Thrasher #1 L.P.

(An Oil and Gas Development Program)

July 23, 2026

20 Units ($218,000 each) totaling
$4,360,000 in Limited Partnership Units and
Additional General Partnership Units

Payable in two payments: (1) $128,000 and (2) $90,000

Participation in Thrasher #1 L.P. Units involves a high degree of risk and is suitable only for investors who can afford to lose their entire investment or hold it for a long period of time. Participation in the Thrasher #1 L.P. Oil and Gas Development Program (the "Program") is only being offered to Accredited Investors as defined in Rule 501 of Regulation D of the Securities Act of 1933. See "Risk Factors" and "The Investor Suitability Standards." The entire contents of this memorandum should be carefully read.

Under SEC Rules you may be asked to provide documentation verifying your accredited investor status. Our Subscription Agreement contains a covenant to provide such information when requested. These provisions are required by SEC rules which require taking reasonable steps to verify accredited investor status.

Thrasher #1, L.P. (the "Partnership"), a Texas limited partnership, is offering for sale (the "Offering") twenty (20) units of Limited Partnership Units and Additional General Partner Units (the "Partnership Units") in the Partnership. Purchasers of Partnership Units will participate in the drilling and completion of the proposed vertical oil and gas well, Thrasher #1 (14,618 measured depth, 14,500 total vertical depth) in LaFourche Parish, Louisiana, targeting the Upper 95 Sand Formation and Lower 95 Sand formation operated by Castex Energy, Inc. of Houston, Texas (the "Partnership Well").

The Managing General Partner is FWS Management, LLC, a Texas limited liability company controlled by Frank W. Seidler. The Managing General Partner is not affiliated with Castex Energy, Inc. of Houston, Texas (the "Operator"). The Operator will operate the Partnership Well.

The $218,000 per Partnership Unit has two payments. Partners will pay: (1) $128,000 per Unit paid at Subscription for testing, drilling, organizational and legal costs; and (2) $90,000 for estimated completion costs when called by the Managing General Partner. The maximum subscription amount is $4,360,000 (the "Maximum Subscription Amount").

The Partnership investment has the following characteristics, assuming that the Partnership Well is a commercial well:

- Each Partnership Unit in the Partnership Well will indirectly represent an approximate 1.00% Working Interest (0.74% Net Revenue Interest) in the Partnership Well.

- Assuming the Maximum Subscription Amount, the Partners will indirectly own twenty percent (20%) Working Interest (fourteen and four-fifths percent (14.8%) Net Revenue Interest) in the Partnership Well through the Partnership Units with pro rata percentage reductions for lesser total Partnership Unit sales. Such reductions would not affect the percentage Working Interest or Net Revenue Interest ownership of the Partnership Well represented by each Unit.

- The Partnership's interest is burdened by a 6.66667% Carried Working Interest to the "Casing Point" for the benefit of the Operator or its affiliate. Thus, assuming the Maximum Subscription Amount, twenty-six and two-thirds of one percent (26.666667%) the leasehold, drilling, completion, and lease operating expenses will be directly charged against the Partnership's Working Interest through the Casing Point, after which the Partnership will be paying twenty percent (20%) of the Partnership Well's expenses. Assuming the Maximum Subscription Amount, the Partnership will receive an approximately fourteen percent and four-fifths percent (14.8%) Net Revenue Interest from the Partnership Well.

- The $218,000 per Partnership Unit has two payments. Partners will pay: (1) $128,000 per Unit paid at Subscription for testing, drilling, organizational and legal costs; and (2) $90,000 for estimated completion costs when called by the Managing General Partner.

- The Operator has provided an Authorization for Expenditure ("AFE") for the drilling and completion (plus other work, if needed, such as pipelines) of the Partnership Well. If the Operator's expenditures exceed the AFE amount, the Partnership (and indirectly the Partners) could receive a capital call for the overage. If the Operator's expenditures for drilling and completion of the Partnership Well is less than the AFE amount, the Managing General Partner will retain the delta for itself.

- After the Partnership Well is completed, the Operator may determine that the Partnership Well requires subsequent operations to rework the Partnership Well. Subscribers shall be responsible for paying their pro rata share of the cost of such subsequent operations if the Operator makes a capital call. Under the Partnership Agreement, failing to pay such a call will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount, to be drawn from the defaulting partner's Distributions (as defined in the Partnership Agreement).

- The closing date for this offering is December 31, 2027 (the "Offering Period,") unless extended at the discretion of the Managing General Partner.

The Managing General Partner anticipates that the Operator will attempt to spud the Partnership Well in 2026, but, since the Partnership is a minority Working Interest owner, the Managing General Partner will have no influence or control over when the Partnership Well is drilled. However, Subscribers should understand that the Partnership Well spud date may depend on circumstances outside an Operator's control, such as the availability of drilling rigs and other equipment, the timing of permits from Louisiana Department of Conservation and Energy and other governmental entities, the weather, and government-ordered drilling moratoriums. The Operating Agreement may give the Operator the right to change the Partnership Well location within certain parameters.

The primary investment objective of the Partnership Units is for Subscribers to indirectly participate in the drilling and production of oil and gas in commercial quantities.

The Partnership Units will be offered and sold by the Managing General Partner under the SEC Rule 506 accredited investor exemption. This offering will not be registered with the U.S. Securities and Exchange Commission or any State and the Partnership Units sold through this private placement memorandum carry no registration rights.

The minimum investment is one (1) Partnership Unit, but that minimum may be waived in the discretion of the Managing General Partner.

THIS INVESTMENT IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND DILUTION, AND SHOULD BE PURCHASED SOLELY BY THOSE PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Assuming $4,360,000 Subscription Amount **20 Units**

	Amount	**Percentage**	**Per Unit**
Subscription Amount	$4,360,000	100.00%	$218,000
Organizational and Offering Expenses[1]	$320,000	7.34%	$16,000
Estimated Proceeds to Operations	$4,040,000	92.66%	$202,000

[1]Organization, due diligence, accounting, legal, and other similar fees will be paid directly by the Partnership.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY REGULATORY AUTHORITY OF ANY OTHER JURISDICTION HAS PASSED ON THE MERITS OF OR GIVEN ITS APPROVAL TO THE UNITS OFFERED OR THE TERMS OF THIS OFFERING, NOR DOES IT PASS UPON THE ACCURACY HEREOF OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THESE SECURITIES ARE OFFERED HEREBY PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SEC AND APPLICABLE SECURITIES REGULATORY AUTHORITIES OF OTHER JURISDICTIONS. NEITHER THE SEC NOR ANY REGULATORY AUTHORITY OF ANY OTHER JURISDICTION HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

The date of this Offering Memorandum is July 23, 2026.

ADDITIONAL INFORMATION

DURING THE COURSE OF THIS OFFERING AND PRIOR TO SALE, EACH OFFEREE MAY ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM THE MANAGING GENERAL PARTNER CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING, PROVIDED THE INFORMATION IS REASONABLY AVAILABLE. IN ADDITION, EACH OFFEREE WILL BE ENTITLED TO OBTAIN ADDITIONAL INFORMATION FROM THE

MANAGING GENERAL PARTNER WHICH THEY BELIEVE TO BE MATERIAL TO A DECISION TO INVEST IN THE UNITS (INCLUDING ADDITIONAL INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM) TO THE EXTENT THE MANAGING GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. SUCH ADDITIONAL INFORMATION AND ALL DOCUMENTS RELATING TO THIS INVESTMENT WILL BE MADE AVAILABLE TO THE OFFEREE UPON REQUEST TO THE MANAGING GENERAL PARTNER, FWS MANAGERMENT, LLC, 7140 E FM 917, ALVARDO, TX 76009, (817) 259-1777.

The Managing General Partner reserves the right to extend, withdraw or modify this offering and return the amounts tendered prior to issuing the Units to Partners. This offering may be withdrawn at any time before the termination of this offering and is specifically made subject to the terms described in this Memorandum. The Managing General Partner specially reserves the right to reject any subscription tendered.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE PARTNERSHIP OR ITS AGENTS AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS OR HER OWN LEGAL AND TAX ADVISORS AS TO THE LEGAL, TAX AND BUSINESS RAMIFICATIONS RELATED TO AN INVESTMENT IN THE UNITS.

THIS MEMORANDUM CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT, BUT REFER TO THE PARTNERSHIP AGREEMENT, A COPY OF WHICH IS ATTACHED AS EXHIBIT B, FOR COMPLETE INFORMATION CONCERNING THE PARTNERS' RIGHTS AND OBLIGATIONS. THE MEMORANDUM INCLUDES SIGNIFICANT ASSUMPTIONS. NO WARRANTY OF SUCH ASSUMPTIONS IS EXPRESSED OR IMPLIED HEREBY. THE MANAGING GENERAL PARTNER WILL MAKE AVAILABLE ALL PARTNERSHIP DOCUMENTS RELATING TO THIS MEMORANDUM UPON REQUEST FROM A PROSPECTIVE INVESTOR.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS, OR FURNISH ANY INFORMATION, WITH RESPECT TO THE PARTNERSHIP OR THE UNITS, OTHER THAN THE REPRESENTATIONS AND INFORMATION STATED IN THIS MEMORANDUM, THE PARTNERSHIP DOCUMENTS OR OTHER DOCUMENTS, OR OTHER INFORMATION WHICH IS FURNISHED BY THE MANAGING GENERAL PARTNER UPON REQUEST. THE MANAGING GENERAL PARTNER WILL PROVIDE ADDITIONAL INFORMATION REQUESTED BY A PROSPECTIVE INVESTOR FOR EVALUATION PURPOSES IF THIS INFORMATION IS REASONABLY AVAILABLE. SUCH ADDITIONAL INFORMATION SHOULD ONLY BE RELIED UPON IF FURNISHED IN WRITTEN FORM

AND SIGNED BY A PRINCIPAL OF THE MANAGING GENERAL PARTNER. NO CHANGE IN PARTNERSHIP AFFAIRS FROM THE DATE OF THIS MEMORANDUM SHALL BE IMPLIED OR ASSUMED MERELY BY THE DELIVERY OF THIS MEMORANDUM, OR THE SALE OF THE PARTNERSHIP UNITS.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHO HAS RECEIVED IT FROM THE PARTNERSHIP. DELIVERY OF THIS MEMORANDUM, OR ANY OTHER DOCUMENTS OR INFORMATION FURNISHED TO AN OFFEREE, TO ANYONE OTHER THAN THE PERSON WHO HAS RECEIVED IT FROM THE PARTNERSHIP IS UNAUTHORIZED.

THE PURPOSE OF THIS MEMORANDUM IS TO PROVIDE THE PROSPECTIVE INVESTOR WITH THAT INFORMATION WHICH THE MANAGING GENERAL PARTNER, ON BEHALF OF THE PARTNERSHIP, BELIEVES IS PERTINENT TO AN INFORMED INVESTMENT DECISION. THE MANAGING GENERAL PARTNER RECOGNIZES THAT ADDITIONAL INFORMATION MAY BE NEEDED BY THE PROSPECTIVE INVESTOR TO FORM AN INVESTMENT DECISION. THEREFORE, EACH PERSON CONSIDERING THIS OFFER IS ENCOURAGED TO ASK FOR MORE INFORMATION FROM THE MANAGING GENERAL PARTNER. REQUESTS FOR FURTHER INFORMATION SHOULD BE MADE TO THE MANAGING GENERAL PARTNER, AND SUCH INFORMATION SHOULD ONLY BE RELIED UPON WHEN FURNISHED IN WRITTEN FORM AND SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE MANAGING GENERAL PARTNER.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

BECAUSE THE UNITS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER ANY STATE OR FEDERAL SECURITIES LAWS OR THE LAWS OF ANY NATION, THERE WILL BE NO PUBLIC MARKET FOR THEM. ACCORDINGLY, TRANSFERABILITY OF THE UNITS IS RESTRICTED AND INVESTORS MAY NOT BE ABLE TO LIQUIDATE THEIR INVESTMENT QUICKLY OR ON ACCEPTABLE TERMS, IF AT ALL. AN INVESTOR MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE UNITS SHOULD BE PURCHASED ONLY AS A LONG-TERM INVESTMENT. SEE "RISK FACTORS."

THE TAX PORTIONS OF THIS MEMORANDUM ARE NOT, AND SHOULD NOT BE CONSTRUED TO BE, TAX ADVICE TO ANY PERSON OR ENTITY INVESTING IN OR CONSIDERING INVESTING IN THIS OFFERING. EACH INVESTOR AND POTENTIAL INVESTOR SHOULD RELY EXCLUSIVELY ON SUCH INVESTOR'S TAX AND FINANCIAL PROFESSIONAL ADVISORS FOR THE RENDITION OF TAX ADVICE IN CONNECTION WITH THIS OFFERING.

GENERAL LEGEND

THESE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE LAWS OF THE UNITED STATES OR ANY OTHER NATION, OR ANY POLITICAL UNIT OF THOSE NATIONS AND ARE BEING SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND SUCH LAWS. THE UNITS ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE OR PROVINCIAL SECURITIES ADMINISTRATOR, OR ANY OTHER SECURITIES ADMINISTRATOR OR REGULATORY AUTHORITY, NOR HAS ANY OF THESE REGULATORY AUTHORITIES PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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SUMMARY OF THE OFFERING

The following summary only highlights certain portions of the information contained in this Offering Memorandum ("Memorandum"). This summary is qualified in its entirety by reference to the full text of the Memorandum and its exhibits, all of which should be read and understood by prospective investors.

Partnership:	Thrasher #1 L.P., a Texas limited partnership.
Managing General Partner:	FWS Management, LLC, a Texas limited liability company (the "Managing General Partner"), whose address is 7140 E FM 917, Alvarado, TX 76009, (817) 259-1777.
Partnership Well:	Purchasers of Partnership Units will participate in the drilling and completion of the proposed vertical oil and gas well, Thrasher #1 (14,618 measured depth, 14,500 total vertical depth) in LaFourche Parish, Louisiana, targeting the Upper 95 Sand Formation and Lower 95 Sand formation operated by Castex Energy, Inc. of Houston, Texas (the "Partnership Well").
Unit Price Payment and Terms of Subscription:	The $218,000 per Partnership Unit has two payments. Partners will pay: (1) $128,000 per Unit paid at Subscription for testing, drilling, organizational and legal costs; and (2) $90,000 for estimated completion costs when called by the Managing General Partner.
Organization Costs:	Organization and other similar fees will be paid directly by the Partnership.
Other Compensation:	See "Compensation Paid to Managing General Partner and its Affiliates assuming Maximum Subscription Amount for Drilling and Completion of Partnership Well" on Page 7 of this Memorandum.
Partners:	The Managing General Partner together with those persons whose Subscriptions to purchase Additional General Partnership Units and Limited Partnership Units offered hereby are accepted by the Managing General Partner for $4,360,000 (20 Units) (the "Maximum Subscription Amount") and who are subsequently admitted to the Partnership. The Maximum Subscription Amount includes completion payments. The initial deposit amounts for these Subscriptions shall be $128,000 per Partnership Unit to be

	paid at the time of Subscription. The second payment of \$90,000 shall be paid for estimated completion costs when called by the Managing General Partner.
Waterfall to Subscribers:	The Additional General Partners and Limited Partners shall receive their cumulative return on a pro rata basis.
Offering Period:	The offering period for the Units will terminate on December 31, 2027 (the "Offering Period"), unless extended for up to one year at the discretion of the Managing General Partner.
Subscription Documents:	Each subscriber must return to the Managing General Partner a complete and executed set of Subscription Documents with payment of the initial deposit amount of \$128,000 per Unit subscribed.
Partnership Objective:	The primary investment objective of the Partnership is for Subscribers to indirectly participate in the drilling and production of oil and gas in commercial quantities.
Operator:	The Operator designation will depend on the Partnership winning the bids to acquire oil and gas assets.
Term of the Partnership:	The Partnership was formed as a limited partnership under the laws of Texas on July 6, 2026, and will continue until an event requiring the winding-up of the Partnership as described in Section 9.9 of the Partnership.
Proceeds:	***Subscription Procedure and Payment.*** The initial subscription payment amount of \$128,000 per Unit must be made by check, ACH, or wire transfer of immediately available funds as well as completing the Subscription Documents in the form attached at Exhibit C. Initial payments for Subscriptions for the Units described herein will be payable upon the executed of the Subscription Documents. All Subscription payments may be made by check, ACH, or wire transfer of immediately available funds. The Subscriber shall effectuate payment through one of the following methods: A. **Delivery by Mail.** Check or cashier's check via mail – Subscription checks shall be made payable to "Thrasher #1 L.P." and delivered to the following address: Thrasher #1 L.P., 7140 E FM 917, Alvarado,

TX 76009; or

B. **Delivery by Wire Transfer or ACH.** Subscription payments may be transmitted via electronic wire or ACH transfer directly to the Partnership's subscription account as stated on page 21 of the Subscription Documents found at Exhibit C.

Risk Factors:

There are high risks associated with the purchase of a Unit in the Partnership.

Issues with Purchasing and Owning Non-Operating Working Interest

The Managing General Partner will not operate the Partnership Well. The Operator designation will depend on the Partnership acquiring oil and gas assets, often bidding against other prospective non-operating participants. Investors should understand that a well spud date may depend on circumstances outside an Operator's control, such as the availability of drilling rigs and other equipment, the timing of permits from the relevant state oil and gas regulatory agency and other governmental entities, the weather, and government-ordered drilling moratoriums. Further, as an owner of non-operator Working Interest the Partnership will have no control over what is the planned work on the prospect, the terms of the Authorization for Expenditure ("AFE"), the schedule for the work, and the schedule of the payments for the work.

The Managing General Partner might not receive optimal pricing if it seeks to sell the Partnerships' Working Interest in the Partnership Well. There may be a valuation discount per Working Interest percentage if the Partnership sells interest in a Partnership Well separately versus tagging along with the Operator's sale of the entire well or leasehold. Subscribers should anticipate holding their Partnership Units for an extended time period as the Partnership may be required to hold one or more of its Partnership Well Working Interests for an extended period of time, especially during a period with adverse pricing pressure on oil and gas Working Interests.

Limited Partners and Additional General Partners:

Prospective investors may invest in the Partnership as Limited Partners or Additional General Partners. On January 1 of the year immediately following the calendar year of the Partnership with respect to which the Managing General Partner has determined that at least 90% of funds paid to the Partnership by the Partners as a result of the offer and sale of Units shall have been expended the Units held by the Additional General Partners may be converted to Limited Partner Units, unless the Managing General Partner determines that such conversion at that time would not be in the best interests of the General Partners or the Partnership.

Other Documents: The Managing General Partner will, upon request, furnish copies of other documents which are important to an understanding of the nature of, or an investment in, the Partnership.

Substitute Wells.

The Managing General Partner shall select all well locations and substitute well locations to be invested in by the Partnership. The Managing General Partner may, in its sole discretion, change any well location to be invested into by the Partnership.

Designation of Operator and Drilling Prospects

The Operator and prospect designation will depend on the Partnership acquiring oil and gas assets.

Cost of Operations

The Partnership will participate in the Operators' well(s) by paying its share of the expenses pursuant to an Authorization for Expenditures (AFE). The AFE is an estimated budget and costs may exceed the AFE, in which case the Partnership will be billed for such amounts. Subscribers may receive future capital calls from the Partnership for operations required by the Operator.

Compensation and Payments to Limited Partners, Additional General Partner, Managing General Partner Affiliates, and Consultants

The amounts shown below to be paid from subscriptions may have no bearing or relationship to actual costs which may be incurred for certain of the items set forth below. Rather, the amounts being charged to the Partnership by the Managing General Partner reflects those costs which the Managing General Partner has determined, in its sole discretion, constitutes appropriate charges, on a non-accountable basis, for the Managing General Partner's expenditure of funds to organize the Partnership and as compensation for the assets being assigned to the Partnership. To the extent such amounts shown are in excess of actual amounts paid by the Managing General Partner, such excess will be considered as compensation to the Managing General Partner.

The following tables are provided to help prospective investors to understand the types and amount of compensation and reimbursements which the Managing General Partner, its Affiliates, and business development intermediaries will receive from the Partnership. All projected use of proceeds allocations are estimates which may vary depending on operational conditions.

Source of Proceeds for $4,360,000 Offering

Source of Funds	Amount	Percentage
Managing General Partner's Contribution for the Managing General Partner Interest	$0	0.00%
Partners' Capital Contributions	$4,360,000	100.00%
Totals:	$4,360,000	100.00%

Use of Proceeds for $4,360,000 Offering

Assuming $4,360,000 Subscription Amount	Amount	Units - 20 Percentage	Per Unit
Geological and Prospect Due Diligence	$256,000	5.87%	$12,800
Drilling, Testing Costs and for Prospect Well[1]	$1,600,000	36.70%	$80,000
Completion Costs for Prospect Well[1]	$1,800,000	41.28%	$90,000
Organizational and Offering Expenses	$320,000	7.34%	$16,000
Management Fee	$384,000	8.81%	$19,200
Total:	**$4,360,000**	**100.00%**	**$218,000**

[1] The Partnership investments are funds which may be used to acquire oil and gas assets. Organization, due diligence, accounting, legal, and other similar fees will be paid directly by the Partnership. Further, from the Partnership investments, normal organization, geological, engineering, legal, accounting and permitting expenses relating to ongoing operations will be paid. The Managing General Partner has the discretion to acquire properties in other areas as well.

All figures used are estimates and are subject to adjustment.

Working Interest and Net Revenue Interest Allocation

	Working Interest	Net Revenue Interest
Thrasher #1, LP	20.000000%	14.800000%
Other Working Interest Owners	67.978420%	50.304031%
Landowner, Overriding Royalty	0.000000%	0.000000%
Unaffiliated Working Interest Owner and Potential Participant	12.021580%	8.895969%

The Partnership has 20 Units to offer. Accordingly, each Partnership Unit will represent a one percent (1%) Working Interest (0.74% Net Revenue Interest) in the Partnership Well.

The Partnership's interest in the Partnership Well is encumbered by a 6.66667% Carried Working Interest to the "Casing Point" for the benefit of the Operator or its affiliate. Casing Point means the location, or depth, at which drilling an interval of a particular diameter hole ceases, so that casing of a given size can be run and cemented. The Casing Point may be a predetermined depth, or it may be selected onsite by a pressure hunt team, selected onsite according to geological observations, or dictated by problems in the openhole section. This means that the Partnership will pay twenty-six and two-thirds of one percent (26.66667%) of the Partnership Well's expenses through the Casing Point for its twenty percent (20%) Working Interest in the Partnership Well. After the Casing the Partnership will be responsible for paying twenty percent (20%) of the Partnership's expenses for its twenty percent (20%) Working Interest in the Partnership well.

The Partnership's Working Interest percentage may be reduced by two future events. First, the source of 60% of the farmout Working Interest has an agreement with the Operator's affiliate, Castex Energy 2021, LLC to receive a three percent (3%) Overriding Royalty Interest through "Project Payout" which is reflected in the above table. After "Project Payout"[1] the farmout source has a choice of receiving either a three and one-half percent (3.5%) Overriding Royalty Interest or converting such Overriding Royalty Interest to a ten percent (10%) Working Interest in the Partnership Well.

[1] *"Project Payout"* shall be deemed to have occurred on the date when 100% of the net sales proceeds of production from the Initial Test Well and all additional development wells and attributable to the production from the Initial Test Well, and all additional development wells (after deduction of production taxes, severance taxes, excise taxes, transportation costs, lessor's royalty, the Farmor ORRI and Generator ORRI, and any other Lease Burdens) equals 100% of (i) the sunk costs, Spud Fee, "Generator Fees" and all actual costs and expenses associated with the acquisition of oil and gas leases within the Proposed Unit (including maintenance payments and lease bonuses); and (2) (i) all costs incurred directly related to the drilling, testing, completing, equipping, and operating of the Initial Test Well and all development wells, (ii) the cost of all production facilities, pipelines, flowlines and other equipment necessary to produce the same, and (iii) any production handling and operating fees associated with the Initial Test Well, and all development wells.

Second, the Partnership Well is subject to a twelve and one-half (12.5%) State of Louisiana royalty for eighty-four (84) months from the amendment of the state lease to accommodate the farmout, after which the royalty rate will increase to twenty percent (20%) royalty interest. This increase of a seven and one-half percent (7.5%) royalty interest will result in a corresponding net revenue interest decrease for the Working Interest owners. There will be no decrease for Overriding Royalty Interest owners.

Compensation Paid to Managing General Partner and its Affiliates assuming Maximum Subscription Amount for Drilling and Completion of Partnership Well

Entity Receiving Compensation	Type of Compensation or Distribution	Amount
Managing General Partner	A prospect origination and management fee. The fee is contingent on the amount invested by the Partnership.	Up to $384,000 based on current number of Units
Managing General Partner or affiliates	Potential Profit from if any of the Partnership's oil and gas properties are acquired from the Managing General Partner or its affiliates.	Indeterminate
Managing General Partner or affiliates	Potential Profit if the Operator's drilling and completion expenses are less than the anticipated budget for such expenses.	Indeterminate
Managing General Partner or affiliates	Potential Profit if the Operator's geological and due diligence expenses are less than the anticipated budget for such expenses.	Indeterminate
Managing General Partner or affiliates	Organizational and Offering Expenses.	Up to $320,000
Managing General Partner or affiliates	The Managing Geneal Partner will be reimbursed for expenses it pays on behalf of the Partnership.	Indeterminate

All figures used are estimates and are subject to adjustment.

INVESTOR SUITABILITY

Subscribers to this offering of Thrasher #1 L.P. Units must be "Accredited Investors" under SEC Rule 501. Subscribers must be sophisticated, can assess the investment opportunity, have no need for any periodic payments or liquidity from this investment, and, with their spouse, qualify as an "Accredited Investor" under SEC Rule 501. Corporate and other business entities may also subscribe provided they meet the above-described suitability requirements.

Investment in the Partnership Units involves a high degree of risk and is suitable only for persons of financial means who can bear this risk and who have no need for liquidity in this investment. The Offering has not been registered or qualified with, nor has the adequacy or accuracy of this Memorandum been reviewed and passed upon by the U.S. Securities and Exchange Commission or any state or provincial securities administrator. The Offering is being made in reliance on exemptions from registration and qualification requirements. The availability of these exemptions is dependent upon, among other things, the investment intent and qualification of each prospective purchaser.

Representations from prospective purchasers will be reviewed to determine their suitability for investment, and Managing General Partner, in its sole discretion, will have the right to refuse a subscription for any reason. Before Subscribers can purchase a Unit, the Subscriber must represent in writing that (among other things):

A. The Subscriber is acquiring its Unit(s) for investment and not with a view to resale or distribution;

B. The Subscriber can bear the economic risk of losing its entire investment;

C. The Subscriber's overall commitment to investments which are not readily marketable is not disproportionate to its net worth and its investment in Thrasher #1 L.P. will not cause this overall commitment to become excessive;

D. The Subscriber has adequate means of providing for its current needs and personal contingencies and no need for liquidity in its investment in Thrasher #1 L.P.; and

E. The Subscriber understands that Thrasher #1 L.P. can make further capital assessments, and the Subscriber has the means to pay such assessments.

GLOSSARY

The following are the definitions of certain terms used in this Offering Memorandum.

Additional General Partner. The holder of a Unit of partnership interest in the Partnership who has been admitted as a general partner.

Affiliate. (i) Any person directly or indirectly controlling, controlled by, or under common control with, another person, (ii) any person owning or controlling ten percent (10%) or more of the outstanding voting securities of another person, (iii) any officer, director, partner of a person, and (iv) if such person is an officer, director or partner, any company for which such person acts in any such capacity.

BBL. The common abbreviation for barrels of oil.

Capital Contribution. The total cash contribution that a Partner makes to the Partnership, including assessments.

Capital Costs. All the costs incurred by the Partnership in drilling, testing, completing, and equipping the Partnership Well, and any pipelines built to the Partnership Well which costs are required to be capitalized for Federal income tax purposes, including any dry hole tangible costs but excluding any intangible completion costs, geological and geophysical costs, and Operating Costs.

Carried Working Interest. The Working Interest paid, or carried, for drilling and completion costs relating to the initial drilling and completion operations in a well by one or more other working interest owners.

Casing Point. the location, or depth, at which drilling an interval of a particular diameter hole ceases, so that casing of a given size can be run and cemented. The Casing Point may be a predetermined depth, or it may be selected onsite by a pressure hunt team, selected onsite according to geological observations, or dictated by problems in the openhole section.

Developmental Well. An oil and gas well drilled within the proven area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry Hole. Any oil and gas well drilled for the purpose of producing oil or gas which is not a Producing Well.

Exploratory Well. A well drilled on a geological anomaly not known to produce oil and gas.

Fiscal Year. The fiscal year as defined by the Partnership Agreement. The fiscal year will end on December 31, but this can be changed at the discretion of the Managing General Partner.

General and Administrative Costs. In respect to any period, all reasonable and customary legal, accounting, geophysical, geological, land, engineering, travel, rent, telephone, and similar costs necessary or appropriate to the conduct of the business of the Partnership, including the Managing General Partner's management fee.

Initial Capital Contribution. The $128,000 per Unit Initial Capital Contribution called for in this Memorandum.

Leases. Oil and gas leases granting the lessee the right to a Working Interest.

Limited Partner. The holder of a Unit of partnership interest in the Partnership who has been admitted as a limited partner.

Managing General Partner. FWS Management, LLC, a Texas limited liability company, whose address is 7140 E FM 917, Alvarado, TX 76009, (817) 259-1777.

MCF. The common description for a thousand cubic feet of natural gas.

Memorandum. This Offering Memorandum of the Partnership dated July 23, 2026, pursuant to which the Units are offered for sale.

Net Revenues. In respect to any period, the portion of Proceeds more than the Operating Costs and the General and Administrative Costs incurred by the Partnership during such period.

Net Revenue Interest. An interest in an oil and gas property which entitles the owner to a specific portion of the production income from such property.

Offering Period. That period commencing on the date of this Memorandum and ending on December 31, 2027, unless extended for up to one year at the discretion of the Managing General Partner.

Operator. The Operator designation will depend on the Partnership winning the bids to acquire oil and gas assets.

Operating Costs. In respect to any period, all cash costs, and expenses of the Partnership in any period, including, without limitation, all costs incurred in connection with the operation and maintenance of the Partnership and the Partnership Well.

Overriding Royalty Interest. The Overriding Royalty Interest is a royalty interest derived and carved from the leasehold's Working Interest. Thus, when the oil and gas lease terminates, the Overriding Royalty Interest will also terminate.

Partners. The persons, firms, corporations, and other entities that are admitted into the Partnership as Limited Partners or Additional General Partners in the Partnership plus the Managing General Partner. Reference to a "Partner" means any one of the Partners and the Managing General Partner if the context so requires. No owner of any assigned interest in the Partnership shall be deemed to be a Partner unless and until the assignee has been admitted to the Partnership as a Substitute Partner in accordance with the terms of the Partnership Agreement.

Partnership. Thrasher #1 L.P., a Texas limited partnership.

Partnership Agreement. The Agreement of Limited Partnership in the form annexed to this Memorandum as Exhibit B, pursuant to which the Partnership will be continued after the admission of Limited Partners into the Partnership.

Partnership Well. All oil and gas wells in which the Partnership owns an interest.

Person. Any individual, corporation, partnership, trust, estate, or other entity.

Proceeds. In respect to any period, the aggregate gross cash receipts received by the Partnership from all sources during such period.

Subscription. The execution and delivery to the Managing General Partner of a properly executed set of Subscription Documents by a potential Partner and the tender by such investor of the required cash payment for the Unit(s) which he, she or it wishes to purchase.

Subscription Amount. The total Initial Capital Contributions to be made to the Partnership by subscribers in this offering is up to $4,360,000, assuming Subscriptions for the maximum of 20 Units are accepted by the Managing General Partner prior to the expiration of the Offering Period.

Substitute Partner. The assignee of the Unit(s) of a Partner when both the assignor and assignee of such Unit(s) have satisfied all the requirements of the Partnership Agreement.

Working Interest. An operating interest entitling the holder, at his, her or its expense, to conduct drilling and production operations on the leased property and to receive the net revenues from such operations.

RISK FACTORS

THRASHER #1 L.P. UNITS ARE HIGHLY RISKY. PROSPECTIVE PURCHASERS SHOULD CONSIDER THE FOLLOWING FACTORS, AMONG OTHERS, BEFORE SUBSCRIBING, AND ARE URGED TO CONSULT THEIR OWN FINANCIAL, TAX AND LEGAL COUNSEL BEFORE DECIDING TO PURCHASE.

Unlimited Liability for Additional General Partners. Additional General Partners are liable for the obligations of the Partnership on a joint and several basis. This means that they may be liable for the entire amount of obligations of or claims against the Partnership regardless of whether any of the other Partners have similar obligations. If other Partners do not pay their share of obligations and claims, the Additional General Partners could be liable for the shortfall.

Risks Pertaining to Oil and Gas Investments

Speculative Nature of Oil and Gas Activities. Oil and gas drilling is a highly speculative activity marked by many dry holes and mechanical problems. Even completed wells may never show a profit. Poor weather and equipment shortages can also cause delays and added expenses.

Prices of Oil and Gas are Historically Quite Unstable. Global economic conditions, political conditions, and energy conservation have created unstable prices for the purchase of oil and gas. Further, speculative trading on commodity exchanges can cause wild gyrations in pricing. The prices for U.S. oil and gas production can and have materially declined at times in the pricing cycles, which would negatively impact profits to the Partnership. Moreover, since operating wells having fixed monthly costs, the percentage decline in net revenues may well exceed the corresponding percentage decline in oil and gas prices. The prices the Partnership receives for oil and natural gas heavily influences revenue, profitability, cash flow available for capital expenditures and access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices received for production, and the levels of production, depend on numerous factors. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the prices and availability of competitors' supplies of oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state-controlled oil companies relating to oil price and production controls;
- the price and quantity of foreign imports;
- the impact of U.S. dollar exchange rates on oil and natural gas prices;
- domestic and foreign governmental regulations and taxes;
- speculative trading of oil and natural gas futures contracts;
- the availability, proximity and capacity of gathering and transportation systems for natural gas;
- the availability of refining capacity;
- the prices and availability of alternative fuel sources;

- weather conditions and natural disasters;
- political conditions in or affecting oil and natural gas producing regions, including the Middle East and South America;
- the continued threat of terrorism and the impact of military action and civil unrest;
- public pressure on, and legislative and regulatory interest within, federal, state and local governments to stop, significantly limit or regulate hydraulic fracturing activities;
- the level of global oil and natural gas inventories and exploration and production activity;
- the impact of energy conservation efforts;
- technological advances affecting energy consumption; and
- overall worldwide economic conditions.

