

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**

FILING OFFICE COPY



Office of the Secretary of State

CERTIFICATE OF FILING OF

Thrasher #1 L.P.
806684726

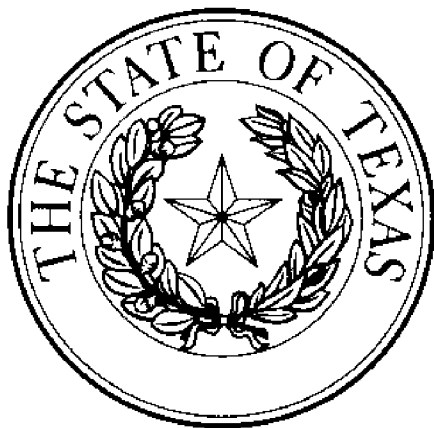
[formerly: Thrasher #1H, LP]

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



A handwritten signature in black ink, reading "Dave Nelson".

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



This space reserved for office use.

Certificate of Correction

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

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

☐ 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

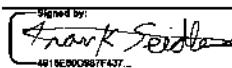
After the secretary of state files the certificate of correction, the filing instrument is considered to have been corrected on the date the filing instrument was originally filed except as to persons adversely affected. As to persons adversely affected by the correction, the filing instrument is considered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

401 NE9009874 437

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 an 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 Tax Matters.

- (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 Wells 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 with 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

<u>Name</u>	<u>Address</u>	<u>No. of Additional General Partnership Units</u>	<u>No. of Limited Partnership Units</u>