PARTICIPATION AGREEMENT
THRASHER PROSPECT
LAFOURCHE PARISH, LOUISIANA

THIS PARTICIPATION AGREEMENT, the ("***Agreement***"), effective the [] day of [], 2026 ("***Effective Date***"), is entered into by and among **Castex Energy, Inc.** whose address is 333 Clay Street Suite 2900, Houston, Texas 77002 ("***CEI***" or "***Operator***"); **Castex Energy 2021, LLC ("*CE2021*")** whose addresses are 333 Clay Street, Suite 2900, Houston, Texas 77002 ("***Seller***"); and **Seidler Oil & Gas L.P.** whose address is 7140 East FM 917, Alvarado, Texas 76009 **("*Buyer*")**, Buyer, CEI and Seller may herein be referred to individually as a Party, or collectively as Parties, or by the name quoted above.

WHEREAS, the Thrasher Prospect (the "***Prospect***") was generated utilizing certain geological data covering the Prospect; and

WHEREAS, Seller has acquired the farmout agreements and oil and gas lease(s) covering lands in the Prospect, which are listed on Exhibit "A" attached hereto and made a part hereof (hereinafter referred to as the "***Leases***"). Attached as Exhibit "B-1" is a land plat geographically defining the Prospect and the U95-L96 RE SUA; LL&E No. 1, pursuant to Office of Conservation Order No. 617-YY (the "***Unit***") and Exhibit "B-2" is the Area of Mutual Interest for the Prospect (the "***AMI***"); and

WHEREAS, Seller desires to sell to Buyer and Buyer desires to acquire certain undivided working interests in the Prospect, the Unit and the Leases as provided for herein.

NOW, THEREFORE, in consideration of the foregoing recitals and premises and of the mutual covenants, agreements and obligations contained herein, the Parties do hereby agree as follows:

ARTICLE I: Operations on the Prospect and AMI

The Prospect and the Unit will be governed by that certain Joint Operating Agreement dated [], 2026 by and among CEI as Operator and Castex Energy 2021, LLC et al (the "***Operating Agreement***"), the form of which is attached hereto as Exhibit "D". Buyer acknowledges that CEI currently does not own any working interest in the Contract Area, and that so long as an affiliate of CEI owns an interest in the Contract Area (or CEI later acquires an interest in the Contract Area described in the Operating Agreement), then CEI shall be deemed to own an interest in the Contract Area for all purposes under this Agreement and the Operating Agreement. Except as otherwise provided for herein, all operations conducted on the AMI shall be governed by the terms and provisions of the Operating Agreement. In the event of any conflict between the terms of this Agreement and those contained in the Operating Agreement, the terms and provisions of this Agreement shall at all times and in all events, prevail, control and govern between the Parties hereto, with the non-conflicting terms and provisions of the Operating Agreement continuing in full force and effect. The presence of a term governing conduct in the Operating Agreement and the absence of a term governing the same conduct in this Agreement shall not constitute a conflict between the agreements. Buyer shall, upon request by CEI, execute the final form of the Operating Agreement along with any exhibits thereto, including but not limited to the memorandum of operating agreement and financing statement.

ARTICLE II: Buyer's Working Interest, Lease Burdens, and State Royalty Reduction

The working interest in and to the Unit and the Initial Test Well ("***Initial Test Well***") to be conveyed to Buyer under this Agreement is 26.67% Before Casing Point (the "***BCPI***") and 20% After Casing Point (the "***ACPI***"). The working interest of the Buyer in and to the Leases shall be burdened by its proportionate share of existing overriding royalty (including the overriding royalty interest provided for in Article III hereof, infra) and other burdens in the Initial Test Well and the Leases described on Exhibit "A", including but not limited to the terms of that certain Farmout Agreement (as yet undated) by and among Seller and Perdido Southeast, LLC (the "***Perdido Farmout***"), whereby Perdido Southeast, LLC ("***Perdido***") is entitled to, among other things, a three-percent (3%) overriding royalty on its portion of its non-dual claim leasehold within the Unit, subject to either (at its election at payout) an escalation to 3.5% at payout or a ten percent (10%) back-in after payout.

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Buyer shall be delivered a seventy-five percent (75%) net revenue interest in and to the Initial Test Well and the Unit, proportionately reduced to its 20% working interest (should Buyer earn an assignment as provided for herein), and Buyer shall be delivered the net revenue interests in the Leases (should Buyer earn an assignment as provided for herein) as more particularly set forth on Exhibit A. Buyer's interest may further be subject to proportionate reduction at Payout on the terms set forth in the Farmout Agreement, as more particularly set forth on Exhibit A, should Perdido elect to convert its overriding royalty to a working interest.

Notwithstanding anything contained herein to the contrary, Buyer acknowledges that the Leases (including the right to earn under the Farmout Agreement) only cover 87.9784% of the Unit, with White Marlin owning leasehold interests in the Unit equal to 12.02158% (inclusive of Seller's assumptions on dual claim acreage). Seller has assumed that White Marlin will fail to make an election to participate in the Prospect pursuant to La. R.S. § 30:10 (the "***Risk Fee Statute***"). Buyer herby agrees that its participation will include the obligation to bear its proportionate share of the White Marlin working interest; provided, that Buyer will be entitled to receive its share of the risk-fee non-consent penalty until such time as White Marlin has recouped its interest in accordance with the Risk Fee Statute. Buyer's working interest and net revenue interest after recoupment is shown on Exhibit "A"

Buyer acknowledges that the State of Louisiana royalty applicable to the state leases within the Unit is contemplated to be is 12.5% of 8/8ths for eighty-four (84) months from the amendment of the applicable state lease, after which the royalty rate will increase to 20% pursuant to the terms of the applicable state lease (the "***State Royalty Step-Up***"). Upon the occurrence of any State Royalty Step-Up, Buyer's resulting reduction in net revenue interest shall be borne entirely by the Buyer in proportion to its working interest in such leases and Buyer's approximate net revenue interest at the time of the State Royalty Step-Up is shown on Exhibit "A". No ORRI interest of CEI or Rincon, shall be reduced, diminished, or otherwise affected by any State Royalty Step-Up; provided, however, that the ORRI in favor of Seller with respect to such state leases shall be extinguished.

Buyer acknowledges that the net revenue interests after the State Royalty Step-Up are approximate and are subject to a final settlement on dual claimed acreage and a final unit plat. For purposes of this Agreement, Seller has assumed that the dual claimed acreage between the State of Louisiana and Louisiana Land & Exploration Company ("***LL&E***") will be settled at 70% LL&E and 30% State of Louisiana. In the event of any changes due to (i) the final unit plat and/or (ii) the execution of a settlement between LL&E and the State of Louisiana, the Parties agree that they shall execute a division of interest agreement in order to effectuate the intention of the Parties.

ARTICLE III: Overriding Royalty Reservation

Under the terms of the Assignment contemplated below, Seller will be entitled to an overriding royalty interest in and to the state leases sufficient to give Buyer a proportionately reduced 75% net revenue interest in the Unit and Initial Test Well. This overriding royalty interest is to remain a burden upon the oil and gas leasehold interest governed by the terms and provisions of the Agreement and the Operating Agreement, as it relates to any such interest that may be relinquished or forfeited or assigned by any one party to this Agreement to any other party to this Agreement as a result of a non-consent operation, failure to pay, or otherwise assigned to any third party. It is agreed that the overriding burdens in favor of Seller are not to be deemed a subsequently created interest or an undisclosed previously created interest and, it will be an interest recognized by all Parties that burdens any assigned, relinquished, forfeited, or any other form of transfer or interest hereof.

ARTICLE IV: Assignment of Interest

Effective as of the date of first production from the Initial Test Well, Seller shall assign or cause to be assigned and delivered to Buyer, a recordable assignment (the "***Assignment***") in the form attached hereto as Exhibit "C" of Buyer's interests in the Leases, the Initial Test Well and the Unit. Subject to the terms of the Operating Agreement, Buyer agrees that it shall assume and be entitled to its proportionate share of the rights and obligations contained in the Leases, including maintenance costs of the Leases (if any) incurred after the effective date of such Assignment. The Assignment shall be subject to the terms, covenants and conditions contained in the Leases, the overriding royalty interests referred to in Article III above, and this Agreement and the Operating Agreement, and shall be made without any warranties, express or implied, except that Seller, as the case may be, shall warrant title to the leasehold interests assigned by Seller, as the case may be, by, through and under them, but not otherwise. Notwithstanding any such agreements, Seller shall continue to utilize their best efforts to obtain any necessary consent to assignment. The Parties agree that none of Buyer's revenues should be suspended due to lack of consent in the event Seller is unable to obtain the necessary consent to assignment, and Buyer shall be considered to have a contractual interest in its proportionate share of production revenue attributable to the applicable lease(s), the Unit, the Initial Test Well, and subsequent wells until consent is obtained.

The BCPI and ACPI for Buyer in and to the Initial Test Well and the Unit are reflected on Exhibit "A" attached hereto and made a part hereof. Buyer shall be responsible for its BCPI share of (i) Long Lead Items (as defined herein) related to the drilling of the Initial Test Well and (ii) Dry Hole Costs and shall be responsible for its ACPI share of (i) the Sunk Costs, (ii) the Prospect Fee, and (iii) Long Lead Items related to equipment or material anticipated to be used after casing point is reached. For purposes of this Agreement, "***Casing Point***" shall be defined as occurring at that point in time when the Initial West Well has been drilled to the Objective Depth, and all necessary logs, cores and tests are completed to evaluate the Initial Test Well to determine if a completion attempt should be made, or through plugging and abandoning the well if a completion is not attempted. For purposes of this Agreement, Buyer's BCPI share shall be effective from the date of this Agreement until the time the Initial Test Well reaches Casing Point.

Seller represents that to their knowledge:

i) Prior to spud of the Initial Test Well, except as set forth on Exhibit A, the Leases will be paid in full and will be in full force and effect in accordance with the terms and conditions thereof;

ii) The Leases are free and clear of any mortgages, liens, or encumbrances of any kind or character created or suffered by the Seller, except as to the Lessors' reserved royalty, and the Overriding Royalty burdens, as set forth in Article II and III and that after taking into account all such burdens each of the Leases will have a net revenue interest of not less than the net revenue interests set forth on Exhibit A;

iii) CEI and Seller have the right and authority to enter into this Agreement and to execute any assignments provided for herein.

iv) Except for the dual claim acreage disputes, there are no suits, demands, or claims threatened or pending in any way affecting title to the Leases, alleging any default under the terms of the Leases, or otherwise affecting CEI or Seller's ability to perform their obligations under the terms of the Agreement.

v) The obligations in respect of covenants, representations and warranties contained herein shall be several and not joint and no Party shall be liable for any breach by any other Party for that Party's breach under this Agreement.

vi) Except as set out on Exhibit A, none of the Leases requires the consent of any lessor or third-party to assign such Lease or provides any lessor or third-party the preferential right or right of first refusal in respect of such Lease.

vii) Except as disclosed on Exhibit A, none of the Leases are subject to any contracts, commitments or dedications in respect of the sale, disposition, transport, processing or treatment of production from the Leases.

ARTICLE V: Costs

Buyer agrees to bear its ACPI share of the costs/fees comprised of lease acquisition and permitting costs as of the date of the close of Seller's May accounting month (the "***Sunk Costs***"), and also a prospect fee (the "***Prospect Fee***") as shown on Exhibit "F" and **shall pay the Sunk Costs and Prospect Fee within five (5) days of execution of this Agreement**. For the avoidance of doubt, additional lease brokerage, lease maintenance, delay rentals, regulatory, surveying, permitting fees, title abstracts, title examination, title curative, mitigation costs and attorney's fees incurred after the Effective Date and/or Seller's May accounting month ("***Lease Maintenance Costs***"), shall be charged and paid proportionately by Buyer.

The failure of a Buyer to timely remit the Sunk Costs and Prospect Fee as outlined below may, at Seller's option, result in Buyer's forfeiting all of their rights under this Agreement upon 10-days written notice and opportunity to cure.

In addition to the Sunk Costs and Prospect Fee, Buyer shall be obligated to pay its proportionate working interest share of the following: (i) the $84,500 spud fee due to Perdido within thirty (30) days of spud (ii) a $100,000 spud fee to Seller and (iii) a $50,000 completion fee to Seller (the Parties acknowledging that a portion of the spud fee and completion fee shall be remitted by Seller to Rincon Energy, LLC in connection with its consulting work on the Prospect.

The estimated total cost and expense associated with drilling the Initial Test Well for the Prospect is shown on the AFE For Expenditure ("***AFE***") attached as Exhibit "E", and shall include but not be limited to, the estimated costs of permitting, mobilizing and demobilizing the drilling unit, drilling and logging the Initial Test Well, insurance coverage as shown in Exhibit "D" to the Operating Agreement and abandonment if the Initial Test Well is dry, all such costs being called "Dry Hole Costs", to the extent such costs are not already captured within the Sunk Costs and Lease Maintenance Costs.

Should Buyer elect in writing not to participate in a completion attempt in the Initial Test Well, or be deemed to have elected not to participate, then Buyer shall forfeit all of its, rights, titles and interests in the Prospect and its right to receive an assignment under Article IV of this Agreement. Buyer shall remain responsible for its proportionate share of costs and liabilities incurred prior to its election not to participate.

By execution of this Agreement, Buyer commits to participate in and pay for its BCPI share in the dry hole costs of the Initial Test Well. The Initial Test Well shall be drilled pursuant to the terms of the Operating Agreement and, except as set forth herein, shall be subject to certain elections provided for in the Operating Agreement, and all cost, risk, expense and liability for the drilling of the Initial Test Well and, if necessary, the plugging and abandonment cost if plugged and abandoned as a dry hole without a completion attempt being made, shall be in accordance with this Agreement and the Operating Agreement.