Lower oil and natural gas prices will reduce the Partnership cash flows, borrowing ability the present value of estimated reserves and ability to make distributions. Oil and gas leases that are not held by production could be at risk of expiring in low price environments. Lower oil and natural gas prices may also reduce the amount of oil and natural gas that the Partnership can produce economically and may affect estimated proved reserves. The present value of future net revenues from estimated proved reserves will not necessarily be the same as the current market value of estimated oil and gas reserves.

The Russian invasion of Ukraine increases pricing risks for oil and natural gas and the potential volatility of the Partnership's net revenue. On February 24, 2022, Russia attacked Ukraine on multiple fronts. In response, Russia and its leadership and oligarchs became subject to crushing sanctions, embargoes and withdrawal of business and investment. For example, on October 22, 2025, President Trump imposed sanctions on Russian oil and gas producers, specifically Rosneft and Lukoil.

Russia produces the second-most natural gas and the third most oil of any country in the world (the U.S.A. is first in both). Since the commencement of the Ukraine war and the imposition of sanctions, the prices of natural gas and oil have spiked in response to the potential unavailability of Russian natural gas and oil. In response, importers of natural gas and oil have been seeking alternative sources and increased production elsewhere. Further, other importers, such as Germany, have been seeking to reduce their demand, particularly, for natural gas and have been reopening coal power plants.

These political and war risks have caused uncertainty in anticipating price levels and price changes in natural gas and oil and thus increased the uncertainty of the anticipated revenue from the Partnership. Subscribers should anticipate high volatility in the price of natural gas and oil obtained by the Operator for the Partnership with corresponding earnings volatility for the Partnership.

Oil and Gas are Priced Globally in U.S. Dollars, thus Creating Currency Risk. The U.S. dollar is the primary reserve currency worldwide and the global currency for oil and gas. This means that the stronger the U.S. dollar, the lower the oil and gas prices. There is a direct inverse correlation. Consequently, while the Partnership does not intend to acquire assets outside of the United States, it will still be indirectly subject to currency risks derived from a strong U.S. dollar. For example, relatively speaking the low prices U.S. dollar prices of oil and gas production in other countries may be offset by the weakening of the local currency. But low prices for domestic U.S. oil and gas production will not be able to be offset by a decline in the local currency compared to the reserve currency because U.S. dollars are the reserve currency.

Oil and Gas Well Drilling and Production Risks – Operations. All drilling and rework activities involve a high degree of risk with exploratory wells presenting a higher degree of risk than developmental wells. Oil and gas drilling hazards include unusual or unexpected formations, pressures or other conditions, blow-outs, fires, failure of equipment, down hole collapses, and other hazards (whether similar or dissimilar to those enumerated). Although AAPL operating agreements require that Operators maintain insurance, the Partnership may suffer losses due to hazards against which it cannot insure or against which it may elect not to insure.

Oil and Gas Well Drilling and Production Risks – Equipment and Materials. The timing of the drilling and completion activity will depend on the timely delivery of the drilling equipment, including the rig and other equipment, and the materials needed to conduct drilling activity. If the necessary equipment and materials are not on site, the Operator's drilling and completion activities will be delayed. Such delays could materially affect the timing of any returns on investment in several ways. First, the delays could increase costs of operations as employees and equipment rentals may need to be paid while waiting on site. Second, such delays could cause a delay in investors receiving returns on investment, thus lowering the effective return on investment. Third, such delays could affect the tax year timing of deductibility of intangible drilling costs, especially if the drilling operations are not commenced by the deadline required under tax law. Fourth, such delays could affect oil and gas lease terms and delay rental payments.

Drilling for oil and natural gas is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect us. The Partnership's success could depend, in part, on the success of a drilling program. There is no way to predict in advance of drilling and testing whether any prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable the Partnership to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. The Partnership cannot assure you that the analogies drawn from available data from other wells, more fully explored prospects or producing fields will be applicable to current drilling prospects.

The budgeted costs of planning, drilling, completing, and operating wells are often exceeded, and such costs can increase significantly due to various complications that may arise during the drilling and operating processes. The Partnership may incur significant geological and geophysical (seismic) costs before the commencement of drilling operations – expenses incurred whether a well eventually produces commercial oil and gas quantities or is drilled at all. Exploration wells endure a much greater risk of loss than development wells. The analogies drawn from available data from other wells, more fully explored locations or producing fields may not be applicable to current drilling locations. If actual drilling and development costs are significantly more than the current estimated costs, the Partnership may not be able to continue operations as proposed and could be forced to modify drilling plans accordingly. Drilling for oil and natural gas involves numerous risks, including the risk that no commercially productive natural gas or oil reservoirs will be discovered. The cost of drilling, completing, and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed, or canceled because of a variety of factors beyond the Partnership's control, including:

- unexpected or adverse drilling conditions;
- elevated pressure or irregularities in geologic formations;
- equipment failures or accidents;
- adverse weather conditions;
- compliance with governmental requirements; and
- shortages or delays in the availability of drilling rigs, crews, and equipment.

If the Partnership decides to drill a certain location, there is a risk that (i) no commercially productive oil or natural gas reservoirs will be found or produced, (ii) may drill or participate in new wells that are not productive or drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. A productive well may become uneconomical if water or other deleterious substances are encountered which impair or prevent the production of oil and/or natural gas from the well. The Partnership's overall drilling success rate or drilling success rate for activity within a particular project area may decline. Unsuccessful drilling activities could result in a significant decline in production and revenues and materially harm operations and financial condition by reducing available cash and resources. There is no way to predict in advance of drilling and testing whether any location will yield oil or natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if enough oil or natural gas exist, the Partnership may damage the potentially productive hydrocarbon-bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from the well or abandonment of the well.

The Partnership is subject to contingencies arising from interpretations of federal and state laws and regulations affecting the oil and gas industry. The Partnership is subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and natural gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues, and other matters. Although the Partnership management intends to comply with the various laws and regulations, administrative rulings, and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, environmental matters are subject to regulation by various federal and state agencies.

The Partnership may rely on successful exploration, development, and acquisitions to maintain reserves and revenue in the future. In general, the volume of production from oil and natural gas properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Except to the extent that the Partnership conducts successful exploration and development activities or acquires properties containing proved reserves, or both, proved reserves will decline as reserves are produced. The Partnership future oil and natural gas production is, therefore, highly dependent on the Partnership's level of success in finding or acquiring additional reserves. Additionally, the business of exploring for, developing, or acquiring reserves is capital intensive. Recovery in reserves, particularly undeveloped reserves, will require significant additional capital expenditures and successful drilling operations. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. The Partnership's ability to make the necessary capital investment to maintain or expand its asset base of oil and natural gas reserves would be impaired. In addition, the Partnership is dependent on finding partners for exploratory activity. To the extent that others in the industry do not have the financial resources or choose not to participate in exploration activities, the Partnership will be adversely affected.

The Partnership may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect its business. While the Partnership is drilling and completing wells or involved in production activities, accidents, equipment failures or mechanical problems in a well may occur that cause the Partnership to be unable to drill and complete the well or to continue to produce the well according to plan. The Partnership may also damage a potentially hydrocarbon-bearing formation during drilling and completion operations.

Such incidents may result in a reduction of production and reserves from the well or in abandonment of the well.

The Partnership's estimated reserves are based on many assumptions that may prove inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the Partnership reserves. The Partnership intends to obtain periodic reserve estimates covering its properties. No one can measure underground accumulations of oil and natural gas in an exact way. Oil and natural gas reserve engineering requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the Partnership's reserves which could adversely affect business, results of operations, financial condition, and the Partnership's ability to make cash distributions to shareholders.

To prepare estimates, the Partnership must project production rates and the timing of development expenditures and analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes, and availability of funds. Although the reserve information contained herein is reviewed by independent reserve engineers, estimates of oil and natural gas reserves are inherently imprecise.

Further, the present value of future net cash flows from proved reserves may not be the current market value of estimated oil and natural gas reserves. In accordance with SEC requirements, the Partnership based the estimated discounted future net cash flows from proved reserves on the 12-month average oil and gas index prices, calculated as the un-weighted arithmetic average for the first day-of-the-month price for each month and costs in effect on the date of the estimate, holding the prices and costs constant throughout the life of the properties.

Actual future prices and costs may differ materially from those used in the net present value estimate, and future net present value estimates using then current prices and costs may be significantly less than the current estimate. In addition, the 10% discount factor the Partnership used when calculating discounted future net cash flows for reporting requirements in compliance with the FASB in Accounting Standards Codification, which is referred to as ASC, 932 may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Partnership or the oil and natural gas industry in general.

Seismic studies do not guarantee that hydrocarbons are present or, if present, will produce in economic quantities. The Partnership may use seismic studies to assist with assessing prospective drilling opportunities on current properties, as well as on properties that the Partnership may acquire. Such seismic studies are merely an interpretive tool and do not necessarily guarantee that hydrocarbons are present or if present will produce in economic quantities.

The Partnership is a startup with no operating history. The Partnership is a startup company with all the expected risks of a startup company, including lack of capital, well-funded competitors, and the need to add qualified personnel. If successful, the Partnership will need to expand its infrastructure and personnel to be consistent with the size of the business.

The Partnership will not be the operator on its drilling locations, and, therefore, will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated assets. The Partnership expects not be the operator on its initial oil and gas properties. As the Partnership carries out its oil and gas property acquisitions and development, it may enter arrangements with respect to existing or future drilling locations that result in a greater proportion of locations being operated by others. As a result, the Partnership may have limited ability to exercise influence over the operations of the drilling locations operated by its partners. Dependence on the operator could prevent the Partnership from realizing target returns for those locations. The success and timing of exploration and development activities operated by its partners will depend on several factors that will be largely outside of the Partnership's control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology; and
- the rate of production of reserves, if any.

This limited ability to exercise control over the operations of some of drilling locations may cause a material adverse effect on results of operations and financial condition.

Most of the Partnership's growth is anticipated to come through acquisitions, and failure to identify or complete future acquisitions successfully could reduce earnings and hamper growth. The Partnership may be unable to identify properties for acquisition or to make acquisitions on terms that are economically acceptable. There is intense competition for acquisition opportunities in the oil and gas industry. Competition for acquisitions may increase the cost of, or cause the Partnership to refrain from, completing acquisitions. Its ability to grow through acquisitions will require continued investment in operations, financial and management information systems and to attract, retain, motivate, and effectively manage employees. The inability to manage the integration of the merger or future acquisitions effectively could reduce focus on subsequent acquisitions and current operations and could negatively impact results of operations and growth potential. The Partnership's financial position, results of operations and cash flows may fluctuate significantly from period to period, because of the completion of significant acquisitions during periods. If the Partnership is not successful in identifying or acquiring any material property interests, earnings could be reduced, and growth could be restricted.

The Partnership may engage in bidding and negotiating to complete successful acquisitions. It may be required to alter or increase substantially its capitalization to finance these acquisitions using cash on hand, the issuance of equity securities, the sale of production payments, the sale of nonstrategic assets, the borrowing of funds or otherwise. Furthermore, the Partnership's decision to acquire properties that are substantially different in operating or geologic characteristics or geographic locations from areas with which the Partnership employees are familiar may impact productivity in such areas.

The Partnership may seek to acquire oil and gas properties subject to bankruptcy actions which may result in few or no remedies against sellers. Normally when a party purchases an oil and gas property, the seller makes representations and warranties about the properties being sold. If the Partnership seeks to acquire oil and gas properties under a bankruptcy court's supervision, the oil and gas property will be delivered as is, with no representations or warranties. But the properties will also be delivered by the bankruptcy court free and clear of all liens and potential liens, which is a common cause of violations of representations and warranties.

The Partnership may purchase oil and natural gas properties with liabilities or risks that the Partnership did not know about or that the Partnership did not assess correctly, and, as a result, could be subject to liabilities that could adversely affect results of operations. Before acquiring oil and natural gas properties, the Partnership estimates the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities, and other factors relating to the properties. However, such review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, the Partnership may not discover all existing or potential problems associated with the properties being purchased. This is a special risk for oil and gas properties under bankruptcy court supervision. The Partnership may not become sufficiently familiar with the properties to assess fully its deficiencies and capabilities. The Partnership does not generally perform inspections on every well or property and therefore may not be able to observe mechanical and environmental problems even when an inspection is conducted. The seller may not be willing or financially able to give contractual protection against any identified problems, and the Partnership may decide to assume environmental and other liabilities in connection with properties acquired. Indeed, properties acquired through bankruptcy court processes will be acquired as is with no protections against potential problems other than liens. If the Partnership acquires properties with risks or liabilities that were unknown or not assessed correctly, financial condition, results of operations and cash flows could be adversely affected as claims are settled and cleanup costs related to these liabilities are incurred. Given the limited due diligence and time opportunities in assessing properties under the supervision of a bankruptcy court, these risks may be increased when acquiring properties from bankrupt sellers.

The marketability of the Partnership's production will be dependent upon oil and natural gas gathering and transportation facilities owned and operated by third parties, and the unavailability of satisfactory oil and natural gas transportation arrangements will have a material adverse effect on revenue. The unavailability of satisfactory oil and natural gas transportation arrangements may hinder the Partnership's access to oil and natural gas markets or delay production from wells. The availability of a ready market for the Partnership's oil and natural gas production depends on several factors, including the demand for, and supply of, oil and natural gas and the proximity of estimated reserves to pipelines and terminal facilities. The Partnership's ability to market its production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Failure to obtain these services on acceptable terms could materially harm the Partnership's business. As a result, the Partnership may be required to shut-in wells for lack of a market or because of inadequacy or unavailability of pipeline or gathering system capacity. If that were to occur, the Partnership would be unable to realize revenue from those wells until production arrangements were made to deliver production to market. Furthermore, if the Partnership were required to shut-in wells the Partnership might also be obligated to pay shut-in royalties to certain mineral interest owners to maintain the Partnership's leases. The disruption of third-party facilities due to maintenance and/or weather could negatively impact the Partnership's ability to market and deliver the Partnership's products. These third parties' control when or if such facilities are restored and what prices will be charged. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect the Partnership's ability to produce, gather and transport oil and natural gas.

Hedging transactions or the lack thereof, may limit the Partnership's potential gains and could result in financial losses. To manage the Partnership's exposure to price risk, from time to time, the Partnership may enter hedging arrangements with respect to a portion of future production. The goal of these hedges is to lock in a range of prices to mitigate price volatility and increase the predictability of cash flows. These transactions limit potential gains if oil or natural gas prices rise above the maximum price established by the call option and may offer protection if prices fall below the minimum price established by the put option only to the extent of the volumes, then hedged.

In addition, hedging transactions may expose the Partnership to the risk of financial loss in certain other circumstances, including instances in which production is less than expected or the counterparties to put and call option contracts fail to perform under the contracts.

Disruptions in the financial markets could lead to sudden changes in a counterparty's liquidity, which could impair its ability to perform under the terms of the contracts. The Partnership is unable to predict sudden changes in a counterparty's creditworthiness or ability to perform under contracts. Even if the Partnership does accurately predict sudden changes, ability to mitigate that risk may be limited depending upon market conditions.

Furthermore, there may be times when the Partnership may have not hedge production when, in retrospect, it would have been advisable to do so. Decisions as to whether and what production volumes to hedge are difficult and depend on market conditions and forecast of future production and oil and gas prices, and the Partnership may not always employ the optimal hedging strategy. The Partnership may employ hedging strategies in the future that differ from those used in the past, and neither the continued application of current strategies nor use of different hedging strategies may be successful.

On April 27, 2012, the SEC and the CFTC issued final rules defining "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant" and "Eligible Contract Participant." These definitions have end-user exceptions. To the extent that the Partnership uses swaps to hedge its risks, it will attempt to comply with the end-user and size exceptions from these definitions. If the Partnership is unsuccessful in qualifying for such exceptions in any swap transaction, it may be required to maintain substantial financial reserves relating to its swap transactions and may be required to register with the SEC or CFTC as a swap dealer or participant.

Unless the Partnership replaces its oil and natural gas estimated reserves, its estimated reserves and production will decline, which would adversely affect its business, financial condition, and results of operations. Once the Partnership acquires oil and gas properties, it must conduct successful development, exploitation and exploration activities or acquire properties containing estimated proved reserves, else its estimated proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Estimated future oil and natural gas reserves and production, and therefore cash flows and income, are highly dependent on the Partnership's success in efficiently developing and exploiting current estimated reserves and economically finding or acquiring additional estimated recoverable reserves. The Partnership may not be able to develop, exploit, find or acquire additional reserves to replace current and future production at acceptable costs. If the Partnership is unable to replace reserves as they are produced, the value of estimated reserves will decrease, and the business, financial condition and results of operations would be adversely affected.

The unavailability or high cost of additional drilling rigs, equipment, supplies, personnel, and oilfield services could adversely affect the Partnership's ability to execute exploration and development plans within the established budget and on a timely basis. Shortages or the high cost of drilling rigs, equipment, supplies, personnel, or oilfield services could delay or adversely affect development and exploration operations or cause the Partnership to incur significant expenditures that are not provided for in its capital budget, which could have a material adverse effect on the business, financial condition, or results of operations.

Market conditions or operational impediments may hinder the Partnership's access to oil and natural gas markets or delay production. Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder the Partnership's access to oil and natural gas markets or delay production. The availability of a ready market for oil and natural gas production depends on several factors, including the demand for and supply of oil and natural gas and the proximity of estimated reserves to pipelines and terminal facilities. The Partnership's ability to market production depends, in substantial part, on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. The Partnership's failure to obtain such services on acceptable terms could materially harm the business. The Partnership may be required to shut in wells due to lack of a market or inadequacy or unavailability of crude oil or natural gas pipelines or gathering system capacity. If production becomes shut-in for any of these or other reasons, the Partnership would be unable to realize revenue from those wells until other arrangements were made to deliver the products to market.

The Partnership may incur substantial losses and be subject to substantial liability claims because of oil and natural gas operations. Additionally, the Partnership may not be insured for, or current insurance may be inadequate to protect against, these risks. The Partnership is not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect the business, financial condition, or results of operations. The Partnership's oil and natural gas exploration and production activities are subject to all the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas, or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapse;

- personal injuries, fires, and death; and
- natural disasters.

Any of these risks could adversely affect the Partnership's ability to conduct operations or result in substantial losses because of:

- injury or loss of life;
- damage to and destruction of property, natural resources, and equipment;
- pollution and other environmental damage;
- regulatory investigations and penalties;
- suspension of operations; and
- repair and remediation costs.

Further, the Partnership may elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on the Partnership's business, financial condition, and results of operations.

Wells that the Partnership decides to participate in may not yield oil or natural gas in commercially viable quantities. There is no way to predict in advance of drilling and testing whether any location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of technologies and the study of producing fields in the same area will not enable the Partnership to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if enough oil or natural gas exists, the Partnership may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production from the well or abandonment of the well. If the Partnership drills additional wells identified as dry holes in current and future drilling locations, the Partnership's drilling success rate may decline and materially harm its business. The Partnership cannot assure you that the analogies drawn from available data from other wells, more fully explored locations or producing fields will be applicable to drilling locations. In sum, the cost of drilling, completing, and operating any well is often uncertain, and new wells may not be productive.

The Partnership is subject to government regulation and liability, including complex environmental laws, which could require significant expenditures. The exploration, development, production and sale of oil and natural gas in the United States are subject to many federal, state, and local laws, rules, and regulations, including complex environmental laws and regulations. Matters subject to regulation include discharge permits, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation or environmental matters and health and safety criteria addressing worker protection. Under these laws and regulations, the Partnership may be required to make large expenditures that could materially adversely affect its financial condition, results of operations and cash flows. These expenditures could include payments for:

- personal injuries;
- property damage;
- containment and cleanup of oil and other spills;
- the management and disposal of hazardous materials;
- remediation and cleanup costs; and
- other environmental damages.

The Partnership does not believe that full insurance coverage for all potential damages is available at a reasonable cost. Failure to comply with these laws and regulations also may result in the suspension or termination of operations and subject the Partnership to administrative, civil, and criminal penalties, injunctive relief and/or the imposition of investigatory or other remedial obligations. Laws, rules, and regulations protecting the environment have changed frequently and the changes often include increasingly stringent requirements. These laws, rules and regulations may impose liability on the Partnership for environmental damage and disposal of hazardous materials even without negligent or at fault. The Partnership may also be found to be liable for the conduct of others or for acts that complied with applicable laws, rules, or regulations at the time those acts were performed. These laws, rules and regulations are interpreted and enforced by numerous federal and state agencies. In addition, private parties, including the owners of properties upon which the Partnership's wells are drilled or the owners of properties adjacent to or near those properties may also pursue legal actions based on alleged non-compliance with certain of these laws, rules, and regulations.

Governmental regulation and liability for environmental matters may adversely affect the Partnership's business, financial condition, and results of operations. All the Partnership's intended acquisitions, operations and participations are onshore in the United States. Oil and natural gas operations are subject to various federal, state, and local government regulations that may change from time to time. Matters subject to regulation include:

- well locations;
- drilling and completion operations and methods;

- production amounts limited to below capacity;
- price controls;
- surface use and restoration;
- fluid and waste discharge from drilling operations;
- plugging and abandonment of wells (including the posting of bonds);
- well spacing;
- unitization and pooling of properties;
- taxation;
- marketing, transporting, and reporting production;
- valuation and payment of royalties';
- air emissions;
- groundwater uses and protection;
- the construction and operation of underground injection wells to dispose of produced saltwater and other non-hazardous oilfield wastes; and
- the construction and operation of surface pits to contain drilling muds and other non-hazardous fluids associated with drilling operations.

Federal, state, and local laws may require removal or remediation of previously disposed wastes, including wastes disposed of or released by the Partnership or prior owners or operators in accordance with current laws or otherwise, to suspend or cease operations at contaminated areas, or to perform remedial well plugging operations or response actions to reduce the risk of future contamination. Federal laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, and analogous state laws impose joint and several liability, without regard to fault or legality of the original conduct, on classes of persons who are considered responsible for releases of a hazardous substance into the environment. These persons include the owner or operator of the site where the release occurred, and persons that disposed of or arranged for the disposal of hazardous substances at the site. CERCLA and analogous state laws also authorize the U.S. Environmental Protection Agency, or EPA, state environmental agencies and, in some cases, third parties to take action to prevent or respond to threats to human health or the environment and to seek to recover from responsible classes of persons the costs of such actions. Other environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, the Partnership may be subject to claims alleging personal injury or property damage because of alleged exposure to hazardous substances such as oil and natural gas related products. As a result, the Partnership may incur substantial liabilities to third parties or governmental entities and may be required to incur substantial remediation costs.

Federal, state, and local laws and regulations relating primarily to the protection of human health and the environment apply to the development, production, handling, storage, transportation, and disposal of oil and natural gas, by-products thereof, and other substances and materials produced or used in connection with oil and natural gas operations. In addition, the Partnership may be liable for environmental damages caused by previous owners of property the Partnership purchase or lease. The Partnership is also subject to changing and extensive tax laws, the effects of which cannot be predicted. Compliance with existing, new, or modified laws and regulations could have a material adverse effect on the Partnership's business, financial condition, and results of operations.

Various state governments and regional organizations comprising state governments are considering enacting new legislation and promulgating new regulations governing or restricting the emission of greenhouse gases from stationary sources such as the Partnership's equipment and operations. Legislative and regulatory proposals for restricting greenhouse gas emissions or otherwise addressing climate change could require the Partnership to incur additional operating costs and could adversely affect demand for the natural gas and oil sold. The potential increase in operating costs could include new or increased costs to obtain permits, operate and maintain current equipment and facilities, install new emission controls on all current equipment and facilities, acquire allowances to authorize greenhouse gas emissions, pay taxes related to greenhouse gas emissions and administer and manage a greenhouse gas emissions program. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for natural gas and oil.

The Partnership may incur losses or costs because of title deficiencies in the properties in which the Partnership invests. If an examination of the title history of a property that the Partnership purchased reveals an oil and natural gas lease has been purchased in error from a person who is not the owner of the mineral interest desired, the Partnership's interest would be worthless. In such an instance, the amount paid for such oil and natural gas lease as well as any royalties paid pursuant to the terms of the lease prior to the discovery of the title defect would be lost.

Purchasers of production from oil and gas leases require "division orders" and "division order title opinions" from counsel before releasing funds to persons due payments from the purchase of oil and/or gas from a Partnership well. These documents tell the oil and gas purchaser who should be paid what. The division orders and accompanying title opinions can cost a substantial amount of money to prepare. Thus, paying to prepare a division order and title opinion before a well is tested will be a waste of money if the well proves to be dry. Consequently, the Managing General Partner anticipates that the Operator will wait until the well is tested to seek a final title opinion and division order.

But the Managing General Partner anticipates that the Operator will obtain a preliminary title opinion before commencing operations and completing a preliminary title review of the spacing unit within which the proposed oil or gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, because of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such curative work entails expense. Failure to cure any title defects may adversely impact the Partnership's ability in the future to increase production and reserves. In the future, the Partnership may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which the Partnership holds an interest, the Partnership will suffer a financial loss which could adversely affect the Partnership's financial condition, results of operations and cash flows.

Before well completion, the leasehold interests for Partnership oil and gas properties may be held by the Operator or its designee, as nominee, to facilitate operations and the acquisition of properties until the relevant well is tested. Unrecorded assignments will show that the nominee holds the leasehold interest for the benefit of the Partnership and this interest is not subject to the record owner's liabilities; however, such unrecorded assignments may not fully protect the Partnership from the claims by the Operator's creditors. Working Interest participants must rely on the Operator to use its best judgment to obtain appropriate title to the Partnership's leasehold interest. The Managing General Partner will take such steps as it deems necessary with the Operator to assure that title to its leasehold interests suits the Partnership's purposes. The Managing General Partner is free, however, to use its own judgment in waiving title requirements and will not be liable for any failure of title to leasehold interests transferred to or owned by the Partnership. Further, neither the Managing General Partner nor its Affiliates will make any warranties such as the validity or merchantability of titles to any leasehold interests to be acquired by the Partnership.

Further, any title defect may result in a change of the Partnership's Working Interest or Net Revenue Interest relating to a Partnership Oil and Gas Property. If the Partnership is unable to recover the amounts paid to third parties for the pre-adjusted Working Interest or Net Revenue Partnership Unit, the amount paid for the adjusted portion may be deemed a loss by the Partnership.

Competition in the oil and natural gas industry is intense making it more difficult for the Partnership to acquire properties, market natural gas and secure trained personnel. The Partnership's ability to acquire additional prospects and to find and develop reserves in the future will depend on the ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many competitors possess and employ financial, technical and personnel resources substantially greater than the Partnership's. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than the Partnership's financial or personnel resources permit. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than the Partnership may be able to offer. The cost to attract and retain qualified personnel has increased in recent years due to competition and may increase substantially in the future. The Partnership may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on the Partnership's business.

The Partnership may not be able to keep pace with technological developments in the industry. The oil and natural gas industry are characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, the Partnership may be placed at a competitive disadvantage, or competitive pressures may force the Partnership to implement those new technologies at substantial costs. In addition, other oil and natural gas companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Partnership is able to do so. The Partnership may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies used now or in the future were to become obsolete or if the Partnership is unable to use the most advanced commercially available technology, the business, financial condition, and results of operations could be materially adversely affected.

Financial difficulties encountered by the Partnership's oil and natural gas purchasers, third party operators or other third parties could decrease cash flow from operations and adversely affect exploration and development activities. The Partnership derives essentially all its revenues from the sale of its oil and natural gas to unaffiliated third-party purchasers, independent marketing companies and mid-stream companies. Any delays in payments from such purchasers caused by financial problems encountered by them will have an immediate negative effect on the Partnership's results of operations and cash flows.

Liquidity and cash flow problems encountered by the Partnership's working interest co-owners or the third-party operators of the Partnership's non-operated properties may prevent or delay the drilling of a well or the development of a project. The Partnership's working interest co-owners may be unwilling or unable to pay its share of the costs of projects as they become due. In the case of a working interest owner, the Partnership could be required to pay the working interest owner's share of the project costs. The Partnership cannot assure you that they would be able to obtain the capital necessary to fund these contingencies.

The Partnership may not have enough insurance to cover all the risks faced and operators of prospects in which the Partnership participates may not maintain or may fail to obtain adequate insurance. In accordance with customary industry practices, the Partnership maintains insurance coverage against some, but not all, potential losses to protect against the risks faced. The Partnership does not carry business interruption insurance. The Partnership may elect not to carry insurance if management believes that the cost of available insurance is excessive relative to the risks presented. In addition, the Partnership cannot insure fully against pollution and environmental risks. The occurrence of an event not fully covered by insurance could have a material adverse effect on the Partnership's financial condition and results of operations. The impact of natural disasters or weather events in the areas where the Partnership operates has resulted in escalating insurance costs and less favorable coverage terms.

Oil and natural gas operations are subject to hazards incident to the drilling and production of oil and natural gas, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires and pollution and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operation. The Partnership does not operate the properties in which it holds an interest. In the projects in which it owns a non-operating interest directly, the operator for the prospect maintains insurance of various types to cover operations with policy limits and retention liability customary in the industry. The Partnership believes the coverage and types of insurance are adequate. The occurrence of a significant adverse event that is not fully covered by insurance could result in the loss of the Partnership's total investment in a particular prospect which could have a material adverse effect on financial condition and results of operations.

Terrorist attacks aimed at energy operations could adversely affect the Partnership's business. The continued threat of terrorism and the impact of military and other government action have led and may lead to further increased volatility in prices for oil and natural gas and could affect these commodity markets or the financial markets used by us. In addition, the U.S. government has issued warnings that energy assets may be a future target of terrorist organizations. These developments have subjected oil and natural gas operations to increased risks. Any future terrorist attack on the Partnership's facilities, customer facilities, the infrastructure depended upon for transportation of products, and, in some cases, those of other energy companies, could have a material adverse effect on the Partnership's business.

Producing oil and gas wells decline over time. Oil and gas wells flow due to pressure gradients. The oil and gas flows from the high-pressure areas to the collection point. Pumps and other production methods are used to maintain well pressure. As a well produces oil and/or gas from a reservoir, the reservoir pressure will decline with a corresponding effect on the amount of hydrocarbons collected. Investors should expect such declines. The actual decline curve is subject to numerous factors and cannot, in normal circumstances, be calculated in advance. The production from oil and gas wells is also subject to fluctuation for a myriad of reasons. Oil and/or gas production may not be stable on a month-to-month basis. At some point such production may decline to the point where the well is no longer commercially viable, and it will be shut in or plugged. No prediction can be made as to how long or at what rate such a decline may occur.

Initial Production Tests are not necessarily indicative of expected production. Some of the data presented may include initial production tests. Such tests are not meant to be predictors of eventual production but may factor into decision to complete a well. Such tests are conducted under ideal conditions using pressurized reservoirs and such reports are typically reported to the state oil and gas administrative agencies. Subscribers should expect that initial production test results will be higher than actual production rates, both immediately and over the long term.

Proposed tax and energy industry legislation may materially impact the Partnership Well' financial performance.

On January 27, 2021, President Biden issued an executive order that includes the following restrictions on oil and gas development in the United States:[2]

1) President Biden ordered the halt of new oil and gas leasing on federal onshore lands and offshore waters "to the extent consistent with applicable law." This pause will not affect existing operations or permits for existing leases, private lands or Native American tribal lands;
2) President Biden ordered the Secretary of the Interior to consider whether to adjust coal, oil, and gas royalties to account for corresponding climate costs, suggesting the possibility of a royalty increase; and
3) President Biden ordered the Department of the Interior to take steps toward conserving 30 percent of public lands and waters by 2030 and toward doubling offshore wind production in the same timeframe.

President Biden had previously ordered halting the leasing program for the Arctic National Wildlife Refuge and effectively suspended new leases, contract or drilling permits on public lands for 60 days. Moreover, on January 20, 2021 – inauguration day – President Biden issued an executive order withdrawing the permit for the Keystone XL pipeline and ordered agencies to consider new rules to cut methane emissions from oil and gas. Finally, President Biden ordered federal agencies to work toward eliminating fossil fuel subsidies by fiscal 2022.[3]

On January 20, 2025, President Trump issued a series of executive orders and memoranda signaling a shift in environmental and energy policy in the United States,

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2 https://www.whitehouse.gov/briefing-room/presidential-actions/2222222/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/

3 https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/

including the revocation of approximately 80 executive orders issued by President Biden related to public health, the environment, climate change and climate-related financial risks. President Trump also declared a "national energy emergency," directing agencies to expedite conventional energy projects. While the extent of the Trump Administration's changes to the environmental regulatory landscape in the United States is unknown at this time, it is possible that such actions could prompt more activity from state and local legislative bodies and administrative agencies to pass stricter laws, regulations and other binding commitments.

Future presidential administrations and Congress will have their own views on Energy industry regulation which can significantly impact Partnership returns.

The Choice of Operators Carries Investment and Performance Risks. The Partnership wells will be operated by unaffiliated operators. Drilling and completing oil and gas wells is a highly technical engineering endeavor that depends heavily on the skills and experience of the persons guiding the drilling and completion activities and working on the rig and the quality and implementation of the equipment and materials used to drill and complete the well. The specific day-to-day decisions and actions relating to drilling and completing a Partnership well will be made by the Operators and their contractors, not by the Managing General Partner and the Managing General Partner will have no substantive control or influence over these decisions and actions. Thus, the Partnership is relying almost entirely on the technical expertise of the Operators to bring in the Partnership wells. Further, the Partnership is also relying on Operators to pay contractors for its portion of the well and to properly forward funds paid by the Partnership and other non-operating participants in the Partnership wells. If the Operators fail to properly pay these contractors, they can file materialman and mechanics liens against the Partnership well and may stop working causing drilling or completion activities to cease. Consequently, the Partnership is also relying on the Operator's financial performance.

