appropriate. Premiums for such insurance shall be charged to the Joint Account.

Non-operating working interest owners shall be Additional Insureds on the liability insurance policies, but only with respect to the performance of all work hereunder.

All such insurance shall be carried in a company or companies selected by Operator; shall be maintained in full force and effect during the terms of this Operating Agreement. If so required, and requested by any Non-Operator, Operator agrees to request its insurance carrier to furnish certificates of insurance evidencing such insurance coverages to Non-Operator.

Non-operating working interest owners agree that the limits and coverage carried by Operator are adequate and shall hold Operator harmless if any claim exceeds such limit or is not covered by such policy. Such coverages and limits may change or be unavailable from time to time and Operator does not guarantee their continuance but will use best commercial efforts to provide such coverages and limits at reasonable costs.

a. Workers' Compensation and Employers' Liability insurance, if applicable, in accordance with the laws of the state of Texas. The Employers' Liability limit will be $1,000,000 per accident.

b. Automobile Public Liability insurance covering all owned, non-owned and hired vehicles with a combined single limit of not less than $1,000,000.

c. Comprehensive General Liability, bodily injury and property damage insurance with a combined single limit of not less than $1,000,000 for each occurrence//aggregated. This would include contractual liability coverage.

d. Umbrella Liability with limits of not less than $10,000,000 per occurrence and $10,000,000 annual aggregate.

Operator may, if Operator so elects (but is under no obligation to do so), also carry other insurance, such as blow out insurance, for the benefit of Operator and Non-Operators, in which event the premiums for same shall be charged to the Joint Account.

EXHIBIT C

DECLARATIONS

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	
v.	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4-21-CV-1310-O-BP**
Defendants,	§	
and	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
Relief Defendants.	§	

DECLARATION OF DAVID CALZARETTA

1. I, David Calzaretta, declare as follows:

2. I am 53 years of age. I am a Manager of, and own 75% of, THXMT, LLC ("**THXMT**"). I have personal knowledge of the facts stated in this declaration and, if called to testify, would and could competently testify thereto.

3. My personal address is 17940 Gulf Boulevard, #6F, Redington Shores, FL 33708, which is also my business address.

4. I understand that an "Accredited Investor" is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, as follows: Any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of securities to that person: (1) a bank, insurance company, registered investment company, business development company, or small business investment company; (2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million; (3) a charitable organization, corporation, or partnership with assets exceeding $5 million; (4) a director, executive officer, or general partner of the company selling the securities; (5) a business in which all the equity owners are accredited investors; (6) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (excluding the net value of such investor's primary residence); (7) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or (8) a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

5. THXMT is a Limited Liability Company chartered pursuant to the laws of Florida with its

business offices at 17940 Gulf Blvd., #6F, Redington Shores, FL 33708. THXMT is a business entity in which each of the unit holders is an Accredited Investor, defined above.

6. I have 2 years of experience investing in oil and gas exploration, production, and development ("**E&P**") operations, both successful and unsuccessful. I have personally evaluated the E&P operations to be undertaken to the Farmout Agreement effective September 23, 2022 attached as Exhibit A hereto (the "**Farmout**"). I have not relied on the representations of any other individual, investor, or entity when deciding whether to invest my personal funds in THXMT or THXMT to invest in the E&P operations to be undertaken pursuant to the Farmout.

7. I have not solicited any entity or individual to invest in the E&P operations to be undertaken pursuant to the Farmout, and I have neither asked for, nor received, any transaction-based compensation from any other investor in SDMB Resources, LLC, or THMXT, in connection with investing in the E&P operations described in the Farmout.

8. I have joint net worth (or joint net worth with spouse) exceeding $1 million, excluding the value of my primary residence.

9. I have joint income in excess of $200,000 in each of the two most recent years (or joint income with spouse in excess of $300,000 in each of such years) and have a reasonable expectation of reaching the same income level in the current year.

10. I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on this 30 day of October, 2022, at Redington Shores, FL.

Dave Calzaretta

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4-21-CV-1310-O-BP**
	§	
Defendants,	§	
	§	
and	§	
	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
	§	
Relief Defendants.	§	

DECLARATION OF DAVID UNDERWOOD

1. I, David Underwood, declare as follows:

2. I am 67 years of age. I am a Manager of, and own 30 units in (75%) SDMB Resources LLC ("**SDMB**"). I also am the Manager of, and Owner of all outstanding units for, Riverfront Alternative Strategies LLC and Underwood and Associates Inc. I have personal knowledge of the facts stated in this declaration and, if called to testify, would and could competently testify thereto.

3. My personal address is 10205 Fairgrove Avenue, Tujunga, CA 91042, and my business address is 10153 Riverside Dr., #535, Toluca Lake, CA 9160w2.