In addition to the Sunk Costs and Prospect Fee, Seller has purchased or anticipates that it will purchase certain long-lead items or contracts that are required to be ordered/executed, such as drilling or completion pipe (the "***Long Lead Costs***"). With respect to Long Lead Costs that have been purchased, Buyer shall pay its BCPI share of such drilling related Long Lead Costs within forty-eight (48) hours of execution of this Agreement. With respect to Long Lead Costs that have not been purchased, Buyer shall pay their BCPI share of drilling related Long Lead Costs and their ACPI share of completion related Long Lead Costs within five (5) business days of the Operator providing Buyer with notice that it intends to pre-purchase such items (or execute a contract, as the case may be). Buyer shall be credited its proportionate share of equipment associated with Long Lead Costs that are unused and sold at the end of the operation for which they were intended in accordance with the COPAS provisions contained in Exhibit "C" to the Operating Agreement; provided that any Long Lead Costs with respect to Completion shall be refunded if the Initial Test Well is completed but applicable Buyer elects not to participate in the completion of such well.

Buyer shall pay its BCPI share of Dry Hole Costs (less and except any purchased drilling-related Long Lead Costs paid by Buyer), to Operator via cash call within fifteen (15) days of issuance, in accordance with the Operating Agreement; however, the penalty for Buyer's non-payment of Dry Hole Costs in accordance with this Agreement, upon five (5) days written notice and opportunity to cure, shall be forfeiture of interest in the Prospect with Buyer having

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no right to a refund of any monies paid to Seller relative to the Prospect.

ARTICLE VI: The Initial Test Well

The Operating Agreement will provide that the Operator will commence operations of the Initial Test Well on or before [December 1, 2026] (the "***Spud Deadline***"), unless otherwise extended by mutual agreement between the Parties. The Initial Test Well shall be drilled as follows:

Subject to permitting and rig availability, CEI, as Operator, shall use commercially reasonable efforts to commence operations for the drilling of a well at a bottom hole location with coordinates of x=1932666, y=394370 in Lafourche Parish, Louisiana and drill said well with reasonable diligence to a minimum depth of 13,000' TVD or a depth sufficient to test the stratigraphic equivalent of the oil and gas bearing zone encountered between the depths of 11,590-12,555' MD as seen in the Texaco, Inc.-LL&E Leeville NO. 250 Well (API # - 1710122405) Logged by Baker Hughes LWD with a log date of 2/07/2011 and located in Section 18–T21S-R22E) (the "***Contract Depth***") and to thereafter evaluate said well in accordance with good oil field practices, and depending on the outcome of said evaluation, to either plug and abandon the well or make a recommendation for a completion attempt.

If the Initial Test Well should fail to reach Contract Depth due to mechanical difficulties or because the well encounters excessive water flow, loss of circulation, excessive pressure, cavities, cap rock, salt or salt dome material, heaving shale, or other practically impenetrable conditions which would, in the opinion of the operator, render further drilling impracticable, then the Parties may, at their election, commence, or cause to be commenced, actual drilling of a substitute well at approximately the same location within ninety (90) days after abandonment of the Initial Test Well. The substitute well shall be considered and treated for all purposes hereof as though the same were the well for which it is a substitute. Any Party may elect not to participate in a substitute well, but such Party shall, upon ten (10) days written notice and opportunity to cure, thereafter forfeit its interest in the Prospect to those parties assuming its interest under the terms of the Operating Agreement free and clear of any burdens or encumbrances, except those provided for herein such as the reserved Overriding Royalties, created by it, or its successors or assigns, and such Party shall not be entitled to any reimbursement for any costs or expenses it has incurred.

Subject to force majeure provisions and receipt of all necessary State and Federal (if applicable) permits, in the event that the Initial Test Well is not spud by the Spud Deadline, and not otherwise extended by mutual agreement between the Parties, Buyer, at its option and without penalty, upon delivery of notice by the Buyer to Seller, may withdraw from participation in the Initial Test Well. In the event that Buyer elects to withdraw from participation in the Initial Test Well, Buyer shall forfeit all rights hereunder in the Prospect and Seller shall immediately refund to all consideration and other monies paid by the Buyer pursuant to this Agreement in the Prospect.

ARTICLE VIII: Intentionally Omitted.

ARTICLE IX : Force Majeure

No Party hereto shall be liable to any other Party, its subsidiaries or affiliates or any person, firm, or corporation in privity with such other Party, its subsidiaries or affiliates, for any delays or damage or any failure to act hereunder (except for the payment of monies due for costs and expenses already incurred) that may be occasioned or caused by reason of any laws, rules, regulations or orders promulgated by any federal, state or local governmental agency or any court of law or by the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the activities and operations contemplated herein, or due, occasioned or caused, directly or indirectly, by strikes, action of the elements, acts of God, weather or water conditions, inability to obtain fuel, equipment, rig or crew or other critical materials, means or supplies, or any other cause beyond the reasonable control of the non-performing Party (excluding financial distress or inability to pay debts when due). In the event of the occurrence of any of the foregoing, the obligations of the non-performing Party shall be suspended during the continuance of any such event or condition, and the time permitted for performance under this Agreement shall be extended for a period of time equal to the period of such suspension. Whenever a Party's obligations or rights are suspended under this Article, such Party shall immediately notify the other Parties, give written explanation for the cause of Force Majeure relied on and exercise reasonable best efforts to cure the cause of the Force Majeure relied on and to resume performance. Notwithstanding anything contained herein to the contrary, Force Majeure shall not act to extend the Spud Deadline past [March 31, 2027], unless otherwise agreed to by the Parties.

ARTICLE X : Notices

Any notice provided or permitted to be given under this Agreement shall be in writing and may be sent by personal delivery or facsimile machine, email or by depositing same in the United States Mail, addressed to the Party to be notified, postage prepaid, and registered or certified with a return receipt requested. Notices deposited in the mail in the manner hereinabove described shall be deemed to have been given and received upon the date of delivery as shown on the return receipt (or upon the date of attempted delivery where delivery is refused). Notice served in any other manner shall be deemed to have been given and received only if and when actually received by the addressee (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by telecopy or other facsimile means), and when delivered according to the receipt, if hand-delivered, sent by express courier or delivery service.

For purposes of notice, the proper addresses of the Parties shall be as follows:

Castex Energy, Inc. **Castex Energy 2021, LLC** 333 Clay Street, Suite 2900 Houston, TX 77002 Facsimile: (281) 447-1009 Jonathan Wilson: jwilson@castexenergy.com William O'Neal: woneal@castexenergy.com Ashley Green: agreen@castexenergy.com	**Seidler Oil & Gas L.P.** 7140 East FM 917 Alvarado, TX 76009 Mobile: (817) 832-2535 Frank Seidler: tiger@sig777.com

ARTICLE XI: General Provisions

10. Further Assurances. Operator, Seller and Buyer shall, from time to time and upon reasonable request, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such instruments, and take such other action, as may be necessary or advisable, to carry out their respective obligations under this Agreement.

2. Assignment of Agreement. Buyer shall not assign this Agreement or any of its rights or obligations under this Agreement without obtaining the prior written consent of Seller, which consent shall not be unreasonably withheld, except that after Buyer has earned its Assignment, Buyer shall be entitled to assign its interest in the Leases, Unit and wells in the ordinary course.

3. Warranty. Except for actions by, through and under Seller, such persons do not warrant

title to the interest in the Leases which may be assigned to Buyer. Buyer acknowledges that Seller makes no express warranty and disclaims all implied warranties and all statutory warranties as to (i) the accuracy or completeness of the Prospect data furnished to Buyer, (ii) the presence of hydrocarbons within the area(s) outlined on Exhibit "B-1", attached hereto, or (iii) the results which might be expected from any exploration, development, production, and/or hydrocarbon marketing activities contemplated by this Agreement. Nothing contained in the information referenced above, including but not limited to, reserve figures, analyses, or representations of any kind, is or shall be relied upon as a promise or representation of warranty, whether as to the past or the future value of the properties or their prospect potential. Seller and its respective employees, agents, representatives, officers, directors and shareholders shall have no liability of any sort to Buyer (or any affiliate or associate of Buyer) under this Agreement arising from the use by any person of such information except in the case of fraud or gross negligence.

4. Compliance with Laws and Regulations. This Agreement, and all operations conducted by the Parties pursuant to this Agreement, are expressly subject to and shall comply with all laws, orders, rules, and regulations of any federal, state, or local governmental authority having jurisdiction. No Party shall suffer forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if such compliance is prevented or if such failure results from compliance with any applicable law, order, rule, or regulation.

5. Applicable Law. **THE PROVISIONS OF THIS AGREEMENT AND THE RELATIONSHIP OF THE PARTIES SHALL BE GOVERNED AND INTERPRETED ACCORDING TO THE LAWS OF THE STATE OF LOUISIANA WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS.**

6. Severance of Invalid Provisions. In case of a conflict between the provisions of this Agreement and the provisions of any applicable laws or regulations, the provisions of the laws or regulations shall govern over the provisions of this Agreement. If, for any reason and for so long as, any clause or provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid, unenforceable, or unconscionable under any present or future law (or interpretation thereof), the remainder of this Agreement shall not be affected by such illegality or invalidity. Any such invalid provision shall be deemed severed from this Agreement as if this Agreement had been executed with the invalid provision eliminated. The surviving provisions of this Agreement shall remain in full force and effect unless the removal of the invalid provision destroys the legitimate purposes of this Agreement, in which event this Agreement shall be null and void. The Parties shall negotiate in good faith for any required modifications to this Agreement.

7. Construction and Interpretation. The interpretation and construction of the terms of this Agreement will be governed by the following conventions:

(10) Headings for Convenience: All captions, numbering sequences and paragraph headings used in this Agreement are inserted for convenience only and shall in no way define, limit, or describe the scope or intent of this Agreement or any part thereof.

(ii) Gender and Number: The use of pronouns in whatever gender or number shall be deemed to be a proper reference to the Parties to this Agreement though the Parties may be business entities or groups thereof. Any necessary grammatical changes required to make the provisions of this Agreement refer to the correct gender or number shall in all instances be assumed as though each case was fully expressed.

(10) Independent Representation: Each Party has had the benefit of the option to seek independent legal representation with respect to this Agreement. This Agreement, though drawn by one Party, shall be construed fairly and reasonably and not more strictly against one Party than the other.

(iv) Integrated Agreement: This Agreement and the Exhibits attached and incorporated herein, contains the entire agreement of the Parties with respect to the subject matter of this contract. There are no representations, warranties, or promises; oral or written, express or implied, between the Parties other than those included in this Agreement and the Exhibits hereto.

Each of the Parties acknowledges that the other Party has made no promise, representation, or warranty that is not expressly stated or incorporated in this Agreement or the Exhibits hereto. This Agreement shall not be modified or changed (nor any provision of this Agreement waived) except by a written amendment signed by all Parties. This Agreement is the entire agreement as to all of the performances to be rendered under it, and breach of any provision shall constitute a breach of the entire Agreement. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit, or waive a Party's rights under this Agreement at any time to enforce strict compliance thereafter with every term or condition of this Agreement. In the event of any conflict between this Agreement and the Exhibits attached hereto, the terms and provisions of this Agreement shall at all times and in all events prevail, control and govern between the Parties hereto.

8. Binding Effect: The terms and provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the Parties, their respective successors and permitted assigns. The Parties agree to execute such other instruments as may be necessary to carry out or make effective the terms and provisions of this Agreement.

9. Relationship of the Parties: The rights and obligations of the Parties hereunder shall be individual, separate, and several and not joint and collective. It is expressly agreed that the Parties do not intend to create, and it is not the purpose or intention of this Agreement to create, and this Agreement shall never be construed as creating, a joint venture, mining partnership, or other relationship whereby any Party will be liable for the acts, either of omission or commission, of any other Party hereto. The Parties shall be individually responsible only for their own obligations, except as herein described. Each of the Parties hereby elects to have the Secretary of the Treasury of the United States, or his delegate, exclude all operations provided for in this agreement from the application of any of the provisions of Subtitle A, Chapter 1, Sub-chapter K of the Internal Revenue Code of 1986 as amended, and, further each of such Parties authorize the Operator to file with the Internal Revenue Service such documents, statements and copies of this agreement, as may be necessary or desirable to effect such exclusions of the Internal Revenue Code of 1986, as amended.

10. Counterpart Execution: This Agreement may be executed by signing the original or a duplicate counterpart thereof. If this Agreement is executed in counterparts, all duplicate counterparts taken together shall have the same effect as if all Parties had signed the same agreement, but no Party shall be bound to this Agreement unless and until all Parties have executed a counterpart or the original.

IN WITNESS WHEREOF, the Parties have executed or caused the Agreement to be executed as of the day and year first above written.

[signature blocks on following page]

Castex Energy, Inc.

By: Jonathan Wilson, Vice President

Castex Energy 2021, LLC

By: Jonathan Wilson, Vice President

Seidler Oil & Gas L.P.

By: Frank Seidler, President

EXHIBIT "A"

(see following page)

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

I. **Leases:**

Lessor	Lessee	Date of Lease	Instrument No.
State of Louisiana	Castex Energy 2021, LLC	10/9/2024	1379296
Lousiana Land and Exploration Company, LLC	Castex Energy 2021, LLC	7/1/2025	1392791
State of Louisiana	Castex Energy 2021, LLC	10/8/2025	1395921

I. **Overriding Royalty Burdens**

To be provided: 2% ORRI in favor of Rincon Energy and 3% ORRI in favor of CEI on the state leasehold, Perdido Farmout lease and Instrument No. 1392791.

II. **Consents to Assign and Contract Burdens**

A. Instrument No. 1392791 contains a consent to assign. The Perdido Farmout will also contain a consent to assign.
B. Seller in the process of finalizing and executing the Perdido Farmout and a letter agreement governing the production and handling of the production from the Unit. Upon execution, the Buyer's interests will be subject to the provisions of these contracts.