Bad weather may delay production and development activities. Adverse weather conditions may cause delays in drilling and completion operations. First, the delays could increase costs of operations as employees and equipment rentals may need to be paid while waiting on site. Partners are responsible for paying such increased costs through the completion of the well. Second, such delays could cause a delay in Partners receiving returns on investment, thus lowering the effective return on investment. Third, such delays could affect the tax year timing of deductibility of intangible drilling costs, especially if the Operators do not commence drilling operations on the Partnership Well by the deadline required under tax law. Fourth, such delays could affect oil and gas lease terms and delay rental payments. Finally, adverse weather could damage production and transport equipment used in collecting oil and gas from the Partnership well after the well is placed into production. The Partners may be liable for the cost of recovering from weather-related damage.

The Partnership may have Uninsured Risks and Liabilities. The environmental, weather and title risks stated above are not likely to be substantially mitigated by insurance. Consequently, such risks could lead to the diminution of Partnership Unit values and cashflows. These risks could further lead to demands for additional capital from Partners should these liabilities exceed the value of the Partnership Units. Partners could be themselves liable for such liabilities.

The Partnership has risks relating to the financial conditions of the Operator's subcontractors. The Managing General Partner anticipates that the Operators will seek out solvent non-affiliated subcontractors, but, if a subcontractor does not timely pay for materials and services, those providers could file liens against Partnership well. In that event, the Partnership could incur excess costs in discharging these liens.

Shut-in Wells; Delays in Production and Seasonality. Production from wells drilled in areas remote from marketing facilities may be delayed until sufficient reserves are established to justify construction of necessary pipelines and production facilities. In addition, production from well may be reduced or delayed due to marketing demands which tend to be seasonal. The wells drilled for the Partnership may have access to only one potential market. Local conditions including but not limited to closing businesses, conservation, shifting population, pipeline maximum operating pressure constraints, and development of local oversupply or deliverability problems could halt sales from the Partnership well.

Delay in Distributions of Revenue. Distribution of revenue may be delayed for substantial periods of time after discovery of oil or gas due to unavailability of, or delay in obtaining, necessary material for completion of a well; payment of operating and/or development costs; reduced takes by purchasers of oil or gas due to market conditions; delays in obtaining satisfactory purchase contracts and connections for gas wells; delays in title opinions and obtaining division orders; and other circumstances.

Asset Concentration. The Partnership Well will be in LaFourche Parish, Louisiana. The Managing General Partner has the discretion to acquire properties in other areas as well. Consequently, investors should understand that there will be little diversity for these assets. Further, there are intended to be only a small number of Partnership producing wells, thus concentrating operational risks. Any operational problems with any well could have a material impact on Partnership performance. Finally, all the Partnership's assets will consist of participations in oil and gas drilling ventures. So, the Partnership's assets will be completely focused on one type of activity (exploration and production) in one industry (domestic oil and gas production) in the Continental United States. The Partnership will not have a diversified portfolio.

Owning Working Interest positions in the Partnership Well. The Managing General Partner might not receive optimal pricing if it seeks to sell the Partnerships' Working Interest in the Partnership Well. There may be a valuation discount per Working Interest percentage if the Partnership sells its interest in a Partnership Well versus tagging along with the Operator's sale of the entire well or leasehold. Subscribers should anticipate holding their Partnership Units for an extended period of time as the Partnership may be required to hold one or more of its Partnership Well Working Interests for an extended period of time, especially during a period with adverse pricing pressure on oil and gas Working Interests.

Tax Risks

Oil and gas exploration in the United States benefits from several favorable U.S. tax rules, including depletion allowances and the option to expense intangible drilling and completion costs. Further, a partnership may also bring tax benefits under U.S. law. But, U.S. lawmakers, the U.S. Internal Revenue Service, and U.S. courts could modify or eliminate these favorable treatments. Further, the limited tax benefits associated with oil and gas exploration do not eliminate oil and gas production risks. See "Tax Aspects."

Tax Shelter Registration. The Managing General Partner will not apply to the U.S. Internal Revenue Service to register the Partnership as a "tax shelter." If the Partnership is subsequently determined to be a tax shelter requiring registration by the IRS, Partners could incur substantial penalties for this non-registration. The Managing General Partner does not believe that an investment in the Partnership will generate tax losses that exceed the amount invested and does not believe that the Partnership is a tax shelter but provides no assurance that the IRS will agree with that evaluation.

Tax Abuse Reclassifications. The IRS can seek to reclassify or disregard partnership transactions that it believes were used to avoid tax, particularly if a transaction has no independent economic substance. The Managing General Partner believes that its transactions will have independent economic substance and will not be abusive but can provide no assurance that the IRS will agree with that evaluation.

Tax Liabilities in Excess of Cash Distributions. Partnerships taxed as partnerships are pass-through tax entities under U.S. law. This means that the Partnership's losses and gains are taxed to the Partners on a pro-rata basis, and Partners can have taxable income, even if they have not received the corresponding cash. The Managing General Partner anticipates distributing revenue on a timely basis, but an unanticipated delay may cause the partners to realize income without receiving the corresponding cash. The decision to make a distribution will be in the sole discretion of the Managing General Partner. Further, the Limited Partnership Agreement does not allow the Partnership to incur debt. But, if the Partnership for some reason accrues debt, paying debt derived from income may cause the partners to realize income without receiving the corresponding cash.

Chance of Audits. The Partnership may be subject to tax audits which may lead to taxable income adjustments for the Partners. The Managing General Partner provides no assurance that the Partnership's tax deductions will survive a challenge from the IRS.

Tax Opinion. No tax opinion has been issued in connection with this offering.

Treatment of Partner's Losses and Income as Passive. If a Subscriber invests as a limited partner, the Limited Partner's Partnership losses and income will be treated as passive. If a Subscriber invests as an Additional General Partner, but has previously participated in exploration and production activities involving a well that produces from the same reservoir as the reservoir to be used targeted or used for the Partnership Well and that Additional General Partner made that previous participation using a business entity which would have provided limited liability to the Additional General Partner for that Venture, then the Additional General Partner's income and losses from the Partnership Well will be treated as passive income and losses, subject to passive loss limitations.

Material Portion of Subscription Proceeds Not Currently Deductible. A material portion of the Subscription proceeds may be expended for items which will not be currently deductible for Federal income tax purposes. These include the proceeds used to pay distribution expenses and offering and organizational expenses. The distribution and offering expenses will likely be deemed to be selling expenses and are not amortizable. Costs classified as "organizational costs" may be amortized over 15 years and thus will provide little or no near-term tax benefit. Reasonable project management fees may be deducted as ordinary and necessary business expenses as the work is performed.

Treatment of Intangible Drilling and Completion Costs. The Managing General Partner will provide an allocation of intangible drilling and completion costs to Partners. If the IRS later determines that some of those costs should have been classified as selling, title, legal or other expenses that are not currently deductible (or not deductible at all), it will seek to disallow deductions based on that portion of the intangible drilling and completion costs and seek payment of corresponding taxes and penalties. The allocation of intangible drilling and completion costs is a frequent subject of IRS review, and the Managing General Partner makes no prediction as to what such a review may find.

Depletion. Depletion is calculated at Partner level by each Partner. Different Partners can have different depletion allowances. The Managing General Partner anticipates that most Partners will have their depletion determined on the greater of cost or percentage depletion basis. This means that the depletion is based on the amount of production in any year versus the estimated reserves as determined under the Tax Code. However, some Partners may qualify as "independent producers" and be able to use percentage depletion. Percentage depletion allows a deduction equaling up to 15% of the taxpayer's gross income from the property per taxable year, provided, in general, that the percentage depletion deduction not to exceed (i) 100% of the taxpayer's taxable income from the property (computed without the allowance for depletion) or (ii) 65% of the taxpayer's taxable income for the year (computed without regard to percentage depletion and net operating loss and capital loss carrybacks). If a Partner seeks to use percentage completion and is subsequently deemed not to be an "independent producer," it would have adverse tax consequences. Further, the Managing General Partner anticipates that the Partnership Well will not qualify as a type of well that will generate accelerated depletion allowances. The Managing General Partner urges Partners to consult their own tax adviser in determining depletion allowances.

Bonus Depreciation. Tax Code Section 168(k)(2) from 2017's Tax Cuts and Jobs Act and 2025's One Big Beautiful Bill Act allows a bonus depreciation in the amount of one hundred percent (100%) of the cost of a "qualified property" with a depreciable life of 20 years or shorter. The qualified property with depreciable life of 20 years or shorter may include oil and gas equipment such as tanks, pumps, and pipeline equipment. Such assets may be subject to a temporary bonus depreciation pass-through write-off of one hundred percent (100%) of the amount of qualifying equipment placed into service from January 19, 2025, until December 31, 2029, at the earliest. Unaffiliated Operators will determine whether the Partnership will generate any deductions through their decisions to purchase and cause non-operators to pay for "qualified property" as used by Tax Code Section 168(k).

Partnership Status. Partnerships are generally taxed as pass-through tax entities. The Partnership intends to seek to be taxed as a partnership. Certain partnerships, particularly publicly traded partnerships, may be taxed as corporations. The Managing General Partner has no intent to seek a trading market for the Units and does not believe that the Partnership will be treated as a publicly traded partnership. Further, the Managing General Partner makes no prediction as to whether any future changes in the law of partnerships would affect the tax or partnership status of the Partnership. The Partnership will be subject to ongoing changes in applicable law.

Unrelated Business Taxable Income ("UBTI"). UBTI is income on which a tax-exempt entity is required to pay tax. UBTI income is derived from a trade or business regularly carried by the tax-exempt organization that is not substantially related to the exempt organization's exempt function. (e.g., the operation of an equipment rental business by a hospital). Investment-type income generally is not UBTI unless it is financed with debt.

Significance of Tax Aspects. The Partnership Units may have U.S. tax benefits, but there is no assurance that money invested in the Partnership will be recovered or that the Partnership's present interpretations of U.S. tax laws will not be changed or challenged. The Managing General Partner suggests that prospective investors obtain professional guidance from their tax advisor in evaluating the tax risks involved in investing in a Partnership and prefers that the investment decision should be motivated by a desire to have a return on investment rather than accruing related tax benefits.

Specific Risks of this Offering

Key Personnel Risk. The Partnership depends on key personnel of the Managing General Partner, including Frank. W. Seidler, for the management development of the

Partnership's business. The success of the Partnership's business depends on the key personnel's commitment to the enterprise and their personal relationships with operators, landmen and contractors. If any of the key personnel become unavailable to the Partnership for any reason, the Partnership's business could be severely impacted.

Reliance on Managing General Partner. The Managing General Partner's solvency and financial resources will materially affect the Managing General Partner's ability to fulfill its obligations to the Partnership. Further, the Managing General Partner will have seventy-five (75%) of the Partnership's voting interest. This means that the Limited Partners and Additional General Partners will not have a vote that could affect the Partnership's decisions unless the Managing General Partner chooses to abstain from voting. If the management of the Managing General Partner becomes unable or unwilling to continue to direct the operations of the Partnership, the Partnership and the Partners could be adversely affected.

Negligence of Operator. Operators are required to maintain general liability insurance. But there can be no assurance that the dollar amount of insurance coverage will be sufficient to pay such claims. Consequently, claims may be made against the working interest, including the Partnership's working interest. Such claims may negatively affect Partners' capital accounts and distributions.

Substitute Well Location. The Managing General Partner reserves the right to move a Partnership Well's location or a Partnership Prospect from that described in this Memorandum in the event (in the sole judgment of the Managing General Partner) additional geological information warrants the move. Additionally, the Managing General Partner reserves the right to substitute for, or add to, the specified oil and gas prospects if (in the sole judgment of the Managing General Partner) the development of a specific prospect becomes imprudent or inadvisable. In such event, Partners may not have an opportunity before purchasing Units to evaluate for themselves the relevant geophysical, geological, economic, or other information regarding the prospect(s) to be selected. If a new prospect or prospects are selected, delays in the investment or proceeds from this offering may occur.

Assessments. If after a well has been completed and placed into production, the Operator determines that additional rework on the well is necessary; the Partnership could receive an additional assessment relating to that rework.

Other Working Interest Owners. The Partnership Well will have other working interest owners besides the Partnership. If any such other Working Interest owners are unable to furnish the funds required to pay for drilling, testing and/or completion associated with its Working Interests in the well, their portion may be paid by another Working Interest owner and such defaulting Working Interest owner may be penalized.

Limited Experience and Capital. The Partnership was only recently organized and has no history of operation and very limited capital.

Arbitrary Offering Price. The offering price and terms for the Units were arbitrarily fixed by the Managing General Partner based upon the Partnership's presently contemplated financing needs. No investment banker or other appraiser was consulted regarding such price and terms. The offering price bears no relationship to the potential value of the Partnership Well or the possible future earnings of the Partnership.

Winding-Up of the Partnership. The Partnership may be terminated upon the occurrence of certain events as stated in Section 9.1 of the Partnership Agreement. There is no assurance that such assets will be marketable or that competitive prices can be obtained for these assets. Upon liquidation, Partnership obligations will be paid. In the event the Partnership terminates, and the assets are unable to be sold, the Partners may receive individual Working Interests in the Partnership Well. At that time, the Partners may find it advisable to obtain additional (and possibly quite expensive) personal liability insurance to provide them with coverage commensurate with this new form of ownership. Partners may concurrently find it more difficult to dispose of such interests because of the diversity of owners and interests involved. The Managing General Partner has the right to terminate the Partnership as provided in the Partnership Agreement.

Reliance on Projections and/or Opinions. No agents of the Managing General Partner have been authorized to make any projections or express any opinion concerning future events, expected production, or availability of tax benefits, except as set forth within this Memorandum. No oral opinions which differ from the written data provided prospective investors have been authorized and should not be relied upon. Opinions of possible future events are based upon various subjective determinations and assumptions. All projections by their very nature are inherently subject to uncertainty; accordingly, a prospective investor will be subject to the risk that any such projections will not be reached, that any such underlying assumptions may prove to be inaccurate.

Liability and Indemnification of the Managing General Partner. The Partnership Agreement provides that the Managing General Partner will not be liable to the Partnership or to any Partner for and will be indemnified and held harmless by the Partnership in respect of, the consequences of any act or failure to act of the Managing General Partner unless such act or omission constitutes gross negligence or willful misconduct. The existence of these provisions grants to the Partners more limited causes of action than they might otherwise have had against the Managing General Partner in the absence of such provisions.

Arbitration. Disputes with the Managing General Partner arising from the purchase of Units in the Partnership by a Partner are subject to arbitration sponsored by the American Arbitration Association, rather than civil litigation filed in court. Such dispute resolution may be viewed as depriving the Partners of their full legal remedies.

Absence of Registration under Applicable Securities Laws. Prospective investors must recognize that the Units have not been, nor will they be, registered with the SEC or any State or Provincial Securities Administrator. Subsequently, no sale can be made without registration, unless there is an applicable registration exemption. No regulatory authority has reviewed the nature and amounts of compensation to be paid to the Managing General Partner, the disclosure of risks and tax consequences inherent in such investment, or the other terms of this offering. Prospective investors must recognize that they do not necessarily have all the protections afforded by federal, state, or provincial securities laws to registered or qualified offerings. They must therefore judge for themselves the adequacy of the disclosures, the amounts of such compensation, and the fairness of the other terms of this offering without the benefit of prior review by any regulatory authority.

Limits on Transferability of the Units. Partners are unlikely to be able transfer units. The Managing General Partner must consent to any subsequent sale if the transferee is to become a Substitute Partner. In that regard, the Managing General Partner may also require an opinion of counsel to the effect that any such transfer will not violate applicable federal, state, or provincial securities laws. The Units will not be, and the purchasers of the Units have no right to require that they be, registered under the Act. There will be no public market for the Units and no market is expected to develop. In addition, each transferee of any Units must, unless specifically exempted by the Managing General Partner, satisfy the suitability standards contained herein. No assurances can be given that transferees meeting these standards will be interested in acquiring any Units in the Partnership. Neither the Partnership nor the Managing General Partner has an obligation to repurchase any of the Units from the Partners. The Units may become progressively less attractive to any prospective purchaser thereof because the anticipated tax benefits associated with an investment in the Partnership will decline over time as the Partnership Well are drilled, tested, and completed and because of the payment of nonrecurring fees to be deducted by the Partnership in the earlier years of the Partnership.

No Market for Partnership Units. There is no market for the resale of the Partnership Units and the Managing General Partner anticipates that no such market will ever develop. This means that there is no liquidity or pricing mechanisms for the resale of Partnership Units. Indeed, to maintain its status as a pass-through tax entity, the Partnership should avoid arranging for a liquid market for its Units. Consequently, Partners will have difficulty reselling the Units and such resales may not be completed at competitive prices. Investors should understand that the Partnership Units will likely be held as long-term investments.

No Redemption Rights. The Managing General Partner has no obligations to repurchase any Partnership Units.

TERMS OF THE OFFERING

The Partnership. The Managing General Partner, on behalf of the Partnership, hereby offers 20 Units of Thrasher #1 L.P. Partnership Units priced at $218,000 per Unit for a Subscription Amount of $4,360,000 at the Managing General Partners sole discretion. The $218,000 per Unit has two payments. Partners will pay: (1) $128,000 per Unit paid at Subscription for drilling, testing, organizational and legal costs; and (2) $90,000 for estimated completion costs when called by the Managing General Partner.

Deposit and Use of Funds. Subscription payments shall be delivered directly to the Partnership's transfer agent, Venture.co Fund Services LLC (the "Transfer Agent"). Funds allocated by the Managing General Partner for distributions to Partners will be deposited directly into a bank account controlled by the Transfer Agent who shall then make the distribution payments to the Partners.

Subscription Procedure and Payment. The initial subscription payment amount of $128,000 per Unit must be made by check, ACH, or wire transfer of immediately available funds as well as completing the Subscription Documents in the form attached at Exhibit C. Initial payments for Subscriptions for the Units described herein will be payable upon the executed of the Subscription Documents. All Subscription payments may be made by check, ACH, or wire transfer of immediately available funds. The Subscriber shall effectuate payment through one of the following methods:

A. **Delivery by Mail.** Check or cashier's check via mail – Subscription checks shall be made payable to "Thrasher #1 L.P." and delivered to the following address: Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009; or

C. **Delivery by Wire Transfer or ACH.** Subscription payments may be transmitted via electronic wire or ACH transfer directly to the Partnership's subscription account as stated on page 21 of the Subscription Documents found at Exhibit C.

PLAN OF DISTRIBUTION

The Partnership Units will be sold by the Managing General Partner. The Managing General Partner may use finders registered with the Texas State Securities Board pursuant to Texas State Securities Board Rule 115.11. Any finder compensation shall be paid from the Managing General Partner's Partnership Units and shall not dilute Subscribers' interest in the Partnership.

The Managing General Partner may provide a portion of its management fee to offset clients' advisory fees relating to an allocation to the Partnership Units for the first year of such fees. In addition to such investment adviser client fee reimbursement, the Managing General Partner will also be paying registered investment advisers, who may receive the following: 1) the Managing General Partner will pay up to 3.0% of its first year advisory fees relating to advised Subscribers to the Subscriber's investment adviser; and 2) the Managing General Partner, in its sole discretion, may assign Subscriber's investment adviser or its affiliate an interest in the Partnership that will be subordinated to the Subscribers' Partnership Units. These arrangements with Subscribers' investment advisers shall be paid from the Managing General Partner's Partnership Interest and shall not dilute Subscribers' interest in the Partnership.

FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS

Statements, other than statements of historical facts, included in this Memorandum and its exhibits address activities, events or developments that the Managing General Partner and the Partnership anticipate will or may occur in the future. These forward-looking statements include such things as estimated oil and gas reserves, estimated recoverability of oil and gas reserves, oil and gas prices, well drilling and completion costs and budgets, environmental conditions, weather, quality and timely delivery of equipment and materials to the wellsites, regulatory compliance, tax treatments, competition, management expertise and other similar matters. These statements are based on certain assumptions and analyses made by the Partnership and the Managing General Partner considering their experience and their perception of historical trends, current conditions and expected future developments. However, whether actual results will conform with these expectations is subject to several risks and uncertainties, many of which are beyond the control of the Partnership, including general economic, market or business conditions, changes in laws or regulations, the risk that the wells are productive but does not produce enough revenue to return the investment made, the risk that the wells are dry holes, uncertainties concerning the price of gas and oil, and other risks. Thus, all the forward-looking statements made in this Memorandum and its exhibits are qualified by these cautionary statements. There can be no assurance that actual results will conform to the Managing General Partner's and the Partnership's expectations.

PROPOSED ACTIVITIES

Oil and gas exploration involves a high degree of risk because of the many uncertainties inherent in locating and developing oil and gas reservoirs. Neither scientific techniques nor management expertise can eliminate those risks. Notwithstanding the presence of such uncertainty, the Partnership plans to participate in the Partnership Well.

Investment Objective

The primary investment objective of the Partnership is to participate in the drilling and production of oil and gas in commercial quantities.

Plan of Operations

Thrasher #1 L.P. plans to participate in an oil and gas well LaFourche Parish, Louisiana, targeting the Upper 95 Sand Formation and Lower 95 Sand formation operated by Castex Energy, Inc. of Houston, Texas. The Managing General Partner has the discretion to acquire properties in other areas as well. The Partnership will bid on oil and gas assets. The Managing General Partner will not operate the wells. The Operator designations will depend on the Partnership winning the bids to acquire oil and gas assets.

Description of Operator

The Operator designation will depend on the Partnership winning the bids to acquire oil and gas assets.

Cost of Operations

The Partnership will participate in the Operator's well(s) by paying its share of the expenses pursuant to an Authorization for Expenditures (AFE). The AFE is an estimated budget and costs may exceed the AFE, in which case the Partnership will be billed for such amounts. The Managing General Partner will contribute services it believes have an approximate value equal to a ten percent (10%) cost plus fee on the actual well or leasehold costs, including the costs of property acquisition, drilling and completion paid to the Operator. The fee is contingent on the amount invested by the Partnership.

Market

As of July 20, 2026, the natural gas (Henry Hub - Louisiana) spot price was $2.80 per MMBTU on NYMEX according to the U.S. Energy Information Administration. As of July 21, 2026, the spot price for West Texas Intermediate Crude (Cushing, Oklahoma) was $86.04 per BBL and the spot price for Louisiana Light Sweet Crude was $88.54 per BBL according to the U.S. Energy Information Administration. The net prices obtained for gas and oil will likely differ from the referenced market quotes due to transportation costs and the way such transportation costs are assigned in the oil and gas leases and differences in the designated quality of the oil or gas. For example, in some leases, transportation costs can be charged against the royalty interests and in others such costs cannot be charged against those interests. In general investors should expect that the realized price will be less than the prices posted on the commodities exchanges for specifically designated locations because there is no commodities exchange-based trading market for prices of oil and gas at the Partnership Well wellheads. The price obtained will be the price negotiated with the local purchaser.

Substitute Well Location or Decision Not to Drill

The Managing General Partner or Operator may determine the location of wells to be drilled, and it is possible that such locations may change prior to drilling. The Managing General Partner will, on behalf of the Partnership, participate in such decisions to the extent of the Partnership's rights. It is possible that the Operator could decide not to drill Partnership Well in the locations and according to the plan described in this Memorandum.

MANAGEMENT

The Partnership's Managing General Partner is FWS Management, LLC, a Texas limited liability company. Frank W. Seidler is its sole manager. He will devote only such time and effort to the Partnership as may be necessary in order to reasonably conduct and administer the Well's business and affairs. Mr. Seidler is currently under probation relating to a DUI offense.

TAX ASPECTS

THE TAX PORTIONS OF THIS MEMORANDUM ARE NOT, AND SHOULD NOT BE CONSTRUED TO BE, TAX ADVICE TO ANY PERSON OR ENTITY INVESTING IN OR CONSIDERING INVESTING IN THIS OFFERING. EACH INVESTOR AND POTENTIAL INVESTOR SHOULD RELY EXCLUSIVELY ON SUCH INVESTOR'S TAX AND FINANCIAL PROFESSIONAL ADVISORS FOR THE RENDITION OF TAX ADVICE IN CONNECTION WITH THIS OFFERING.

CIRCULAR 230 DISCLOSURE: PURSUANT TO U.S. TREASURY DEPARTMENT REGULATIONS, YOU ARE ADVISED THAT UNLESS OTHERWISE EXPRESSLY INDICATED, ANY FEDERAL TAX ADVICE CONTAINED IN THIS COMMUNICATION, INCLUDING ATTACHMENTS AND ENCLOSURES, IS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE, OR (2) PROMOTING, MARKETING, OR RECOMMENDING TO ANOTHER PARTY ANY TAX-RELATED MATTERS ADDRESSED HEREIN.

A limited partnership taxed as a partnership incurs no federal income tax liability under US law. Instead, taxable income and losses are passed through to its member, although it must file information returns with the IRS. In general, the character of a Partner's share of each item of income, gain, loss, deduction, and credit is determined at the Partner level. The Partnership will allocate each Partner a share of these items as required by the Partnership Agreement to determine the Partner's income or loss.

Partners report these Profits and Losses without regard to whether the Partner has received or will receive any cash distributions from the Partnership. So, Partners could be liable for income taxes on Profits without receiving any corresponding cash payments.

INTANGIBLE DRILLING AND DEVELOPMENT COSTS DEDUCTIONS

Generally, taxpayers cannot deduct capital expenditures under Tax Code § 263(a). See also Treas. Reg. § 1.461-1(a)(2). In Indopco, Inc. v. Commissioner, 503 U.S. 79 (1992), the Supreme Court said that the costs should be capitalized when they provide benefits that extend beyond one tax year. However, Congress granted to the Treasury Secretary the authority to prescribe regulations allowing taxpayers to expense, rather than capitalize, intangible drilling and development costs ("IDC"). Tax Code § 263(c). The Treasury Regulations generally state that the option to expense IDC applies only to expenditures for drilling and development items without salvage value. Treas. Reg. § 1.612-4.

The Partnership (not the Partner) may opt to expense or capitalize IDC in the year in which the deduction is to be taken. Tax Code § 703 and Treas. Reg. § 1.703-1(b). The Managing General Partner plans for the Partnership to elect to expense IDC in accordance with Treas. Reg. § 1.612-4. This generally means that Partners will be entitled to deduct IDC against any form of income in the year in which the investment is made, provided drilling operations on the Partnership Well are commenced within the first ninety days of the following year; and that Partners will be entitled to deduct IDC against passive income under the same terms. Passive income credit limitations and the alternative minimum tax may limit the benefit of an IDC deduction.

A. Classification of Costs

IDC generally consists of costs with no salvage value. Treas. Reg. § 1.612-4(a) provides IDC examples, including all amounts paid for labor, fuel, repairs, hauling, and supplies, or any of them, that are used (i) in the drilling, shooting, and cleaning of wells, (ii) in such clearing of ground, draining, road making, surveying, and geological works as are necessary in the preparation for the drilling of wells, and (iii) in the construction of such derricks, tanks, pipelines, and other physical structures as are necessary for the drilling of wells and the preparation of wells for the production of oil or gas. The IRS, in Rev. Rul. 70-414, 1970-2 C.B. 132, limits IDC items. The ruling states that the Managing General Partner cannot elect to expense the following under Treas. Reg. §1.612-4(a): (i) oil well pumps (upon initial completion of the well), including the necessary housing structures; (ii) oil well pumps (after the well has flowed for a time), including the necessary housing structures; (iii) oil well separators, including the necessary housing structures; (iv) pipelines from the wellhead to oil storage tanks on the producing lease; (v) oil storage tanks on the producing lease; (vi) salt water disposal equipment, including any necessary pipelines; (vii) pipelines from the mouth of a gas well to the first point of control, such as a common carrier pipeline, natural gasoline plant, or carbon black plant; (viii) recycling equipment, including any necessary pipelines; and (ix) pipelines from oil storage tanks on the producing leasehold to a common carrier pipeline.

The IRS can second guess the Partnership's choice to expense certain costs as IDC. In Revenue Ruling 73-211, the IRS held to the extent that a turnkey drilling price exceeds costs that would have been incurred in an arm's length transaction, such excess is to be treated as a capitalized cost of the working interest. See also Bernuth v. Comm., 57 TC 225, (1971) aff'd, 470 F.2d 710 (2nd Cir. 1972). To the extent the Partnership's drilling price meets these reasonable price standards and to the extent such amounts are not allocable to tangible property, leasehold costs, and the like, the amounts paid to the Managing General Partner under the drilling contract should qualify as IDC and should be deductible at the time described below under "Timing of Deductions." That portion of the amount paid to the Managing General Partner that is more than the amount that would be charged by an independent driller under similar conditions will not qualify as IDC and will be required to be capitalized.

In order to deduct IDCs, a taxpayer must possess a working interest that is an economic interest in an oil and gas property. Code Section 263(c); Treas. Reg. Section 1.612-4. Under Treas. Reg. Section 1.611-1(b), an interest in oil and gas properties is deemed to be an economic interest "in every case in which the taxpayer has acquired by investment, an interest in any form of legal relationship in which the taxpayer must look to income derived from the extraction of the mineral property in order for its return of capital." If there is a separate source of capital recovery other than sale of the extracted hydrocarbons or sale of the oil and gas properties/ Wells, then such interest is not an economic interest. Anderson v. Helvering, 310 U.S. 404 (1940); PLR 9319038.

The Partnership intends to acquire oil and gas assets. The Partnership may not be the operator of some of these Wells; however, the Partnership expects to be responsible for its contracted proportionate share of expenses and these contracts are expected to permit the Partnership to only recover invested capital through the sale of extracted hydrocarbons or divesture of the property.

The Partnership may acquire a participating working interest of a Well which the operator may retain a portion of said working interest which is commonly referred to as a "carried interest". For example, the Partnership may be conveyed only a 20% working interest in a Well, but due to the operator's carried interest, the Partnership may be contractually required to pay 28% of the Well's expenses. The Partnership believes that the presence of the carried interest would represent the Partnership's "economic interest". Therefore, the Partnership will deduct IDCs for the contracted working interest associated with such Well. Since IDC are based on costs incurred by a taxpayer, and the Partnership will be contractually obligated to pay the greater share of Well expenses attributable to this contracted working interest percentage, the Partnership intends to claim the entire amount paid for these eligible expenses as IDC on the Partnership's annual Partnership returns.

No assurance can be made that the IRS will agree with this fact-based assessment or agree with the Managing General Partner's determination that certain project expenditures that can be expensed rather than capitalized.

B. Timing of Deductions

Partnerships may expense IDCs under Tax Code § 263(c) and Treas. Reg. § 1.612-4. If the Partnership expenses the IDC, the taxpayer may elect to follow that choice or to capitalize all or a part of the IDC and amortize the same on a straight-line basis over a sixty-month period, beginning with the taxable month in which such expenditure is made. Tax Code §§ 59(e)(1) and (2)(c).

The timing of the taxpayer's IDC deduction depends on the taxpayer's method of accounting. The Partnership may use the accrual method of accounting and will recognize income upon the occurrence of all events that accurately fix the right to receive and the amount of this income. Treas. Reg. § 1.451-1(a). The Partnership will also recognize expenses upon the occurrence of all events that accurately fix the right to obligation to pay, and the amount obligated. Treas. Reg. § 1.461-1(a)(2). Further, Tax Code § 461(h)(1) provides that ". . . the all events test shall not be treated as met any earlier than when economic performance with respect to such item occurs."

For oil and gas wells, the Tax Code states that "economic performance" occurs within a tax year if the drilling of the well starts before the close of the 90th day after the close of that tax year. Tax Code § 461(i)(2). However, the maximum allowed deduction for prepaid expenses under this exception is limited to the amount of the Partner's "cash basis" in the Partnership. Tax Code § 461(i)(2)(B)(i). This "cash basis" equals the Partner's adjusted basis in the Partnership, determined without regard to (i) any liability of the Partnership or (ii) any amount borrowed by the Partner relating to the Partnership, provided that the Partnership, its promoter, organizer, or management arranged the loan or that the loan was secured by Partnership assets. Tax Code § 461(i)(2)(C). Further, the Managing General Partner believes that the Partnership will not have any such liability referred to in Tax Code § 461(i)(2)(C), and the Partners will not so incur any such debt to result in the application of the limiting provisions contained in Tax Code § 461(i)(2)(B)(i).

Caselaw also limits the deductibility of prepaid IDC. Prepaid IDC is deductible when paid if (i) the expenditure constitutes a payment that is not merely a deposit, (ii) the payment is made for a business purpose, and (iii) deductions attributable to such outlay do not result in a material distortion of income. See Keller v. Commissioner, 79 T.C. 7 (1982), aff'd, 725 F.2d 1173 (8th Cir. 1984), Rev. Rul. 71-252, 1971-1 C.B. 146, Pauley v. U.S., 63-1 U.S.T.C. paragraph 9280 (S.D. Cal. 1963), Rev. Rul. 80-71, 1980-1 C.B. 106, Jolley v. Commissioner, 47 T.C.M. 1082 (1984), Dillingham v. U.S., 81-2 U.S.T.C. paragraph 9601 (W.D. Okla. 1981), and Stradlings Building Materials, Inc. v. Commissioner, 76 T.C. 84 (1981). Generally, these requirements may be met by a showing of a legally binding obligation (i.e., the payment was not merely a deposit), of a substantial legitimate business purpose for the payment, that performance of the services was required within a reasonable time, and of an arm's-length price. Similar requirements apply to cash basis taxpayers seeking to deduct prepaid IDC.

Intangible costs deductions for 2026 will only be available for commencing drilling operations on a Partnership Well by no later than March 30, 2027, if the expenses have been prepaid by December 31, 2026.

The IRS has challenged the timing of the deduction of IDC when the wells giving rise to such deduction have been completed in a year after the year of prepayment. The decisions noted above hold that prepayments of IDC by a cash basis taxpayer are, under certain circumstances, deductible in the year of prepayment if some work is performed in the year of prepayment even though the well is not completed that year.