4. I currently understand that an "Accredited Investor" is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, as follows: Any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of securities to that person: (1) a bank, insurance company, registered investment company, business development company, or small business investment company; (2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million; (3) a charitable organization, corporation, or partnership with assets exceeding $5 million; (4) a director, executive officer, or general partner of the company selling the securities; (5) a business in which all the equity owners are accredited investors; (6) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (excluding the net value of such investor's primary residence); (7) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year;

or (8) a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

5. SDMB is a Limited Liability Company organized under the laws of Texas with its business offices at 10153 Riverside Dr., #535, Toluca Lake, CA 91602. SDMB is a business entity in which each of the unit holders is an Accredited Investor, defined above.

6. I have had 6 years of experience investing in oil and gas exploration, production, and development ("**E&P**") operations, both successful and unsuccessful. I have personally evaluated the E&P operations to be undertaken to the Farmout Agreement effective October 1, 2002 attached as Exhibit A hereto (the "**Farmout**"). I have not relied on the representations of any other individual, investor, or entity when deciding whether to invest my personal funds in SDMB or cause SDMB to invest in the E&P operations to be undertaken pursuant to the Farmout.

7. I have not solicited any entity or individual to invest in the E&P operations to be undertaken pursuant to the Farmout. I have neither asked for, nor received, any transaction-based compensation from any other investor in SDMB or THMXT, LLC, in connection with investing in the E&P operations described in the Farmout.

8. I have individual net worth (or joint net worth with spouse) exceeding $1 million, excluding the value of my primary residence.

9. I have individual income in excess of $200,000 in each of the two most recent years (or joint income with spouse in excess of $300,000 in each of such years) and have a reasonable expectation of reaching the same income level in the current year.

10. I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on this 3RD day of October, 2022, at Tujunga, CA.

David Underwood

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4-21-CV-1310-O-BP**
	§	
Defendants,	§	
	§	
and	§	
	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
	§	
Relief Defendants.	§	

DECLARATION OF MATTHEW BUOL

1. I, Matthew Buol, declare as follows:

2. I am 46 years of age. I am a Member of, and own 25% of, THXMT, LLC ("**THXMT**"). I am also Senior Vice President at Assurance, a Marsh & McLennan Agency Company. I have personal knowledge of the facts stated in this declaration and, if called to testify, would and could competently testify thereto.

3. My personal address is 1807 WA. Winnemac Ave., Unit C, Chicago, IL 60640, and my business address is 111 N. Canal Street, Suite 500, Chicago, IL 60606.

4. I understand that an "Accredited Investor" is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, as follows: Any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of securities to that person: (1) a bank, insurance company, registered investment company, business development company, or small business investment company; (2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million; (3) a charitable organization, corporation, or partnership with assets exceeding $5 million; (4) a director, executive officer, or general partner of the company selling the securities; (5) a business in which all the equity owners are accredited investors; (6) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (excluding the net value of such investor's primary residence); (7) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or (8) a trust with assets in

excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

5. THXMT is a Limited Liability Company chartered pursuant to the laws of Florida with its business offices at 17940 Gulf Blvd., #6F, Redington Shores, FL 33708. THXMT is a business entity in which each of the unit holders is an Accredited Investor, defined above.

6. I have 2 years of experience investing in oil and gas exploration, production, and development ("**E&P**") operations, both successful and unsuccessful. I have personally evaluated the E&P operations to be undertaken to the Farmout Agreement effective September 23, 2022 attached as Exhibit A hereto (the "**Farmout**"). I have not relied on the representations of any other individual, investor, or entity when deciding whether to invest my personal funds in THXMT or THXMT to invest in the E&P operations to be undertaken pursuant to the Farmout.

7. I have not solicited any entity or individual to invest in the E&P operations to be undertaken pursuant to the Farmout, and I have neither asked for, nor received, any transaction-based compensation from any other investor in SDMB Resources, LLC, or THMXT, in connection with investing in the E&P operations described in the Farmout

8. I have joint net worth exceeding $1 million, excluding the value of my primary residence.

9. I have joint income in excess of $300,000 in each of the two most recent years and have a reasonable expectation of reaching the same income level in the current year.

10. I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on this 3rd day of October, 2022, at Chicago, IL.

Matthew Buol

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	
v.	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4-21-CV-1310-O-BP**
Defendants,	§	
and	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
Relief Defendants.	§	

DECLARATION OF MICHAEL SANDBACH

1. I, Michael Sandbach, declare as follows:

2. I am 82 years of age. I am a Manager of, and own 10 units in (25%), SDMB Resources LLC ("**SDMB**"). I have personal knowledge of the facts stated in this declaration and, if called to testify, would and could competently testify thereto.

3. My personal address is 600 Peru Street, Sonoma, California 95476. I do not have a business address.

4. I understand that an "Accredited Investor" is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, as follows: Any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of securities to that person: (1) a bank, insurance company, registered investment company, business development company, or small business investment company; (2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million; (3) a charitable organization, corporation, or partnership with assets exceeding $5 million; (4) a director, executive officer, or general partner of the company selling the securities; (5) a business in which all the equity owners are accredited investors; (6) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (excluding the net value of such investor's primary residence); (7) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or (8) a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

5. SDMB is a Limited Liability Company organized under the laws of Texas with its business offices at 10153 Riverside Dr., #535, Toluca Lake, CA 91602. SDMB is a business entity in which each of the unit holders is an Accredited Investor, defined above.