III. **Buyer's Working Interest and Net Revenue Interest on a Unit Basis**

Interest in the Unit and Initial Test Well***	BCP	ACP	Perdido ORRI Increase at Payout*	Perdido BIAPO**	White Marlin Risk Fee Recoupment + Perdido ORRI Increase	White Marlin Risk Fee Recoupment if Perdido BIAPO	State Royalty Step Up + Perdido ORRI Increase & White Marlin BI	State Royalty Step Up + Perdido BIAPO & White Marlin BI
Working Interest	26.67%	20%	20%	19.67%	17.66%	17.33%	17.66%	17.33%
Net Revenue Interest		15.00%	15.00%	14.75%	13.25%	13.00%	12.85%	12.73%

*Assumes Perdido does not elect to take a BIAPO
**Assumes Perdido elects to take a BIAPO
***Assumption that the dual claim acreage is settled between the LL&E and the State of Louisiana at a 70/30 split; interests may be refined further after receipt of a final survey plat

IV. Buyer's Interest in each Lease and Farmout

ACP Assignment of Working Interests in the Leases***	Perdido Farmout Lease	Perdido Farmout Lease if Perdido BIAPO (excludes dual claim)**	Perdido Farmout Lease if Perdido does not BIAPO (excludes dual claim)*	Portion of Perdido Farmout Lease subject to dual claim****	Portion of White Marlin Risk Fee Interest Subject to Dual Claim	White Marlin Risk Fee Interest during Risk Fee Period	State Lease No. 22239		State Lease No. 23305		LL&E Lease	Portion of LL&E Lease Subject to Dual Claim
							During Step Up	After Step Up+	During Step Up	After Step Up+		
Working Interest	20%	18.00%	20%	20%	6%	20.00%	20.00%	20.00%	20.00%	20.00%	20%	20%
Net Revenue Interest	13.400%	12.060%	13.400%	13.400%	4.500%	15.000%	17.600%	15.000%	17.600%	15.000%	14.000%	14.00%

*Assumes Perdido does not elect to take a BIAPO
**Assumes Perdido elects to take a BIAPO
***Assumption that the dual claim acreage is settled between the LL&E and the State of Louisiana at a 70/30 split; interests may be refined further after receipt of a final survey plat
****Per the Perdido Farmout, Perdido is not entitled to an ORRI or a BIAPO on any portion of Perdido's farmout lease that is subject to a dual claim with the State of Louisiana

+ Assumes Perdido does not back in after 100% payout and post Risk Fee

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EXHIBIT "B-1" (Lease Outline)

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

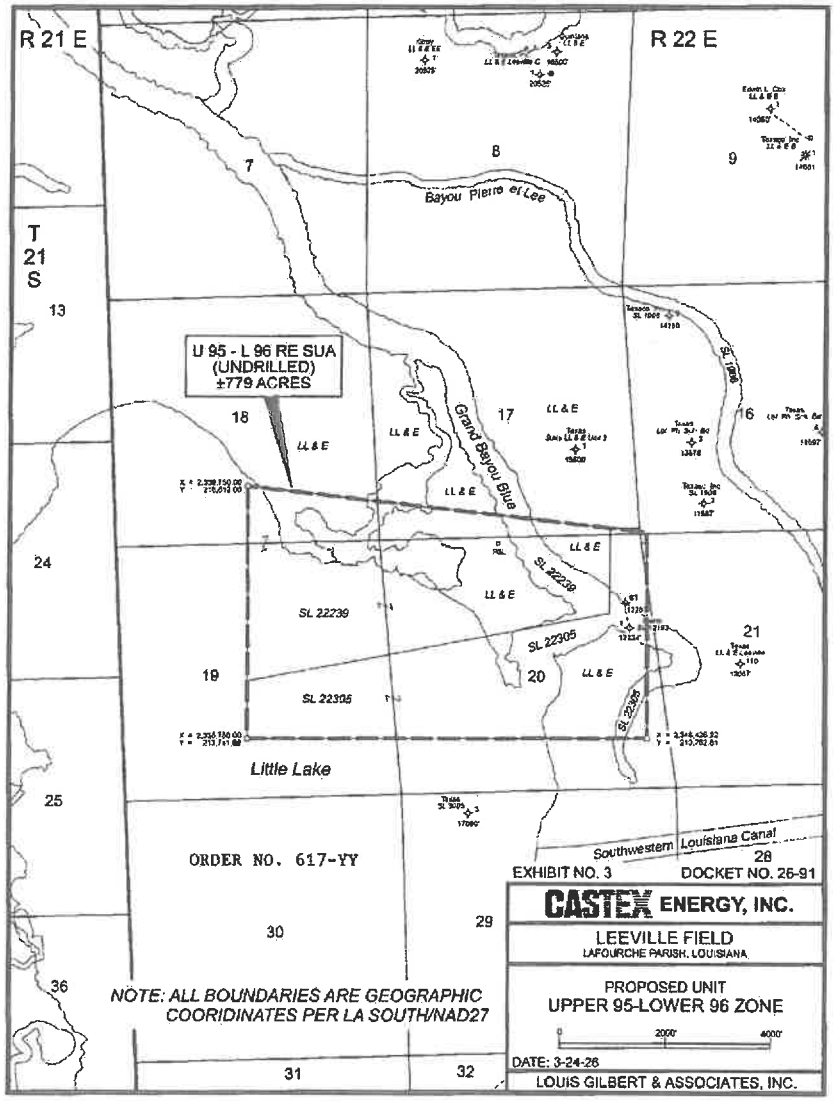

EXHIBIT "B-2" (AMI Outline)

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

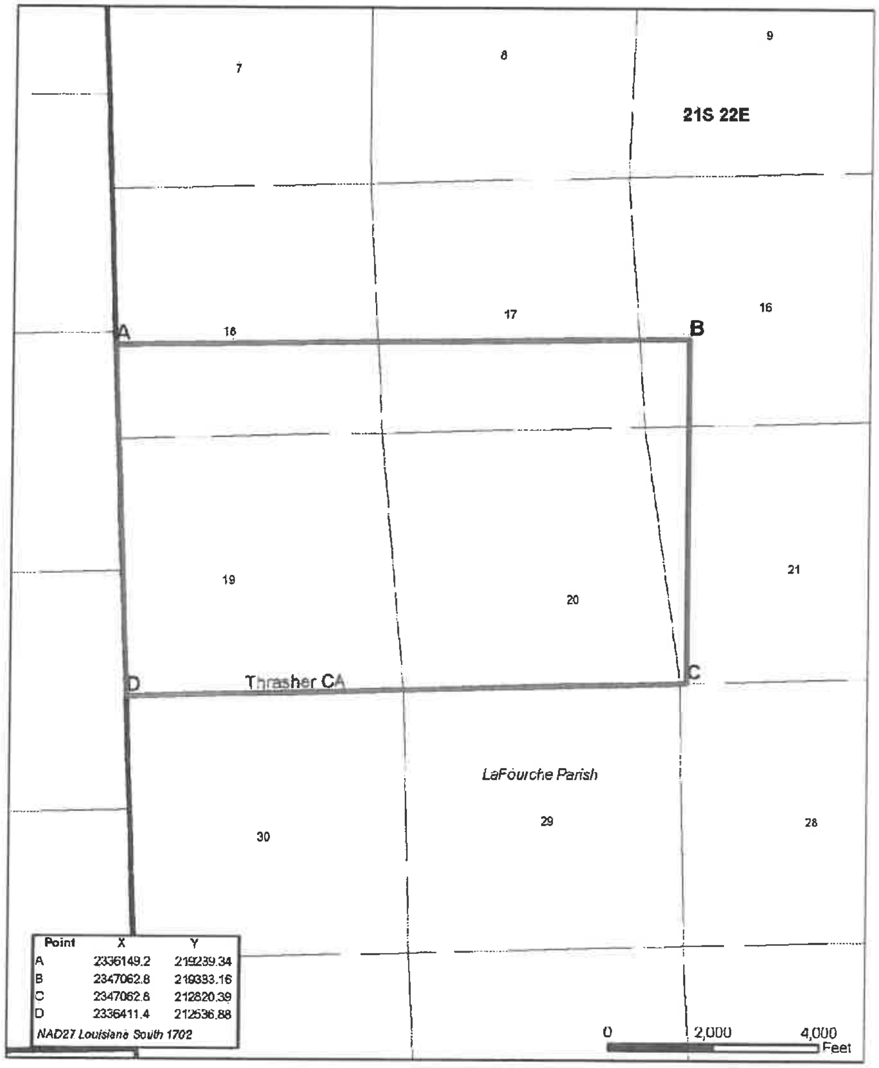

EXHIBIT "C"

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

ASSIGNMENT OF LEASES FOR OIL, GAS AND OTHER LIQUID OR GASEOUS MINERALS

STATE OF LOUISIANA

PARISH OF LAFOURCHE

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Castex Energy 2021, LLC ("Castex" or "Assignor") whose address is 333 Clay Street, Suite 2900, Houston, Texas 77002 is the owner of those certain leases described on Exhibit "A" and made a part hereof.

WHEREAS, Assignor desires to convey to Seidler Oil & Gas, L.P., as "Assignee", whose address is 7140 East FM 917, Alvarado, TX 76009, the following:[1]

[the parties agree to list the working interests and net revenue interests for each lease and the farmout agreement, identify the reservation of overriding royalty in favor of Seller as set forth on Exhibit A to the participation agreement, subject to the final unit plat and settlement among the State of Louisiana and LL&E on the dual claim acreage, to be described in Exhibit "B"]

It is the intent of the parties that, after giving effect to the foregoing assignments, reservations and subsequent assignments, Buyer will have the resulting stated working interest and net revenue interest in the Leases as set forth on the Exhibit "C" attached hereto and made a part hereof.

This Assignment is expressly made subject to the terms and conditions of the Leases, the Participation Agreement, the Operating Agreement (as defined by the Participation Agreement) and all contracts related thereto, and Assignee agrees to comply with the terms, conditions and obligations thereof and agrees to be bound by all of the obligations imposed therein, and to assume its working share of any and all claims and liabilities, subject to the terms of the Operating Agreement, connected with Assignee's ownership of the Leases from and after the Effective Date of this Assignment. This Assignment is made without warranty, either express or implied, except that Seller shall warrant title to the leasehold interests assigned by, through and under it, but not otherwise.

This Assignment may be executed in multiple counterparts and each separate counterpart shall constitute an original of this Assignment.

TO HAVE AND TO HOLD the Assigned Interests with all rights thereto unto Assignee, their successors, heirs and assigns.

---

[1] WIP

IN WITNESS WHEREOF, Assignors and Assignee have executed this Assignment this 29 day of July, 2026, but effective as of [] (the "Effective Date").

WITNESS to all signatures:

ASSIGNOR:

CASTEX ENERGY 2021, LLC

Name Printed: ______________

By:

Name Printed: ______________

Name:

Title: ______________

ASSIGNEE:

SEIDLER OIL & GAS L.P.

Name Printed: Franklin Wayne Seidler

By: Franklin Wayne Seidler

Name Printed: ______________

Name: Franklin Wayne Seidler

Title: President

ACKNOWLEDGEMENT

STATE OF TEXAS §
§
PARISH OF HARRIS §

The foregoing instrument was acknowledged before me on this the ____ of ____________, 2026 by ______________________________ as ______________________________ of Castex Energy 2021, LLC, and that the above and foregoing instrument was signed on behalf of the company.

____
Notary Public in and for the State of Texas

STATE OF Nevada §
§
PARISH OF Clark §

The foregoing instrument was acknowledged before me on this the 29 of July, 2026 by Franklin Wayne Seidler as President of Seidler Oil & Gas L.P., and that the above and foregoing instrument was signed on behalf of the company.

____
Notary Public

Brandon Washington
NOTARY PUBLIC
STATE OF NEVADA
Appt. No. 16-2646-1
Expires August 15, 2027

Notarized remotely using audio-video communication technology via Proof.

Proof

How to Verify This Transaction

Every Proof transaction is recorded and saved for a minimum of five years. Whether you receive an electronic or printed paper copy of a Proof document, you can access details of the transaction and verify its authenticity with the information below.

To get started, visit **verify.proof.com** and enter this information:

Access ID:	BCR6EVMM
Access PIN:	R2R4MG

For more information on how to verify Proof transactions, please visit: **support.proof.com**

EXHIBIT "A"

Attached to and made a part of that certain Assignment Of Leases For Oil, Gas And Other Liquid Or Gaseous Minerals

[Insert Description Leases and Farmout]

EXHIBIT "B"

Attached to and made a part of that certain Assignment Of Leases For Oil, Gas And Other Liquid Or Gaseous Minerals

[Describe net revenue interest and working interest in each lease, etc.]

EXHIBIT "C"

Attached to and made a part of that certain Assignment Of Leases For Oil, Gas And Other Liquid Or Gaseous Minerals

[Insert Table of Resultant Working and Net Revenue Interests]

EXHIBIT "D"

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

(Joint Operating Agreement)

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

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

__________________ , _________ ,
year

OPERATOR ____

CONTRACT AREA ____

____

____

____

____

COUNTY OR PARISH OF ___________________________ , STATE OF _______________

A.A.P.L. NO. 610 – 1989

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OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder. See also Article XVI.A.2.

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

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

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

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

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

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

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

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

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

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

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

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

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

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

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

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

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas. See also Article XVI.A.1.

S. See also Article XVI.A for additional definitions.

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

ARTICLE II.
EXHIBITS

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

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

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

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

__X__ C. Exhibit "C," Accounting Procedure.

__X__ D. Exhibit "D," Insurance.

__X__ E. Exhibit "E," Gas Balancing Agreement.

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

X G. Exhibit "G," Well Requirements

X H. Other: Memorandum of Operating Agreement and Financing Statement

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

ARTICLE III.

INTERESTS OF PARTIES

A. Oil and Gas Interests:

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

B. Interests of Parties in Costs and Production:

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

With respect to any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all existing production burdens on its share of the production from / Oil and Gas Leases or Oil and Gas Interest contributed by such party to the Contract Area and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. See also Article XVI.E.

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

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

C. Subsequently Created Interests: See also Article XVI.G.

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

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

ARTICLE IV.

TITLES

A. Title Examination: See also Article XVI.K.

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if Operator so elects, title examination shall be made on the entire Drilling Unit, or any portion thereof or maximum anticipated Drilling Unit, or any portion thereof, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys or field landmen. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys and field landmen for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions, title reports) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other employees of Operator in the performance of the above functions.

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

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

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

B. Loss or Failure of Title: See also Article XVI.T.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

____ shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties or any of their respective officers, employees, or agents for any claims, costs, expenses, and for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator; and its Affiliates such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single affiliate, subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator and its Affiliates that was removed or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

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

C. Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling and completion of wells, but its charges therefor shall not exceed the prevailing rates in the area, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

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

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

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

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

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

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

(1) Operator will promptly advise Consenting Parties of the date on which the well is spudded, or the date on which drilling operations are commenced.