In Keller v. Commissioner, supra, the Eighth Circuit Court of Appeals applied a three-part test for determining the current deductibility of prepaid IDC by a cash basis taxpayer, namely whether (i) the expenditure was a payment or a mere deposit, (ii) the payment was made for a valid business purpose and (iii) the prepayment resulted in a material distortion of income. The facts in that case dealt with two different forms of drilling contracts: footage or day-work contracts and turnkey contracts. Under the turnkey contracts, the prepayments were not refundable in any event, but in the event, work was stopped on one well the remaining unused amount would be applied to another well to be drilled on a turnkey basis. Contrary to the IRS's argument that this substitution feature rendered the payment a mere deposit, the court in Keller concluded that the prepayments were indeed "payments" because the taxpayer could not compel a refund. The court further found that the deduction clearly reflected income because under the unique characteristics of the turnkey contract the taxpayer locked in the price and shifted the drilling risk to the contractor, for a premium, effectively getting its bargained for benefit in the year of payment. Therefore, the court concluded that the cash basis taxpayers in that case properly could deduct turnkey payments in the year of payment. With respect to the prepayments under the footage or day-work contracts, however, the court found that the payments were mere deposits on the facts of the case, because the Partnership had the power to compel a refund. The court was also unconvinced as to the business purpose for prepayment under the footage or day-work contracts, primarily because the testimony indicated that the drillers would have provided the required services with or without prepayment.

The IRS has adopted the position that the relationship between the parties may provide evidence that the drilling contract between the parties requiring prepayment may not be a bona fide arm's-length transaction, in which case a portion of the prepayment may be disallowed as being a "non-required payment." § 4236, Internal Revenue Service Examination Tax Shelters Handbook (6-27-85). A similar position is taken by the IRS in the Tax Shelter Audit Technique Guidelines. Internal Revenue Service Examination Tax Shelter Handbook.

The IRS has formally adopted its position on prepayments to related parties in Revenue Ruling 80-71, 1980-1 C.B. 106. In this ruling, a subsidiary corporation, that was a general partner in an oil and gas partnership, prepaid the partnership's drilling and completion costs under a turnkey contract entered with the corporate parent of the general partner. The agreement did not provide for any date for commencing drilling operations and the contractor, which did not own any drilling equipment, was to arrange for the drilling equipment for the wells through subcontractors. Revenue Ruling 71-252, supra, was factually distinguished on the grounds of the business purpose of the transaction, immediate expenditure of prepaid receipts, and completion of the wells within two and one-half months. Rev. Rul. 80-71 found that the prepayment was not made in accordance with customary business practice and held on the facts that the payment was deductible in the tax year that the related general contractor paid the independent subcontractor.

However, in Tom B. Dillingham v. United States, supra, the court held that, on the facts before it, a contract between related parties requiring a prepaid IDC did give rise to a deduction in the year paid. In that case, Basin Petroleum Corp. ("Basin") was the general partner of several drilling partnerships and served as the partnership operator and general contractor. As general contractor, Basin was to conduct the drilling of the wells at a fixed price on a turnkey basis under an agreement that required payment prior to the end of the year in question. The stated reason for the prepayment was to provide Basin with working capital for the drilling of the wells and to temporarily provide funds to Basin for other operations. The agreement required drilling to commence within a reasonable period, and all wells were completed within the following year. Some of the wells were drilled by Basin with its own rigs and some were drilled by subcontractors. The court stated:

The fact that the owner and contractor is the general partner of the partnership-owner does not change this result where, as here, the Plaintiffs have shown that prepayment was required for a legitimate business purpose and the transaction was not a sham to merely permit Plaintiff to control the timing of the deduction. IRC, Sec. 707(a). Plaintiffs were entitled to rely upon Revenue Ruling 71-252 by reason of Income Tax Regulations 26 C.F.R. § 601.601(d)(2)(v)(e).

Notwithstanding the foregoing, the Managing General Partner can make no assurance can be given that the IRS will not challenge the current deduction of prepaid IDC. If the IRS were successful with such challenge, the Partners' deductions for IDC would be deferred to later years. The timing of the deductibility of prepaid IDC is inherently a factual determination that is to a large extent predicated on future events.

C. Allocation of IDC Deductions

The intangible drilling and completion costs will be allocated on a pro rata basis within the Partnership based on percentage ownership. In Levy v. Commissioner, 732 F.2d

1435 (9th Cir. 1984), the Ninth Circuit Court of Appeals allowed a taxpayer who had invested in oil and gas properties by paying both cash and a note to allocate the IDCs first to the cash portion of the investment that allowed for current-year deduction, and secondarily to the note portion of the investment, that did not allow for current-year deduction. The IRS had argued that the IDC should have been allocated on a pro rata basis against both forms of payment. Subsequently, the IRS's Chief Counsel released an Action on Decision statement. The Chief Counsel said that the IRS would not appeal this decision but disagreed with it. The Action on Decision stated that the IRS's position was that a taxpayer cannot allocate intangible drilling costs against different types of payment except in a pro rata fashion. IRS AOD 1984-055 (September 13, 1984).

The Managing General Partner believes that the pro rata allocation of intangible drilling and completion costs within the Partnership comply with the Chief Counsel's pro rata distribution requirement. But the Managing General Partner can make no assurance that the IRS will agree with this position.

D. Recapture of IDC

The IRS can recapture expensed IDC as ordinary income upon certain transfers of oil and gas property interests. IDC previously deducted that were directly or indirectly allocable to the property and that would have been included in the adjusted basis of the property is recaptured to the extent of any gain realized upon the disposition of the property. Treasury regulations provide that recapture is determined at the Partner level (subject to certain anti-abuse provisions). Treas. Reg. § 1.1254-5(b). If the Partnership transfers only a portion of its whole oil and gas property interest against which IDC have been allocated, the IDC related to the whole property can be recaptured to the extent that a gain was realized on the partial sale of the property. If the Partnership transfers an undivided interest in a property, such as a fractional working interest (as opposed to the disposition of a portion of the property), a proportionate part of the IDC with respect to the property is treated as allocable to the transferred undivided interest to the extent of any realized gain. Treas. Reg. § 1.1254-1(c).

The Managing General Partner strongly recommends that Additional General Partners consult their tax advisors in considering whether to convert to being a Limited Partner as provided for in the Partnership Agreement. There is a risk that upon such conversion that the IRS may seek to recapture IDC deductions that would not have been available to Limited Partners. Accordingly due caution should be used when making the conversion decision.

BONUS DEPRECIATION

Tax Code Section 168(k)(2) from 2017's Tax Cuts and Jobs Act and 2025's One Big Beautiful Bill Act allows a bonus depreciation in the amount of one hundred percent (100%) of the cost of a "qualified property" with a depreciable life of 20 years or shorter. The qualified property with depreciable life of 20 years or shorter may include oil and gas equipment such as tanks, pumps, and pipeline equipment. Such assets may be subject to a temporary bonus depreciation pass-through write-off of one hundred percent (100%) of the amount of qualifying equipment placed into service from January 19, 2025, until December 31, 2029, at the earliest.

DEPLETION DEDUCTIONS

The owner of an economic interest in an oil and gas property may claim the greater of percentage depletion or cost depletion on qualified oil and gas properties. In the case of partnership taxed as partnerships, the depletion allowance must be computed separately by each partner and not by the partnership. Tax Code § 613A(c)(7)(D). Notwithstanding this requirement, however, the Partnership, pursuant to § 5.1(d) of the Partnership Agreement, will compute a "simulated depletion allowance" at the Partnership level, solely for the purposes of maintaining Capital Accounts. Tax Code §§ 613A(d)(2) and 613A(d)(4).

Cost depletion for any year is determined by multiplying the number of units (e.g., barrels of oil or Mcf of gas) sold during the year by a fraction, the numerator of which is the cost of the mineral interest and the denominator of which is the estimated recoverable units of reserve available as of the beginning of the depletion period. See Treas. Reg. § 1.611-2(a). In no event can the cost depletion exceed the adjusted basis of the property to which it relates.

Percentage depletion is generally available only with respect to the domestic oil and gas production of certain "independent producers." To qualify as an independent producer, the taxpayer, either directly or through certain related parties, may not be involved in the refining of more 50,000 barrels of oil (or equivalent of gas) on any day during the taxable year or in the retail marketing of oil and gas products exceeding $5 million per year in the aggregate.

In general, (i) component members of a controlled group of corporations, (ii) corporations, trusts, or estates under common control by the same or related persons and (iii) members of the same family (an individual, his spouse and minor children) are aggregated and treated as one taxpayer in determining the quantity of production (barrels of oil or cubic feet of gas per day) qualifying for percentage depletion under the independent producer's exemption. Tax Code § 613A(c) (8). No aggregation is required among Partners or between a Partner and a Partnership. An individual taxpayer is related to an entity engaged in refining or retail marketing if he owns 5% or more of such entity. Tax Code § 613A(d)(3). Percentage depletion is a statutory allowance pursuant to which, under current law, a deduction equal to 15% of the taxpayer's gross income from the property is generally allowed in any taxable year, in general not to exceed (i) 100% of the taxpayer's taxable income from the property (computed without the allowance for depletion) or (ii) 65% of the taxpayer's taxable income for the year (computed without regard to percentage depletion and net operating loss and capital loss carrybacks). Tax Code §§ 613(a) and 613A(d)(1). For purposes of computing the percentage depletion deduction, "gross income from the property" does not include any lease bonus, advance royalty, or other amount payable without regard to production from the property. Tax Code § 613A(d)(5). Depletion deductions reduce the taxpayer's adjusted basis in the property. However, unlike cost depletion, deductions under percentage depletion are not limited to the adjusted basis of the property; the percentage depletion amount continues to be allowable as a deduction after the adjusted basis has been reduced to zero.

Percentage depletion will be available, if at all, only to the extent that a taxpayer's average daily production of domestic crude oil or domestic natural gas does not exceed the taxpayer's depletable oil quantity or depletable natural gas quantity, respectively. Generally, the taxpayer's depletable oil quantity equals 1,000 barrels and depletable natural gas quantity equals 6,000,000 cubic feet. Tax Code § 613A(c)(3) and (4). In computing his individual limitation, a Partner will be required to aggregate his share of the Partnership's oil and gas production with his share of production from all other oil and gas investments. Tax Code § 613A(c). Taxpayers who have both oil and gas production may allocate the deduction limitation between the two types of production.

The availability of depletion and any limits on such deductions, whether cost or percentage, will be determined separately by each Partner. Each Partner must separately keep records of his share of the adjusted basis in an oil or gas property, adjust such share of the adjusted basis for any depletion taken on such property, and use such adjusted basis each year in the computation of his cost depletion or in the computation of his gain or loss on the disposition of such property. These requirements may place an administrative burden on a Partner. For properties placed in service after 1986, depletion deductions, to the extent they reduce the basis of an oil and gas property, are subject to recapture under Tax Code § 1254.

The Managing General Partner will provide information relating to depletion to the Partners, but the election of the type of and amount of depletion will be made by the Partners. Thus, the Managing General Partner has no opinion on the tax treatment of the depletion allowance.

Alternative Minimum Tax

2017's Tax Cut and Jobs Act revised the Alternative Minimum Tax ("AMT") to impose additional taxes on an individual, estate, or trust in the amount by which the tentative minimum tax thresholds exceeded the regular income tax for the taxable year. Under the Tax Cut and Jobs Act, the tentative minimum tax is the sum of (1) 26 percent of the taxable excess up to $187,800 ($93,900 in the case of a married individual filing a separate return) and (2) 28 percent of the remaining taxable excess. The AMT is also subject to numerous preferences and adjustments for certain types of income and deductions. In the Tax Cut and Jobs Act the AMT thresholds phased out over time, ending in 2026. 2025's One Big Beautiful Bill Act deleted the phaseout and the referenced AMT thresholds are now permanent.

Taxation of Pass-Through Entities

The Tax Cut and Jobs Act added Internal Code Revenue Section 199A which materially decreases the tax rates on business entities taxed as partnerships. For 2018 through 2025 ordinary income tax rates for oil and gas Partnerships taxed as partnerships will include a 20% deduction from taxable income generated by the Partnership. The deduction needs to be taken by the taxpayer, not the Partnership.

But this deduction is limited by payment of W-2 income to employees and income thresholds. The deduction generally would be limited to the greater of 50% of the taxpayer's pro rata share of domestic wages paid by the business; or the sum of 25% of such wages and 2.5% of the initial basis of tangible depreciable property used in the business. The limitation is phased in for individuals with taxable income exceeding $315,000 in the case of a joint return (or $157,500 for single filers).

These wage restrictions and income thresholds means that Section 199A will likely not be a benefit to Subscribers to Partnership Units.

TAX SHELTER RULES

The Tax Code provides that promoters must register certain investments as tax shelters with the IRS. These tax shelter promoters must provide registration numbers to investors who are required to report the numbers on their personal tax returns. They must also prepare and maintain lists of the tax shelters' participants. The Tax Code and Treasury Regulations define "tax shelters" in several different ways and impose different obligations on the tax shelter's promoters and participants depending on the type of tax shelter. Some types of tax shelters must be "registered" with the IRS, while others, called "Reportable Transactions," must be disclosed to the IRS. The Managing General Partner believes that the Partnership will not be considered a tax shelter under any of the various definitions in the Tax Code and Treasury Regulations.

The registration requirements apply to an investment with respect to which any person could reasonably infer from the representations made, or to be made, in connection with the offering for sale of interests in the investment that the "tax shelter ratio" for any investor is greater than two to one as of the close of any of the first five years ending after the date on which such investment is offered for sale. Temp. Treas. Reg. § 301.6111-1T.

The Managing General Partner believes that: (i) based on it and its Affiliates' experience with previous drilling programs and on the Partnership's planned operations, the Partnership will not have a tax shelter ratio greater than two to one, (ii) the investor's potentially allowable deductions and credits will not result in any Partnership having a tax shelter ratio greater than two to one, and (iii) based upon a review of the economics of similar oil and gas drilling programs for the past several years, it has determined that none of those programs has resulted in a tax shelter ratio greater than two to one. Accordingly, the Managing General Partner does not intend to cause the Partnership to register with the IRS as a tax shelter.

If the IRS or the Managing General Partner subsequently determine that the Partnership should have been registered as a tax shelter with the IRS, the Partnership would be subject to certain penalties under Tax Code § 6707, including a penalty ranging from $500 to 1% of the aggregate amount invested in the Partnership Units for failing to register and $100 for each failure to furnish to a Partner a tax shelter registration number, and each Partner would be liable for a $250 penalty for failure to include the tax registration number on his tax return, unless such failure was due to reasonable cause. A Partner also would be liable for a penalty of $100 for failing to furnish the tax shelter registration number to any transferee of his Partnership Units. The Managing General Partner can give no assurance that, if the Partnership is determined to be a tax shelter that must be registered with the IRS, the above penalties will not apply.

In addition to the tax shelter registration requirements described above, (i) every taxpayer that participates in a "Reportable Transaction" generally must disclose the transaction to the IRS using Form 8886 and (ii) every organizer and seller of a "Potentially Abusive Tax Shelter" (that is generally a reportable transaction or a tax shelter that is required to be registered) generally must prepare and maintain a list of each of the participants in the transaction. See Treas. Reg. §§ 1.6011-4 and 301.6112-1. A Reportable Transaction (and accordingly, by definition, a Potentially Abusive Tax Shelter) includes certain transactions that give rise to a significant book-tax difference. Treas. Reg. §§ 1.6011-4(b)(6) and 301.6112-1(b)(2)(i)(B). But a book-tax difference caused by expensing intangible drilling costs pursuant to Tax Code § 263(c) is not considered for these purposes. Rev. Proc. 2003-25, § 4.04, 2003-11 I.R.B. 601 (February 27, 2003). In addition, the Partnership does not otherwise satisfy the definition of a Reportable Transaction. Therefore, the Managing General Partners believes that an investment in the Partnership will not be a Reportable Transaction. Furthermore, the Managing General Partner believes that the Partnership will not be a Potentially Abusive Tax Shelter because an investment in the Partnership will not be a Reportable Transaction and because the Partnership will not be a tax shelter that is required to be registered. Consequently, the Managing General Partner anticipates that the Partners will not be required to disclose the Partnership as a tax shelter on Form 8886 and the Managing General Partner will not be required to maintain a list of the Partners as participants in a tax shelter.

PARTNERSHIP AUDIT SIMPLIFICATION ACT OF 2015

In November 2015, President Obama signed the Partnership Audit Simplification Act of 2015 after its passage by Congress. It provides that any adjustment of income, gain, loss, deduction, credit, tax, penalty, or addition to tax for a limited partnership taxed as a partnership (and any Partner's distributable share of the Partnership) shall be determined at the Partnership level. Partners will not be able to file, challenge or negotiate separately with the Internal Revenue Service. Partners will be bound by the actions of the Partnership as undertaken by and through the Managing General Partner, acting as the "Partnership Representative" under Tax Code § 6223.

Further, the Partnership will be liable under the Partnership Audit Simplification Act of 2015 for any subsequent adjustments, penalties, and additional taxes at the date of such imposition, regardless of whether the partnership ownership or ownership percentages of changed since the previous tax treatment. So, there is a risk that new Partners in subsequent years could be indirectly subject to economic liability through the Partnership for tax treatments for which they previously received no benefit. As stated elsewhere, the Partnership Units will have no market and carry substantial restrictions on transferability. Consequently, the Managing General Partner does not believe that such subsequent year transfers of Partnership Units will be a common occurrence.

The Partnership Audit Simplification Act of 2015 provides that limited liability companies taxed as partnerships with fewer than 100 partners who have no other business entities taxed as partnerships (such as limited partnerships or limited liability companies) as partners may opt out of the Code provisions providing for taxes at the Partnership level. The Partnership Agreement does not contain any such opt out language. The Managing General Partner reasonably expects that some Subscribers will subscribe to the offering using a limited liability company or a partnership, thus making the opt-out provisions unavailable to the Partnership.

New Tax Code § 6235 under the Partnership Audit Simplification Act of 2015 creates a single statute of limitations for Partners, providing that an adjustment under the Act's new rules cannot be made three years after the later of: (i) the date the limited partnership filed its return; (ii) the limited partnership's return's due date; or (iii) the date on which the limited partnership filed an administrative adjustment request. This period may be extended pursuant to an agreement between the IRS and the limited partnership.

Similarly, the Partnership Audit Simplification Act of 2015 significantly alters the period for a limited partnership to file an administrative adjustment request. First, new Tax Code § 6227 provides that an administrative adjustment request may not be filed after the IRS issues a notice of administrative proceeding to the limited partnership. Second, and perhaps most importantly, unlike previous law, the extension of a limited partnership's assessment statute of limitations does not simultaneously extend the period to file an administrative adjustment request. Taken together, these two revisions significantly curtail a limited partnership's ability to file administrative adjustment requests.

INTEREST DEDUCTIONS

The Partners will acquire their interests by remitting cash in the amount of up to $218,000 per Partnership Unit to the Partnership. The $218,000 per Unit has two payments. Partners will pay: (1) $128,000 per Unit paid at Subscription for drilling, testing, organizational and legal costs; and (2) $90,000 for estimated completion costs when called by the Managing General Partner. The Partnership will not accept notes in exchange for a Partnership Units. Nevertheless, without any assistance of the Managing General Partner or any of its Affiliates, some Partners may choose to borrow the funds necessary to acquire the Partnership Units and may incur interest expense in connection with those loans. The Managing General Partner makes no representations on the tax treatment of the interest on such loans.

TRANSACTION FEES

The Partnership may classify a portion of the fees (the "Fees") to be paid to third parties and to the Managing General Partner or to the Operator and its Affiliates (as described in the Offering Memorandum under "Source of Funds and Use of Proceeds") as expenses that are deductible as offering expenses and marketing fees. The Managing General Partner makes no assurance that the IRS will allow the deductibility of such expenses.

Generally, expenditures made in connection with the creation of, and with sales of interests in, a partnership will fit within one of several categories.

A partnership may elect to amortize and deduct its organizational expenses (as defined in Tax Code § 709(b)(2) and in Treas. Reg. § 1.709-2(a)) ratably over a period of not less than 180 months commencing with the month the partnership begins business. Organizational expenses are expenses that (i) are incident to the creation of the partnership, (ii) are chargeable to capital account, and (iii) are of a character that, if expended incident to the creation of a partnership having an ascertainable life, would (but for Tax Code § 709(a)) be amortized over such life. Id. Examples of organizational expenses are legal fees for services incident to the organization of the partnership, such as negotiation and preparation of a limited partnership agreement, accounting fees for services incident to the organization of the partnership and filing fees. Treas. Reg. § 1.709-2(a).

Under Tax Code § 195, no deduction is allowable with respect to "start-up expenditures," although such expenditures may be capitalized and amortized over a period of not less than 180 months. Start-up expenditures are defined as amounts (i) paid or incurred in connection with (I) investigating the creation or acquisition of an active trade or business, (II) creating an active trade or business, or (III) any activity engaged in for Profit and for the production of income before the day on which the active trade or business begins, in anticipation of such activity becoming an active trade or business, and (ii) that, if paid or incurred in connection with the operation of an existing active trade or business (in the same field as the trade or business referred to in (i) above), would be allowable as a deduction for the taxable year in which paid or incurred. Tax Code § 195(c)(1).

The Partnership intends to make payments to the Manager, as described in greater detail in this Memorandum. To be deductible, compensation paid to a general partner must be for services rendered by the partner other than in his capacity as a partner or for compensation determined without regard to Partnership income. Fees which are not deductible because they fail to meet this test may be treated as special allocations of income to the recipient partner (see Pratt v. Commissioner, 550 F.2d 1023 (5th Cir. 1977)), and thereby decrease the net loss or increase the net income among all partners.

The Managing General Partner has no opinion on the proper allocation of expenses among nondeductible syndication expenses, amortizable organization expenses, amortizable "start-up" expenditures, and currently deductible items, because the issues involve factual questions concerning both the nature of the services performed and to be performed and the reasonableness of amounts charged. If the IRS were to successfully challenge the Managing General Partner's allocations, a Partner's taxable income could be increased, thereby resulting in increased taxes and in liability for interest and penalties.

BASIS AND AT RISK LIMITATIONS

A Partner may deduct Partnership losses only to the extent these losses exceed the Partner's adjusted tax basis in the Partnership. Tax Code § 704(d). A Partner's initial adjusted tax basis in the Partnership will generally be equal to the cash invested increased by (i) additional amounts invested in the Partnership, including his share of net income, (ii) additional Capital Contributions, if any, and (iii) his share of Partnership borrowings, if any, based on the extent of his economic risk of loss for such borrowings. The adjusted tax basis will also generally be reduced by (i) his share of loss, (ii) his depletion deductions on his share of oil and gas income (until such deductions exhaust his share of the basis of property subject to depletion), (iii) distributions of cash and the adjusted basis of property other than cash made to him, and (iv) his share of reduction in the amount of indebtedness previously included in his basis. The adjusted tax basis cannot fall below zero. Treas. Reg. § 1.705-1(a). Upon a Partner's tax basis hitting zero, the Managing General Partner may allocate additional losses at its discretion.

In addition, Tax Code § 465 provides that, if an individual or a closely held C (i.e., regularly taxed) corporation engages in any activity to which Tax Code § 465 applies, any loss from that activity is allowed only to the extent of the aggregate amount with respect to which the taxpayer is "at risk" for such activity at the close of the taxable year. Tax Code § 465(a)(1). A closely held C corporation is a corporation, more than fifty percent (50%) of the stock of which is owned, directly or indirectly, at any time during the last half of the taxable year by or for not more than five (5) individuals. Tax Code §§

465(a)(1)(B) and 542(a)(2). For purposes of Tax Code § 465, a loss is defined as the excess of otherwise allowable deductions attributable to an activity over the income received or accrued from that activity. Tax Code § 465(d). Any such loss disallowed by Tax Code § 465 shall be treated as a deduction allocable to the activity in the first succeeding taxable year. Tax Code § 465(a)(2).

Tax Code § 465(b)(1) provides that a taxpayer will be considered as being "at risk" for an activity with respect to amounts including (i) the amount of money and the adjusted basis of other property contributed by the taxpayer to the activity, and (ii) amount borrowed with respect to such activity to the extent that the taxpayer (I) is personally liable for the repayment of such amounts, or (II) has pledged property, other than property used in the activity, as security for such borrowed amounts (to the extent of the net fair market value of the taxpayer's interest in such property). No property can be considered as security if such property is directly or indirectly financed by indebtedness that is secured by property used in the activity. Tax Code § 465(b)(2). Further, amounts borrowed by the taxpayer shall not be considered if such amounts are borrowed (i) from any person who has an interest (other than an interest as a creditor) in such activity, or (ii) from a related person to a person (other than the taxpayer) having such an interest. Tax Code § 465(b)(3).

Related persons for purposes of Tax Code § 465(b)(3) are defined to include related persons within the meaning of Tax Code § 267(b) (that describes relationships between family members, corporations and shareholders, trusts and their grantors, beneficiaries and fiduciaries, and similar relationships), Tax Code § 707(b)(1) (that describes relationships between partnerships and their partners) and Tax Code § 52 (that describes relationships between persons engaged in businesses under common control). Tax Code § 465(b)(3)(C). Special ownership percentage limits of 10 percent or more can be made in determining who is a related person under Tax Code §§ 267 and 707. Tax Code §465(b)(3).

Finally, no taxpayer is considered at risk with respect to amounts for which the taxpayer is protected against loss through nonrecourse financing, guarantees, stop loss agreements, or other similar arrangements. Tax Code § 465(b)(4).

The Tax Code provides that a taxpayer must recognize taxable income to the extent that his "at risk" amount is reduced below zero. This recaptured income is limited to the sum of the loss deductions previously allowed to the taxpayer, less any amounts previously recaptured. A taxpayer may be allowed a deduction for the recaptured amounts included in his taxable income when he increases his amount "at risk" in a subsequent taxable year.

The Treasury has published proposed regulations relating to the at-risk provisions of Tax Code § 465. These proposed regulations provide that a taxpayer's at-risk amount will include "personal funds" contributed by the taxpayer to an activity. Prop. Treas. Reg. § 1.465-22(a). "Personal funds" and "personal assets" are defined in Prop. Treas. Reg. §

1.465-9(f) as funds and assets that (i) are owned by the taxpayer, (ii) are not acquired through borrowing, and (iii) have a basis equal to their fair market value.

In addition to a taxpayer's amount at risk being increased by the amount of personal funds contributed to the activity, the excess of the taxpayer's share of all items of income received or accrued from an activity during a taxable year over the taxpayer's share of allowable deductions from the activity for the year will also increase the amount at risk. Prop. Treas. Reg. § 1.465-22. A taxpayer's amount at risk will be decreased by (i) the amount of money withdrawn from the activity by or on behalf of the taxpayer, including distributions from a partnership, and (ii) the amount of loss from the activity allowed as a deduction under Tax Code § 465(a). Id.

The Partners will purchase the Partnership Units by paying cash to the Partnership. To the extent the cash contributed are "personal funds" of the Partners, the Partners should be considered at risk for those funds. The Managing General Partner believes that neither the at-risk rules nor the adjusted basis limitations will limit the deductibility of losses generated from the Partnership to the extent the contributed cash constitutes "personal funds."

PASSIVE LOSS AND CREDIT LIMITATIONS

A. Introduction

Tax Code § 469 provides that the deductibility of losses generated from passive activities will be limited for certain taxpayers. The passive activity loss limitations apply to individuals, estates, trusts, and personal service corporations as well as, to a lesser extent, closely held C corporations. Tax Code § 469(a)(2).

The definition of a "passive activity" generally encompasses all rental activities as well as all activities involving the conduct of a trade or business with respect to which the taxpayer does not "materially participate." Tax Code § 469(c). Notwithstanding this general rule, however, the term "passive activity" does not include "any working interest in any oil or gas property that the taxpayer holds directly or through an entity that does not limit the liability of the taxpayer with respect to such interest." Tax Code § 469(c)(3),(4).

A passive activity loss is the amount by which the aggregate losses from all passive activities for the taxable year exceed the aggregate income from all passive activities for such year. Tax Code § 469(d)(1).

Classifying an activity as passive will result in the income and expenses generated by that activity being treated as "passive" except to the extent that any of the income is "portfolio" income and except as otherwise provided in regulations. Tax Code § 469(e)(1)(A). Portfolio income is income from interest, dividends, royalties, or similar sources not derived in the ordinary course of a trade or business. Income that is neither passive nor portfolio is "net active income." Tax Code § 469(e)(2)(B).

With respect to the deductibility of passive activity losses, individuals and personal service corporations will be entitled to deduct such amounts only to the extent of their passive income whereas closely held C corporations (other than personal service corporations) can offset passive activity losses against both passive and net active income, but not against portfolio income. Tax Code § 469(a)(1), (e)(2). In calculating passive income and loss, however, all activities of the taxpayer are aggregated. Tax Code § 469(d)(1). Passive activity losses disallowed because of the above rules will be suspended and can be carried forward indefinitely to offset future passive (or passive and active, in the case of a closely held C corporation) income. Tax Code § 469(b).

Upon the disposition of an entire interest in a passive activity in a fully taxable transaction not involving a related party, any passive loss that was suspended by the provisions of the Tax Code § 469 passive activity rules are deductible from either passive or non-passive income. The deduction must be reduced, however, by the amount of income or gain realized from the activity in previous years. Tax Code § 469(g)

As noted above, a passive activity includes an activity with respect to which the taxpayer does not "materially participate." A taxpayer will be considered as materially participating in a venture only if the taxpayer is involved in the operations of the activity on a "regular, continuous, and substantial" basis. Tax Code § 469(h)(1). With respect to the determination as to whether a taxpayer's participation in an activity is material, temporary regulations issued by the IRS provide that, except for limited partners in a limited partnership, an individual will be treated as materially participating in an activity if and only if (i) the individual participates in the activity for more than 500 hours during such year, (ii) the individual's participation in the activity for the taxable year constitutes substantially all of the participation in such activity of all individuals for such year, (iii) the individual participates in the activity for more than 100 hours during the taxable year, and such individual's participation in such activity is not less than the participation in the activity of any other individual for such year, (iv) the activity is a trade or business activity of the individual, the individual participates in the activity for more than 100 hours during such year, and the individual's aggregate participation in all significant participation activities of this type during the year exceeds 500 hours, (v) the individual materially participated in the activity for 5 of the last 10 years, or (vi) the activity is a personal service activity and the individual materially participated in the activity for any 3 preceding years. Temp. Treas. Reg. § 1.469-5T(a).

B. <u>Additional General Partnership Units</u>

The Managing General Partner has no opinion regarding whether the IRS will consider the Partner's participation to be "material" because of the fact-based material participation factors. However, the "working interest" exception to the passive activity rules applies without regard to the level of the taxpayer's participation. Nevertheless, the presence or absence of material participation may be relevant for purposes of determining whether the investment interest expense rules of Tax Code § 163(d) apply to limit the deductibility of interest incurred in connection with any borrowings of a Partner.

As noted above, the term "passive activity" does not include any working interest in any oil or gas property that the taxpayer holds directly or through an entity which does not limit the taxpayer's liability with respect to such interest. The Partnership will hold working interest in oil and gas properties. Further because the Additional General Partners are general partners, the Partnership will not operate to limit Additional General Partners' liability with respect to such working interest liabilities.

Temp. Treas. Reg. § 1.469-1T(e)(4)(v) describes an interest in an entity that limits a taxpayer's liability with respect to the drilling or operation of a well as (i) a limited partnership interest in a partnership in which the taxpayer is not a general partner, (ii) stock in a corporation, or (iii) an interest in any other entity that, under applicable state law, limits the interest holder's potential liability. For purposes of this provision, indemnification agreements, stop loss arrangements, insurance or any similar arrangements or combinations thereof are not considered in determining whether a taxpayer's liability is limited. Id. Some Partners may invest as Additional General Partners, not as Limited Partners or stockholders. Further, the liability of the Additional General Partners will not be otherwise limited under applicable state law.

The Joint Committee on Taxation's General Explanation of the Tax Reform Act of 1986 (the "Bluebook") indicates that a "working interest" is an interest with respect to an oil and gas property that is burdened with the cost of development and operation of the property, and that generally has characteristics such as responsibility for signing authorizations for expenditures with respect to the activity, receiving periodic drilling and completion reports and reports regarding the amount of oil extracted, voting rights proportionate to the percentage of the working interest possessed by the taxpayer, the right to continue activities if the present operator decides to discontinue operations, a proportionate share of tort liability with respect to the property and some responsibility to share in further costs with respect to the property in the event a decision is made to spend more than amounts already contributed. The Regulations define a working interest as "a working or operating mineral interest in any tract or parcel of land (within the meaning of § 1.612-4(a))." Treas. Reg. § 1.469-1(e)(4)(iv). Under Treas. Reg. § 1.614-2(b), an operating mineral interest is defined as a separate mineral interest as described in §614(a), in respect of which the costs of production are required to be taken into account by the taxpayer for purposes of computing the limitation of 50 percent of the taxable income from the property in determining the deduction for percentage depletion computed under § 613, or such costs would be so required to be taken into account if the . . . well . . . were in the production stage. The term does not include royalty interests or similar interests, such as production payments or net profits interests. For the purpose of determining whether a mineral interest is an operating mineral interest, "costs of production" do not include intangible drilling and development costs, exploration expenditures under § 615, or development expenditures under § 616. Taxes, such as production taxes, payable by holders of non- operating interests are not considered costs of production for this purpose. A taxpayer may not aggregate operating mineral interests and non-operating mineral interests such as royalty interests.

To the extent that the Partners have oil and gas assets in the activities of the Partnership for purposes of Tax Code § 469, the Managing General Partner believes that a Partner's Interest(s) in the Partnership generally will not be considered a passive activity within the meaning of Tax Code § 469 and losses generated while such Partner Interest(s) are held will not be limited by the passive activity provisions.

Publicly Traded Partnerships

The Managing General Partner does not expect the Partnership to ever become a publicly traded partnership, so prospective partners should consult their tax advisors to learn about the taxation of publicly traded partnerships. But, in any event, income and losses from publicly traded partnerships will be generally treated as portfolio income or losses under the Tax Code unless the Partnership meets certain parameters set out in the Tax Code. So, investors should understand that, should this Partnership become a publicly traded partnership, their ability to offset income or losses from this Partnership, could be very limited.