6. I have approximately 15 years of experience investing in oil and gas exploration, production, and development ("**E&P**") operations, both successful and unsuccessful. I have personally evaluated the E&P operations to be undertaken to the Farmout Agreement effective October 1, 2002 attached as Exhibit A hereto (the "**Farmout**"). I have not relied on the representations of any other individual, investor, or entity when deciding whether to invest my personal funds in SDMB or cause SDMB to invest in the E&P operations to be undertaken pursuant to the Farmout.

7. I have not solicited any entity or individual to invest in the E&P operations to be undertaken pursuant to the Farmout, and I have neither asked for, nor received, any transaction-based compensation from any other investor in SDMB or THMXT, LLC, in connection with investing in the E&P operations described in the Farmout.

8. I have individual net worth (or joint net worth with spouse) exceeding $1 million, excluding the value of my primary residence.

9. I have individual income in excess of $200,000 in each of the two most recent years (or joint income with spouse in excess of $300,000 in each of such years) and have a reasonable expectation of reaching the same income level in the current year.

10. I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on this 7th day of October, 2022.

Michael Sandbach 10/7/2022

EXHIBIT D

PROPOSED ORDER

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	
THE HEARTLAND GROUP VENTURES, LLC; HEARTLAND PRODUCTION AND RECOVERY LLC; HEARTLAND PRODUCTION AND RECOVERY FUND LLC; HEARTLAND PRODUCTION AND RECOVERY FUND II LLC; THE HEARTLAND GROUP FUND III, LLC; HEARTLAND DRILLING FUND I, LP; CARSON OIL FIELD DEVELOPMENT FUND II, LP; ALTERNATIVE OFFICE SOLUTIONS, LLC; ARCOOIL CORP.; BARRON PETROLEUM LLC; JAMES IKEY; JOHN MURATORE; THOMAS BRAD PEARSEY; MANJIT SINGH (AKA ROGER) SAHOTA; and RUSTIN BRUNSON,	§	**No. 4:21-cv-1310-O-BP**
	§	
Defendants,	§	
	§	
	§	
	§	
and	§	
	§	
DODSON PRAIRIE OIL & GAS LLC; PANTHER CITY ENERGY LLC; MURATORE FINANCIAL SERVICES, INC.; BRIDY IKEY; ENCYPHER BASTION, LLC; IGROUP ENTERPRISES LLC; HARPRIT SAHOTA; MONROSE SAHOTA; SUNNY SAHOTA; BARRON ENERGY CORPORATION; DALLAS RESOURCES INC.; LEADING EDGE ENERGY, LLC; SAHOTA CAPITAL LLC; and 1178137 B.C. LTD.,	§	
	§	
Relief Defendants.	§	
	§	
	§	

ORDER GRANTING RECEIVER'S MOTION FOR APPROVAL OF FARMOUT AGREEMENT AND TO EXTEND LEASE

Came on to be heard the *Receiver's Motion for Approval of Farmout Agreement and to Extend Lease* (the "Motion") in connection with the leases in Val Verde and Crockett Counties.[1] After considering the Receiver's Motion, all responses thereto, if any, all evidence submitted to the Court and the arguments of counsel, the Court is of the opinion that said motion should be **GRANTED** in all respects.

IT IS THEREFORE ORDERED that the Court approves the Farmout Agreement between the Receiver and the lessors, as a sound exercise of the Receiver's business judgment, which:

(a) Extends the primary term of the I.W. Carson leases dated December 31, 2018, to March 31, 2023, in exchange for a payment of $25,000;

(b) Creates the opportunity to have one or more of the existing wells begin producing;

(c) Provides a 50% carried interest in existing wells until recovery of $5.5 million;

(d) Provides a mechanism to give the Receiver a potential for upside returns by participating to the extent of a 7.5% cost-bearing working interest in any wells drilled after the carried interest is fully expended (but without an obligation to do so); and

(e) Installs a knowledgeable and competent operator who satisfies the concerns of the lessors to such a transfer.

[1] Capitalized terms used but not otherwise described herein shall have the meaning ascribed in the Motion.

IT IS FURTHERED ORDERED that the Receiver, as Farmor, is authorized to enter into the Farmout Agreement, a copy of which was attached to the Motion as Exhibit B, with SDMB Resources LLC, THXMT, LLC, and Atoka Operating, Inc., as Farmees.

IT IS FURTHER ORDERED that the Receiver is authorized to pay $25,000 for the extension of the Carson leases.

IT IS FURTHER ORDERED that the Receiver may take any action and execute any document necessary with respect to the Farmout Agreement and the relief granted herein.

Signed this ___day of _____, 2022.

HAL R. RAY, JR.
UNITED STATES MAGISTRATE JUDGE

Prepared and submitted by:

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