Operator will send to Consenting Parties such reports, test results and notices regarding the progress of operations on the well as the Consenting Parties shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

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

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VI.
DRILLING AND DEVELOPMENT

1. Initial Well:

On or before the ________ day of ________________________, ___, Operator shall attempt to commence actual drilling operation of the Initial Well at the following location:

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

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

B. Subsequent Operations

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

notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6. See also Article XVI.B.4, Article XVI.B.7, Article XVI.B.8.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than one hundred fifty (150) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location in regards to a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. <u>Operations by Less Than All Parties: See also Article XVI.B.4, and Article XVI.B.7 and Article XVI.B.8.</u>

(1) <u>Determination of Participation.</u> If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than one hundred fifty (150) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location in regards to a proposal to Rework, Sidetrack, Recomplete, Plus Back, or Deepen, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

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

(b) <u>Relinquishment of Interest for Non-Participation.</u> The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the

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

(i) 200 % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) 500 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest. See also Article XVI.B.4 and Article XVI.B.8.

(c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 500 % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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

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

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

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well including plugging, abandonment and surface restoration in accordance with the terms of this agreement and Exhibit "C" attached hereto.

3. Stand-By Costs: When a well which has been drilled or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking,

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

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

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

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

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

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

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

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

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

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

7. <u>Conformity to Spacing Pattern.</u> Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to Deepen, Sidetrack, Recompleted or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone by the appropriate regulatory agency or such well has been approved as an exception to the existing pattern by the applicable governing authority.

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

C. Completion of Wells; Reworking and Plugging Back:

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

☐ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof made available furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6, Article XVI.B.1 and Article XVI.B.2 shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; See Article XVI.B.4

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

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifty-Thousand Dollars ($ 50,000) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Fifty-Thousand Dollars ($ 50,000). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 50.00 % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled, Sidetracked, or Deepened pursuant to Article VI.B.2., any well which has been drilled, Sidetracked or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be

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

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

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

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

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b). If Operator does not receive written response from any Non-Operator within thirty (30) days after delivering notice of a proposed abandonment to such Non-Operator, then that Non-Operator shall be deemed to have consented to the proposal.

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing __50.00___% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

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

Each party shall have the right to take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of (a) production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and (b) production unavoidably lost, vented or flared. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

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

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

In the event one or more parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with the Gas balancing agreement between the parties hereto, which is attached as Exhibit "E" Operator shall give notice to all parties of the first sales of Gas from any well under this agreement.

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

1. Liability of Parties: See also Article XVI.T and Article XVI.J.

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

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

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

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

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

If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

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

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

C. Advances: See also Article XVI.D and Article XVI.N

Notwithstanding any provision of this agreement, Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made after the operation is complete and all costs have been paid between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more. Any excess funds remaining at the time of such adjustment shall be promptly returned to advancing party.

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C., Article XVI.D and provisions I.2 and I.3 of the COPAS 2005 Accounting Procedure, attached hereto as Exhibit "C",or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

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

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

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

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

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

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

E. Rentals, Shut-in Well Payments and Minimum Royalties:

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

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C."

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

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

B. Renewal or Extension of Leases: See also Article XVI.O

If any party secures a renewal, top leases or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties who participated in the ownership of the Lease or Leases being renewed, replaced or on which a top lease is being taken shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease or top lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease or top lease shall be given an assignment of its proportionate interest therein by the acquiring party; without warranty of title, express or implied except as such assignment is prohibited under the terms of such lease.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease or top lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease or top lease. The acquisition of a renewal or replacement Lease or top lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease or top lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement identical to this agreement.

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

The provisions of this Article shall apply to renewal or replacement Leases or top leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease or top lease taken before the expiration of its predecessor Lease (except to the extent such Lease is renewed or extended pursuant to Article XVI.O, by the party who contributed such Lease), or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease or top lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease or top lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party receives a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside Contract Area.

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

D. Assignment; Maintenance of Uniform Interest:

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

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

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

See also Article XVI.R and Article XVI.S.

E. Waiver of Rights to Partition:

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

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty-Thousand Dollars ($50,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over by the affirmative vote of the party or parties owning a majority interest based on ownership as shown in Exhibit “A” the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term “force majeure,” as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightening, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction,inability to obtain any permits, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

ARTICLE XII.
NOTICES

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

ARTICLE XIII.
TERM OF AGREEMENT

Unless terminated by mutual written consent of all parties, this agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

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

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

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations. Notwithstanding anything contained under this Article XIII, and Article XI in the event actual drilling operations are not commenced within one hundred eighty (180) days of the date specified in Article VIA, then this agreement will terminate.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Texas shall govern. The parties hereby submit to the exclusive jurisdiction to the state and federal courts sitting in Harris County, Texas with respect to any matter relating to or arising out of this agreement.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

ARTICLE XV.

MISCELLANEOUS

A. Execution:

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

B. Successors and Assigns:

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

C. Counterparts:

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

D. Severability:

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

ARTICLE XVI.

OTHER PROVISIONS

See Article XVI, Other Provisions to JOA on subsequent pages attached hereto.

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

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

ATTEST OR WITNESS:

____

____

OPERATOR

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ______________________________

NON-OPERATORS

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ______________________________

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ______________________________

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ______________________________

ACKNOWLEDGMENTS

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

~~Individual acknowledgment:~~

~~State of ________________)~~

~~________________________) ss.~~

~~County of ______________)~~

~~This instrument was acknowledged before me on~~

~~____ by ____~~

~~(Seal, if any)~~ ____

~~Title (and Rank)~~ ____________________________

~~My commission expires:~~ ____________________________

Acknowledgment in representative capacity:

State of ________________)

) ss.

County of ______________)

This instrument was acknowledged before me on

____ by ____ as ________________ of____ .

(Seal, if any) ____

Title (and Rank) ____________________________

My commission expires: ____________________________

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

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

ATTEST OR WITNESS:

____

____

OPERATOR

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ____________________

NON-OPERATORS

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ____________________

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ____________________

____

____

____

By ______________________________

____
Type or print name

Title ______________________________

Date ______________________________

Tax ID or S.S. No. ______________________________

ACKNOWLEDGMENTS

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

~~Individual acknowledgment:~~

~~State of ________________)~~

~~________________________) ss.~~

~~County of ______________)~~

~~This instrument was acknowledged before me on~~

~~____ by ____~~

~~(Seal, if any)~~ ____

~~Title (and Rank)~~ ____________________________________

~~My commission expires:~~ ______________________________

Acknowledgment in representative capacity:

State of ________________)

) ss.

County of ______________)

This instrument was acknowledged before me on

____ by ____ as ________________ of____ .

(Seal, if any) ____

Title (and Rank) ____________________________________

My commission expires: ______________________________

ARTICLE XVI.
OTHER
PROVISIONS

A. <u>Additional Definitions</u>:

1. The term "Zone" or "Zones" shall also mean a series of single Zones approved by the regulatory agency with responsibility for such matters. A single commingled or consolidated Zone will be considered a single Zone under this agreement.
2. An "AFE" or "well proposal" for the drilling of or other operations for a vertical or directional well pursuant to Article VI.B as the case may be, shall: (1) state whether the proposed operation is a vertical well or directional well; (2) include drilling and Completion plans specifying the proposed: (i) total vertical depth, (ii) total measured depth, (iii) surface hole location, (iv) bottom hole location, (v) proposed objective(s) for Completion, (vi) estimated drilling and Completion cost, (vii) and a directional plan, if the well is to be drilled directionally.
3. The term "Affiliate" shall mean, for the purposes of this agreement, any entity which directly or indirectly controls, is controlled by or is under common control by one or more of these entities: Castex Energy, Inc. or any other party hereto (where "control" means the power to direct or cause the direction of the management and policies of the other entity, whether directly or indirectly through one or more intermediaries or otherwise, and whether through ownership of shares or other equity interests, holding of voting rights or contractual rights or partnership interests, or otherwise; and whether in existence as of the date of this agreement or formed, created, acquired or merged during the term of this agreement). The term "<u>Affiliates</u>" with respect to Castex Energy Inc., includes [].
4. "Actual Drilling Operation" shall mean the point in which the drill bit penetrates the earth with a rig that is capable of drilling to the objective depths.
5. "production burdens" shall mean all royalties, overriding royalties, production payments, net profits interests, and similar non-cost bearing interests or rights in, carved from, burdening or attributable to any Oil and Gas Leases or Oil and Gas Interest.

B. <u>Operations:</u>

1. <u>Priority of Operations for a Well:</u>

   In the event the parties participating in the well cannot mutually agree upon the sequences and timing of further operations regarding said well, the following election shall control in the order enumerated hereafter:

   a. Prior to reaching the objective depth:

I. drilling a well to its objective depth shall have first priority over other operations and proposals; and

II. in the event the impenetrable or other conditions or mechanical difficulties prevent reaching the objective depth, a proposal to Sidetrack in an effort to reach the objective depth shall have priority over a proposal to attempt a Completion in a Zone already reached

b. After the objective depth has been reached:

I. an election to conduct additional logging, coring or testing;

II. an election to set casing and attempt to Complete the well at the objective formation or objective Zone;

III. an election to Sidetrack said well, to the original objective depth;

IV. an election to Plug Back, set the casing and attempt to Complete said well, in ascending order;

V. an election to Sidetrack said well to a depth other than the original objective depth;

VI. an election to Deepen said well in descending order;

VII. an election to plug and abandon said well.

2. <u>Conflicts Regarding Operations of a Well:</u>

If there are conflicting recommendations for further operations, the sequence of precedence for a further operation shall be in the numerical order as further operations are listed hereinabove. It is provided, however, that if at any time while the parties are considering the above elections, the hole is in such a condition that a reasonably prudent Operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to Completing the well, such election shall not be given the priority hereinabove set forth. In such an event, the succeeding operation which is less likely to jeopardize the well will receive higher priority.

If, during the drilling of any well being drilled hereunder, a bona fide dispute exists as to whether the proposed or objective depth has been reached in such well (as for example, whether a well has been drilled to a depth sufficient to test a particular Zone or if the well has reached the stratigraphic equivalent of a particular depth), the opinion of a majority in interest, and not in numbers, of the owners as shown on Exhibit “A” shall control and be binding upon all parties. If the parties are equally divided, the opinion of the Operator will control.

3. Testing:

In the event the Consenting Parties to a well disagree over the testing to be performed on said well at any depth, the following testing shall be performed in the order enumerated below:

a. Any testing provided in an approved prognosis or AFE shall be conducted for the joint account;

b. Any additional testing approved by affirmative vote of two (2) or more parties owning a majority in interest of the Consenting Parties shall be conducted for the joint account, except that no such testing shall be performed on a well producing in paying quantities without the consent of all parties then owning interests therein. It is provided, however, that if at any time while the Consenting Parties are considering the additional testing, the hole is in such a condition that a reasonable prudent Operator would not conduct the additional testing contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to Completing the well, such additional testing shall not be performed;

c. All testing that less than a majority in interest of the Consenting Parties desire to conduct shall be performed by the appropriate Operator at the sole cost, risk and expense of the parties requesting such testing. Such parties agree to be solely responsible for such testing operations and agree to assume full responsibility for the well and agree to indemnify the non-requesting parties for any loss, which results from the testing operation. The testing parties shall be exclusively entitled to the information obtained from the testing operation. No such testing shall be performed on any well then producing in paying quantities without the consent of all the parties then owning an interest in such well. It is provided, however, that if at any time while the Consenting Parties are considering the additional testing, the hole is in such a condition that a reasonable prudent Operator would not conduct the additional testing contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to Completing the well, such additional testing shall not be performed;

4. Operations by Less than All Parties:

A. Subject to the provisions of this Article XVI.B.4, Article VI.B.2. shall apply separately to each separate Completion, Recompletion, Plug Back, Deepening or Sidetrack attempt undertaken in the same well, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt in a well shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts in such well; provided that:

I. With respect to a subsequent Completion or Recompletion attempt that is in the same Zone as a previous Completion or Recompletion attempt, a party who non-consented to the previous operation may only consent to the subsequent Completion or Recompletion attempt if the Consenting Parties to the previous operation have finished recouping the amounts set forth in Article VI.B.2.

II. With respect to a subsequent Completion or Recompletion attempt that is in a different Zone than a previous Completion or Recompletion attempt, a party who non-consented to the previous operation may only consent to the subsequent Completion or Recompletion attempt if such party pays its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party elects to participate in a subsequent Completion or Recompletion attempt.

III. Any recoupment of costs (other than recoupment of costs from a party in default under any provision of this agreement) by a Consenting Party for a Completion or Recompletion attempt shall be made solely from the production attributable to the Zone in which such Completion or Recompletion attempt was made.

IV. Only a party that participated in the Drilling of a non-consent well shall have the right to participate in the Completion attempt in a Zone. The Non-Consenting Party which elected not to participate in the drilling of the well shall have no rights to participate in any proposed operations until full recoupment of all costs associated with the drilling, Completion, Recompletion or equipping or any other operations associated with said well as set forth in Article VI.B.2.

V. In the event a Consenting Party elects not to participate in the initial Completion of a well, said party shall become a Non-Consenting Party insofar as it pertains to the Zone which is being Completed in, and until such time as (1) the Consenting Parties have recouped the amount provided in Article VI.B.2 in relation to the such initial Completion, or (2) a proposal is made to Recomplete in a different Zone, whichever occurs the earliest.

B. Subject to Article VI.B.6, Operator may commence any proposed operation prior to the expiration of the thirty (30) day notice period set forth in Articles VI.B.1 and VI.B.2, in which case the provisions of Article VI.B.2 shall nevertheless apply. No party may change the election it has made to any notification under Article VI.B.1. or VI.B.2. after the notifying or proposing party's receipt of that election, unless the operations contemplated by any such notice are not commenced within the time period set forth in Article VI.B.1.