State Tax Considerations

States tax oil and gas production by imposing severance taxes, income taxes and other similar taxes. Severance taxes are material to the cashflows from oil and gas production and will impact net returns. Additionally, local governments impose property taxes on leasehold interest.

The following table provides the current severance taxes and income taxes for several relevant oil and gas producing states.

State	Severance Taxes	Income Taxes
Louisiana	6.5% on oil and 16 cents per 1,000 cubic feet of gas.	2.0% - 6.0% depending on income amount.

Disclaimer

Please consult your tax advisor for specific information relating to the tax advantages available to partners. This is not tax advice as we are not a licensed tax professional. This information is for reference purposes only and can be easily verified by a licensed tax professional.

INVESTORS SUBJECT TO ERISA

The Partnership Units are likely to be treated as equity interests for purposes of the ERISA "plan assets" regulations. Thus, ERISA and the Internal Revenue Code will likely apply to investors that are employee benefit plans or trusts subject to ERISA, or Keogh Plan subject to the Internal Revenue Code. Such investors should consider the risks involving ERISA and the Internal Revenue Code before investing.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE MANAGING GENERAL PARTNERSHIP UNITS AND THE INVESTOR.

U.S. Department of Labor regulations relating to ERISA state that investments by a plan in the equity of a non-public business entity that is not a registered investment company may cause the assets of that entity to be treated as plan assets subject to ERISA's fiduciary rules under certain circumstances, that is, if the business entity is not an operating company and 25% or more of the business entity's equity assets are held by benefit plans subject to ERISA. The Partnership does not anticipate that 25% or more of its equity will be held by benefit plans governed by ERISA.

If Partnership assets were regarded as "plan assets" of an ERISA or Keogh plan, the Partnership and/or the Managing General Partner could be a "fiduciary" under ERISA or the Internal Revenue Code for the plan with corresponding obligations and liabilities. Moreover, the Partnership and/or the Managing General Partner could be subject to ERISA's requirements for plan fiduciaries, which include rules restricting related-party transactions and conflicts of interest.

If the Partnership is determined to be a ERISA or Keogh Plan fiduciary, it must (1) evaluate how the Partnership Unit investment would impact the Plan by considering whether the investment is reasonably designed to further the Plan's purposes, (2) examine the Partnership Units' risk and return factors, (3) consider the Plan portfolio's diversification needs, (4) evaluate the Partnership Units' lack of liquidity and relative to the anticipated cash flow needs of the Plan, (5) consider the projected return of the total portfolio to the Plan's objectives, (6) determine whether investment in the Partnership is permitted under governing Plan documents, and (7) consider the lack of redemption rights and limited transferability.

The fiduciaries of each Plan proposing to purchase the Partnership Units will be required to represent that they have been informed of and understand the Partnership's investment objectives, policies, and strategies, and that the decision to invest Plan assets in the Partnership Units is consistent with the provisions of ERISA that require diversification of Plan assets and impose other fiduciary responsibilities. Further, tax benefits such as intangible cost and depletion deductions will likely be of little or no benefit to ERISA and Keogh plans.

Exempt organizations should consider the applicability to them of the provisions relating to "unrelated business taxable income."

Finally, ERISA plans and ERISA-covered accounts should carefully consider the merits of investing in the Partnership as any intangible drilling cost or depletion tax deductions will likely not provide a benefit to such plans or accounts.

CONFLICTS OF INTEREST AND TRANSACTIONS WITH THE MANAGING GENERAL PARTNER

Conflicts of Interest

- The Managing General Partner is beneficially owned by Frank W. Seidler.
- The Managing General Partner and its affiliates also engage in other oil and gas investments.

The Partnership is subject to various conflicts of interest arising out of its relationship with the Managing General Partner. These conflicts include, but are not limited to, the following:

Future Programs by the Operator, the Managing General Partner, and their Affiliates. The Operator, the Managing General Partner and their Affiliates have the right and expect to continue to organize and manage oil and gas drilling programs in the future like the Partnership and may conduct operations now and in the future jointly or separately, on its own behalf or for other private or public investors. To the extent Affiliates of the Managing General Partner invest in the Partnership or other partnerships or entities sponsored by the Managing General Partner, conflicts of interest will arise.

Fiduciary Responsibility of the Managing General Partner. The Managing General Partner is accountable to the Partnership as fiduciary and consequently has a duty to exercise good faith and to deal fairly with the Partners in handling the affairs of the Partnership. While the Managing General Partner will try to avoid conflicts of interest to the extent possible, such conflicts nevertheless may occur and, in such event, the actions of the Managing General Partner may not be the most advantageous to the Partnership and could fall short of the full exercise of such fiduciary duty. In the event the Managing General Partner should breach its fiduciary responsibilities, a Partner would be entitled to an accounting and to recover any economic losses caused by such Breach.

Fiduciary Responsibility of the Managing General Partner. The Managing General Partner's obligations to the Partnership and Partners are limited.

Specifically, neither the Managing General Partner nor its Affiliates nor the Investor Partners are prevented hereby from engaging in other activities for profit whether in the oil and gas business or otherwise. The Managing General Partner and its Affiliates may organize, contract with, and manage other oil and gas programs in the future. In addition, the Managing General Partner and its Affiliates may engage in the exploration for and production of oil, gas, and other minerals for their own accounts, jointly or with others, or as partners of any other entity to which the Managing General Partner and its Affiliates are or may become partners. See Section 4.3 of the Partnership Agreement.

Second, Managing General Partner or Partnership Officer shall not be liable to the Partnership, a Partner, or to any Unit Holder for monetary damages for an act or omission in the Managing General Partner's or Officer's capacity as a Managing General Partner or Officer, except to the extent the Managing General Partner or Officer is found liable for: (i) loss or damage resulting from its intentional misconduct or knowing violation of law; or (ii) a transaction from which the Managing General Partner received an improper benefit. See Section 4.4 of the Partnership Agreement.

Third, the Partnership's Managing General and Officers are presumed to act in good faith, on an informed basis, in the best interests of the Partnership, and in full compliance with the law and Partnership's governing documents. Consequently, to successfully sue a Managing General and Officer, an Investor Partners of the Partnership must not only overcome these legal presumptions but also prove that a breach of duty occurred involving fraud, intentional misconduct, an ultra vires act, or a knowing violation of the law. Furthermore, any such allegations of misconduct must be stated with particularity, detailing specific facts rather than general claims. Finally, these protections supplement, rather than replace, any existing common law defenses or liability limitations otherwise stated in the Corporation's Certificate of Formation or Partnership Agreement. See Section 4.5 of the Partnership Agreement.

Independent Representation in Indemnification Proceeding. Counsel represents the Managing General Partner. However, in the event of an indemnification proceeding or lawsuit between the Managing General Partner and a Partner, the Managing General Partner upon advice of legal counsel may cause the Partnership to retain separate and independent counsel to represent the Partnership in such proceeding.

Managing General Partner's Interest. Although the Managing General Partner believes that its interest in Partnership profits, losses and cash distributions is equitable (See "Participation in Costs and Revenues"), such interest was not determined by arm's-length negotiation.

Conflicts with Other Programs. The Managing General Partner realizes that its conduct and the conduct of its Affiliates in connection with the other drilling programs could give rise to a conflict of interest between the position of the Managing General Partner as the Managing General Partner and the position of the Managing General Partner or one of its Affiliates as general partner or sponsor of such additional programs. In resolving any such conflicts, each partnership will be treated equitably with such other partnerships on a basis consistent with the funds available to the partnerships and the time limitations on the investment of funds. However, no provision has been made for an independent review of conflicts of interest.

Notwithstanding any provision to the contrary, the Managing General Partner and its Affiliates may not profit by drilling in contravention of their fiduciary obligations to the Partners. Any services not otherwise described in this Memorandum for which the Managing General Partner or any of its Affiliates are to be compensated will be embodied in a written contract which precisely describes the services to be rendered and the compensation to be paid.

All benefits from marketing arrangements or other relationships affecting the property of the Managing General Partner or its Affiliates and the Partnership will be fairly and equitably apportioned according to the respective interest of each.

FIDUCIARY RESPONSIBILITIES AND INDEMNIFICATION OF THE MANAGING GENERAL PARTNER

- The Managing General Partner is accountable to the Partnership as a fiduciary and must exercise good faith and integrity in respecting the Partnership's affairs.

- The Partnership Agreement includes provisions indemnifying the Managing General Partner against liability for losses suffered by the Partnership resulting from actions by the General Partner.

The Managing General Partner is accountable to the Partnership as a fiduciary and consequently must exercise good faith and integrity in handling Partnership affairs. Under Texas law, the Managing General Partner would be required to prudently supervise and direct the activities of the Partnership. Moreover, the Managing General Partner must always act in the reasonable best interests of the Partnership and the Partners. Prospective Partners who have questions concerning the responsibilities of the Managing General Partner should consult their own counsel.

The Partnership Agreement provides for indemnification of the Managing General Partner against liability for losses arising from Partnership affairs provided that the Managing General Partner did not act or fail to act with fraud, bad faith, gross negligence, or willful misconduct.

In the U.S. Securities and Exchange Commission's opinion, indemnification provisions indemnify for liabilities arising under the Securities Act of 1933 and the Securities

Exchange Act of 1934 are against public policy, and, therefore, unenforceable. Consequently, unless Courts rule otherwise, the Managing General Partner will not be indemnified for liabilities arising under Federal securities laws unless (1) there has been a successful adjudication on the merits of each count involving securities law violations or (2) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction or (3) a court of competent jurisdiction approves a settlement of such claims and finds that indemnification of the settlement and the related costs should be made after having been advised of U.S. Securities and Exchange Commission's and relevant state securities administrators' positions on indemnification of securities violations claims. A successful indemnification claim would deplete Partnership assets by the amount paid. A Limited Partner may have a narrower scope of legal actions due to the indemnification provision than if the indemnification provision was omitted.

LEGAL PROCEEDINGS

The Managing General Partner knows of no litigation pending or threatened to which the Managing General Partner or the Partnership is subject or may be a party, and no such proceedings are known to be contemplated by governmental authorities or other parties.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners will be governed by the Limited Partnership Agreement ("Partnership Agreement") in the form attached to this Memorandum as Exhibit B. Each prospective investor, together with their personal advisers, should carefully study the Partnership Agreement in its entirety before submitting a Subscription. The following statements concerning the Partnership Agreement are merely an outline, do not purport to be complete and in no way amend or modify the Partnership Agreement. References to sections below refer to sections of the Partnership Agreement.

Responsibility of the Managing General Partner

The Managing General Partner will have the exclusive management and control of all aspects of the business of the Partnership (Sections 4.1 and 4.2). No Limited Partner or Additional General Partner will have any voice in the day-to-day business operations of the Partnership (Section 4.1). The Managing General Partner is authorized to delegate and subcontract its duties under the Partnership Agreement to others, including entities related to it (Section 4.2).

Thrasher #1 L.P.

Offering Supplement dated August 21, 2026

This Offering Supplement (this "Supplement") dated August 17, 2026, amends the terms of the Thrasher #1 L.P. (the "Partnership") Offering Memorandum dated July 23, 2026 (the "Offering") and supplements the Offering as follows:

The "Legal Proceedings" section of the Offering, commencing on page 65 of the Offering, is hereby updated to disclose two recent legal proceedings involving Frank W. Seidler, the sole manager (the "Manager") of the Managing General Partner, FWS Management, LLC (the Managing General Partner").

1. *John Settle, Orla Investments, LLC, and Lease Reserve, LLC, Plaintiffs, v. Franklin Wayne Seidler, Seidler Oil & Gas LP, and FWS Management, LLC, Defendants.*
   a. Court: 249th Judicial District Court, Johnson County, Texas
   b. Case Number: DC-C202600475
   c. Summary: On July 16, 2026, Plaintiffs filed an Original Petition asserting claims for trespass, malicious trespass, conversion, slander of title, and suit to quiet title arising out of a deed conveying certain real property located in Johnson County, Texas. Plaintiffs seek actual damages, exemplary damages, and title relief.
2. *John Settle, Orla Investments, LLC, and Lease Reserve, LLC, Plaintiffs/Counter-Defendants, v. Franklin Wayne Seidler, Seidler Oil & Gas LP, and FWS Management, LLC, Defendants/Counter-Plaintiffs/Third-Party Plaintiffs v. Liberty Trailers L.L.C., Roadmaster Industries, Inc., Newstart, Inc., Gaither Werks, L.L.C., and Settle Properties, L.L.C, Third-Party Defendants.*
   a. Court: 249th Judicial District Court, Johnson County, Texas
   b. Case Number: DC-C202600475
   c. Summary: On August 4, 2026, Counter-Plaintiffs filed an application for a Temporary Restraining Order ("TRO") seeking immediate injunctive relief against the Counter-Defendants and Third-Party Defendants. The Court granted the TRO, finding that unless restrained, Counter-Defendants and Third-Party Defendants would continue to use and disclose Counter-Plaintiffs' confidential data and equipment, causing irreparable harm to Counter-Plaintiffs' business and goodwill for which monetary damages alone would be inadequate.
   d. The Judge granted the Temporary Restraining Order on August 4, 2026, against *Plaintiffs/Counter Defendants John Settle, Orla Investments, LLC, and Lease Reserve, LLC.* The Judge also subsequently granted the injunction.

e. Injunction Terms: Under the terms of the TRO, Counter-Defendants and Third-Party Defendants are immediately restrained from, directly or indirectly, among other things:
    i. Transferring or encumbering any property or assets of the Manager or Managing General Partner;
    ii. Accessing, attempting to access, or duplicating any data within any electronic information system of the Managing General Partner; and
    iii. Denying the Managing General Partner access of any kind to its own electronic devices, systems, and financial data.

Liability of Limited Partners (not applicable to Additional General Partners)

The Partnership will be governed by the Texas Business Organizations Code under which a Limited Partner's liability for the obligations of the Partnership will be limited to the Limited Partners' Capital Contributions, the Limited Partners' shares of Partnership assets and for the return of any part of Partnership Capital Contributions for a period of one year after such return (or six years in the event such return is in violation of the Partnership Agreement), but only to the extent necessary to discharge the Partnership's liabilities to creditors who extended credit to the Partnership prior to such return. Additional General Partners will not have such limitation of their liabilities. A Limited Partner will not otherwise be liable for the obligations of the Partnership unless, in addition to the exercise of the Limited Partner's rights and powers as a Limited Partner, such person takes part in the control of the business of the Partnership. Under Section 3.2 of the Partnership Agreement, the Limited Partners, however, are obligated to make additional Capital Contributions if the Managing General Partner determines such capital is needed for the Partnership's business.

Liability of Additional General Partners (not applicable to Limited Partners)

Additional General Partners are liable for the obligations of the Partnership on a joint and several basis. This means that they may be liable for the entire amount of the obligations of or claims against the Partnership regardless of whether any of the other Partners have similar obligations. If other Partners do not pay their share of obligations and claims, the Additional General Partners could be liable for the shortfall.

Conversion from an Additional General Partner to a Limited Partner

On January 1 of the year immediately following the calendar year of the Partnership with respect to which the Managing General Partner has determined that at least 90% of funds paid to the Partnership by the Investor Partners as a result of the offer and sale of Units shall have been expended the Units held by the Additional General Partners may be converted to Limited Partner Units, unless the Managing General Partner determines that such conversion at that time would not be in the best interests of the General Partners or the Partnership.

As stated in the "Tax Aspects" of this Memorandum, the Managing General Partner recommends that Additional General Partners consult their tax advisers as to the possible recapture of intangible drilling cost deductions because of such a conversion.

Allocations and Distributions

General: Profits and losses are to be allocated and cash is to be distributed in the manner described in the section entitled "Allocations of Profits and Losses." (See Section VI).

Liquidating Distributions: Liquidating distributions (after the payment of all Partnership liabilities) will be made to the Partners in accordance with their respective Capital Accounts (Section 9.4).

Voting Rights

Each Partner may vote, in person or by proxy, with its vote being counted in proportion with the Partner's Partnership Units in matters considered at Partnership meetings with the quorum required for approval of such matters. The Managing General Partner will have seventy-five (75%) of the Partnership's voting interest. This means that the Limited Partners and Additional General Partners will not have a vote that could affect the Partnership's decisions unless the Managing General Partner chooses to abstain from voting.

Books and Records

Partners have the right to review the Partnership's books and records during reasonable business hours at the Partnership's principal office. To exercise this right, Partners shall provide the Managing General Partner with at least thirty (30) days' prior written notice.

Retirement of the Managing General Partner

If the Managing General Partner desires to withdraw from the Partnership for whatever reason, it may do so by giving written notice to the Partners.

Term and Winding-up

The Partnership will commence winding-up upon the occurrence of the following events:

(a) the Managing General Partner determining that the Partnership should be dissolved; or

(b) any other event that, under the Texas Business Organizations Code, would cause its dissolution.

Indemnification

The Managing General Partner will be entitled to reimbursement and indemnification for all expenditures made (including amounts paid in settlement of claims) or losses or judgments suffered by it arising from the Partnership, or its property, business, or affairs to the fullest extent allowed by law, provided that the expenditures were not the result of gross negligence or willful misconduct on the part of the Managing General Partner.

Reports to Partners

The Managing General Partner will furnish to the Partners a statement for that year of each Investor Partner's share of the Profits and Losses. The Managing General Partner shall also furnish summary reports on showing the status of the drilling and completion of the Partnership Well until drilling and completion activities are completed.

Power of Attorney

Each Partner will grant to the Managing General Partner a power of attorney to execute certain documents deemed by the Managing General Partner to be necessary or convenient to the Partnership's business or required in connection with the qualification and continuance of the Partnership (Section 14.1).

Other Provisions

Other provisions of the Partnership Agreement are summarized in this Memorandum under the headings "Terms of the Offering," "Sources and Application of Proceeds," "Management," "Fiduciary Responsibilities and Indemnification of the Managing General Partner," and "Transferability of Units." The attention of prospective investors is directed to these sections.

TRANSFERABILITY OF UNITS

The transferability of the Units is very limited and no market for the Units will develop. An investment in the Partnership should be considered an illiquid investment. Investors may not be able to sell their Units without the Managing General Partner's consent and may be required to produce a legal opinion relating to transferability. The Partnership intends that it will not be treated as "publicly traded partnership." Consequently, the Managing General Partner intends to seek to prevent the Partnership Units from trading on any established securities market.

OTHER MATTERS

This Memorandum does not propose to restate all the relevant provisions of the documents referred to or relevant to the matters discussed herein. All these documents must be read for a thorough understanding of the terms of all matters relevant to the purchase of Units. Each prospective investor is invited to ask questions of, and receive answers from, authorized representatives of the Managing General Partner, and may inspect the books and records of the Partnership at any reasonable time, in order to obtain such information concerning the terms and conditions of the offering, to the extent the Partnership possesses the same or can obtain it without unreasonable effort or expense, as such prospective investor deems necessary to verify the accuracy of the information referred to in this Memorandum. The Managing General Partner will maintain at its office a list of the names and addresses of all Partners.

FINANCIAL STATUS OF THE PARTNERSHIP

Attention is directed to the Partnership Agreement and other Exhibits to this Memorandum for a full description of matters which may be described summarily in this Memorandum, or which may not be included in the text of this Memorandum.

FINANCIAL INFORMATION FOR THE MANAGING GENERAL PARTNER

Thrasher #1 L.P. is a Texas limited partnership formed under Texas law on July 6, 2026, and as of the date of this offering is not capitalized. FWS Management, LLC is a Texas limited liability company formed on July 19, 2006. Thrasher #1 L.P. is the eighth business venture it has sponsored.

PAST PERFORMANCE – FIVE YEARS

Thrasher #1 L.P. is a Texas limited partnership formed under Texas law on July 6, 2026, and as of the date of this offering is not capitalized. FWS Management, LLC is a Texas limited liability company formed on July 19, 2006. Thrasher #1 L.P. is the eighth business venture it has sponsored.

On October 25, 2021, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the EFG 1&2 Prospect, ultimately raising an initial target of approximately $2,160,000. Following this successful funding round, the well was drilled, completed, and fractured (fracked) in the fourth quarter of 2021 and remains in active production.

On December 16, 2021, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the Darryl J. Owen #1 Prospect, ultimately raising an initial target of approximately $1,410,500. Following this successful funding round, operational circumstances regarding the target prospect necessitated a well substitution. The Managing Partner successfully completed this substitution and has fully satisfied all obligations to the investing partners.

On March 8, 2022, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the EFG State #3H Prospect, ultimately raising an initial target of approximately $1,260,000. The well was successfully drilled, completed, and fractured (fracked) during the fourth quarter of 2025 and is currently in production.

On May 5, 2022, the Managing Partner (CIK 0001927321) launched an offering of Units of working interest in the Abrams Reclamation SWD, ultimately raising an initial target of approximately $940,000. Following this successful funding round, construction of the

SWD facility was completed. However, after a brief initial production period, the facility entered an operational deficit from which it could not recover. To protect investing partners from ongoing financial liability as the program became increasingly uneconomical, the Managing Partner elected non-consent to subsequent cash calls for the SWD. Consequently, the partnership is defunct and will file its final tax return in 2026.

On July 21, 2022, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the Custer #1H Prospect, ultimately raising an initial target of approximately $7,878,000. Following this successful funding round, the well was drilled, completed, and fractured (fracked) and remains in active production.

On October 18, 2022, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the EFG State #4H Prospect, ultimately raising an initial target of approximately $1,260,000. The well was successfully drilled, completed, and fractured (fracked) during the fourth quarter of 2025 and is currently in production.

On January 24, 2024, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the Valkyrie SWD, ultimately raising an initial target of approximately $4,500,000. Following this successful funding round, the SWD facility was completed and remains in active production.

On September 30, 2025, the Managing Partner (CIK 0001396572) launched an offering of Units of working interest in the EFG Four Well Program, ultimately raising an initial target of approximately $9,600,000. Following this successful funding round, the wells were drilled, completed, and fractured (fracked), and they remain in active production.

OTHER DOCUMENTS

The Managing General Partner values its relationship with its investing partners. It takes every precaution it can with client information subject, of course, to government regulation. The Partnership's policies forbid any dissemination of client information both inside and outside the Partnership.

PAYMENT

Subscription Procedure and Payment. The initial subscription payment amount of $128,000 per Unit must be made by check, ACH, or wire transfer of immediately available funds as well as completing the Subscription Documents in the form attached at Exhibit C. Initial payments for Subscriptions for the Units described herein will be payable upon the executed of the Subscription Documents. All Subscription payments may be made by check, ACH, or wire transfer of immediately available funds. The Subscriber shall effectuate payment through one of the following methods:

A. **Delivery by Mail.** Check or cashier's check via mail – Subscription checks shall be made payable to "Thrasher #1 L.P." and delivered to the following address: Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009; or

D. **Delivery by Wire Transfer or ACH.** Subscription payments may be transmitted via electronic wire or ACH transfer directly to the Partnership's subscription account as stated on page 21 of the Subscription Documents found at Exhibit C.

The Partnership follows various federal regulations and may have to provide information to government agencies where the investment is made by cash, wire transfer or other means outside the normal course of commerce. The Managing General Partner may have to provide information to government agencies where the investment is made by cash or other means outside the normal course of commerce.

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Exhibit A

Certificate of Formation

Thrasher #1 L.P.

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Form 207

Secretary of State
P.O. Box 13697
Austin, TX 78711-3697
FAX: 512/463-5709

Filing Fee: $750

Certificate of Formation
Limited Partnership

Filed in the Office of the Secretary of State of Texas
Filing #: 806684726 07/06/2026
Document #: 1603108420003
Image Generated Electronically for Web Filing

Article 1 - Entity Name and Type

The filing entity being formed is a limited partnership. The name of the entity is:

Thrasher #1H, LP

The name must contain the words "Limited Partnership," or "Limited," or the abbreviation "L.P.," "LP," or "Ltd." The name must not be the same as, deceptively similar to or similar to that of an existing corporate, limited liability company, or limited partnership name on file with the secretary of state. A preliminary check for "name availability" is recommended.

Article 2 - Principal Office

The address of the principal office in the United States where records of the partnership are to be kept or made available is set forth below:

7140 FM 917, Alvarado, TX, USA 76009

Article 3 – Registered Agent and Registered Office

☐ A. The initial registered agent is an organization (cannot be limited partnership named above) by the name of:

OR

☑ B. The initial registered agent is an individual resident of the state whose name is set forth below:

Name:
Frank Seidler

C. The business address of the registered agent and the registered office address is:

Street Address:
7140 FM 917 Alvarado TX 76009

Consent of Registered Agent

☐ A. A copy of the consent of registered agent is attached.

OR

☑ B. The consent of the registered agent is maintained by the entity.

Article 4 - General Partner Information

The name and address of each general partner are as follows:

General Partner 1: (Business Name) **FWS Management, LLC, a Texas limited liability company**

Address: **7140 FM 917 Alvarado TX, USA 76009**

Supplemental Provisions / Information

[The attached addendum, if any, is incorporated herein by reference.]

Effectiveness of Filing

☑ A. This document becomes effective when the document is filed by the secretary of state.

OR

☐ B. This document becomes effective at a later date, which is not more than ninety (90) days from the date of its signing. The delayed effective date is:

Initial Mailing Address

Address to be used by the Comptroller of Public Accounts for purposes of sending tax information.

The initial mailing address of the filing entity is:

7140 FM 917
Alvarado, TX 76009
USA

Execution

The undersigned affirms that the person designated as registered agent has consented to the appointment. The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the entity to execute the filing instrument.

Signature of General Partner 1: **Frank W. Seidler, Manager of FWS Management, LLC, a Texas limited liability company, General Partner of Thrasher #1, LP, a Texas limited partnership**

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697

Dave Nelson
Deputy Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING
OF

Thrasher #1 L.P.
806684726

[formerly: Thrasher #1H, LP]

The undersigned, as Deputy Secretary of State of Texas, hereby certifies that a Certificate of Correction relating to an instrument that has been filed by the Secretary for the above named entity has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY the undersigned, as Deputy Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing.

Dated: 07/17/2026

Effective: 07/17/2026

Dave Nelson
Deputy Secretary of State

Form 403 **(Revised 05/11)** Submit in duplicate to: Secretary of State P.O. Box 13697 Austin, TX 78711-3697 512 463-5555 FAX: 512/463-5709 Instructions **Filing Fee: $15**	**Certificate of Correction**	This space reserved for office use.

Entity Information

1. The name of the filing entity is:

Thrasher #1H, LP

State the name of the entity as currently shown in the records of the secretary of state. If the certificate of correction corrects the name of the entity, state the present name and not the name as it will be corrected.

The file number issued to the filing entity by the secretary of state is: 0806684726

Filing Instrument to be Corrected

2. The filing instrument to be corrected is : Certificate of Formation

The date the filing instrument was filed with the secretary of state: 07/06/2026
mm/dd/yyyy

Identification of Errors and Corrections

(Indicate the errors that have been made by checking the appropriate box or boxes; then provide the corrected text.)

☑ The entity name is inaccurate or erroneously stated. The corrected entity name is:

Thrasher #1 L.P.

☐ The registered agent name is inaccurate or erroneously stated. The corrected registered agent name is:

Corrected Registered Agent
(Complete either A or B, but not both.)

A. The registered agent is an organization (cannot be entity named above) by the name of:

OR

B. The registered agent is an individual resident of the state whose name is:

First *Middle* *Last Name* *Suffix*

The person executing this certificate of correction affirms that the registered agent, whose name is being corrected by this certificate, consented to serve as registered agent at the time the filing instrument being corrected took effect.

☐ The registered office address is inaccurate or erroneously stated. The corrected registered office address is:

Corrected Registered Office Address

Street Address (No P.O. Box)	City	State	Zip Code
		TX	

☐ The purpose of the entity is inaccurate or erroneously stated. The purpose is corrected to read as follows:

☐ The period of duration of the entity is inaccurate or erroneously stated.

The period of duration is corrected to read as follows:

Identification of Other Errors and Corrections

(Indicate the other errors and corrections that have been made by checking and completing the appropriate box or boxes.)

☐ **Other errors and corrections.** The following inaccuracies and errors in the filing instrument are corrected as follows:

☐ **Add** Each of the following provisions was omitted and should be added to the filing instrument. The identification or reference of each added provision and the full text of the provision is set forth below.

☐ **Alter** The following identified provisions of the filing instrument contain inaccuracies or errors to be corrected. The full text of each corrected provision is set forth below:

☐ **Delete** Each of the provisions identified below was included in error and should be deleted.

☐ **Defective Execution** The filing instrument was defectively or erroneously signed, sealed, acknowledged or verified. Attached is a correctly signed, sealed, acknowledged or verified instrument.

Statement Regarding Correction

The filing instrument identified in this certificate was an inaccurate record of the event or transaction evidenced in the instrument, contained an inaccurate or erroneous statement, or was defectively or erroneously signed, sealed, acknowledged or verified. This certificate of correction is submitted for the purpose of correcting the filing instrument.

Correction to Merger, Conversion or Exchange

The filing instrument identified in this certificate of correction is a merger, conversion or other instrument involving multiple entities. The name and file number of each entity that was a party to the transaction is set forth below. (If the space provided is not sufficient, include information as an attachment to this form.)

Entity name *SOS file number*

Entity name *SOS file number*

Effectiveness of Filing

After the secretary of state files the certificate of correction, the filing instrument is considered to have been corrected on the date the filing instrument was originally filed except as to persons adversely affected. As to persons adversely affected by the correction, the filing instrument is considered to have been corrected on the date the certificate of correction is filed by the secretary of state.

Execution

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the entity to execute the filing instrument.

Date: 07/14/2026

By: Frank Seidler, Manager of FWS Management, LLC, General Partner of Thrasher #1 L.P.

Signed by: Frank Seidler

Signature of authorized person

Frank Seidler

Printed or typed name of authorized person (see instructions)

Print Reset

Exhibit B

Partnership Agreement

Thrasher #1 L.P.

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AGREEMENT OF LIMITED PARTNERSHIP

Dated as of July 6, 2026

THE GENERAL PARTNER AND LIMITED PARTNER UNITS IN THIS PARTNERSHIP HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER SIMILAR STATE STATUTES, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION AS PROVIDED IN THOSE STATUTES AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER. THE SALE OR OTHER DISPOSITION OF THE INTERESTS IS RESTRICTED, AS SET FORTH IN THIS AGREEMENT OF LIMITED PARTNERSHIP, AND THE EFFECTIVENESS OF ANY SUCH SALE OR OTHER DISPOSITION MAY BE CONDITIONED UPON RECEIPT BY THE PARTNERSHIP OF A WRITTEN OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP AND ITS COUNSEL THAT SUCH SALE OR OTHER DISPOSITION CAN BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND OTHER APPLICABLE STATUTES. BY ACQUIRING AN INTEREST IN THE PARTNERSHIP, THE PARTNER REPRESENTS THAT HE WILL NOT SELL OR OTHERWISE DISPOSE OF SUCH INTEREST WITHOUT REGISTRATION OR OTHER COMPLIANCE WITH SUCH STATUTES AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER.

PURSUANT TO THE TEXAS SECURITIES ACT, THE LIABILITY OF A LAWYER, ACCOUNTANT, CONSULTANT OR THE FIRM OF ANY OF THE FOREGOING, AND ANY OTHER PERSON ENGAGED TO PROVIDED SERVICES RELATED TO AN OFFERING OF SECURITIES OF THE PARTNERSHIP ("SERVICE PROVIDERS") IS LIMITED TO A MAXIMUM OF THREE TIMES THE FEE PAID BY THE PARTNERSHIP OR SELLER OF THE PARTNERSHIP'S SECURITIES, UNLESS THE TRIER OF FACT FINDS THAT SUCH SERVICE PROVIDER ENGAGED IN INTENTIONAL WRONGDOING IN PROVIDING THE SERVICES.

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AGREEMENT OF LIMITED PARTNERSHIP
OF
THRASHER #1 L.P.
A Texas Limited Partnership
Dated as of July 6, 2026

This LIMITED PARTNERSHIP AGREEMENT (this *"Agreement,"* as it may be amended from time to time as provided below) is initially made and entered into and effective as of July 6, 2026, by and among the Persons (as defined below) executing this Agreement below.

SECTION I
General

1.1 The Managing General Partner and the Investor Partners hereby form the Partnership under and pursuant to the provisions of the Texas Business Organizations Code.

1.2 The name of the Partnership shall be Thrasher #1 L.P.

1.3 The Managing General Partner may change the name of the Partnership or adopt such trade or fictitious names as it may determine appropriate (including the name of the Managing General Partner).

1.4 The initial registered agent of the Partnership shall be Frank. W. Seidler and the initial registered office of the Partnership shall be 7140 E FM 917, Alvarado, TX 76009.

1.5 The initial principal place of business of the Partnership shall be at 7140 E FM 917, Alvarado, TX 76009, or at such other location as the Managing General Partner, in its discretion, may determine. The Managing General Partner shall notify the Investor Partners within 30 days in writing of any such change in location.

1.6 The Partnership shall commence on the filing of record of an initial certificate of formation in accordance with Texas law and shall continue until terminated as provided in Section IX hereof. The Managing General Partner may, if it chooses, cause the due filing of a "doing business" certificate of the Partnership in jurisdictions in which the Partnership does business.

1.7 The purpose of the Partnership shall be to participate in oil and gas well prospects, to participate in such ventures, to generate cash returns for investors, and to engage in any other lawful business or activity permitted by the Texas Business Organizations Code.

1.8 The timing and allocation of Partnership funds to acquire all or a portion of the property or properties identified in Section 1.7 above shall be governed by the more specific descriptions contained within the Offering Memorandum prepared for the offer and sale of interests in the Partnership to the Investor Partners and shall, by and large, be left to the discretion of the Managing General Partner which shall be deemed to exercise its best judgment in applying the funds of the Partnership for said purposes.

1.9 All real and personal property owned by the Partnership shall be deemed owned by the Partnership as an entity and held in its name. No Partner shall have any ownership interest in any such property.

SECTION II
Definitions

2.1 As used in this Agreement, the following terms have the following meanings:

"Additional General Partner" means any Person admitted to the Partnership as a General Partner, other than the Managing General Partner, as provided in this Agreement but excludes any such Person that has ceased to be a General Partner as provided in this Agreement or the Texas Business Organizations Code. "Additional General Partner" shall not include, after a conversion, such Investor Partner who converts his interest into a Limited Partnership Unit pursuant to Section 15.3 herein.

"Adjusted Capital Account Deficit" means with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant Fiscal Year or such other time as determined by the Managing General Partner, after giving effect to the following adjustments: add to such Capital Account any amount which such Partner is treated as obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) by virtue of such Partner's guarantee or indemnity agreement with respect to any Partnership debt or is deemed obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations; and subtract from such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Agreement" has the meaning specified in the introduction to this Agreement.

"Capital Account" has the meaning specified in Section 3.2.

"Capital Contribution" means the total contributions made by a Partner to the capital of the Partnership pursuant to Section 3.1 and 3.2 of this Agreement.

"Distributions" mean cash or in-kind payments made to Partners from their Capital Accounts at the discretion of the Managing General Partner pursuant to Article VI of this Agreement.

"General and Administrative Expenses" means all customary and routine expenses incurred by the Managing General Partner for the conduct of program administration, including legal, finance, accounting, secretarial, travel, office rent, telephone, data processing and other items of a similar nature.

"General Partner" means any Person admitted to the Partnership as a General Partner as provided in this Agreement but excludes any such Person that has ceased to be a General Partner as provided in this Agreement or the Texas Business Organizations Code.

"Interest" means, with respect to any Partner at any time, that Partner's entire beneficial ownership interest in the Partnership at such time, including that Partner's Capital Account, voting rights, and right to share in profits, losses, cash distributions and all other benefits of the Partnership as specified in this Agreement, together with that Partner's obligations to comply with all the terms of this Agreement.

"Investor Partner(s)" means a Partner admitted as an Additional General Partner or a Limited Partner.

"IRC" means the Internal Revenue Code of 1986.

"Lease" means full or partial interests in: (i) undeveloped oil and gas leases; (ii) oil and gas mineral rights; (iii) licenses; (iv) concessions; (v) contracts; (vi) fee rights; or (vii) other rights authorizing the owner thereof to drill for, reduce to possession, and produce oil and gas.

"Lease Operating Costs" means the costs of maintaining and operating property and equipment on a producing Lease.

"Limited Partner" means any Person admitted to the Partnership as a Limited Partner as provided in this Agreement but excludes any such Person that has ceased to be a Limited Partner as provided in this Agreement or the Texas Business Organizations Code.

"Managing General Partner" means FWS Management, LLC, a Texas limited liability company, until it is replaced as Managing General Partner pursuant to the terms of this Agreement; thereafter the Managing General Partner shall be designated pursuant to this Agreement.

"Offering Memorandum" means the Offering Memorandum pursuant to which the Units are being offered and sold.

"Oil and Gas Properties" means any oil or gas royalty or lease, or fractional interest therein, or certificate of interest or participation or investment contract relative to such royalties, leases, or fractional interests, or any other interest or right which permits the exploration of, drilling for, or production of oil and gas or other related hydrocarbons or the receipt of such production or the proceeds thereof.

"Operator" will be any subsequent Operators engaged by the Partnership to operate Oil and Gas Properties.

"Operating Agreement(s)" means the agreement between the Partnership and the Operator that governs the terms and conditions of the Operator's operation of an Oil and Gas Property for the benefit of the Partnership.

"Operating Costs" means expenditures made and costs incurred in producing and marketing oil or gas from completed wells, including, in addition to labor, fuel, repairs, hauling, materials, supplies, utility charges and other costs incident to or therefrom, ad valorem and severance taxes, insurance and casualty loss expense, and compensation to well operators or others for services rendered in conducting such operations.

"Operating Deficit" means, with respect to any calendar month, the dollar amount by which the sum of the amounts chargeable to a Partner's Capital Account exceeds the balance of the Capital Account.

"Operating Deficit Contribution" means the payment required from a Partner to pay for an Operating Deficit.

"Organization Costs" means those Partnership expenses related to the formation of the Partnership and the drafting of documents relating to the formation of the partnership, including filing fees, postage, and legal fees.

"Participation Agreement" means and agreement between the Partnership and the provider of a Prospect through which the Partnership agrees to participate in the development of the Prospect.

"Partner" means any General Partner or Limited Partner.

"Partnership" has the meaning specified in Section 1.1.

"Partnership Losses" means the amount by which the amount in the Capital Accounts is less than the previous balance in the Capital Accounts over a specified period.

"Partnership Profits" and *"Partnership Losses"* means, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with IRC Section 703(a) and Regulations under the IRC.

"Partnership Well" means all oil and gas wells in which the Partnership has an interest.

"Percentage" for any Partner means the Percentage established for that Partner in accordance with this Agreement.

"Person" means any individual, corporation, partnership, limited liability company, business trust or other entity, government or governmental agency or instrumentality.

"Prospect" means a contiguous oil and gas interest, upon which drilling operations may be conducted. In general, a Prospect is an area in which the Partnership owns or intends to own one or more Oil and Gas Properties which is geographically defined by the Managing General Partner on the basis of geological data by and which is anticipated by the Managing General Partner to contain at least one reservoir and, an area covering lands which are believed by the Managing General Partner to contain subsurface structural or stratigraphic conditions making it susceptible to the accumulations of hydrocarbons in commercially productive quantities at one or more horizons. A Prospect with respect to a particular horizon may be limited to the minimum area permitted by state law or local practice, whichever is applicable, to protect against drainage from adjacent wells if the well to be drilled by the Partnership is to a horizon containing proved reserves.

"Regulations" means rules issues pursuant to the IRC.

"Simulated Adjusted Tax Basis" means the Capital Account's tax basis reduced by the amount of the Simulated Depletion allowances allocated to the Partner for each of the Partnership's Oil and Gas Properties.

"Simulated Depletion" means a Partner's allocable share of the simulated depletion allowance with respect to a particular Oil and Gas Property

"Simulated Gain" means the gain resulting from a simulated adjustment to the depletion allowance.

"Simulated Loss" means the loss resulting from a simulated adjustment to the depletion allowance.

"Subsequent Operations" means operations determined to be required after the drilling and completion of the Prospect Wells by the Operator pursuant to the terms of the AFE.

"Subscription Agreement" means the agreement attached to the Offering Memorandum in Exhibit C pursuant to which an investor subscribes for one or more Units in the Partnership.

"Texas Business Organizations Code" refers to the Texas statute governing the formation and operation of business entities organized in Texas.

"Working Interest" means fractional, undivided interests or rights of participation in the oil or gas, or in the proceeds from the sale of the oil or gas, produced from a specified tract or tracts, which are limited in duration to the terms of an existing lease, and which are subject to the expense of development, operation, or maintenance.

SECTION III

Capital Contributions and Capital Accounts

3.1 The Managing General Partner shall not be required to contribute any cash to the Partnership as its Capital Contributions upon its execution of this Agreement. It shall, however, pay organization costs and contribute to the Partnership copies of all geological and geophysical information it previously acquired with respect to any of the Properties described in the Offering Memorandum which are acquired by the Partnership. Should the Managing General Partner have insufficient capital to pay the organization costs, it may allow one of its Affiliates to pay those Costs and issue a note payable to that affiliate for those organization costs.

3.2 (a) Upon his admission to the Partnership, the Investor Partner shall be credited in his Capital Account with the sum of his Capital Contribution which must be paid in cash.

(b) In the event that the Partnership's share of Lease Operating Costs, the Management Fee and its General and Administrative Expenses for any calendar month exceed the sum of the Partnership's revenues from the Prospects, the Managing General Partner will debit each Partner's Capital Account with the amount of his share of the Operating Deficit. The amount of each Investor Partner's share of an Operating Deficit will be the amount by which a fraction, the numerator of which is the amount of the Capital Contribution previously by such Investor Partner and the denominator of which is the total amount of Capital Contributions previously made by all Investor Partners, bears to 100% of the total amount of the Operating Deficit for such month.

(c) To the extent possible, each Partner's share of an Operating Deficit will be paid out of cash available for Distributions. All Operating Deficits charged to a Partner's capital account will be paid from that Partner's share of Distributions when Distributions are made.

(d) The Managing General Partner may, at its election, request that each Investor Partner pay his pro-rata share of Operating Deficits as they occur. A request for an Operating Deficit Contribution shall set forth the aggregate amount of the Operating Deficit, as calculated on per well basis, and the proportionate share thereof requested of the Investor Partner.

(e) If Subsequent Operations are proposed by the Operator or another Working Interest owner, and the Partnership consents to such operations, the Managing General Partner may, at its election, pay for the Partnership's share of such Subsequent Operations from cash available for Distributions generated by revenues from the Prospects. Alternatively, the Managing General Partner may request that each Partner make a Subsequent Operations Contribution to the Partnership in cash.

(f) The amount of each Investor Partner's Subsequent Operations Contribution will be the amount which a fraction, the numerator of which is the amount of the Capital Contributions previously made by such Investor Partner and the denominator of which is the total amount of Capital Contribution previously made by all Investor Partners, bears to 100% of the total amount of the estimated costs of the Subsequent Operations. A request for a Subsequent Operations Contribution shall set forth the estimated amount of the Subsequent Operations and the proportionate share thereof requested of the Investor Partner. Each Partner shall pay his assessed Subsequent Operations Contribution within fifteen (15) days after the mailing of such request by the Managing General Partner.

(g) Upon a Partner's receipt of a request for a Subsequent Operations Contribution, he may either elect to "consent" to the proposed Subsequent Operations, in which case he must pay the assessment within the time period specified, or he may "non-consent" to the proposed Subsequent Operations (whereby he becomes a "defaulting Partner"), in which case the Managing General Partner shall have the option of either (a) paying the amount of the defaulting Partner's Subsequent Operations Contribution or (b) allow another Partner to do so or (c) allow a third party to be admitted to the Partnership as a Substitute Limited Partner for the purpose of paying the defaulting Partner's Subsequent Operations Contribution. In such event, Distributions shall be withheld from the defaulting Partner until such time as the person or entity which pays the defaulting Partner's assessed share of Subsequent Operations shall have received additional Distributions in an amount equal to two hundred percent (200%) of the amount he paid on behalf of the defaulting Partner. Once the paying Partner has received this sum, the payment of Distributions to the defaulting Partner shall be resumed.

(h) In the event that all or a portion of the Partnership's Working Interest in a Well is lost through failure of title, the Investor Partners shall not be entitled to recover from the Partnership or the Managing General Partner any amounts theretofore contributed by them to the Partnership for Leasehold Acquisition Costs attributable to that Prospect or the costs of drilling, completing, or operating the Wells on that Prospect unless the Partnership or the Managing General Partner recovers, or is reimbursed for, such costs from third parties.

3.3 The Partnership shall be permitted to borrow money to fund its operations..

3.4 Each Partner shall have a Capital Account which shall be maintained to comply with the requirements of Regulations Sections 1.704-1(b) and 1.704-1T(b); accordingly, such Capital Account shall be increased by

(a) the amount of his Capital Contribution to the Partnership pursuant to Sections 3.1 and 3.2 hereof; and

(b) the Partner's allocable share of Profits and any other item of income or gain specially allocated to him pursuant to Section 5.1(c) hereof; and shall be decreased by:

i) the amount of Losses and any other item of deduction or loss specially allocated to him pursuant to Section 5.1(c) hereof; and

ii) all amounts paid or distributed (or deemed distributed) to him pursuant to Sections 6.1 and 9.4 hereof.

3.5 In addition, for purposes of computing the Capital Accounts of the Partners:

(a) the Partners will be allocated 100% of the Partnership's adjusted tax basis in the Partnership's Oil and Gas Properties (notwithstanding the foregoing, the Partners shall at all times be allocated those percentages of such adjusted tax basis as is necessary to insure those subsequent adjustments to each Partner's Capital Account for allocations of Simulated Depletion, Simulated Gain, and Simulated Loss do not lack substantial economic effect for purposes of Section 704(b) of the IRC);

(b) the Partners will be allocated Simulated Depletion, based upon cost or percentage depletion as the Managing General Partner may elect, in the same percentages as the adjusted tax basis of the Oil and Gas Properties is allocated, but not more than such adjusted tax basis;

(c) the Partners will be allocated Simulated Gain in proportion to their allocable share of the portion of the total amount realized from a taxable disposition of the Oil and Gas Properties by the Partnership that exceeds the Partnership's Simulated Adjusted Tax Basis in such properties; and

(d) the Partners will be allocated Simulated Loss in proportion to their allocable share of the total amount realized from the disposition of the Oil and Gas Properties that represents a recovery of the Partnership's Simulated Adjusted Tax Basis in such properties. The amount realized by the Partnership from the taxable disposition of the Oil and Gas Properties that represents recovery of the Partnership's Simulated Adjusted Tax Basis in the Oil and Gas Properties shall be allocated to the Partners in the same proportions as the aggregate adjusted tax basis of such properties was allocated to the Partners. The portion of the amount realized by the Partnership on its taxable disposition of the Oil and Gas Properties that exceeds the Simulated Adjusted Tax Basis of such properties shall be allocated 100% to the Partners. For purposes of this Section 3.5, Simulated Adjusted Tax Basis, Simulated Depletion, Simulated Gain, and Simulated Loss shall have the meanings set forth in Regulations Section 1.704-1(b)(2)(iv)(k)(2). The foregoing rules regarding Capital Account adjustments for Simulated Depletion, Simulated Gain, and Simulated Loss are intended to comply with the requirement of Regulations Sections 1.704-1(b)(2)(iv)(k) and 1.704-1(b)(4)(v) and shall be interpreted and applied in a manner consistent with such Regulations.

3.6 Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account of any Partner, the Capital Account of the Partner shall be determined after giving effect to all allocations of Profits and Losses, Simulated Gains, Simulated Losses, Simulated Depletion and Distributions of the Partnership for the current year and all Distributions for such year in respect of transactions effected prior to the date as of which such determination is to be made. A Partner shall not be entitled to withdraw any part of his Capital Account or to receive any Distribution from the Partnership, except as specifically provided in this Agreement. Any Partner, including any additional or substitute Partner, who shall receive an interest in the Partnership or whose interest in the Partnership shall be increased by means of a transfer to him of all or part of the interest of another Partner, shall have a Capital Account which reflects such transfer.

3.7 No Partner, except an Additional General Partner or the Managing General Partner, shall be liable for any of the debts of the Partnership, or be required to contribute any capital to the Partnership in addition to the contributions required of him by the provisions of Sections 3.1 and 3.2 hereof. If any Partner has a negative balance in its Capital Account on the date of the liquidation of such Partner's "interest in the partnership" (within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations) after taking into account allocations of Profits and Losses and other items of Simulated Gain, Simulated Loss, Simulated Depletion and Distributions of cash or assets (in each case as provided in Sections V and VI), that Partner shall have no obligation to restore the negative balance or to make any Capital Contribution by reason thereof, and the negative balance shall not be considered an Asset or a liability of the Partnership or of any Partner. Notwithstanding the previous sentence, in the event of the liquidation of the Managing General Partner's or Additional General Partner's interest in the Partnership, the Managing General Partner or Additional General Partner shall contribute to the Partnership an amount of cash equal to (but in no event will it be obligated to contribute more than) the negative balance (if any) in the Managing General Partner's or Additional General Partner's Capital Account. Any amount contributed by the Managing General Partner or Additional General Partner shall be paid to the creditors of the Partnership or distributed to the other Partners, in either case provided in Section 9.4. Any Capital Contribution required hereunder shall be made on or before the later of (a) the end of the taxable year of the Partnership in which such Partner's Partnership interest is liquidated, or (b) the ninetieth day following the date of such liquidation. Notwithstanding any of the foregoing to the contrary, to the extent required by applicable law, a Partner receiving a Distribution in part or full return of his Capital Contribution shall be liable to the Partnership for any sum, not more than such amount returned plus interest, necessary to discharge the liabilities of the Partnership to creditors who extended credit or whose claims arose before such Distribution. Notwithstanding any provision in this Agreement to the contrary, in the event that all or a part of the Partnership's Working Interest in a Well is lost through failure of title, and if it is finally determined that the Partnership is liable to account to a third party for production by reason of the failure of such title, such liability shall be borne by the Managing General Partner and Additional General Partners in the proportions in which they shared in such production revenues.

3.8 Any Partner who shall acquire the interest of any other Partner shall, with respect to the interest so acquired, be deemed to be a Partner of the same class as his transferor.

3.9 No interest shall be paid on any Capital Contributions to the Partnership.

SECTION IV
Control and Management

4.1 Subject to the other provisions of this Agreement, the Managing General Partner shall have the right to, and shall be fully responsible for, the management and control over the business of the Partnership. The Managing General Partner shall make all decisions affecting the business of the Partnership, except to the extent that this Agreement or nonwaivable provisions of the Texas Business Organizations Code require the consent or approval of some or all other Partners. The Managing General Partner shall have all rights, powers and authority generally conferred by the Texas

Business Organizations Code or as otherwise provided by law or necessary, advisable, or consistent with accomplishing the purposes of the Partnership. No person, firm, or corporation dealing with the Partnership shall be required to inquire into the authority of the Managing General Partner to take any action or make any decision. The Limited Partners and the Additional General Partners shall have no authority to take part in the control, conduct or operation of the Partnership and shall have no right or authority to act for or bind the Partnership, including during the winding up of the Partnership. Other than as specifically provided in this Agreement or nonwaivable provisions of the Texas Business Organizations Code, no Limited Partner or Additional General Partner shall have the right to vote upon any matter concerning the business and affairs of the Partnership.

4.2 The Managing General Partner shall manage and control the affairs of the Partnership in a careful and prudent manner and in accordance with good industry practice and shall use its reasonable best efforts to carry out the purposes of the Partnership set forth. In connection with such management and subject to the limitations set forth elsewhere in this Agreement, the Managing General Partner shall have full power and authority:

(a) to enter into any partnership agreement, sharing arrangement, or joint venture with any person acceptable to the Managing General Partner and which is engaged in any business or transaction in which the Partnership is authorized to engage; provided that such partnership agreement, sharing arrangement, or joint venture does not constitute, in the opinion of the Managing General Partner, an association taxable as a corporation under the IRC;

(b) to enter into the Authorization for Expenditures (AFE) with the Operator;

(c) to enter into and execute Leases and assignments thereof, Operating Agreements, contracts for Subsequent Operations, farmout agreements, unitization agreements, pooling agreements, unit or pooling designations, recycling contracts, agreements and conveyances respecting rights-of-way, contracts for the acquisition, installation, and operation of surface facilities, contracts for surface and subsurface storage, and any other agreements customarily employed in the oil and gas industry in connection with the acquisition, exploration, development, completion, operation, production or sale of Oil and Gas Properties, and any and all other instruments or documents considered by the Managing General Partner to be necessary or appropriate to conduct the business of the Partnership;

(d) to offer and sell, pledge, lease, or otherwise dispose of oil, gas, and other minerals produced, and any interests therein or rights thereto, for periods and on other terms and conditions consistent with industry practices, and, in connection therewith, to execute division orders and transfer orders necessary or incident to any such sale;

(e) to acquire or dispose of any other property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or appropriate, in the opinion of the Managing General Partner, for the business of the Partnership;

(f) to invest in short-term obligations or savings accounts (including, but not limited to, obligations of federal and state governments and their agencies, commercial paper, money market accounts and certificates of deposit) such funds as are temporarily not required for Partnership purposes;

(g) to maintain, at the expense of the Partnership, complete and accurate records of all correspondence, documents, or instruments of any nature relating to the Partnership's business (such records to be kept in the principal office of the Managing General Partner for such periods as the Managing General Partner deems appropriate);

(h) to purchase, at the expense of the Partnership, insurance as the Managing General Partner deems advisable to protect the Partnership's assets and business or as may be required by the laws of any jurisdiction in which the Partnership is doing business, it being the intent hereof to permit the Managing General Partner in its discretion to cause the Partnership to elect not to purchase insurance against all risks;

(i) to purchase or lease equipment for the account of the Partnership;

(j) to make payment, or in the exercise of its discretion omit to make payment, of delay rentals on the Lease(s) or interests in the Prospects acquired by the Partnership;

(k) so long as otherwise permitted by the provisions of this Agreement, to sell, farmout, exchange, contribute, mortgage, or pledge any or all the Partnership's Oil and Gas Properties, revenues therefrom, or any interest therein when and on such terms and conditions as it shall deem in the best interests of the Partnership;

(l) to hold title to the Partnership's Oil and Gas Properties in the name of the Partnership or its own name or in the name of a nominee or agent chosen by the Managing General Partner, as the Managing General Partner shall deem appropriate;

(m) to drill and complete the Wells on the Prospects, and undertake such Special Projects (including the acquisition and installation of pipelines) which, in the exercise of prudent business judgment under the circumstances, would be in the best interest of the Partnership to undertake;

(n) to perform or cause to be performed for the Partnership all services customarily performed by a management company for Oil and Gas Properties in accordance with sound management practices, including, without limitation, the hiring and firing of personnel, the furnishing of general and administrative services in connection with the drilling, completion, marketing, operating, producing, selling, maintenance, preparation of the returns, bookkeeping, purchasing of goods, equipment, and supplies, and such other duties as are required for the proper management of the Partnership;

(o) to appoint such officers of the Partnership as it may deem appropriate and may remove any such officer at any time with or without cause. The Managing General Partner may delegate to the Partnership's officers such powers and duties as it may deem appropriate and subsequently revoke or modify those powers and duties. The Managing General Partner also may delegate authority to other Persons and revoke that delegation as it may deem appropriate include the power to delegate authority; and

(p) to serve as the "Partnership Representative" under Code Section 6223 as further stated in Section 4.4(b)(1) of this Agreement.

4.3 Neither the Managing General Partner or its Affiliates nor the Investor Partners are prevented hereby from engaging in other activities for profit whether in the oil and gas business or otherwise. The Managing General Partner and its Affiliates may organize, contract with, and manage other oil and gas programs in the future. In addition, the Managing General Partner and its Affiliates may engage in the exploration for and production of oil, gas, and other minerals for their own accounts, jointly or with others, or as partners of any other entity to which the Managing General Partner and its Affiliates are or may become partners.

4.4 Notwithstanding any provision of the TBOC, no Managing General Partner or Officer of the Partnership shall be liable to the Partnership, a Partner, or to any Unit Holder for monetary damages for an act or omission in the Managing General Partner's or Officer's capacity as a Managing General Partner or Officer, except that this Section 4.4 does not eliminate or limit the liability of a Managing General Partner or Officer to the extent the Managing General Partner or Officer is found liable for: (i) loss or damage resulting from its intentional misconduct or knowing violation of law; or (ii) a transaction from which the Managing General Partner received an improper benefit.

4.5 Presumption of Good Faith

a) This section sets out certain presumptions concerning compliance by managerial officials with their duties to the Partnership, including any duties that pertain to transactions with interested persons.

(b) In taking or declining to take any action on any matters of the Partnership's business, any of the Partnership's Managing General partner, or officers ("Governing Person(s") or any affiliate or associate of the Partnership's Governing Persons, is presumed to act in good faith and in compliance with:

(1) the Governing Person's duties required under common law or the Partnership's Certificate of Formation or this First Amended and Restated Partnership Agreement; and

(2) the Partnership's Certificate of Formation or this Partnership Agreement.

(c) Neither the Partnership nor any of the Partnership's Partners has a cause of action against any of the Partnership's Governing Persons or any affiliate or associate of the Partnership's Governing Persons as a result of any act or omission in such person's capacity as a Partnership Governing Person unless:

(1) the claimant rebuts one or more of the presumptions established by Subsection (b); and

(2) it is proven by the claimant that:

(A) the act or omission of a Governing Person or affiliate or associate of a Governing Person constituted a breach of one or more of the Governing Person's duties as a Manager, Partner of the Board of Managers, or Officer to the extent the duty has not been modified or eliminated through an affirmative election contained in the governing documents as permitted by this chapter; and

(B) the breach involved fraud, intentional misconduct, an ultra vires act, or a knowing violation of law.

(d) The presumptions established by this section:

(1) are in addition to any legal presumption arising under common law or the TBOC, in favor of any governing person or officer to which this section applies; and

(2) do not abrogate, preempt, or lessen any other defense, presumption, immunity, or privilege under other constitutional, statutory, case, or common law or rule provisions, in favor of any the Partnership's Governing Persons or any affiliate or associate of the Partnership's Governing Persons.

(e) In alleging fraud, intentional misconduct, an ultra vires act, or a knowing violation of the law under Subsection (c)(2)(B), a party must state with particularity the circumstances constituting the fraud, intentional misconduct, ultra vires act, or knowing violation of law.

(f) This section does not limit the effectiveness or applicability of a provision contained in the Certificate of Formation or Partnership Agreement of the Partnership limiting monetary liability of the Partnership's Governing Persons or any affiliate or associate of the Partnership's Governing Persons.

4.6 <u>Tax Matters.</u>

(a) The Partnership hereby elects to opt out of Code Section 6221, as amended, if eligible to do so. If eligible to opt out of Code Section 6221, the Managing General Partner shall be responsible for tax filings, communicating and coordinating with IRS audit staff and directing the Partnership's actions in connection with IRS tax liens and collection matters. Further, said Managing General Partner shall file the election to opt out of Code Section 6221 with the Internal Revenue Service, conditioned on eligibility to opt out of Code Section 6221. The Partners recognize and intend that the Partnership will be classified as a partnership for United States income tax purposes and will not make an election to be treated as an association taxable as a corporation for United States federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3 or a similar election under any analogous provision for the purposes of state or local law.

(b) If the Partnership is ineligible to opt out of Code Section 6221, the following provisions shall apply:

(1) The "Partnership Representative" as defined in Code Section 6221 shall be FWS Management, LLC unless another Partnership Representative is designated by the Partnership Managing General Partner(s) and shall be authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by the Internal Revenue Service and state and local tax authorities (collectively "Taxing Authorities"), including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the Partnership Representative and to do or refrain from doing any or all things reasonably requested by the Partnership Representative with respect to the conduct of examinations by the Internal Revenue Service and state and local tax agencies and any resulting proceedings. Each Partner agrees that any action taken by the Partnership Representative in connection with audits of the Partnership shall be binding upon such Partner and that such Partner shall not independently act with respect to tax audits or tax litigation affecting the Partner.

(2) The Partnership Representative shall have sole discretion to make, or refrain from making, any income or other tax elections for the Partnership that it deems advisable, including an election pursuant to Code 754. The Partners recognize and intend that the Partnership will be classified as a partnership for United States income tax purposes and will not make an election to be treated as an association taxable as a corporation for United States federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3 or a similar election under any analogous provision for the purposes of state or local law.

(3) The Partnership Representative shall have sole discretion to determine whether the Partnership (either on its own behalf or on behalf of the Partners) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by the Internal Revenue Service and state and local tax agencies. Any deficiency for taxes imposed on any Partner (including penalties, additions to tax or interest imposed with respect to such taxes) will be paid by such Partner and if required to be paid (and actually paid) by the Partnership, will be recoverable from such Partner.

(c) The Managing General Partner shall cause to be prepared all federal, state, local and foreign tax returns of the Partnership for each year for which returns are required to be filed and shall cause such returns to be timely filed. Within 90 days after the end of each Fiscal Year (subject to reasonable delays in the event of the late receipt of any necessary financial statements of any Person in which the Partnership holds an investment), the Partnership Representative will cause to be delivered to each Person who was a Partner at any time during such Fiscal Year a Schedule K-1 and such other information, if any, with respect to the Partnership as may be necessary for the preparation of (i) such Partner's federal income tax returns and (ii) such state and local income tax returns and other tax returns as are required to be filed by such Partner as a result of the Partnership's activities in such jurisdiction. Each Partner agrees that such Partner shall not treat any Partnership item inconsistently on such Partner's federal, state, foreign or other income tax return with the treatment of the item on the Partnership's return.

(d) The Managing General Partner shall cause to be prepared and transmitted to each Partner, as promptly as possible, and in any event by the end of the third month following the close of the fiscal year, a federal income tax Form K-1 and any required similar state and local income tax form for each Partner.

4.7 With respect to Operations, the Managing General Partner may employ or retain such legal counsel, accountants, petroleum engineers, geologists, geophysicists, landmen, appraisers, or other experts or advisors as it may reasonably deem appropriate for the purpose of discharging its duties with respect to Operations and shall be entitled to pay the fees of any such persons from the funds of the Partnership. The Managing General Partner may act, and shall be protected if acting in good faith, on the opinion or advice of, or information obtained from, any such legal counsel, accountant, engineer, geologist, geophysicist, appraiser, or other expert or advisor, whether retained or employed by the Partnership, the Managing General Partner or otherwise, in relation to any matter connected with the administration or operation of the business and affairs of the Partnership.

4.8 (a) The Partnership may purchase or acquire drilling and completion equipment and other equipment necessary in the drilling, completion, equipping, or operation of the Partnership's Oil and Gas Properties, but the Partnership may be charged for such drilling and completion equipment and other equipment only at competitive rates in the industry for such area.

(b) The Managing General Partner may sell, transfer, or convey any Oil and Gas Property to the Partnership and in doing so may:

(1) convey less than all its interest in an Oil and Gas Property to the Partnership; and

(2) convey other portions of its interest in an Oil and Gas Property to persons or entities (including Affiliates of the Managing General Partner) other than the Partnership and on terms different from those received from the Partnership.

4.9 The Managing General Partner shall not be deemed to have received commissions, fees, or other compensation paid to any firm, proprietorship, partnership, or corporation which is an Affiliate, or in which the Managing General Partner, or any officer or shareholder thereof, or any member of any such person's respective immediate family, owns a beneficial interest, except to the extent specific assignments thereof are made to the Managing General Partner. Nothing contained in this Agreement shall be deemed to restrict the right of the Managing General Partner or any employee thereof to be reimbursed for sums expended in conducting the business of the Partnership. Nothing herein other than as found in Section 3 hereof shall restrict the right of the Managing General Partner or any other person to receive Distributions to which they would otherwise be entitled to receive under the terms of this Agreement. Nothing contained in this Agreement shall be deemed to prevent or restrict the Managing General Partner, or any related person or entity, from obtaining or sharing in all or any part of any brokerage fees, commissions, or other sums payable in connection with any Oil and Gas Property purchased or sold by the Partnership.

4.10 The Managing General Partner may be reimbursed by the Partnership for General and Administrative Expenses which it may incur which are attributable its management of the Partnership, but not those or any other costs or expenses which are Organization and Syndication Expenses paid pursuant to this Agreement.

4.11 Notwithstanding the generality of the foregoing, the Managing General Partner shall not be empowered and shall not do, perform, or authorize any of the following:

(a) do any act in contravention of this Agreement;
(b) except as specifically permitted by Section IV or IX, do any act which would make it impossible to carry on the ordinary business of the Partnership;
(c) confess a judgment against the Partnership;
(d) change or reorganize the Partnership into any other legal form;
(e) require any Limited Partner to make any contribution to the capital of the Partnership not otherwise provided for in this Agreement; or
(f) make any loans or advances from the Partnership to the Managing General Partner and/or its Affiliates.

4.12 The Investor Partners shall take no part in the conduct or control of the Partnership's business and shall have no right or authority to act for or to bind the Partnership. The exercise of any of the rights and powers of the Investor Partners pursuant to the terms of this Agreement shall not be deemed taking part in the day-to-day affairs of the Partnership or the exercise of control over Partnership affairs.

4.13 The Managing General Partner shall not be liable for the return of any portion of the Capital Contributions of the Investor Partners.

4.14 Notwithstanding anything in this Agreement to the contrary, the Managing General Partner shall not be liable, responsible, or accountable in damages or otherwise to the Partnership or any other Partner for any act performed or failure to act by the Managing General Partner if the Managing General Partner, in good faith, determined that such act or failure to act was in the best interests of the Partnership and such act or failure to act did not constitute negligence or misconduct of the Managing General Partner. The Partnership (but not any Partner) shall indemnify and hold harmless the Managing General Partner for any losses, judgments, liabilities, expenses, and amounts paid in settlement of any claims sustained by the Managing General Partner in connection with the Partnership, provided that the same were not the result of negligence or misconduct on the part of the Managing General Partner. Notwithstanding the above, the Managing General Partner shall not be indemnified for liabilities arising under federal and state securities laws unless (a) there has been a successful adjudication on the merits of each count involving securities law violations, or (b) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction. Moreover, the Partnership shall not incur the costs of the portion of any insurance which insures the Managing General Partner against any liability as to which the Managing General Partner is prohibited from being indemnified.

4.15 Notwithstanding the joint and several liability between the Managing General Partner and the Additional General Partners, they hereby agree that each shall be solely and individually responsible only for his pro rata share (based on Capital Contributions) of liabilities and obligations of the Partnership, and any Partner who incurs liability in excess shall be entitled to contribution from other such Partners.

4.16 *Title to Leases.*

(a) Record title to each Lease or each interest in a Lease acquired by the Partnership may be temporarily held in the name of the Operator, an affiliate of the Operator, the Managing General Partner, or in the name of any nominee designated by the Managing General Partner, as agent for the Partnership until a productive well is completed on a Lease. Thereafter, record title to Leases shall be assigned to and placed in the name of the Partnership.

(b) The Managing General Partner shall take the necessary steps in its best judgment to render title to the Leases to be assigned to the Partnership acceptable for the purposes of the Partnership. The Managing General Partner shall be free to use its own best judgment in waiving title requirements and shall not be liable to the Partnership or Partners for any mistakes of judgment unless such mistakes were made in a manner not in accordance with general industry standards in the geographic area. Neither the Managing General Partner nor its Affiliates shall be deemed to be making any warranties or representations, express or implied, as to the validity or merchantability of the title to any Lease assigned to the Partnership or the extent of the interest covered thereby.

4.17 *Release, Abandonment, and Sale or Exchange of Properties.* Except as provided elsewhere, the Managing General Partner shall have full power to dispose of the production and other assets of the Partnership, including the power to determine which Leases shall be released or permitted to terminate, those Partnership Well to be abandoned, whether any Lease or Partnership Well shall be sold or exchanged, and the terms, therefore.

4.18 *Meetings of Partners.* The Managing General Partner may call meetings of Partners at such times and places as the Managing General Partner may determine in its sole discretion. Upon request from a majority in interest of the Limited Partnership Unit owners, the Managing General Partner must call for a Partner meeting to occur within 30 days of the receipt of the request. Partners may participate in Partnership meetings in person or by telephone, webcast, or videoconference, or such other technology as may allow Partners to participate in Partner meetings.