5. <u>Adverse Drilling Conditions:</u>

Operator shall have the right to cease drilling the Initial Well and any subsequent well at any time, regardless of whether it has reached the objective Zone or the objective depth, if further drilling or Completion of such well is rendered impractical by mechanical difficulties, encountering practically impenetrable substances, or any other adverse condition.

6. <u>Obligatory Operations</u>:

a. Notwithstanding any provisions of Article VI.B.2 and Article XVI. to the contrary, if any proposed operations are necessary to maintain (i) any lease(s) or portion(s) thereof covered by this agreement in force, or (ii) an agreement to earn a lease or portion thereof which would otherwise expire unless such operations are conducted, then, an election will be due within thirty (30) days after receipt of said proposal ("Election Date") or earlier in the event that such operations is required to be commenced earlier to maintain the lease or agreements referenced herein. Such proposal shall include but not be limited to the estimated cost, the required commencement date of the operations and the interval and formation to be tested. The proposing party shall advise all parties that the proposal is being made pursuant to this Article. Each party electing not to participate ("Non- Participating Party(ies)) in such proposed operations, shall assign, subject to other provisions in this Article 6, to the party(ies) electing to participate (Participating Party(ies)) all of such Non-Participating Party's right, title and interest in and to the portion of such leases or such agreement which would be lost or not earned if such operations were not conducted. Such assignment shall be promptly due within ten (10) days of commencement of said proposed operations by Participating Party(ies) and if the assignment is in favor of more than one (1) Participating Party, the assigned interest shall be shared by the Participating Party(ies) in the proportions that the interest of each bears to the interests of all Participating Party(ies) unless otherwise agreed in writing. Such assignment will be without express or implied warranty of title, but free of any Subsequently Created Interest or lien created or placed thereon by the assigning party. In the event the proposal is to Deepen, Sidetrack, Recompletion or Plug Back an existing wellbore, the assigning parties shall remain responsible for their proportionate share of plugging, abandonment, decommissioning and surface restoration obligations for the assigned interest but shall not incur any additional liability for operations on such assigned interest after the date of such assignment. For purposes of defining necessary operations to maintain a lease in force which would otherwise expire, such operations will be deemed necessary if proposed within the last six (6) months of the termination date of such lease (including its Pugh Clause, or continuous development term, if applicable) or any extension thereof. In the case of an agreement to earn a lease or any portion thereof, such operations will be deemed necessary if proposed within six (6) months of the date such operations are required to be commenced in order to maintain such agreement in force and effect.

b. Notwithstanding anything in this Article XVI.B.6. to the contrary, in the event a party receives a proposal pursuant to this Article XVI.6.a for the Deepening, Sidetracking, Recompletion, Reworking, Plugging Back or Completing of an existing well which is not capable of producing of oil and/or gas ("Initial Proposal") and said party(ies) desires to propose to conduct an operation that conflicts with the Initial Proposal, such party shall have fifteen (15) days from receipt of the Initial Proposal in the case where no completion or workover rig is on location, or twenty-four (24) hours if a completion or workover rig is on location to deliver to all parties entitled to participate in the Initial Proposal, an alternative proposal ("Alternative Proposal"). The Alternative Proposal shall contain the same information required to be included in the Initial Proposal. In the event the parties cannot agree on one (1) of the competing proposals, then the Priority of Operation set forth under Article XVI.B.1 and Article XVI.B.2. ("Procedures") of this agreement shall control the sequence and timing of the competing proposed operations. Each party receiving such competing proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the Election Date of the Initial Proposal or within twenty-four (24) hours (inclusive Saturday, Sunday and legal holidays) to participate in the deepest proposal. Failure of a party to reply to such proposals within the period above fixed shall constitute an election by such not to participate in the deepest proposed operation. Upon determining the priority of the proposed operations and upon commencement of said operation, the Non- Participating Party(ies) electing not to participate in the proposed operation shall assign all of the Non-Participating Party's right, title and interest in and to the well and the oil and gas lease(s) or such agreement(s) which would have been lost or not earned if the proposed operation would not have been conducted, less and except the well, oil and gas lease(s) or agreements as to the interval set forth in any competing proposal or proposals which operation have not been commence thereon ("Reserved Interval").

c. Any Non-Participating Party(ies) electing not to participate in the operations performed pursuant to the Initial Proposal or Alternative Proposal, whichever proposal is determined by the Procedures, then the Non-Participating Party(ies) shall have the option, but not the obligation, to participate in an operation in the Reserved Interval. In the event there is more than one (1) Alternative Proposal, the Procedures shall control and all Non-Participating Party(ies) shall the right to participate in operations on one (1) or more Reserved Intervals. If a previous Non- Participating Party(ies) elects not to participate in an operations in a Reserved Interval, said party shall assign it's interest in the Reserved Interval to the Participating Party(ies). In the event there is more than one (1)

Reserved interval, the party(ies) shall an elect on a Reserved Interval by Reserved Interval basis. If an Alternative Proposal is not submitted within the time period set forth in Article XVI.B.6.b., any Non-Participating Party(ies) in the Initial Proposal shall assign its interest to the Consenting Party(ies) as set forth in Article XVI.B.6.a.

7. **Limitation on Well Proposals:**

It is specifically provided that no notice shall be given under Article VI.B hereof which proposes the drilling of more than one (1) well (including for Completing, Recompleting, Deepening, Plugging Back or Sidetracking an abandoned well). Further, the provisions of Article VI.B, insofar as same pertain to notification by a party of its desire to drill a well, shall be suspended for so long as (i) a prior notice has been given which is still in force and in effect and the period of time during which the well regarding same may be commenced has not expired, (ii) a well is then being drilled hereunder, or (iii) until well drilled hereunder has been completed or plugged and abandoned as applicable. This paragraph shall not apply under those circumstances where the well to which notice is directed is a well which is required under the terms of a lease or contract or one required to maintain a lease or portion thereof in force.

8. **Proposing and Participating in Operations:**

a. Only a party not in default or who is not a Non-Consenting Party, may propose the drilling, Completing, Recompleting, Reworking, Deepening, Sidetracking, Plugging Back or any other operation in or pertaining to a well under this agreement.

b. No party may elect to participate in only part of a proposed operation under this agreement. When an operation is proposed pursuant to Article VI.B, each non-proposing party must elect either to participate in the entire proposed operation or to go non-consent with respect to the entire proposed operation.

C. **Area of Mutual Interest:**

The Parties hereby establish an Area of Mutual Interest ("AMI") covering the lands outlined by a heavy black line on Exhibit "A-2" attached hereto and made a part hereof. The AMI shall become effective contemporaneously with the effective date of this agreement. If, during the term of this AMI any Party ("Acquiring Party"), either directly or indirectly, acquires an oil, gas and mineral lease, farmout agreement, fee interest, sublease, royalty, overriding royalty, or other mineral or leasehold interest, or contract to acquire or participate in such ownership interest, covering acreage within the AMI, it shall notify the other Party(ies) ("Non-Acquiring Party") in writing of such acquisition. The Non- Acquiring Party shall have the right to participate in any such acquisition or agreement in the same portions as its interest set forth in Exhibit "A" attached hereto.

The notification provided for above shall contain a lease purchase report summary, all available title information in the possession of the Acquiring Party (upon request), copies of leases and agreements by which the interests may be acquired, and all other pertinent instruments. It shall also describe in detail the terms of the acquisition, the cost and expense of such acquisition and any other obligations that may be incurred pursuant thereto.

The Non-Acquiring Party receiving any such notice shall have twenty (20) days after receipt of such notice within which to notify the Acquiring Party in writing whether it elects to participate for its proportionate share of said acquisition insofar as it covers acreage lying within the AMI. Said election to acquire any interest may be made on a lease by lease basis. If, however, a well is then being drilled, waiting on Completion or Completing within said AMI, or within one (1) mile of the boundaries of the AMI, the Acquiring Party shall so advise the other Party(ies) hereto, and the election to acquire a proportionate interest in such acquisition must be made within forty-eight (48) hours, exclusive of Saturdays, Sundays and legal holidays, after their receipt of such notice.

If the Non-Acquiring Party receiving such notice notifies the Acquiring Party within such period of its election to participate in the acquisition, it shall, within thirty (30) days, pay to the Acquiring Party its proportionate share of the cost of such acquisition. Upon such payment, the Non-Acquiring Party receiving notice shall be entitled to receive an assignment of its proportionate share of such acquired interest (including any related obligations related to such acquired interest). Said cost of acquisition shall exclude the cost and expense of Acquiring Party's direct employees. Said assignment shall be without warranty of title and shall be without burdens placed thereon by the Acquiring Party except for lessor's royalty and burdens in favor of the granting party of such acquired interest. If all Parties hereto participate in the acquisition, the interest so acquired shall be subject to the terms and conditions of this agreement. If a party receiving notice of an acquisition does not so notify the Acquiring Party within such period (or, having so notified, fails to pay its proportionate share of acquisition costs within the time period provided above), it shall be deemed to have elected not to participate in such acquisition.

If some, but less than all of the parties elect to participate in the offered acquired interest, such interest shall be owned by the parties who elected to participate therein, in a ratio based upon the relationship of their respective percentage of participation in such acquisition to the aggregate of the percentages of participation in this agreement of all Parties participating in such acquired acreage. An acquisition of interest by any or all Parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A", but any acquired interest in which less than all the parties to this agreement elect to participate shall not be subject to this agreement but shall be deemed subject to a separate operating agreement in identical form to this agreement modified only to reflect the ownership of the acquiring parties and their respective interests.

The AMI will terminate upon ninety (90) days after termination of this Agreement.

Notwithstanding any other provision contained herein, any acquisition resulting from mergers, consolidations, Affiliate transfers or transactions, or the purchase of all or substantially all of the assets of a person or business entity by one (1) of the Parties hereto; or the acquisition of stock of a person or business entity by one (1) of the Parties hereto will not be subject to this provision.

Notwithstanding any other provision contained herein, the AMI and the rights provided in this Article XVI.C. will not be applicable to the following:

(a). If the Acquired Interest covers lands that are partially within and partially outside the AMI, the Party to which the offer is made shall have the right to participate in the Acquired Interest insofar but only insofar as it covers lands within the AMI.

(b). Notwithstanding anything herein to the contrary, neither Party shall be required to offer to the other Party interests acquired within the AMI that are a consequence of
(i) a merger, consolidation, or reorganization, (ii) the acquisition of all the stock or membership interests of any other Person whereby the majority of the assets (by value) acquired by Party (and its Affiliates, taken as a whole) are located outside the AMI, (iii) the acquisition of all or substantially all the assets of any other Person whereby the majority of the assets (by value) acquired by Party (and its Affiliates, taken as a whole) are located outside the AMI.

D. **<u>Cash Call:</u>**

In the event a Non-Operator from which a request for advance payment was made pursuant to Article VII.C of this Agreement Article I.3 of Exhibit "C" attached to this Agreement does not, within the time and manner provided for therein, fully satisfy the request for advance payment, Operator shall notify Non-Operator, in writing (certified, return receipt mail or overnight delivery requiring signature), of its failure to timely make the advance payment ("Second Notice"). In the event Non-Operator fails to make the advance payment within five business days of its receipt of the Second Notice, exclusive of Saturday, Sunday and legal holidays, then Operator may, in Operator's sole discretion at any time after the due date of the Second Notice, exercise any one or more of the following rights and remedies: (i) notify Non- Operator that the unpaid payment shall bear interest as permitted and set forth in the Exhibits of this agreement and Operator is still entitled to receive such payment from the Non-Operator, (ii) notify Non-Operator that such Non-Operator is deemed to have elected to go non-consent and relinquished its interest in such operation and the proceeds of sale from the well until the proceeds of sale of such Non-Consenting Party's share equals the Non-Consent penalties set forth in Article VI of this agreement, (iii) exercise any and all other rights and remedies available to the Operator under this agreement and applicable law. All remedies herein provided are cumulative and not alternative, and no failure to exercise or delay in exercising any such right will operate as a waiver thereof. Operator shall promptly notify all other parties still participating in such operation of the relinquishment of an interest. The interest relinquished shall be owned and all costs chargeable to such interest shall be paid by Operator and those Non-Operators still participating in such drilling operation who elected within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holiday) from receipt of notice under the preceding sentence to share such relinquished interest, all in proportion to their working interest in such operation.[1]

E. <u>De-Spaced and Re-Spaced Units:</u>

If a drilling unit comprising a portion or all the lands within the Contract Area is reduced due to de-spacing or re-spacing of said unit, then the parties' interest in said unit will remain unchanged.

All parties to this agreement hereby agree to bear their proportionate share of all burdens on a Lease well, unit well located on one (1) lease, de-spaced, or re-spaced unit regardless of the amount stipulated in Article III.B. However, the parties to this agreement shall not be subject to Subsequently Created Interest (as defined in Article III.C). De-spaced and re- spaced units are defined as follows:

1. The oil/gas ratios of a gas well change overtime resulting in the gas well-being reclassified as an oil well. The effects are that the spacing for the well changes from a larger unit to a smaller size unit; or

2. The oil/gas ratios of a newly drilled gas well change upon Completion resulting in the gas well-being reclassified as an oil well. The effects are that the spacing for the well changes from a large unit to a smaller size unit; or

3. The filing of a de-spacing and re-spacing application with the governing state regulatory agency or which issues an order de-spacing and re-spacing a unit. Such orders are issued on both producing and non-producing units; or

4. The de-spacing or re-spacing of a unit by court order, or by the terms of the applicable lease or leases which have been contributed to the unit, or by agreement of the parties hereto or by completion of a unit well in a formation different than that originally contemplated by the Drilling Parties when the well was commenced.

F. <u>Overhead – Environmental Response:</u>

[1] The non-consent penalties would be with respect to the amount not paid. For instance, if a non-working interest owner pays half of an AFE that is $1MM total and there is $500k outstanding and due, then if there is a default on the advance, the non-consent penalty is x amount of the unpaid amount. The parties receiving the non-consent penalty would be the non-defaulting working interest owners who have paid their share of the default amount per the remaining portion of the agreement.