4.19 *Voting at Meeting of Partners.* At a meeting of the Partners, Partners may vote their interests either by participating in a meeting under Section 4.16 of this Agreement or by proxy. Each Additional General Partner and Limited Partner shall have proportional voting rights in the Partnership based on a formula, the numerator of which shall be the total amount of the Partner's capital account as designated in Section 3.2 of this Agreement as a percentage of the Company's cumulative total capital accounts and denominator of which shall be .25 (twenty-five percent (25%)). The Managing General Partner shall have a voting interest amounting to seventy-five percent (75%) of the Partnership's voting interest.

SECTION V
Allocations of Profits and Losses

5.1 (a) After giving effect to the allocations set forth in Section 5.1(b), and except as otherwise provided in Section 3.4, Profits and Losses for any fiscal year or other period shall be allocated on a pro rata basis based on the number of Units owned by such Investor Partner or Unit Holder.

(b) Allocation Adjustments

(1) Notwithstanding any provision of this Agreement to the contrary, Partnership Losses allocated pursuant to Section 5.1(a) to any Partner for any taxable year shall not exceed the maximum amount of Partnership Losses that may be allocated to such Partner without causing such Partner to have an Adjusted Capital Account Deficit at the end of such taxable year.

(2) All Partnership Losses more than the limitation set forth in Section 5.1(b)(1) shall be allocated solely to the other Partners pursuant to Section 5.1(a).

(3) If no other Partner may receive an additional allocation of Partnership Losses pursuant to Section 5.1(b)(2), such additional Losses not allocated pursuant to Section 5.1(b)(2) shall be allocated solely to the Managing General Partner.

(4) If there is a net decrease in Partnership minimum gain (as defined in Regulations Section 1.704-2(d)) during any Partnership taxable year, certain items of income and gain shall be allocated (on a gross basis) to the Partners in the amounts and manner described in Regulations Section 1.704-2(f). This Section 5.1(c)(1) is intended to comply with the minimum gain chargeback requirement (set forth in Regulations Section 1.704-2(f) relating to partnership nonrecourse liabilities (as defined in Regulations Section 1.704-2(b)(3)) and shall be so interpreted.

(5) If there is a net decrease in minimum gain attributable to a Partner nonrecourse debt (determined pursuant to Regulations Section 1.704-2(i)) during any Partnership taxable year, certain items of income and gain shall be allocated (on a gross basis) as quickly as possible to those Partners who had a share of the minimum gain attributable to the Partner nonrecourse debt (determined pursuant to Regulations

Section 1.704-2(i)(5)) in the amounts and manner described in Regulations Section 1.704-2(i)(4)). This Section 5.1(c)(2) is intended to comply with the minimum gain chargeback requirement (set forth in Regulations Section 1.704-2(i)(4)) relating to partner nonrecourse debt (as defined in Regulations Section 1.704-2(b)(4)) and shall be so interpreted.

(6) If, after applying Sections 5.1(c)(1) and (2), any Partner has an Adjusted Capital Account Deficit, items of Partnership income and gain shall be specially allocated (on a gross basis) to each such Partner in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit of such Partner as quickly as possible. It is intended that this Section 5.1(c)(3) constitute a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and this provision shall be interpreted and implemented in accordance with such Regulation.

(7) Partner non-recourse deductions (determined pursuant to Regulations Section 1.704-12(i)(2)) shall be allocated pursuant to Regulations Section 1.704-2(i)(1) to the Partner who bears the economic risk of loss with respect to such deductions.

(8) IDCs deductible under Section 263(c) of the IRC, shall be allocated first to the Investor Partners, up to but not exceeding the sum of $218,000.00 per Partnership Unit, with any excess then being allocated to the Managing General Partner.

(9) Pursuant to the provisions of Section 613A(c)(7)(D) of the IRC, all depletion deductions with respect to Partnership Oil and Gas Properties shall be computed by the Partners separately. Simulated Depletion, Simulated Loss, and Simulated Gain shall be allocated as set forth in Section 3.

(d) For each item of Partnership Profit and Losses, Simulated Gain, Simulated Loss or Simulated Depletion which are allocable to the Investor Partners, each Investor Partner will be allocated and bear an amount of each such item and receive Distributions based upon a fraction, the numerator of which is the number of Units held by him and the denominator of which is the number of Units held by all Investor Partners.

(e) For purposes of determining the Partnership Profits and Losses or any other item allocable to any period (including periods before and after the admission of a new Partner), Profits and Losses, and any such other item shall be determined on a daily, monthly, or other basis, as determined and allocated by the Managing General Partner using any permissible method under Section 706 of the IRC and the Regulations thereunder.

(f) For federal income tax purposes, every item allocated amongst the Partners shall be in accordance with the allocations under Section V of this Agreement.

(g) It is intended that the allocations in Section V of this Agreement effect an allocation for federal income tax purposes consistent with Section 704 of the IRC and comply with any limitations or restrictions therein. The Managing General Partner shall have complete discretion to make the allocations pursuant to this Section V in any reasonable manner consistent with Section 704 of the IRC and to amend the provisions of this Agreement as appropriate to comply with the Regulations promulgated under Section 704 of the IRC, if in the opinion of counsel to the Partnership, such an amendment is advisable to reflect allocations among the Partners consistent with those Regulations.

SECTION VI
Distributions

6.1 (a) Except as otherwise provided in this Agreement, after providing for the satisfaction of the current debts and obligations of the Partnership in the manner required by this Agreement and after withholding any cash reserves required by the Partnership in the opinion of the Managing General Partner, the Managing General Partner shall, as expeditiously as possible, and on a quarterly basis, make Distributions out of the Partnership's net cash flow to the Partners. The Managing General Partner's determination of the net cash flow available for Distributions shall be conclusive and binding upon all Partners. Any Distribution shall be on a pro rata basis derived from the number of Partnership Units owned by each Partner as a percentage of the total number of Partnership Units outstanding.

(b) Notwithstanding the provisions of (a) above, if at any time Distributions to a Partner would create or increase an Adjusted Capital Account Deficit and if other Partners have positive Capital Account balances (after such Adjusted Capital Account Deficit and Capital Account balances have been adjusted to reflect the allocation of Profits and Losses pursuant to Section V, taking into account interim Profits and Losses (determined using such accounting methods as shall be selected by the Managing General Partner for the period ending on or before such distribution), Distributions shall first be made to the Partners having a positive Capital Account balance in an amount equal to, and in proportion to, such positive balances, and the balance, if any, shall be distributed in accordance with Section 6.1(a).

SECTION VII
Services and Compensation of the Operator, the Managing General Partner, and Its Affiliates

7.1 The Managing General Partner may change Operators and designate different wells for the Oil and Gas Properties in its sole discretion.

7.2 The Managing General Partner is authorized to receive payments from the Partnership in reimbursement of all General and Administrative Expenses incurred by it and all fees specified in this Agreement and in the Offering Memorandum.

7.3 Except as otherwise provided herein, the Partnership shall be responsible for paying all direct costs and expenses incurred by the Partnership related to acquiring Properties, holding, owning, developing, and operating the business activities pursued in accordance with Section IV of this Agreement, including, without limitation, all costs incurred by the Partnership related to acquiring the Properties, in the drilling, completion, reworking and equipping of the Wells, marketing expenses, the costs of producing and selling oil and gas from the Wells, the monthly management and services fee and all General and Administrative Expenses of the Partnership attributable to such activities.

7.4 The Managing General Partner and its affiliates shall receive the following compensation:

1) The Managing General Partner may earn a profit on the partial or full assignment of oil and gas and other properties it owns when conveying such assets to the Partnership.
2) The Managing General Partner or its affiliates may earn a potential profit if the Operator's drilling and completion expenses are less than the anticipated budget for such expenses.
3) The Managing General Partner and its affiliates shall receive be reimbursed for expenses it has paid on behalf of the Partnership.
4) The Managing General Partner and is affiliates shall receive up to $384,000 in management fees.
5) The Managing General Partner and is affiliates shall receive up to $320,000 in organizational and offering expenses.
6) The Managing General Partner and is affiliates shall receive up to $256,000 in geological and prospect due diligence fees and costs.
7) The Managing General Partner and is affiliates shall receive up to $1,600,000 in drilling and testing fees and costs.
8) The Managing General Partner and is affiliates shall receive up to $1,800,000 in completion fees and costs.

SECTION VIII
Transfers of Interests of Partners

8.1 No transfer of all or part of a Partner's interest in the Partnership may be effected except as permitted in this Section VIII and then only if a counterpart of the instrument of transfer, executed and acknowledged by the parties thereto, is delivered to the Partnership. A permitted transfer shall be effective as of the date specified in the instruments relating thereto.

8.2 The Managing General Partner may, without notice to or consent from the Investor Partners, transfer or assign a part, but not all, of its Managing General Partner interest in the Partnership and its right to receive Partnership Distributions, and the Managing General Partner and its Affiliates may, without notice to or consent from the Investor Partners, transfer or assign any Units then held by the Managing General Partner and its Affiliates as Investor Partners. No Investor Partner shall transfer all or any part of his Partnership interest without the consent of the Managing General Partner (which consent may be given or withheld in the sole discretion of the Managing General Partner), and no consent will be granted if the transfer would result in the "termination" of the Partnership pursuant to Section 708 of the IRC or if the transferee is not a citizen or resident of the United States. Moreover, the effectiveness of any proposed transfer may be conditioned, in the discretion of the Managing General Partner, upon receipt by the Partnership of a written opinion of counsel (the cost of which shall be borne by the transferor), satisfactory in form and substance to the Managing General Partner, to the effect that such transaction will not violate the Securities Act or any other applicable securities laws. In addition, no transfer shall be permitted if, in the reasonable opinion of counsel to the Partnership (which may be secured by the Managing General Partner, in its discretion, at the expense of the Partnership), the Partnership's continued tax status as a partnership for federal income tax purposes would be jeopardized by such a transfer.

8.3 No transferee of all or part of the Partnership interest of any Investor Partner shall have the right to become a substitute Investor Partner, unless:

(a) his transferor has stated such intention in the instrument of assignment;

(b) the transferee has executed an instrument reasonably satisfactory to the Managing General Partner accepting and adopting the terms and provisions of this Agreement;

(c) the transferor or transferee has paid any reasonable expenses in connection with the admission of the transferee as an Investor Partner, including the fees and disbursements of counsel to the Managing General Partner and the Partnership; and

(d) in the case of an assignee or transferee who is not otherwise a Partner, the Managing General Partner in its sole discretion consents to such person's becoming a substitute Investor Partner.

8.4 If the Managing General Partner should acquire an interest as an Investor Partner, the Managing General Partner shall, with respect to such interest, enjoy the rights and, except as otherwise provided herein, be subject to the obligations and duties of an Investor Partner to the extent of such interest.

8.5 In the event of the transfer of a Partnership interest during a year, the rights and obligations to share in Profits and Losses, to receive distributions, and to receive such other allocations of income, gain, loss, deduction, credit, Simulated Gain, Simulated Loss, or Simulated Depletion deduction attributable to the transferred Partnership interest shall, for federal income tax purposes, be prorated between the transferor and the transferee on a reasonable basis as determined by the Managing General Partner and as is required by IRC Section 706; provided, however, that gain or loss on a sale or other disposition of all or a substantial portion of the assets of the Partnership shall be allocated to the record holder of the Partnership interest on the date of sale.

SECTION IX
Dissolution and Termination

9.1 Except as provided in Section 9.2 hereof, the Partnership shall be dissolved, and its business wound up upon the earliest to occur of:

(a) the Managing General Partner determining that the Partnership should be dissolved; or

(b) any other event that, under the Texas Business Organizations Code, would cause its dissolution;

provided, however, that the Partnership shall not be dissolved and terminated upon the merger, consolidation, recapitalization, or reorganization of the Managing General Partner.

For the purposes of this Agreement, a bankruptcy of an entity shall be deemed to occur when such entity (a) files a petition in bankruptcy, (b) voluntarily takes advantage of any bankruptcy or insolvency law, (c) is adjudicated a bankrupt, or (d) if a petition or answer is filed proposing the adjudication of such entity as a bankrupt and such entity either consents to the filing thereof or such petition or answer is not discharged or denied prior to the expiration of 60 days from the date of such filing. The insolvency of an entity shall be deemed to occur when the assets of such entity are insufficient to pay its liabilities and it shall so admit in writing.

9.2 The Managing General Partner agrees to serve as Managing General Partner of the Partnership until the Partnership is terminated without reconstitution as provided below. Upon the occurrence of any event set forth in Section 9.1(a) of this Agreement, the Managing General Partner shall deliver written notice thereof to all Investor Partners and the Partnership shall be deemed to be dissolved and reconstituted if, (a) there remains at least one General Partner, in which case the business of the Partnership may be carried on by the remaining General Partner (or General Partners) (in which case a Majority-in-Interest shall determine which General Partner shall serve as Managing General Partner), or (b) within 90 days after such event, all of the remaining Partners (1) elect in writing to continue the business of the Partnership and, (2) to the extent that they desire or if there are no remaining General Partners, agree to the appointment, effective as of the date of withdrawal of the Managing General Partner, of one or more new Managing General Partners. If the remaining General Partners, if any, do not elect to carry on the business of the Partnership, or if no election to continue the Partnership is made by all remaining Partners within 90 days of the event of dissolution, the Partnership shall conduct only activities necessary to wind up its affairs. If an election to continue the Partnership is made upon the occurrence of an event described in Section 9.1(a) of this Agreement, then:

(a) the Partnership shall be deemed to be reconstituted and shall continue until the end of the term for which it is formed unless earlier dissolved in accordance with this Section IX;

(b) the interest of the former Managing General Partner shall be treated thenceforth as the interest of a Limited Partner and converted in the manner provided in Section 16.3 of this Agreement; and

(c) all necessary steps shall be taken to amend or restate this Agreement and the certificate of limited partnership, and the successor Managing General Partner may for this purpose exercise the power of attorney granted pursuant to Section XIV of this Agreement.

9.3 The dissolution of the Partnership shall not release or relieve any of the parties hereto of their contractual obligations under this Agreement.

9.4 Upon any dissolution requiring the winding up of the business of the Partnership, all or part of the Partnership assets, as determined by the Managing General Partner or such other person as may be acting as liquidator in winding up the business of the Partnership, shall either be sold, and the proceeds thereof distributed or be distributed in kind to the Partners in their respective shares as follows:

(a) as promptly as possible after dissolution, the liquidator shall cause a final statement of account to be prepared and delivered to each Partner, which shall show with respect to each Partner the status of such Partner's Capital Account and the amount, if any, each Partner owes to the Partnership;

(b) the liquidator shall pay or make adequate provision for the payment of all Partnership debts;

(c) the liquidator shall determine the interests of the Partnership in each of the Partnership's Oil and Gas Properties;

(d) the liquidator shall determine the fair market value of the Partnership's Oil and Gas Properties using appraisal techniques which it deems to be appropriate, considering the nature of the property interests and their potential for future recovery of reserves, including the salvage value of the Partnership's equipment on such property; and

(e) if after paying the Partnership's debts there remains any Partnership assets, the liquidator shall distribute to the Managing General Partner and each of the Investor Partners an undivided interest in that portion of the Partnership's assets having a fair market value which will effect a repayment to the respective Partners of their positive Capital Account balances (as adjusted by the provisions of Section V hereof). In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Section IX (if such liquidation constitutes a dissolution of the Partnership) to the Partners who have positive Capital Account balances in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2).

9.5 Notwithstanding the foregoing, if any Partner shall be indebted to the Partnership, then until such indebtedness is repaid by him, the liquidator shall retain such Partner's distributive share of the Partnership's net cash flow during the period of such liquidation; however, if such amount has not been paid or otherwise liquidated at the expiration of six months after the final statement for which provision is made in Section 9.3 of this Agreement has been given to such Partner, the liquidator may sell the interest in the Partnership of such Partner at public or private sale at the best price immediately obtainable which shall be determined in the sole judgment of the liquidator. So much of the proceeds of such sale as shall be necessary shall be applied to the liquidation of the amount then due under this Section 9.4, and the balance of such proceeds, if any, shall be delivered to such Partner.

9.6 The liquidator shall comply with any requirements of the Texas Business Organizations Code or other applicable law pertaining to the winding up of a limited partnership, upon the completion of which the Partnership shall be deemed terminated.

SECTION X
Death or Insanity of an Investor Partner

10.1 In the event of the death of an Investor Partner, the executor, administrator, or other legal representative of the deceased Investor Partner shall succeed to the rights of such deceased Investor Partner to receive allocations and distributions hereunder and may be admitted into the Partnership as an Investor Partner in the place and stead of the deceased Investor Partner in accordance with Section VIII of this Agreement. Any transfer by such executor, administrator, or legal representative of all or any part of the interest of the deceased Investor Partner shall be governed by the provisions of Section VIII of this Agreement.

10.2 In the event of the insanity of an Investor Partner, the committee or other legal representative of the insane Investor Partner shall succeed to the rights of such Investor Partner to receive allocations and distributions hereunder and may be admitted into the Partnership as an Investor Partner in the place and stead of the insane Investor Partner in accordance with Section VIII of this Agreement. Any transfer by such committee or other legal representative of all or any part of the interest of the insane Investor Partner shall be governed by the provisions of Section VIII of this Agreement.

SECTION XI
Accounting

11.1 The fiscal year of the Partnership shall be the calendar year.

11.2 The Managing General Partner shall keep, or cause to be kept, full and accurate records of all transactions of the Partnership in accordance with the principles and practices generally accepted for the accrual method of accounting.

11.3 All of such books of account shall, always, be maintained in the principal office of the Partnership, and shall be open during reasonable business hours for the reasonable inspection and examination by the Investor Partners and their authorized representatives, who shall have the right to make copies thereof at their expense. To exercise this right of reasonable inspection and examination, Partners shall provide the Managing General Partner will at least thirty (30) days' prior written notice. Upon the written request of any partner to the Managing General Partner, the Partnership shall provide, without charge, copies of the Partnership Agreement, certificate of limited partnership, with all amendments, and tax returns for the preceding six years.

11.4 The Managing General Partner shall prepare, or cause to be prepared, a partnership income tax return in compliance with Section 6031 of the IRC and any required state and local income tax returns of the Partnership for each tax year of the Partnership. In connection therewith, except as otherwise provided in Section 11.5, the Managing General Partner shall be authorized to make any available or necessary elections as it shall deem appropriate, in its sole discretion, including elections with respect to the useful lives of the properties of the Partnership, the rates of depreciation on such properties, and whether to elect to adjust the tax basis of Partnership property upon the sale of Units by Investor Partners.

11.5 To the maximum extent possible, expenditures of the Partnership shall be treated as expenses for federal, state, and local income tax purposes. The Managing General Partner shall elect to expense the IDCs paid by the Partnership in accordance with the provisions of Section 263(c) of the IRC and the Regulations.

SECTION XII
Reports and Statements

12.1 As soon as reasonably practicable after the end of the Partnership's fiscal year, the Managing General Partner, at the expense of the Partnership, shall cause to be delivered to the Investor Partners such information (including a statement for that year of each Investor Partner's share of the Profits and Losses, Simulated Gain, Simulated Loss, Simulated Depletion and other items of the Partnership) as shall be necessary for the preparation by the Partners of their federal, state, and local income tax returns.

12.2 The Managing General Partner shall, within 15 days after receipt thereof, forward to each Partner a copy of any notice received by the Managing General Partner or the Partnership of any material default under any material instrument to which the Partnership is a party or which materially affects the assets of the Partnership, and shall report to the Partners any other developments materially affecting the Partnership, its business or assets, as soon as practicable following the occurrence of each such development.

12.3 The Managing General Partner shall furnish reports quarterly in the form of summaries indicating the status of the drilling and, if applicable, completion of the Well until drilling and completion activities are completed.

SECTION XIII
Bank Accounts

13.1 The Managing General Partner shall open and maintain a bank account(s) into which shall be deposited all funds of the Partnership. Withdrawals from such accounts shall be made upon the signature or signatures of such person or persons as the Managing General Partner shall designate.

SECTION XIV
Power of Attorney

14.1 Each Partner hereby irrevocably makes, constitutes, and appoints the Managing General Partner as his true and lawful attorney-in-fact for him and in his name, place, and stead and for his use and benefit to create, prepare, complete, sign, execute, acknowledge, swear to, file, deliver, endorse, and record, with respect to the Partnership:

(a) all documents of transfer of a Partner's interest and all other instruments to effect such transfer, including, but not limited to, transfers effectuated pursuant to the provisions of Section VIII of this Agreement, but only if in compliance with all applicable provisions of this Agreement;

(b) all certificates of limited partnership as are required by law and all amendments to this Agreement and to the Partnership's certificates of limited partnership required or necessary to change the name of the Partnership's registered office or registered agent, change the address of the Managing General Partner or any Partner, or the admission or withdrawal of a Partner, to qualify the Partnership as a limited partnership, to name any General Partner as a General Partner, to convert any General Partner into a Limited Partner, and to conduct business under the laws of any jurisdiction in which the Managing General Partner elects to qualify the Partnership or conduct business;

(c) all amendments adopted in accordance with Section XX, but only if in compliance with all applicable provisions of this Agreement;

(d) all documents (including counterparts of this Agreement) which the Managing General Partner deems appropriate to qualify or continue the Partnership as a limited partnership in the jurisdictions in which the Partnership may conduct business; and

(e) all conveyances and other documents, instruments, and certificates which the Managing General Partner deems appropriate to effect the certification, dissolution, liquidation, and termination of the Partnership.

The foregoing grant of authority is hereby declared to be irrevocable, and a power coupled with an interest, which shall survive the death and disability of the Partners. In the event of any conflict between the provisions of this Agreement and any document executed or filed by the Managing General Partner pursuant to the power of attorney granted in this Section, this Agreement shall govern.

SECTION XV
Consents

15.1 Any action requiring the consent or approval of all or any percentage of the Investor Partners under the provisions of this Agreement shall be taken only if the consent or approval of the requisite number of Investor Partners is evidenced by written instruments executed by such consenting or approving Investor Partners.

15.2 The Investor Partners have elected to delegate to the Managing General Partner authority to manage, control, administer and operate the property and business of the Partnership. Each Investor Partner agrees that no Investor Partner shall have the right to act as an agent of the Partnership or to execute documents on behalf of the Partnership. Further, each Investor Partner agrees that no Investor Partner or group of

Investors Partners shall have the right to act (other than as specifically provided in this Agreement) to cause the Managing General Partner on behalf of the Partnership to convey Partnership property or to take any other action binding on the Partnership. Still further, each Investor Partner agrees that no Investor Partner or group of Investor Partners may cause an Investor Partner to be authorized to act on behalf of the Partnership without such Investor Partner having become the duly elected and appointed Managing General Partner. Any Investor Partner who acts contravening this Section agrees to indemnify the Partnership and all other Partners from any loss, liability, or expense caused by such action.

15.3 On January 1 of the year immediately following the calendar year of the Partnership with respect to which the Managing General Partner has determined that the funds paid to the Partnership by the Investor Partners as a result of the offer and sale of Units shall have been expended (at least 90% of the proceeds received from the sale of Units must be expended for the purpose of this Section 15.3), the Units held by the General Partners may be converted to Limited Partner Units, unless the Managing General Partner determines that such conversion at that time would not be in the best interests of the General Partners or the Partnership. If conversion is so delayed, the Managing General Partner will continue to have the power and authority to cause such conversion on January 1 of any subsequent year during the term of the Partnership or such other date if the Managing General Partner determines that conversion is in the best interests of the General Partners and the Partnership. Thereafter, the Managing General Partner will, if required, (a) file an amended certificate of formation with the Secretary of State of the State of Texas removing the General Partners as general partners of the Partnership, and (b) take such other actions as are necessary or appropriate to accomplish conversion of the interests. Upon filing the amended certificate of formation reflecting conversion of the interests, if any, held by former General Partners to Limited Partner Units, the conversion shall be effective, and thereafter each General Partner shall have the rights and obligations of a Limited Partner and will be entitled to limited liability to the extent provided by the Texas Business Organizations Code; provided, however, that General Partners will remain liable to the Partnership for their proportionate share of Partnership obligations and liabilities arising prior to the conversion of their interests in the Partnership to Limited Partner Units.

SECTION XVI
Removal of Managing General Partner

16.1 Investor Partners having rights to more than seventy-five percent (75%) of Distributions by the Partnership to the Investor Partners as a group shall have the right to remove the Managing General Partner and to elect and substitute a new Managing General Partner.

16.2 The removed Managing General Partner may offer to sell its interests in the Partnership to the new Managing General Partner at a price for cash on such terms and conditions as are mutually agreeable to the parties. The closing of the purchase of the removed Managing General Partner's interest shall take place within thirty (30) days following the agreement upon or determination of the purchase price.

16.3 The Managing General Partner's interest in the Partnership, not otherwise transferred under Section 16.2, either upon withdrawal or removal shall become a Limited Partner's interest, including the incremental interest in allocations that accrue to the original Managing General Partner. Upon removal of the Managing General Partner, the Managing General Partner shall be relieved and released from all obligations and liabilities as a General Partner accruing after the date of removal or resignation.

SECTION XVII
Arbitration

17.1 This agreement contains predispute arbitration clauses. By signing an arbitration agreement, the parties agree as follows:

(a) Arbitration is final and binding on the parties. All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

(b) The parties waive their right to seek remedies in court, including the right to a jury trial. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

(c) Pre-arbitration discovery is generally more limited than and different from court proceedings. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

(d) The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or seek modification of rulings of the arbitrators is strictly limited. The arbitrators do not have to explain the reason(s) for their award.

(e) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

(f) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

17.2 If a dispute, controversy or claim, of any kind and every kind or type, whether based on contract, tort, statute, regulations, or otherwise, arising out of, or

connected with, or relating in any way to this Agreement, or the relationship of the parties, or the obligations of the parties, or the operations carried out under this Agreement, including without limitation, any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination, or enforceability of this Agreement, or the breach thereof, including claims against the Partnership, the Managing General Partner and Frank. W. Seidler (any one of which constituting the "Dispute"), and if the Dispute cannot be settled through direct discussions (in the opinion of any party), the parties agree to first endeavor to settle the Dispute in an amicable manner by mediation under the Commercial Mediation Rules of the American Arbitration Association ("AAA"), before resorting to arbitration. If the Dispute is not settled by mediation within thirty (30) days of written request for mediation by any party to AAA, then and thereafter any unresolved Dispute, including the arbitrability of any unresolved Dispute, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with the then current Commercial Arbitration with the award being final and binding. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any provisional remedy which would be available from a court of law shall be available from the arbitrator(s) to the parties to this Agreement pending arbitration. Civil discovery shall be permitted for the production of documents and taking of depositions. The arbitrator(s) shall be guided but not controlled by the Texas Rules of Civil Procedure in allowing discovery and all issues regarding compliance with discovery requests shall be decided by the arbitrator(s). The arbitrator(s) may impose sanctions and take other actions regarding the parties that the arbitrator(s) deem appropriate to the same extent that a judge could pursuant to the Texas Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitration proceedings under this Agreement. This Agreement shall in all other respects be governed and interpreted by the laws of the State of Texas, including its statutes of limitation but excluding any conflicts or choice of law rule or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The arbitration shall be conducted in Tarrant County, Texas, by one neutral arbitrator chosen by AAA according to its Commercial Arbitration Rules if the amount of the claim, exclusive of interest and costs, is one million dollars ($1,000,000.00) or less or by three neutral arbitrators chosen by AAA in the same manner as the one neutral arbitrator if the amount of the claim, exclusive of interest and costs, is more than one million dollars ($1,000,000.00). Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. All fees and expenses of the arbitration shall be borne by the parties equally who shall make deposits as requested by AAA of each party's share of the deposits requested. Failure or refusal by a party to pay its share of the requested deposits shall constitute a waiver by the non-paying party of its rights to be heard, present evidence, cross-examine witnesses, and assert counterclaims in the arbitration. Informing the arbitrator(s) of a party's failure to pay its share of the requested deposits for the purpose of implementing this waiver provision shall not be deemed to affect the arbitrator's impartiality, neutrality, independence, or ability to proceed with the arbitration. However, each party shall bear

the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs. This agreement to arbitrate shall survive the termination or repudiation of this Agreement. ARBITRATION MUST BE ON AN INDIVIDUAL BASIS. THIS MEANS NO PARTY MAY JOIN OR CONSOLIDATE CLAIMS IN ARBITRATION BY OR AGAINST OTHER PARTNERS OR LITIGATE IN COURT OR ARBITRATE ANY CLAIMS AS A REPRESENTATIVE OR MEMBER OF A CLASS OR IN A PRIVATE ATTORNEY GENERAL CAPACITY.

SECTION XVIII
Notices

18.1 Whenever any notice is required or permitted to be given under any provision of this Agreement, such notice shall be in writing, signed by or on behalf of the person giving the notice, and deemed to have been given on the earlier to occur of (a) actual delivery or (b) when mailed, postage prepaid, addressed to the person or persons to whom such notice is to be given as follows (or at such other address as shall be stated in a notice similarly given):

(a) if to the Managing General Partner, such notice shall be given to FWS Management, LLC, a Texas limited liability company (the "Managing General Partner"), at the following address: 7140 E FM 917, Alvarado, TX 76009, or

(b) to the other Partners, such notice shall be given to each of the Partners at their respective addresses indicated on **Schedule A** attached hereto or at such other address of a Partner previously given to the Managing General Partner as provided above.

SECTION XIX
Binding Effect

19.1 Except as herein otherwise provided to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their personal representatives, successors, and permitted assigns.

SECTION XX
Amendments

20.1 No amendment (other than the ones specified in Section 5 and Section 14 of this Agreement), modification, or waiver of this Agreement, or any part hereof, shall be valid or effective unless in writing and signed by the Managing General Partner and by or on behalf of a Majority-in-Interest of the Investor Partners. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other condition or subsequent breach, whether of like or different nature.

SECTION XXI
Applicable Laws

21.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

SECTION XXII
Counterparts

22.1 This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument which may be sufficiently evidenced by one counterpart.

SECTION XXIII
Limitation on Liability

23.1 Pursuant to the Texas Securities Act, the liability of a lawyer, accountant, consultant, the firm of any of the foregoing, and any other person engaged to provide services relating to an offering of securities of the Partnership ("Service Providers") is limited to a maximum of three times the fee paid by the Partnership or seller of the Partnership's securities, unless the trier of fact finds that such Service Provider engaged in intentional wrongdoing in providing the services. By executing this Agreement, each Partner hereby acknowledges the disclosure contained in this paragraph.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Limited Partnership as of the day and year first above written.

Managing General Partner: FWS Management, LLC
Address: 7140 E FM 917, Alvarado, TX 76009

By: ______________________________
Frank. W. Seidler, Manager of FWS Management, LLC,
Managing General Partner, Thrasher #1 L.P.

SCHEDULE A
TO
AGREEMENT OF PARTNERSHIP
OF
THRASHER #1 L.P.

Managing General Partner:	Initial Contribution
FWS Management, LLC 7140 E FM 917 Alvarado, TX 76009	Services

Name	**Address**	**No. of Additional General Partnership Units**	**No. of Limited Partnership Units**

Exhibit C

Subscription Application and Agreement

Thrasher #1 L.P.

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INSTRUCTIONS FOR THE USE AND COMPLETION OF EXECUTION DOCUMENTS

These Execution Documents contain documentation required by the Managing General Partner to allow it to properly consider whether the tendered subscription for the Interests offered hereby may be accepted. This part of the offering is comprised of two separate sections: Section 1, Investor Questionnaire; and Section 2, Subscription Agreement.

Section 1 (Investor Questionnaire) is the Investor's written response to specific questions which request information which is necessary to allow the Managing General Partner to determine if each Investor qualifies as a "suitable investor" in compliance with certain United States Securities and Exchange Commission requirements and applicable provincial and state law guidelines.

Section 2 (Subscription Agreement) sets forth the terms and conditions agreed to by the Investor in subscribing for Interests. According to a portion of the terms of the Agreement, the Investor acknowledges the terms and restrictions of the Offering, including the arbitration clause, makes certain representations and warranties to Thrasher #1 L.P., and appoints the Managing General Partner as his attorney-in-fact for executing the Thrasher #1 L.P., documents, including the Partnership Agreement. **The Agreement contains an arbitration clause.** The Investor is asked to sign a copy of the Thrasher #1 L.P. Signature Page.

1.	Pages 7 through 18	Investor should read, understand, and acknowledge the terms, conditions, and provisions.
2.	Pages 19 and 20	Complete appropriate blanks. **Sign where indicated on Pages 19 and 20.**
3.	Payment by Investor in the amount set for on Page 20	The Investor shall effectuate payment through one of the following methods: A. **Delivery by Mail.** Subscription checks shall be made payable to "Thrasher #1 L.P." and delivered to the following address: Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009; or B. **Delivery by Wire Transfer or ACH.** Subscription payments may be transmitted via electronic wire or ACH transfer directly to the Partnership's subscription account as stated on page 21 of these Subscription Documents
4.	Return all documents properly signed and completed	Securely execute through company DocuSign or mail the entire Subscription Agreement to Thrasher #1 L.P., by secure mailbox the Partnership account at Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009.

Continue to Next Page

Subscription Booklet Number ________

Thrasher #1 L.P., a Texas Limited Partnership

SUBSCRIBER REPRESENTATIONS

Name and Address of Subscription: Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009.

I understand that the Partnership Units offered by Thrasher #1 L.P., a Texas limited partnership, will not be registered under the U.S. federal and state law in reliance on SEC Rule 506. I provide the following information to Thrasher #1 L.P. to verify compliance with these legal provisions.

A. NATURAL PERSONS

(1) Name: ________________________________

Home Address: ________________________________

Home Country: ________________________________

Home Phone No: ________________________________

Occupation: ________________________________

Tax ID No: ________________________________

Date of Birth: ________________________________

Employer: ________________________________

Employer Address: ________________________________

Business Phone No: ________________________________

Business Fax No: ________________________________

E-mail: ________________________________

B. ENTITIES

Investors Which Are NOT Natural Persons
(Questions 1-5)

Name of Entity: ______________________________

Address of Principal Office: ______________________________

Address of Principal Office: ______________________________

Type of Organization: ______________________________

Date & Place of Organization: ______________________________

Tax ID No.: ______________________________

C. NATURAL PERSONS – U.S. ACCREDITED INVESTORS (ALL SUBSCRIBERS)

Check the following accredited investor representations (a) through (e), if applicable. If not a natural person, proceed to Part D. Check at least one in (a) through (d).