Non-Operators shall compensate Operator for overhead costs incurred by Operator and all other costs, expenses, losses, claims and liabilities in responding to any Environmental Claim or any Environmental Condition with regard to or arising from the Contract Area, or in connection with any operations or activities governed by this agreement occurring outside of the Contract Area (e.g., transportation or disposal of substance) ("Outside Operations"). The term "Environmental Claim" means any actions, suit, investigation, proceeding, demand, claim or written notice by any person or entity alleging or inquiring as to potential liability arising out of any Environmental Law with respect to the Contract Area or any operations or activities conducted pursuant to this agreement, including Outside Operations; and the term "Environmental Condition" means any existing or threatened condition with respect to the soil, subsurface, surface waters, ground waters, atmosphere or other environmental media, whether or not the condition is yet discovered, which could result in any damage, loss, cost expense, claim, demand, order, lien or liability under any Environmental Law to or against the Contract Area or against any one or more of the parties with respect to the Contract Area or any operations or activities conducted pursuant to this agreement, including Outside Operations. The term "Environmental Law" means all applicable federal, state, tribal, and local laws in effect at any time during the term of this agreement, including the common law, relating to the protection of the public health or welfare, wildlife and/or the environment, including those laws relating to the storage, handling release, threatened release, and/or use of chemicals and other hazardous substances or hazardous materials, those relating to the generation, processing, treatment, storage, transportation, disposal, or other management thereof, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et. seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C.§ 6901 et. seq.), the Clean Water Act (33 U.S.C. §§ 466 et. seq.), the Safe Drinking Water Act (14 U.S.C. § 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. §§ 1801 et. seq.), the Oil Pollution Act (33 U.S.C. §§ 2701 et. seq.), the Toxic Substance Control Act (15 U.S.C. §§ 2601-2629), the Clean Air Act (42 U.S.C. § 7401 et. seq.), as amended and the Clean Air Act Amendments of 1990, Hazardous Materials Transportation Act (49 U.S.C. §§ et. seq.), and all state and local environmental laws. The overhead rate for amounts in excess of $25,000 are as follows:

1. 5% of total costs through $100,000.00; plus

2. 3% of total costs in excess of $100,000.00, but less than $1,000,000.00; plus

3. 2% of total costs in excess of $1,000,000.00.

G. <u>Subsequently Created Interests:</u>

If a Party elects to abandon any well under the provisions of Article VI.E. or elects to surrender a Lease (or any portion thereof or undivided interest therein) under the provisions of Article VIII.A., and, as a result thereof, becomes obligated to assign all or a portion of such Lease or interest, or any undivided interest therein, to one or more of the other parties, then the interest assigned shall be free and clear of such Subsequently Created Interest and such Burdened Party shall indemnify, defend and hold harmless the parties receiving such Lease and/or Interest from any and all claims, demands, causes of action, liabilities, costs and/or expenses arising out of or related to the Subsequently Created Interest.

H. Abandonment of Wells:

1. Pursuant to the terms and provisions of Article VI.E., failure of a party who objects to the plugging and abandonment of a well subject to this agreement to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well shall entitle Operator to retain possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against claims, demands, causes of action, liability, costs and/or expenses for any further operations thereon, including plugging and abandonment of said well.
2. Upon the successful drilling and completion, but no later than thirty (30) days from the date the State of Louisiana provides notice of a financial security requirement, Operator shall cash call each party, and each party shall pay, for such party's proportionate share of the financial security required by the State of Louisiana. The monies described in this paragraph shall then be promptly deposited into a deposit account in favor of the State of Louisiana. Upon the plugging and abandonment of the wells and facilities located on the Contract Area, Operator shall request a release of the deposit account funds and refund each paying party its proportionate share of same.

I. Access to Contract Area and Information; Confidentiality:

1. No Non-Consenting Party under Article VI.B or Article VI.C.1 (Option 2) shall have access to the Drillsite with respect to the applicable operation, and such Non- Consenting Party shall not be entitled to receive, and shall not be given or provided with any information relating to that operation, including any notices, applications, reports, or similar information under Article V.D.6, until the Consenting Parties have recouped the non-consent penalty provided for in Article VI.B.2 with respect to that operation.

2. Except as otherwise specifically provided in this Article XVI.I, all information obtained pursuant to this agreement, including all geophysical, geological, and engineering data, well information, and all other records and reports pertaining to the Contract Area or the operations thereon (collectively referred to as "Confidential Information") shall be the sole and confidential property of the parties receiving it pursuant to this agreement, and the parties agree, and do hereby bind themselves, their successors and assigns, to accept and keep the Confidential Information confidential and for the exclusive use of the parties pursuant to this agreement. If any portion of the Confidential Information becomes generally available to the public while this agreement is still in force, and such availability is not a result of a breach of this agreement, then at that time the confidentially provisions of this Article XVI.I shall cease to apply to that portion of the Confidential Information that has become generally available to the public.

3. Any party may disclose Confidential Information, without the consent of any other party, (a) to any governmental authority when lawfully required by such governmental authority or required by applicable law, rule or regulation (including applicable stock exchange regulation), (b) to lenders, investors and financial institutions in connection with a bona fide financial transaction, (c) to bona fide consultants and accredited engineering firms for the purpose of evaluation on a confidential basis, (d) to financially responsible third parties with whom a party is engaged in a bona fide effort to sell all or part of its interest in the Contract Area in accordance with the agreement, (e) pursuant to Article XVI.Z., or (f) pursuant to terms of a contract, oil and gas lease or farmout agreement, or (g) to third parties with whom a party is engaged in a bona fide effort to (i) effect a merger or consolidation, (ii) sell all or a controlling part of its stock or other equity capital, or (iii) sell all or substantially all of its assets; provided that any third party who is permitted access to Confidential Information pursuant to provisions (b), (c), (d), or (f), of this paragraph (collectively referred to as “Permitted Third Parties”), shall agree in writing prior to maintain the confidentiality of such Confidential Information pursuant to the terms of this Article XVI.I.

4. Operator makes no representations or warranties, express, statutory or implied, as to the accuracy, quality, or completeness of the Confidential Information. Operator shall not be liable to any other party or to any Permitted Third Party in contract, tort, securities law or otherwise as a result of such other party’s (or such Permitted Third Party’s) use or disclosure of the Confidential Information, or errors therein or omissions therefrom. Each party accepts the Confidential Information “as is, where is, with all faults”, and agrees that neither it nor any of its Affiliates, representatives, owners, successors, or assigns shall rely upon the Confidential Information without first satisfying itself as to, and making independent verification of, the accuracy and completeness of such Confidential Information.

5. Operator shall not be required to provide any party with any coring or other information pertaining thereto unless such party has paid its proportionate share of the cost of obtaining such information.

J. Regulatory Filings:

Operator shall use its reasonable judgment in making any of the filings, and preparing any of the notices, reports and applications under this agreement. However, in no event shall Operator have any liability to any Non-Operator in making and prosecuting (failing to make and prosecute) any such filing or in rendering (or failing to render) any notice, report or application. Any penalties incurred as a result of any incorrect filing, notice, report or application shall be proportionately charged to the parties as a joint loss. Each Non- operator authorizes Operator to select an individual within Operator's organization to serve as the Designated Representative for the Contract Area pursuant to Title 40 CFR 98.4 (or any successor rule or regulation). Such Designated Representative shall have the authority on behalf of the Non-Operators to certify, sign and submit greenhouse gas emissions reporting for the Contract Area to the Environmental Protection Agency under Title 40 CFR Part 98 and such Designated Representative shall represent the Non-Operators by his or her representations, actions, inactions, or submissions and legally bind each Non- Operator.

K. <u>Title Examination</u>:

Title examination shall be made on the Drill site tract of any proposed Vertical Well and in the event the well is a drilled directionally, title examination will be performed on every tract the wellbore traverses prior to commencement of Actual Drilling Operation, and, if Operator so elects, title examination shall be made on additional non-Drillsite tracts located within the proposed Drilling Unit or the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well prior to Actual Drilling Operation. If the well is completed as a well capable of producing in paying quantities, the Operator will perform a title examination on all of the entire Drilling Unit. Notwithstanding the foregoing, with respect to the Williams Land Company Lease dated October 11, 2022, Operator shall procure a limited abstract and title opinion (thirty years) covering the lands encompassing said lease. Upon completion of a well capable of producing in paying quantities, Operator shall poll the parties on whether to conduct additional title examination.

L. <u>Billings to Direct Account</u>:

All cost and expenses for outside attorneys and outside contract field landman in the acquisition of leases and examination of and curing of titles will be charged to the Joint Account. All other third party or outside source charges, to the extent directly and reasonably related to the Contract Area, will be charged to the Joint Account notwithstanding any other provision of this agreement or Exhibit C to the contrary. If Operator is required hereunder to pay ad valorem taxes based in whole or in part upon separate valuations of each party's working interest, charges to the Joint Account will be made and paid by the parties in accordance with the tax generated by each party's working interest.

All expenses (including salaries, wages and expenses of unaffiliated third-party personnel; land, legal, expert and consultant fees; and administrative filing fees and court costs) shall be direct charges, borne by the joint account as provided in Exhibit "C" and shall not be included in administrative overhead (under Part III in Exhibit "C") if incurred for obtaining spacing, location exception, pooling or other orders or rulings from state regulatory bodies or courts deemed by the Operator, in its sole judgment, as necessary.

M. **<u>Memorandum of Operating Agreement and Financing Statement:</u>**

The parties hereto agree to execute simultaneously herewith the Memorandum of Operating Agreement and Financing Statement in the form and language set forth in Exhibit "H," which is attached hereto and made a part hereof for all purposes. The parties agree to execute amendments of same, from time to time, to accurately reflect the area covered by this agreement and the current working interests of the parties hereto. The Memorandum shall be recorded by Operator in the county or parish in which the lands comprising the Contract Area hereunder are situated immediately upon execution of this agreement. If the Operator owns no interest in the Contract Area, then the Non-Operator Affiliates of the Operator will jointly secure with the Operator all Operator obligations under Article VII.I.B. and the Memorandum of Operating Agreement and Financing Statement, and the Non-Operators will have all enforcement rights against such Operator Affiliates that the Non-Operators would otherwise have against an Operator that owns an interest in the Contract Area. Such rights shall be additional to any and all rights of the Non-Operators against the Operator under Article VII.1.B. and the Memorandum of Operating Agreement and Financing Statement.

N. **<u>Defaults and Remedies:</u>**

The following provisions shall be added to Defaults and Remedies under Article VII.D:

1. <u>Revenue Netting:</u>

In addition to the remedies provided in Article VII.B., VII.D., or elsewhere in this agreement, a party in default who has received a Notice of Default and failed to cure such default within thirty (30) days following its receipt of such Notice of Default shall no longer be entitled to receive its proportionate share of Oil and Gas in kind pursuant to Article VI.G. and Operator shall have the right to sell such defaulting party's Oil and Gas as long as such party remains in default and Operator shall have the right to recoup from such proceeds any amounts due and owing from such defaulting party, including, but not limited to cash calls, under this agreement. In the event that Operator was otherwise purchasing or selling the defaulting party's proportionate share of Oil & Gas pursuant to this agreement at the time of such default, then Operator shall have the right to deduct the defaulting party's proportionate share of costs, expenses, cash calls or other amounts due under this agreement from any revenues otherwise due to the defaulting party as long as such default remains in effect. Operator shall incur no liability whatsoever for the exercise of the rights provided in this Article XVI.N(1). Operator shall keep an accounting of any such amounts deducted from the defaulting Party's proportionate share of proceeds from Oil and Gas. Notwithstanding the foregoing, no party shall be entitled to use any party's revenue associated with well production under this Agreement to offset against unrelated obligations, unless such offsetting is pursuant to a court order or judgment.

2. Bankruptcy:

If any party to this agreement is granted relief as a debtor under the Bankruptcy Code, and if this agreement is found to be an executory contract within the meaning of Section 365 of the Bankruptcy Code, then any other party shall be entitled to a determination by the debtor (or by the trustee in bankruptcy, if one (1) is appointed) within thirty (30) days after the date of entry of an order for relief under the Bankruptcy Code, stating the rejection or assumption of this agreement. If this agreement is assumed by the debtor, the other parties to this agreement shall be entitled to (i) a prompt cure of any default of the debtor under the terms of this agreement, (ii) adequate assurances as to the future performance of the debtor's obligations under the terms of this agreement, and (iii) adequate assurances as to the protection of the interest of all other parties to this agreement.

O. Renewal and Extension of Leases:

Notwithstanding anything herein to the contrary, each party committing any Lease or Leases or any undivided interest therein or portion thereof to this agreement shall have the sole option prior to the expiration of each such Lease to renew or extend such Lease with respect to all of such party's interest therein (except to the extent such Lease has been assigned pursuant to Article VIII.A. or otherwise pursuant to this agreement) and to bear the renewal or extension costs and expenses incurred in connection therewith and thereby retain its interest and title in said Lease subject to the terms of Article VIII.B. The provisions of this Article XVI.O shall apply only to Leases or portions of Leases located in the Contract Area.

P. JOA Preparation:

Each party further acknowledges and agrees that such party has been represented or had the opportunity to be represented by attorneys of its own choosing and therefore, for the purposes of construing this agreement, each party shall be deemed to have participated equally in the preparation and drafting of this agreement. If any ambiguity is contained in this agreement, no weight shall be given in favor or against any party in resolving that ambiguity on account of that party's drafting of this agreement.

Q. Headings for Convenience Only:

The headlines and titles in this agreement are for guidance and convenience of reference only and do not limit or otherwise affect or interpret the provisions of this agreement.

R. Assignments and Transfers:

1. The terms of this agreement shall be binding upon the parties and their respective successors and permitted assigns. Notwithstanding the parties' differing

ownership, if any, in any wells covered hereby, there shall be only one designated Operator of the Contract Area at any given time.

2. Any party may assign, transfer or otherwise dispose of all or portion of such party's working interest covered by this agreement in all or any portion of the Contract Area and as to any or all depths, with the prior written consent of Operator, such consent not to be unreasonably withheld. Notwithstanding the foregoing, a party shall not be required to obtain the consent of Operator with respect to the following:

   a. Any mortgage, pledge, hypothecation or grant of lien or security interest in all or a portion of its interest in the Leases, Oil and Gas Interest, any equipment or facilities, or its share of Oil and Gas production from the Contract Area; provided, however, that any mortgage, pledge, lien, security interest and other encumbrance arising from such financing transaction shall be expressly subordinated to the rights of the other parties to this agreement, and the assigning party shall ensure that any lien, security interest or other encumbrance shall be without prejudice to the terms of this agreement;

   b. A party assigning all or an undivided part of its working interest to an Affiliate (as defined in Exhibit "C") of such party.

   Operator shall provide copies of recorded assignments to Non-Operators.

3. Except as otherwise provided in this agreement and in addition to the requirements set forth in Article VIII.D., no assignment or other transfer of a working interest in this agreement shall be binding and effective with respect to Operator or any other party until (i) the assignor or assignee provides Operator with a photocopy of a recorded, fully executed assignment instrument; (ii) the assignor provides Operator with written notice of the percentage of the entire interest credited to assignor on Exhibit "A" hereto assigned to such assignee; and (iii) the assignee has become obligated in writing to observe, perform and be bound by all of the covenants, terms and conditions of this agreement.

4. Notwithstanding the forgoing, no assignment, transfer or other disposition shall relieve any party of its liability for its share of costs and expenses which may be incurred in any operation to which the assigning party has previously agreed or consented to prior to the effective date aforesaid for the drilling, testing, Completing, equipping, Reworking, Recompleting, Sidetracking, Deepening, Plugging Back, and/or plugging and abandoning of a well even though such operation is performed after said effective date, subject however, to such party's right to elect not to participate in Completion operation under Article VI.B and Article VII.D.I, Option No. 2., not previously consented to.

S. <u>Designated Co-Owner</u>:

1. Notwithstanding anything in this agreement to the contrary, including the accounting procedure attached hereto as Exhibit "C", if at any time the interest of any party (the "Selling Party") is divided among and owned by three (3) or more co-owners (each a "Co-Owner"), then Operator may, in Operator's sole discretion, continue to issue all notices, statements and billings to the Selling Party for the entire interest credited to Selling Party on Exhibit "A" (the "Original Interest"), until such time as (a) Selling Party has designated a single qualified Co-Owner (a "Designated Co-Owner") to receive all such notices, statements, and billings relating to the Original Interest in accordance with the provisions of this Article
XVI.S. and (b) such Designated Co-Owner has been approved and accepted in writing by Operator. Selling Party or (upon valid designation) the Designated Co- Owner, must (i) have full authority to receive notices (including but not limited to notices of elections concerning proposed operations), approve expenditures, receive billings, and approve and pay joint expenses with respect to the Original Interest on behalf of all Co-Owners: (ii) have the power to bind all Co-Owner's in its dealings and correspondence with Operator regarding the Original Interest; (iii) distribute to the other Co-Owners in a timely manner all notices, statements, and billings received from Operator; (iv) make prompt payment to Operator for all billings and advanced payments relating to the Original Interest; and (v) be responsible for any sub-billings to other Co-Owners regarding Original Interest.

2. In order to qualify a Co-Owner as a Designated Co-Owner, Selling Party shall furnish to Operator such information as may be reasonably requested by Operator, including the following information:

    a. The name of the proposed Designated Co-Owner along with its written consent to (i) receive all notices, statements, billings, and other communications relating to the Original Interest on behalf of all Co-Owners, and (ii) handle any necessary sub-billings attributable to the Original Interest; and

    b. The documents required for a transfer pursuant to any assignment or transfer obligations contained herein.

3. This Article XVI.S shall not affect each Co-Owner's right to elect to participate or not participate in any proposed operation according to the terms of this agreement. However, Operator shall deliver all election notices relating to the Original Interest to the Designated Co-Owner, and Operator shall have no liability for any Co- Owner's failure to receive such election notice, or for any Co-Owner's failure to timely respond to such election notice.

   All Co-Owner's shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds therefrom.

T. Joint Loss:

Any loss of a Lease or Oil and Gas Interest for failure to perpetuate such Lease or Oil and Gas Interest by production in paying quantities shall be deemed a loss through failure of title, not a joint loss.

U. Operator's Liability:

No party hereto shall be liable to any other party for such other party's(ies') own special, indirect, consequential, exemplary or punitive damages resulting from or arising out of this agreement, including, without limitation, loss of profit or business interruptions, notwithstanding the negligence (whether sole, joint or concurrent), gross negligence, willful misconduct, strict liability or other legal fault of the parties hereto.

V. Liability of Non-Consent Parties:

Notwithstanding anything herein to the contrary, any party who elects or is deemed to have elected not to participate in any proposed operation, as set out in this agreement, shall not be relieved of (i) any obligation occurring prior to its election or deemed election not to participate (ii) any obligation with respect to any other operation in which such party is participating or has participated and (iii) any obligation for its proportionate share of costs, expenses and liabilities arising out of plugging, abandonment, decommissioning and/or restoration of wells, facilities and/or equipment with respect to which such party has participated.

W. References:

Each reference made in this agreement to an Article refers to the applicable Article in this agreement, unless the context clearly indicates otherwise. The words "this Article", refers only to the Article hereof in which those words occur. Each reference made in this agreement to an Exhibit or Schedule refers to the applicable Exhibit or Schedule attached hereto, unless the context clearly indicates otherwise. Each Exhibit and Schedule attached hereto is made a part hereof.

X. Castex Energy, Inc. as Operator

The Parties acknowledge that Castex Energy, Inc. currently does not own any working interest in the Contract Area, and that so long as an affiliate of Castex Energy, Inc. owns an interest in the Contract Area (or Castex Energy, Inc. later acquires an interest in the Contract Area), then Castex Energy, Inc. shall be deemed to own an interest in the

Contract Area for all purposes under the Operating Agreement.

Y. Contract Area Reduction:

It is agreed the Contract Area as outlined on the attached Exhibit "A-1" shall remain in force and effect for three (3) years from the effective date hereof. Thereafter, it is agreed the lands comprising the Contract Area shall be reduced to then constitute only those areas maintained by the oil and gas leases listed or acquired hereunder.

Z. Contract Area Expansion:

The Contract Area of this agreement shall be automatically expanded to include any and all lands lying outside the Contract Area which are required for any existing, created or revised unit for any well drilled pursuant to this agreement with said unit being or having been established by the State of Louisiana or by a voluntary unit provided such additional interests are owned by the parties hereto.

AA. Initial Well and Long Lead Costs:

Participation Election: Notwithstanding anything herein to the contrary, each party (or parties) not participating in the drilling of the Initial Well within the Contract Area shall forfeit all of its right, title and interest in and to the Contract Area. In order to be entitled to the interest forfeited by any non-participating party, the participation parties shall, within ninety (90) days after the expiration of the thirty (30) day notice period provided in Article V1.B.1. of the agreement, commence the actual drilling of the proposed Initial Well within the Contract Area and thereafter prosecute the drilling and completion of such well with due diligence. Upon completion of the well, regardless of whether the well results in a dry hole or a producer, each non-participating party shall promptly assign to all participating parties all of said non-participating party's right, title and interest in and to the Contract Area. Such assignment shall be due within ten (10) days following the filing of the appropriate state completion report. If the assignment is in favor of more than one (1) participating party, the assigned interest shall be shared by the participating parties in the proportion that the interest of each bears to the interests of all participating parties, unless otherwise agreed in writing. Any assignment shall be without warranty of title, expressed or implied, but will be free of any burden, interest or lien created or placed on or against the assigned interest by or because of the assigning party subsequent to the execution of the agreement. Subsequent wells proposed to be drilled, as between and among the parties that participated in the Initial Well, will be subject to the provisions of Article VI.B of the agreement, including the applicable non-consent penalties specified therein.

With respect to long-lead items or contracts that are required to be ordered/executed, such as drilling or completion pipe (the "Long Lead Costs"), the parties shall pay their proportionate share of such long-lead items/contractual obligations within forty-eight

(48) hours from receipt of an estimate of such Long Lead Cost(s). The parties shall be credited their proportionate share of equipment associated with Long Lead Costs that are unused and sold at the end of the operation for which they were intended in accordance with the COPAS provisions contained in Exhibit "C" to this Agreement.

AB. **<u>Covenants Run with the Land:</u>**

The terms, provisions, covenants and conditions of this agreement shall be deemed to be covenants running with the lands, the lease or leases and leasehold estates covered hereby, and all of the terms, provisions, covenants and conditions of this agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, executors, administrators, personal representatives and assigns.

AC. **<u>Perpetuities:</u>**

It is not the intent of the parties that any provision herein violate any applicable law regarding the rule against perpetuities, the suspension of the absolute power of alienation or other rule regarding the vesting or duration of estates, and this agreement shall be construed as not violating such rule to the extent the same can be so construed consistent with the intent of the parties. In the event, however, any provision hereof is determined to violate such rule, then such provision shall nevertheless be effective for the maximum period (but not longer than the maximum period) permitted by such rule which will result in no violation.

AD. **<u>No Third-Party Beneficiary Contract:</u>**

This agreement is made solely for the benefit of those persons who are parties hereto (including those persons succeeding to all or part of the interest of an original party if such succession is recognized under the other provisions hereof), and no other person shall have or claim or be entitled to enforce any rights, benefits or obligations under this agreement.

AE. **<u>Lease Payments:</u>**

Operator shall be responsible for payment of delay rentals, shut-in well payments and minimum royalties required under the terms of leases initially subjected to this agreement or subsequently acquired leases if same are owned by all parties hereto. All parties who shall have agreed to participate in such payments shall reimburse Operator for their proportionate shares thereof. Any party may request and be entitled to receive appropriate evidence of such payments. Should Operator notify the other parties hereto of its recommendations regarding rental payments, said other parties shall have ten (10) days in which to respond; failure to respond shall be deemed an express concurrence with Operator's recommendation. Pursuant to its recommendation and/or upon being advised to do so by any party, Operator shall make the appropriate payment and those who elected not to participate therein shall promptly make assignment of their interest to the parties who participated in such payment. Any non-participating interest hereunder shall be proportionately assumed by the participating parties.

Operator shall diligently attempt to make proper payments but shall not be liable in damages for the loss of any lease or interest therein if, through mistake or oversight, any rental or payment is not paid or is erroneously paid. Any such loss shall be losses borne by the parties to the applicable lease(s).

AF. Conflict:

In the event of a conflict, between the provisions of this Agreement and the provisions of the following participation agreements, the following participation agreement shall control vis-à-vis the respective parties to each of such participation agreements, provided, however, none of the provisions of such participation agreements shall be construed to result in the impairment, loss or diminution of the rights and privileges of any of the parties to this agreement other than the parties to applicable participation agreements:

[]

These overriding royalty interests are to remain a burden upon the oil and gas leasehold interest governed by the terms and provisions of the applicable participation agreement and this Agreement, as it relates to any such interest that may be relinquished or forfeited or assigned by any one party to this agreement to any other party to the referenced participation agreements as a result of a non-consent operation, failure to pay, or otherwise assigned to any third party. It is agreed that the overriding burdens in favor of [] are not to be deemed a subsequently created interest or an undisclosed previously created interest and, it will be an interest recognized by the parties to the applicable participation agreements (and their successors and/or assigns) that burdens any assigned, relinquished, forfeited, or any other form of transfer or interest hereof.

AG. Gathering, Transportation, and Marketing

Unless otherwise requested by a Non-Operator, Operator will gather, process, transport and otherwise handle, and market the Non-Operator's production from or attributable to the Contract Area and dispose of produced water and other waste attributable to Contract Area. Rates for gathering, processing, transportation, marketing and other similar services provided by Operator or any affiliate of Operator shall take into account Operator's, or such affiliate's cost to provide such services and shall be consistent with rates charged by Operator to its affiliates or third parties and consistent with the average commercial rates prevailing in the area for comparable properties and markets and contract terms in compliance with sections II.6.B. and II.7 of Exhibit "C" attached hereto. Gathering, processing, transportation, marketing and other similar services provided by any third party shall be charged to the Non-Operator at cost. Operator or its affiliate shall have no obligation to give priority to one Non-Operator over another in providing or contracting for gathering, processing, transportation, marketing or other services. Any Non-Operator may terminate Operator's authority under this Article XVI.AG upon sixty

(60) days notice provided that the Non-Operator's production shall remain subject to any contractual obligations to which it has previously been bound by Operator for the duration of such obligation.

Unless otherwise agreed to, with respect to marketing only, neither Operator nor any affiliate thereof shall enter into any agreement with respect to a Non-Operator's production from or attributable to the Contract Area, that (i) would not be terminable without penalty by either party thereto on one hundred twenty (120) days or fewer notice or (ii) contains minimum volume throughput commitments, acreage dedications, or demand or facilities charges, unless, in each case, such contract is terminable without penalty by either party on one hundred twenty (120) days or fewer notice; provided that, should Operator request Non-Operator's consent to subject Non- Operator's production to a contract that does not satisfy the preceding requirements, and Non- Operator elects not to give its consent, Operator shall have no further obligation to market the volumes of production for the Non-Operator that would otherwise have been made subject to the contract rejected by the Non-Operator, for the time period of the contract rejected by the Non- Operator.

Operator shall not sell Non-Operator's share of production to Operator or its affiliates without Non-Operator's prior written consent. Operator will furnish to each Non-Operator all relevant information in connection with the gathering, processing, transportation and marketing of Non- Operator's production including: transportation statements, gathering statements, processing statements, purchaser statements, run tickets, sales contracts and pricing information. In no event shall Operator have any liability for failure to provide services pursuant to this Article XVI.AG except in the event of gross negligence or willful misconduct. Any expenses incurred by Operator in performing this function shall not be deemed to be administration services and therefore not covered by the overhead charges set forth in the Accounting Procedure attached hereto as Exhibit "C".

Operator shall, upon request by a party, furnish such party all relevant information in connection with the gathering, processing, transportation and marketing of such party's production including transportation statements, gathering statements, processing statements, purchaser statements, run tickets and pricing information. Operator shall not be required to provide Non-Operators with copies of its marketing and sales contracts, but shall, to the best of its ability, provide Non-Operators with general terms and conditions of said contracts. Any information provided pursuant to this Agreement shall be strictly confidential.