____ (a) My individual income was in excess of US $200,000 (or US $300,000 with my spouse) in each of the two most recent years and I reasonably expect an income of US $200,000 (or $300,000 with my spouse) in the current year.

____ (b) I am a Corporation or executive officer of Butter Buys Sports Group, Inc., or its affiliates.

____ (c) My net worth, or joint net worth with my spouse, excluding the value of the equity for my primary residence, is in excess of US $1 million.[4]

____ (d) I am a natural person holding in good standing one or more of the following professional certifications or designations or credentials:

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[4] Clarification: If the fair value of your primary residence exceeds the mortgage obligation on the primary residence, you may exclude the primary residence mortgage obligation from your net liabilities for the purpose of calculating your net worth for the purposes of determining accredited investor status, provided that the mortgage obligation accrued more than sixty (60) days before the date you are signing this Agreement. You may not exclude mortgage liabilities relating to loans sixty (60) days old or less from your net worth. If the fair value of your primary residence is less than the mortgage obligation on your primary residence, you must include the amount of the mortgage obligation in excess of the fair value of the primary residence as a liability in calculating your net worth for the purposes of determining accredited investor status, provided that the mortgage obligation accrued more than sixty (60) days before the date you are signing this Agreement. You may not exclude mortgage liabilities relating to loans sixty (60) days old or less from your net worth.

(1) FINRA General Securities Representative license (Series 7);
(2) FINRA Private Securities Offerings Representatives license (Series 82); or
(3) Licensed investment adviser representative with a State (Series 65).

If at least one of the above (a) through (d) has been checked, check (e) only if applicable.

____ (e) I am a natural person investing US $200,000 or more in the Corporation, and no portion of this investment amount is financed, in whole or in part, by a third party for the specific purpose of making this investment.[5]

D. ENTITIES – ACCREDITED INVESTORS (ALL SUBSCRIBERS)

The undersigned is an entity qualifying as an Accredited Investor as (Check those that apply).

(a) ____ a corporation, partnership, Massachusetts business trust or other similar business trust not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(b) ____ an organization described in section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(c) ____ an entity in which all of the equity owners are Accredited Investors as defined in Regulation D, Rule 501, under the Securities Act of 1933;

(d) ____ a trust with total assets in excess of US $5,000,000 not formed for the specific purpose of acquiring the Shares and whose purchase of the Shares is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii).

(e) ____ a revocable trust not formed for the specific purpose of acquiring the Partnership Units and whose purchase of the Partnership Units is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii), AND the grantor's individual income was in excess of US $200,000 (or US $300,000 with grantor's spouse or spousal equivalent) in each of the two most recent years and grantor reasonably expect an income of US $200,000 (or $300,000 with my spouse) in the current year or grantor is natural person whose individual net worth, or joint net worth with grantor's spouse or spousal equivalent, exceeds $1,000,000.

(f) ____ an irrevocable trust not formed for the specific purpose of acquiring the Partnership Units and whose purchase of the Partnership Units is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii), provided that (1) the trust was a grantor trust for federal tax purposes; (2) The grantor was the sole funding source of the trust; (3) the grantor would be taxed on all income of the trust during at

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[5] See *SEC No-Action Letter re Latham & Watkins LLP*, (Mar. 12, 2025).

least the first 15 years following the investment and would be taxed on any sale of trust assets during that period; (4) during this period, all of the assets of the trust would be includable in the grantor's estate for federal estate tax purposes; (5) The grantor was a co-trustee of the trust and had total investment discretion on behalf of the trust at the time the investment decision was made; (6) the terms of the trust provided that the entire amount of the grantor's contribution to the trust plus a fixed rate of return on the contribution would be paid to the grantor (or his estate) before any payments could be made to the beneficiaries of the trust; (7) the trust was established by the grantor for family estate planning purposes to facilitate the distribution of his estate and In order to effectuate the estate planning goals, the trust was irrevocable; and (8) Creditors of the grantor would be able to reach the grantor's interest in the trust at all times; AND the grantor's individual income was in excess of $200,000 (or $300,000 with my spouse or spousal equivalent) in each of the two most recent years and I reasonably expect an income of $200,000 (or $300,000 with my spouse) in the current year or grantor is natural person whose individual net worth, or joint net worth with grantor's spouse or spousal equivalent, exceeds $1,000,000.

(g) ____ a business entity that is not a corporation, trust, partnership, corporation, Massachusetts business trust, other similar business trust not formed for the specific purpose of acquiring the securities offered, or organization described in section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of US $5,000,000;

(h) ____ a "family office" as defined in SEC Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1) with assets under management in excess of $5,000,000 which was not formed for the specific purpose of acquiring the securities offered and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family is capable of evaluating the merits and risks of the prospective investment;

(i) ____ a "family client," as defined in SEC Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1) who is the client of a "family office" as defined in SEC Rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1) with assets under management in excess of $5,000,000 which was not formed for the specific purpose of acquiring the securities offered and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family is capable of evaluating the merits and risks of the prospective investment;

(j) ____ a bank as defined in Section 3(a)(2) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity;

(k) ____ a broker or dealer registered with the Securities and Exchange Commission under Section 15 of the Securities Exchange Act of 1934;

(l) ____ an insurance Corporation as defined in Section 2(a)(13) of the Securities Act of 1933;

(m) ____ an investment Corporation registered under the Investment Corporation Act of 1940;

(n) ____ a business development Corporation as defined in Section 2(a)(48) of the Investment Corporation Act of 1940;

(o) ____ a Small Business Investment Corporation licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

(p) ____ a plan established or maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;

(q) ____ an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by the undersigned as a plan fiduciary, as defined in Section 3(21) of such Act, provided that the plan fiduciary is a bank, savings and loan association, insurance Corporation, registered investment adviser;

(r) ____ an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 with total assets in excess of $5,000,000;

(s) ____ a self-directed employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 with investment decisions made solely by persons that are accredited investors;

(t) ____ a private business development Corporation as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; and

(u) ____ an organization described in Section 501(c)(3) of the Internal Revenue Code, or similar business trust or Corporation, not formed for the specific purpose of acquiring the Partnership Units, with total assets in excess of US $5,000,000.

If at least one of the above (a) through (u) has been checked, check (v) only if applicable.

(v) ____ a legal entity that is an accredited investor as defined in Rule 501(a) of Regulation D, is making an investment of at least $1,000,000 in the Partnership, and no portion of this investment amount is financed, in whole or in part, by a third party for the specific purpose of making this investment.[6]

[6] *See SEC No-Action Letter re Latham & Watkins LLP*, (Mar. 12, 2025).

INVESTOR SIGNATURES
(To Be Completed By All Investors)

Subscriber has received a copy of the Offering Memorandum dated July 6, 2026, for the Thrasher #1 L.P. Partnership Units offered by Thrasher #1 L.P. (the "Subscription"), and all exhibits thereto setting forth information relating to the Subscription and the terms and conditions of an investment in the Partnership Units, as well as any other information Subscriber deemed necessary or appropriate to evaluate the merits and risks of an investment in the Partnership Units. Subscriber further acknowledges that Subscriber has had the opportunity to ask questions of, and to receive answers from, representatives of the Subscription concerning the terms and conditions of the Subscription Agreement and the information contained in the Offering Memorandum.

Under penalties of perjury, Subscriber certifies that (1) the information contained in the Investor Questionnaire is true, correct and complete, (2) the number shown on the Investor Questionnaire is Subscriber's correct taxpayer identification number, (3) that Subscriber is not subject to backup withholding because (A) Subscriber has not been notified that Subscriber is subject to backup withholding as a result of a failure to report all interest or dividends or (B) the Internal Revenue Service has notified Subscriber that Subscriber is no longer subject to backup withholding, and (4) set forth above is Subscriber's correct name and address.

IN WITNESS WHEREOF, this Signature Page has been executed by Subscriber this

____ day of ______________, 202_____.

____
Signature of Prospective Investor

____
Printed Name of Prospective Investor

____
Business Entity (if relevant)

SUBSCRIPTION AGREEMENT

Thrasher #1 L.P.
7140 E FM 917
Alvarado, TX 76009

Gentlemen:

Subscriber ("Subscriber") hereby asks Thrasher #1 L.P. and applies for the purchase of the Partnership Units ("Partnership Units") in the Subscription as shown on Page 20 hereof and herewith encloses a check or other acceptable form of payment for the Partnership Units. Subscriber hereby acknowledges and understands:

(i) That Subscriber has received, read, and understood a copy of an Offering Memorandum (the "Memorandum"), and the form of Subscription Agreement (the "Subscription Agreement");

(ii) That payment by Subscriber of the Initial Subscription Amount for the Partnership Units subscribed for is due and payable and shall accompany the delivery of this Subscription Agreement;

(iii) That Subscriber shall pay an initial deposit of $128,000 per Partnership Unit at the time of Subscription and $90,000 for estimated completion costs when called by the Managing General Partner;

(iv) That an investment in the Partnership Unit is a concentrated oil and gas exploration and production investment which is subject to various mechanical, production, and pricing risks. Subscriber represents that it is not relying on the Partnership Unit for periodic income;

(v) That this Agreement contains a limited power of attorney which authorizes Thrasher #1 L.P. to enter into the Partnership Agreement and Authorization for Expenditures on behalf of the Subscriber, thus binding the Subscriber to the terms of these agreements;

(vi) That Subscriber understands and acknowledges that the Subscribers may receive future capital calls for operations required by the unaffiliated well operator after the completion of the well in which the Partnership has invested. The Subscriber further understands and acknowledges that failing to pay such a call for funds will result in the defaulting Subscriber paying a penalty of three hundred percent (300%) of the unpaid amount offset against future Partnership revenue;

(vii) That if Thrasher #1 L.P. rejects this Subscription Agreement, this payment shall be returned with the notice of such rejection;

(viii) That tax-qualified Subscribers must use a custodian to custody the Partnership Units in a tax-qualified account;

(ix) That in the event Thrasher #1 L.P. has not accepted this subscription by 30 days after the close of the offering period, it will promptly return the subscription payment and documents, unless it extends the offering period. If the Offering Period is so extended, subscription payments will be returned without reduction and without interest if Thrasher #1 L.P. does not accept the subscription by the end of the Offering Period;

(x) That an investment in the Partnership Units is not liquid, not easily transferable or disposed of, and that he has no need for liquidity of this investment;

(xi) That the liability of service providers under the Texas Securities Act, including attorneys, accountants, consultants, and their firms, relating to this Offering or the securities purchased through this Offering may be capped at an amount equal to three times the fees paid to the service providers unless a trier of fact finds that the service provider engaged in intentional wrongdoing in providing the services;

(xii) That Subscriber is liable for the total amount of the Subscription Price and for any funds called for by the Partnership pursuant to the terms of Section 35 of the Subscription Agreement.

(xiii) That Thrasher #1 L.P. was organized on July 6, 2026, and has a limited financial history. Further, the Partnership Units are speculative investments which involve a high degree of risk of loss by Subscriber of the entire investment of Subscriber, and that there is no assurance of any income from such investment.

(xiv) That no prospectus has been or is intended to be filed by the Partnership with the SEC or any state or provincial securities administrator in connection with the issuance of Partnership Units, the issuance is intended to be exempted from prospectus and registration requirements of the applicable U.S. securities law and because of acquiring the Partnership Units pursuant to these exemptions:

a. the Subscriber is restricted from using most of the civil remedies available under applicable U.S. securities law;
b. the Subscriber may not receive information that would otherwise be required to be provided to the Subscriber under applicable U.S. securities law; and
c. the Partnership is relieved from certain obligations that would otherwise apply under applicable U.S. securities law.

(xv) If Subscriber is a retirement plan, the plan administrator has been informed of and understands Thrasher #1 L.P.'s objectives, policies, and strategies, including illiquidity, oil and gas exploration and development risks, and the risk of generating unrelated business taxable income and represents that the subscription is consistent with legal provisions that require diversification of plan assets and the plan administrator's fiduciary responsibilities.

Subscriber hereby represents, certifies, and warrants as follows:

1. Subscriber has read and is familiar with the Memorandum and the Subscription Agreement.

2. Subscriber's principal residence, if an individual, is in a state shown in this Agreement; if Subscriber is a corporation, trust or other entity (except a partnership), it was incorporated or organized and is existing under the laws of the state shown in this Agreement; if Subscriber is a partnership, the principal residence of all of its General Partners are in the states shown on Page 2 hereof; and if Subscriber is a corporation, trust, partnership or other entity, it was not organized for the specific purpose of acquiring the Partnership Units.

3. The Partnership Units subscribed for will be acquired solely for the account of Subscriber or its beneficiaries for investment and not with a view to or for resale or distribution. Subscriber has no present plans to enter into any agreement or arrangement for any such resale or distribution.

4. Subscriber is purchasing as principal or is deemed to be purchasing as principal in accordance with applicable U.S. securities law and qualifies under one or more of the exemptions from securities registration and prospectus delivery requirements available pursuant to SEC Rule 506.

5. Subscriber shall not resell any of its Partnership Units to a person or business entity resident in the United States of America until at least one year after the purchase date. Further, there are restrictions on Subscriber's ability to resell the Partnership Units and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Partnership Units.

6. Subscriber can bear the economic risk of losing the entire investment.

7. Subscriber's overall commitment to investments which are not readily marketable is not disproportionate to Subscriber's net worth and this Subscription will not cause this overall commitment to become excessive.

8. Subscriber has adequate means of providing for its current needs and personal contingencies and has no need for liquidity from the Partnership Units.

9. Thrasher #1 L.P. has made all documents pertaining to this investment available to Subscriber and, if Subscriber so requested, to his attorney or accountant.

10. Subscriber has had the opportunity to ask questions of, and receive answers from, Thrasher #1 L.P. concerning the terms and conditions of the offering and to obtain such information, to the extent such persons possess the same or could acquire it without unreasonable effort or expense, as Subscriber deemed necessary to verify the accuracy of the information referred to hereinabove. Subscriber has relied solely upon the Memorandum presented by Thrasher #1 L.P., the Subscription Agreement, the Exhibits to the Memorandum and such independent investigations as are made by Subscriber or representatives of Subscriber in deciding to purchase the Partnership Units subscribed for herein.

11. Subscriber, if an individual, is at least 21 years of age and a bona fide resident of the nation indicated on Page 1 hereof.

12. Subscriber is not a person created or used solely to purchase or hold securities to comply with an exemption from the securities registration requirements of the Securities Exchange Act of 1933 and state securities acts.

13. Subscriber is bona fide resident in the jurisdiction set out in this Subscription Agreement, such address was not created and is not used solely for the purpose of acquiring the Partnership Units and the Subscriber was solicited to purchase in such jurisdiction.

14. Subscriber has properly completed, executed, and delivered the applicable form set forth in the Subscription Agreement and such form contains information about the Subscriber that is true and accurate as of the date of signing and will be true and correct as at the closing date.

15. No person has made to the Subscriber any written or oral representation:

    a. that any person will resell or repurchase the Partnership Units;
    b. that any person will refund the purchase price of the Partnership Units;
    c. as to the future price or value of the Partnership Units; or
    d. that the Partnership Units will be listed and posted for trading on a stock exchange or that application has been made to list and post the Partnership Units for trading on any stock exchange.

16. Subscriber is:
    a. a corporation, the Subscriber is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Subscription Agreement, to subscribe for the Partnership Units as contemplated herein and to carry out and perform its covenants and obligations under the terms of this Subscription Agreement and the entering into of this Subscription Agreement

and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the controlling documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound;

b. a partnership, syndicate or other form of unincorporated organization, the Subscriber has the necessary legal capacity and authority to execute and deliver this Subscription Agreement and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof; or

c. an individual, the Subscriber has the legal capacity and competence to enter into and to execute this Subscription Agreement and to observe and perform his or her covenants and obligations hereunder.

17. Subscriber was not solicited in any other manner contrary to applicable the Securities Act of 1933 or state securities acts.

18. Subscriber (or others for whom it is contracting hereunder) has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it (or others for whom it is contracting hereunder) is solely responsible for compliance with applicable resale restrictions and applicable tax legislation.

19. Subscriber is subscribing for the Partnership Units as principal for its own account and not for the benefit of any other person (within the meaning of applicable U.S. securities law) or if it is contracting hereunder as an agent or trustee for a principal (including, for greater certainty, a portfolio manager or comparable adviser) and not purchasing as agent or trustee for accounts fully managed by it, the name of such principal has been set in this Subscription Agreement and the Subscriber acknowledges that the LP may be required by law to disclose to certain regulatory authorities the identity of each such principal for whom the Subscriber is acting.

20. If acting as trustee or agent for a principal in subscribing for Partnership Units, the Subscriber is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such principal, each of whom is subscribing as principal for its own account, not for the benefit of any other person and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid and binding agreement of, such principal.

21. Subscriber is not a "control person" of the Partnership as defined in the applicable U.S. securities law, will not become a "control person" by virtue of this subscription for the Partnership Units and does not intend to act in concert with any other person to form a control group of the Partnership.

22. Subscriber has been independently advised as to the applicable hold period imposed in respect of the Partnership Units by securities legislation in the jurisdiction in which the Subscriber resides and confirms that no representation has been made respecting the applicable hold periods for the Partnership Units and acknowledges that the hold period indicated in the terms does not constitute such representation and is aware of the risks and other characteristics of the Partnership Units and of the fact that the Subscriber may not be able to resell the Partnership Units except in accordance with the applicable securities legislation and regulatory policies.

23. Subscriber can assess the proposed investment because of the Subscriber's financial and business experience or because of advice received from a registered person other than the Partnership or any affiliates of the Partnership.

24. If required by applicable securities legislation, policy, or order or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file, and otherwise assist the Partnership in filing, such reports, undertakings, and other documents with respect to the issuance of the Partnership Units as may be required.

25. Subscriber acknowledges that Subscriber's investment adviser may be receiving a portion of its management fee to offset clients' advisory fees relating to clients' investment allocations to the Partnership Units for the first year of such fees. Further, the Managing General Partner, in its sole discretion, may assign Subscriber's investment adviser or its affiliate an interest in the Partnership that will be subordinated to the Subscribers' Partnership Units. These payments to the Subscribers' investment advisers shall be paid from the Managing General Partner's management fees and/or Partnership interest and shall not dilute Subscribers' Partnership Units. To the extent necessary, this paragraph also constitutes a consent to such arrangements under Section 206(3) of the Investment Adviser Act of 1940 (15 U.S.C. §80b-6(3).

26. The funds representing the aggregate subscription price for the Partnership Units which will be advanced by the Subscriber hereunder will not represent proceeds of crime for the purposes of the Money Laundering Control Act of 1986 (18 USC. §1956 and 1957) (USA), International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (Title III of PATRIOT Act) (USA) and the Subscriber acknowledges that the Partnership may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to such Act. To the best of its knowledge: (a) none of the subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the law of the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) the Subscriber shall promptly notify the Managing General Partner

if the Subscriber discovers that any of such representations ceases to be true, and to provide the Managing General Partner with appropriate information in connection therewith.

Subscriber agrees to the following:

27. Subscriber hereby subscribes to purchase the Limited Partnership Units or Additional General Partnership Units stated on page 17 of this Agreement. Subscriber may subscribe to purchase additional Limited Partnership Units and Additional General Partnership Interests paid by the reinvestment of distributions received from the ownership of the Partnership's Limited Partnership Units or Additional General Partnership Units, and such further subscriptions shall be subject to this Agreement.

28. Thrasher #1 L.P. may accept or reject this subscription in whole or in part in its sole and absolute discretion. Further, at any time following the expiration of six (6) months from the date of Subscriber's admission to the Partnership, the Managing General Partner shall have the sole and absolute right, but not the obligation, to redeem all or any potion of a Subscriber's subscription.

29. Subscriber has carefully reviewed and understands the risks of a purchase of the Partnership Units, including the risks set forth under the section in the Memorandum captioned "Risk Factors," and elsewhere in the Memorandum.

30. No U.S. federal, state or agency has made any finding or determination as to the fairness of the offering, or any recommendation or endorsement of the Partnership Units.

31. The Partnership Units carry substantial transfer restrictions. They will have no public market, and Subscriber will bear the investment's economic risk for an indefinite time period and will not be readily able to liquidate the Partnership Units in case of an emergency.

32. Subscriber has relied solely upon the advice of its tax advisor in assessing the tax aspects of investing in the Partnership Units.

33. Subscriber hereby subscribes to purchase the number of Partnership Units designated on page 19 of this Agreement for the total subscription price of $128,000 payable at subscription and $90,000 for estimated completion costs when called by the Managing General Partner. The Partnership Units may be subject to non-consent penalties as referenced in Section v of this Agreement and the Partnership Agreement if the capital call obligations are not paid within ten days of said call.

34. Subscriber agrees that the Partnership Units may be resold only in compliance with the Subscription Agreement and applicable law. Any value that the Partnership Units

may have will derive from the performance of the Subscription. Subscribers will seek their own counsel and advice in considering sales of the Partnership Units relating to the impact that the laws of United States may have on the value of the Partnership Units and the disposition of proceeds from the sale of the Partnership Units.

35. **Covenant by Subscriber to Provide Current Addresses and Telephone Numbers.** Within 30 days of the change of a Subscriber's address or telephone number on record with the Partnership, Subscriber shall provide said updated address and telephone number in writing to Thrasher #1 L.P. Subscriber understands and acknowledges that all notices under this Agreement shall be sent to the address of records for the Partnership and that the Partnership shall not be liable for a lack of notice to Subscriber or for any detrimental effects, including non-consent penalties, to Subscriber relating to lack of notice to a Subscriber for any Subscriber who has failed to provide current information to the Partnership and the Custodian as required by this Section.

36. **Acknowledgement and Covenant to Provide Partnership with Financial and Accounting Information Corroborating Subscriber's Income and Asset Ownership.**

Acknowledgments: Subscriber understands and acknowledges that SEC rule 506(c) requires the Partnership to "take reasonable steps to verify that purchasers of securities . . . are accredited investors" and to have obtained this information as to net asset standard qualifications within three months of the subscription acceptance date. Subscriber further understands that the Partnership must take reasonable steps to verify income-based qualifications on a yearly basis. Subscriber further understands and acknowledges that if Subscriber adds to its subscription after the initial subscription, that the Partnership will be required to take the same "reasonable steps" and obtain the same information over again if the subsequent subscription acceptance date occurs more than three months after any previous subscription acceptance date for net asset-based qualification and during the following year for income-based qualification.

Covenant: Accordingly, Subscriber covenants to provide the Partnership with at least one of the following items or correspondence from one of your professional advisors: tax records, bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, appraisal reports by independent third parties, consumer reports, or other documents corroborating Subscriber's accredited investor status representations or to provide a certification as to accredited investor status from a broker-dealer, investment adviser, certified public accountant or licensed attorney.

37. ARBITRATION CLAUSE DISCLOSURE:

This agreement contains pre-dispute arbitration clauses. By signing an arbitration agreement, the parties agree as follows:

a. **Arbitration is final and binding on the parties. All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
b. **The parties waive their right to seek remedies in court, including the right to a jury trial. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.**
c. **Pre-arbitration discovery is generally more limited than and different from court proceedings. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**
d. **The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or seek modification of rulings of the arbitrators is strictly limited. The arbitrators do not have to explain the reason(s) for their award.**
e. **The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**
f. **The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.**

38. Arbitration Clause – Thrasher #1 L.P., and its Managing General Partner and Personnel:

If a dispute, controversy or claim, of any kind and every kind or type, whether based on contract, tort, statute, regulations, or otherwise, arising out of, or connected with, or relating in any way to this Agreement, or the relationship of the parties, or the obligations of the parties, or the operations carried out under this Agreement, including without limitation, any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination, or enforceability of this Agreement, or the breach thereof, including claims against the Partnership, the Managing General Partner and Frank. W. Seidler (any one of which constituting the "Dispute"), and if the Dispute cannot be settled through direct discussions (in the opinion of any party), the parties agree to first endeavor to settle the Dispute in an amicable manner by mediation under the Commercial Mediation Rules of the American Arbitration Association ("AAA"), before resorting to arbitration. If the Dispute is not settled by mediation within thirty (30) days of written request for mediation by any party to AAA, then and thereafter any unresolved Dispute, including the arbitrability of any unresolved Dispute, shall be

settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with the then current Commercial Arbitration with the award being final and binding. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any provisional remedy which would be available from a court of law shall be available from the arbitrator(s) to the parties to this Agreement pending arbitration. Civil discovery shall be permitted for the production of documents and taking of depositions. The arbitrator(s) shall be guided but not controlled by the Texas Rules of Civil Procedure in allowing discovery and all issues regarding compliance with discovery requests shall be decided by the arbitrator(s). The arbitrator(s) may impose sanctions and take other actions regarding the parties that the arbitrator(s) deem appropriate to the same extent that a judge could pursuant to the Texas Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitration proceedings under this Agreement. This Agreement shall in all other respects be governed and interpreted by the laws of the State of Texas, including its statutes of limitation but excluding any conflicts or choice of law rule or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The arbitration shall be conducted in Tarrant County, Texas, by one neutral arbitrator chosen by AAA according to its Commercial Arbitration Rules if the amount of the claim, exclusive of interest and costs, is one million dollars ($1,000,000.00) or less or by three neutral arbitrators chosen by AAA in the same manner as the one neutral arbitrator if the amount of the claim, exclusive of interest and costs, is more than one million dollars ($1,000,000.00). Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. All fees and expenses of the arbitration shall be borne by the parties equally who shall make deposits as requested by AAA of each party's share of the deposits requested. Failure or refusal by a party to pay its share of the requested deposits shall constitute a waiver by the non-paying party of its rights to be heard, present evidence, cross-examine witnesses, and assert counterclaims in the arbitration. Informing the arbitrator(s) of a party's failure to pay its share of the requested deposits for the purpose of implementing this waiver provision shall not be deemed to affect the arbitrator's impartiality, neutrality, independence, or ability to proceed with the arbitration. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs. This agreement to arbitrate shall survive the termination or repudiation of this Agreement. ARBITRATION MUST BE ON AN INDIVIDUAL BASIS. THIS MEANS NO PARTY MAY JOIN OR CONSOLIDATE CLAIMS IN ARBITRATION BY OR AGAINST OTHER PARTNERS OR LITIGATE IN COURT OR ARBITRATE ANY CLAIMS AS A REPRESENTATIVE OR MEMBER OF A CLASS OR IN A PRIVATE ATTORNEY GENERAL CAPACITY.

39. This Agreement and all its provisions are made to be performed in Johnson County, Texas, USA, where jurisdiction and venue shall lie for all purposes, including, but not

limited to, any arbitration or litigation involving the validity or enforceability of the requirement of arbitration hereof, or any dispute arising there under.

40. Subscriber recognizes that the offer and sale of the Partnership Units to Subscriber were based upon the representations and warranties of Subscriber contained in Paragraphs 1 through 11 above and hereby agrees to indemnify the Thrasher #1 L.P., and the partners of Thrasher #1 L.P., including FWS Management, LLC, and their officers, directors and affiliates, including Frank. W. Seidler, to hold each of such entities and persons harmless against all liabilities, costs or expenses (including reasonable attorney's fees) arising by reason of or in connection with any misrepresentation or any breach of such warranties by Subscriber, or arising as a result of the sale or distribution of the Partnership Units by Subscriber in violation of the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, or any other applicable Federal or state statute.

41. Subscriber hereby indemnifies Thrasher #1 L.P., its Partners, FWS Management, LLC and their officers and directors, including Frank. W. Seidler, and holds each of such persons and entities harmless from and against any and all loss, damages, liability or expense, including costs and reasonable attorney's fees, to which they may be put or which they may incur by reason of or in connection with any misrepresentation made by Subscriber, any breach of any of his warranties, or his failure to fulfill any of his covenants or agreements set forth herein. Subscriber agrees that all the representations and warranties of Subscriber set forth in this Subscription Agreement and any other documents submitted herewith shall survive the purchase of the Partnership Units. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of Subscriber.

42. Subscriber acknowledges that Thrasher #1 L.P. reserves the right to modify any part of this agreement between Thrasher #1 L.P. and the subscribers or the insurer without notification to the purchasers when modifications are immaterial to the Subscriber.

Special Power of Attorney

Subscriber hereby constitutes and appoints FWS Management, LLC with full power of substitution and re-substitution, the true and lawful attorney of Subscriber, for the use and benefit of Subscriber to sign, execute, certify, swear to, acknowledge, file and record any other certificate, instruments and documents or amendments thereto, which may be required of the Subscription or of the Subscribers of the Subscription under the laws of any state or by any governmental agency, or which FWS Management, LLC deems necessary or advisable to file, record or deliver. This authority includes the authority to enter the Limited Partnership Agreement attached as Exhibit B to the Offering Memorandum on behalf of Subscriber. The foregoing grants of authority may be exercised by each of such attorneys-in-fact by listing the name of Subscriber along with the names of all other persons for whom certificates, instruments and documents are prepared, with the single signature of such attorney-in-fact acting for all of the persons whose names are so listed.

Upon acceptance by Thrasher #1 L.P. of the subscription of Subscriber, Subscriber agrees (a) to become a Subscriber of the Partnership Unit Subscription, (b) to make the payment required by the Subscription Agreement, and (c) otherwise to be bound by the terms of the Subscription Agreement. Subscriber acknowledges and agrees that, except for good and sufficient cause and as required by law, Subscriber is not entitled to cancel, terminate or revoke this Subscription, any agreements of Subscriber hereunder, or the power of attorney granted hereby and that such Subscription, agreements and power of attorney shall survive (i) changes in the transactions, documents and instrument described in the Memorandum which in the aggregate are not material or which are contemplated by the Memorandum, and (ii) the death or disability of Subscriber; provided, however, that if Thrasher #1 L.P. shall not have accepted this subscription by the date 30 days after the date of signing by Subscriber of this Subscription Agreement, either by personally delivering to Subscriber an executed copy hereof reflecting such acceptance or by depositing with an international delivery service, delivery fee prepaid, a written notice of acceptance addressed to Subscriber hereunder, at the address set forth below, this subscription, all agreements of Subscriber hereunder, and the power of attorney granted hereby shall automatically be canceled, terminated and revoked.

WHEREFORE, IN CONSIDERATION, of the foregoing covenants and representations, I hereby submit the following subscription for the Partnership Units as specified on Page 18 of the Subscription Agreement for Thrasher #1 L.P.'s consideration in Thrasher #1 L.P.

THRASHER #1 L.P.
PARTNERSHIP DOCUMENTS SIGNATURE PAGE

$____________ Cash payment payable upon subscription for Partnership Unit(s) of Thrasher #1 L.P. for the purposes set forth in this Agreement and the Offering Memorandum ($128,000.00 per Limited Partnership Unit for drilling, testing, organizational and legal costs).

$____________ Subsequent cash payment when called ($90,000 for estimated completion costs when called by the Managing General Partner)

☐ **Check here if you are investing as an ADDITIONAL GENERAL PARTNER**

☐ **Check here if you are investing as a LIMITED PARTNER**

Payment Payable by:

1) **Check or cashier's check via mail – Subscription checks shall be made payable to "Thrasher #1 L.P." and delivered to the following address: Thrasher #1 L.P., 7140 E FM 917, Alvarado, TX 76009; or**

2) **US ACH or wire transfer – Subscription payments may be transmitted via electronic wire or ACH transfer directly to the Partnership's subscription account as stated on Page 21 of these Subscription Documents.**

If you want to invest through a tax-qualified account, the investment must be approved for a qualified account by a funds custodian.

The Subscription Agreement, of which this signature page is a part, contains a pre-dispute Arbitration Agreement on Pages 13 - 15, Paragraphs 37 and 38.

Signed: ____

Name Printed: ____

Title: ____

Business Entity: ____

Date: ____

THRASHER #1 L.P.
REGISTRATION INFORMATION

____________Number of Limited Partnership Units

____________Number of Additional General Partnership Units

Payments – (1) Initial payment of $128,000 for drilling, testing, organizational and legal costs and (2) $90,000 for estimated completion costs when called by the Managing General Partner paid per Limited Partnership Unit or Additional General Partnership Unit.

By signing below the subscriber acknowledges that he or she has read and understood Thrasher #1 L.P.'s Offering Memorandum, Partnership Documents, and the Subscription Agreement of which this signature page is a part. The Subscription Agreement, of which this signature page is a part, contains a pre-dispute Arbitration Agreement on Pages 15-16, Paragraphs 37 and 38.

____________________ ____________________ ____________________
Printed Name Signature Date

Business Entity (if any): ______________________________________

Name Under Which Investor Should Be Listed: __________________________

State of Legal Residence: ____________ Tax ID #: ______________________

Mailing Address: ____

Investing as a(n) (check one): ________Limited Partner ________Additional General Partner

<u>THRASHER #1 L.P.'S ACCEPTANCE</u>

FWS Management, LLC, as General Partner, herewith accepts the foregoing subscription for Partnership Units in Thrasher #1 L.P.

Date: ____________________ ____________________________________
Frank. W. Seidler, Authorized Signatory

<u>Restrictive US Legend:</u> These securities has not been registered under the Securities Act of 1933, as amended, or any State Securities Act or Regulations and may not be sold, transferred or assigned unless an opinion of counsel satisfactory to the Partnership shall have been received by the Partnership to the effect that such sale, transfer or assignment will not be in violation of the Securities Act of 1933 or relevant State Securities Act, as amended, and the rules and regulations thereunder, or applicable state securities laws.

Wire Transfer/ACH Information

- **Full Name:** THRASHER #1, L.P.
- **Address:** 7140 E FM 917
- **City, State, ZIP:** ALVARADO, TEXAS 76009
- **Phone Number:** 817.240.6554
- **Email:** tigress@sig777.com
- **Bank Name:** WELLS FARGO BANK N.A.
- **Bank Account Number:** 8271175021
- **Routing Number (ACH):** 111900659
- **Routing Number (Domestic Wire):** 121000248
- **SWIFT Code (International):** WFBIUS6S