The Operator shall on or before the last day of the month, to the extent Operator is remitting revenue to any Non-Operator, remit such revenue for the most recent production month received, without offset or reduction, except as permitted by the Agreement. Notwithstanding anything to the contrary, in the event a Party in good faith disputes the validity or amount of any billing, such Party shall pay that portion of the billing not in dispute within the time required. In the event the Operator and a Party disputing a billing cannot agree on the validity of the disputed billings within thirty (30) days of the date such billing was payable, the Parties shall in good faith nominate a senior officer of its management to meet at Operator's office to resolve the dispute. In the event that the

Parties are unable to resolve the dispute to their mutual satisfaction within five (5) days after such meeting, then the Operator shall be free to pursue its legal remedies under this Agreement and Louisiana law.

Exhibit "A"

Attached to and made part of that certain Joint Operating Agreement and dated ____________________ _____, 2026 by and between Castex Energy, Inc., as Operator, and _______________________, et al as Non-Operator(s).

1. Lands Subject to this Agreement:

See Exhibit A-1

2. Area of Mutual Interest

See Exhibit A-2

3. Oil and Gas Lease and/or Oil and Gas Interest Subject to this Agreement:

4. Restrictions, if any, as to Depths and Formations:

As per the lease provisions

5. Addresses of the Parties for Notice Purposes:
   Castex Energy, Inc.
   Castex Energy 2021, LLC
   333 Clay Street, Suite 2900
   Houston, Texas 77002
   Facsimile: (281) 447-1009
   Attn: Mr. William O'Neal
   Email: woneal@castexenergy.com
   Cc to Ashley Green (agreen@castexenergy.com)

6. Decimal Interest of the Parties to this Agreement for the ______________ Prospect:

* "Payout" is described in each applicable Party's respective Participation Agreement.

7. Burdens on Production

Exhibit A-1

Exhibit A-2

EXHIBIT " C "
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of That certain Operating Agreement dated effective ______________________ _____, 2026 by and between Castex Energy, Inc., as Operator, and _____________________, et al as Non-Operator(s)

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within thirty (30) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within thirty (30) days of receipt of such written request.

B. Except as provided below, each Party shall pay its proportionate share of all bills in full within fifteen (15) days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

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

4. ADJUSTMENTS

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

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

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

5. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section I.4 (*Adjustments*).

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

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

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

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

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

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

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

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

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

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

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

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of two (2) or more Parties, one of which is the Operator, having a combined working interest of at least one hundred percent (100 %), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

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

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

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. MATERIAL

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

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

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

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ______twelve______ percent (____12____%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 20,000.00.

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed $ 20,000.00.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

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

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including and incurred in connection with hearings and other matters before governmental bodies or agencies preliminary, supplemental, shut-in royalty opinions, division order title opinions), curative work shall be chargeable as a direct charge in the Agreement.

10. TAXES AND PERMITS

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

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

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

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

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

III. OVERHEAD

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

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

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

- human resources
- management
- supervision not directly charged under Section II.2 (*Labor*)
- legal services not directly chargeable under Section II.9 (*Legal Expense*)
- taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.

Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing overhead functions, as well as office and other related expenses of overhead functions.

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this Section III, the Operator shall charge on either:

☑ **(Alternative 1)** Fixed Rate Basis, Section III.1.B.
☐ **(Alternative 2)** Percentage Basis, Section III.1.C.

A. TECHNICAL SERVICES

(i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services:

☑ **(Alternative 1 – Direct)** shall be charged **<u>direct</u>** to the Joint Account.

☐ **(Alternative 2 – Overhead)** shall be covered by the **<u>overhead</u>** rates.

(ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services Notwithstanding anything contained herein to the contrary, costs and expenses incurred in connection with permitting, unitization (geological, legal, surveying and drafting) shall be chargeable as a direct charge in the Agreement:

☑ **(Alternative 1 – All Overhead)** shall be covered by the **<u>overhead</u>** rates.

☐ **(Alternative 2 – All Direct)** shall be charged **<u>direct</u>** to the Joint Account.

☐ **(Alternative 3 – Drilling Direct)** shall be charged **<u>direct</u>** to the Joint Account, **<u>only</u>** to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

B. OVERHEAD—FIXED RATE BASIS

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

Drilling Well Rate per month $ 22,000.00 (prorated for less than a full month)

Producing Well Rate per month $ 2,200.00

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

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

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(3) Application of Overhead—Producing Well Rate shall be as follows:

(a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.

(b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.

(c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether or not the well has produced.

(d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

(e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

(4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided, however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the effective date of such rates, in accordance with COPAS MFI-47 (“Adjustment of Overhead Rates”).

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

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

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

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

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

(1) ____5____% of total costs if such costs are less than $100,000; plus

(2) ____3____% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ____2____% of total costs in excess of $1,000,000.

B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:

(1) ____3____% of total costs if such costs are less than $100,000; plus

(2) ____2____% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ____1____% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

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

2. TRANSFERS

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

A. PRICING

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

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

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

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

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

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

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

B. FREIGHT

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

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

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

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

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

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

C. TAXES

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

D. CONDITION

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

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

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

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

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

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

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

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

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

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

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

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

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

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

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

1. DIRECTED INVENTORIES

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

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

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

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

EXHIBIT "D"

Attached to and made part of that certain Joint Operating Agreement and dated

__________________ ___, 2026 by and between Castex Energy, Inc., as Operator, and

______________, et al as Non-Operator(s)

INSURANCE REQUIREMENTS

1. As to all operations hereunder, the Operator shall carry for the benefit of the Joint Account and of the parties of this Agreement, the following insurance coverage, subject to market availability and reasonable costs:

a. Workers' Compensation Insurance in accordance with the laws of all governmental bodies having jurisdiction over the work to be performed hereunder, including, if applicable, the United States Longshore and Harbor Workers' Compensation Act with the Outer Continental Shelf Extension. Such coverage shall also include Employers' Liability Insurance and, if applicable, Maritime Employers' Liability Insurance covering masters and crews of any vessels, with a minimum limit of $1,000,000 per accident.

b. Control of Well Insurance not less than $20,000,000.00.

2. Operator shall not be required or authorized to obtain or carry, on behalf of the Joint Account, any additional insurance covering the parties or operations to be conducted hereunder, without the consent and agreement of all parties. Notwithstanding the foregoing, a party may request, and Operator may provide, on behalf of such electing party, the following coverages:

a. General Liability – Hired & Non-Owned Auto Liability-Employee Benefits Liability:
    - GL: up to $1MM each occurrence/$2MM aggregate
    - Up to $2MM Products/Completed Operations aggregate
    - Up to $1MM Personal & Advertising Injury
b. Umbrella Liability: up to $50MM
c. Maritime Employer's Liability: up to $1MM any one accident or occurrence
d. Charterer's Liability: up to $1MM each occurrence/$2MM aggregate

3. Each party, individually, may acquire, at its own expense and for its sole benefit, such insurance as it deems proper to protect itself against claims, losses, damage to or destruction of property and/or personal injury or death of third persons arising out of the Joint Operations.

4. Each party understands and agrees that each party will be responsible for its own proportionate interest in the event of any losses, liabilities or expenses arising out of Joint Operations and will assume its portion of any such losses, liabilities and/or expenses that occur. All losses and all damages to jointly owned property shall also be borne by the parties in proportion to their respective interests.

5. Each party hereby agrees that all insurance policies covering the operations contemplated herein will be suitably endorsed to effectuate a waiver of subrogation rights against all other parties to the agreement.

6. Operator shall require all contractors engaged in operations under this agreement to comply with the applicable Workers' Compensation and Employers' Liability laws, including Maritime Liability laws if applicable, and to maintain such other insurance, and in such amounts, that the Operator deems necessary. All such insurance policies shall provide for a waiver of subrogation rights against the parties to this agreement.

7. <u>Indemnity</u>. Failure to secure the insurance coverages, or the failure to comply fully with any of the insurance provisions of this Agreement, or the failure to secure such endorsements on the policies as may be necessary to comply with the provisions of this Agreement, shall in no way act to relieve Operator or Non-Operator from its obligations under this Agreement. In the event that liability for any loss or damage is denied by the underwriter or underwriters, in all or in part, because of breach of said insurance by any Party, or for any other reason, or if defaulting Party fails to maintain any of the required insurance or relies on self-insurance, the defaulting Party shall defend non-defaulting Party and employ separate counsel acceptable to the non-defaulting Party, against all claims, demands and causes of action of every kind and character, and shall indemnify non-defaulting against any and all costs, expenses (including attorneys' fees) and liabilities which would otherwise be covered by said insurance. The non-defaulting Party shall be fully apprised of the defense and shall have the right to participate in and consent to any settlement.

GAS BALANCING AGREEMENT

I. DEFINITIONS

The following definitions shall apply to this Agreement:

1.01 "Arm's Length Agreement" shall mean any gas sales agreement with an unaffiliated purchaser of any gas sales agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between unaffiliated parties at the same time for natural gas of comparable quality and quantity.

1.02 "Balancing Area" shall mean each well subject to the Operating Agreement that produces Gas or is allocated a share of Gas production. If a single well is completed in two or more producing intervals, each producing interval from which the Gas production is not commingled in the wellbore shall be considered a separate well.

1.03 "Full Share of Current Production" shall mean the Percentage Interest of each Party in the Gas actually produced from the Balancing Area during each month.

1.04 "Gas" shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale of delivery from the Balancing Area.

1.05 "Imbalance" shall mean the over-production or under-production or over-deliveries or under-deliveries with respect to Hydrocarbons produced from or allocated pursuant to this Agreement, which arise pursuant to a Party electing to take-in-kind under a joint operating agreement.

1.06 "Makeup Gas" shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.

1.07 "MCF" shall mean one thousand cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and at a standard temperature base.

1.08 "MMBTU" shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of
14.73 pounds per square inch absolute.

1.09 "Operator" shall mean the individual or entity designated under the terms of the Operating Agreement or, in the event this Agreement is not employed in connection with an operating agreement, the individual or entity designated as the operator of the well(s) located in the Balancing Area.

1.10 "Overproduced Party" shall mean any Party having taken a greater quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.10 "Overproduction" shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.

1.11 "Party" shall mean those individuals or entities subject to this Agreement, and their representative heirs, successors, transferees and assigns.

1.12 "Percentage Interest" shall mean the percentage or decimal interest of each Party in the Gas produced from the Balancing Area pursuant to the Operating Agreement covering the Balancing Area.

1.13 "Royalty" shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding royalties, production payments or similar interests.

1.14 “Underproduced Party” shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.15 "Underproduction" shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its Percentage Interest in the cumulative quantity of all Gas Produced from the Balancing Area.

1.16 "Winter Period" shall mean the month(s) of October - December in one calendar year and the month(s) of January - March in the succeeding calendar year.

II. BALANCING AREA

2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in MMBTU's.

III. RIGHT OF PARTIES TO TAKE GAS

3.1 Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement.

3.2 Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production.

3.3 When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced Party in the proportion that its' Percentage Interest in the Balancing Area bears to the total Percentage Interests of all UnderproducedParties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the Balancing Area bear to thetotal Percentage Interests of such Parties.

3.4 All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.

IV. IN-KIND BALANCING

4.1 Effective the first day of any calendar month following at least twenty (20) days' prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying fifty percent (50%) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than fifty percent (50%) of its Full Share of Current Production for Makeup Gas. The Operator will promptly notify Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

4.2 Notwithstanding the provisions of Section 4.1, no Overproduced Party will be required to provide more than ten percent (10%) of its Full Share of Current Production for Makeup Gas during the Winter Period.

4.3 Notwithstanding the provisions of Section 4.1 and 4.2, at any time during the term of this Agreement, an Overproduced Party may agree to cause the increase of takes of Makeup Gas by the Underproduced Party at rates, quantities, times and from such sources as the affected Parties may agree upon in order to balance Imbalanceshereunder.

V. STATEMENT OF GAS BALANCES

5.1 The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within thirty (30) days after the month of production, the Operator will furnish a statement for such month showing (1) eachParty's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction orUnderproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No. 24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.

5.2 If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or where the Operator has failed to provide data,another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

VI. PAYMENTS ON PRODUCTION

6.1 Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas actually taken by such Party.

6.2 Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account; provided, however, if any Party's percentage interest is subject to any overridingroyalty, net profits interest, production payment or other burden on production, such Party so burdened shall pay and bear all such obligations and shall indemnify and hold the other Parties harmless from any and all claims and demands for payment asserted by the owners of such burdens.

6.3 In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section VI, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

VII. CASH SETTLEMENTS

7.1 In order to resolve an Imbalance, the Parties to this Agreement agree to cash settle any Imbalance existing yearly, unless the Parties mutually agree to waive such yearly settlement, in which case the Imbalance will be carried through to the next succeeding year. Such settlement shall consist of a cash payment to the net under-delivered Party (the net under-delivered Party is the Party whois in a net under-delivered position for the period being settled; the net over-delivered Party is the Party who is in a net over-delivered position for the period being settled) based on the valuation described below:

At the end of each year, Operator shall convert the monthly Imbalance in such month to a dollar value by multiplying such monthly Imbalance by the price published for the applicable geographic area on the transporting pipeline in Platts Gas Daily Price Guide under the heading Monthly Averages for the applicable month for all sales of production less all transportation, gathering and other marketing costs or deductions incurred plus the natural gas liquid processing value from the applicable Plant Settlement Statement forthe net value divided by the delivered MMBTU for such month (the "Settlement Price"). This value shall be determined by applying the Settlement Price of the over-delivered Party to the corresponding monthly over-delivery or under-delivery in MMBTU. For purposes of this Agreement, Operator agrees to maintain an MMBTU accounting of the Imbalance. Payment shall be made by the over-delivered Party within thirty (30) days of such over-delivered Party's receipt of Operator's statement. In the event Platts Gas DailyPrice Guide ceases to be published for the applicable location, Operator, in its reasonable discretion, shall use the Inside FERC as a substitute index price for the applicablelocation.

7.2 Interest shall be compounded at the prime rate in effect at Citibank N.A. of New York plus 1% per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due hereunder, beginning the first day following the date payment is due pursuant to Section 7.1. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out herein.

7.3 That portion of any monies collected by an Overproduced Party for Overproduction which is subject to refund by orders of the Federal Energy Regulatory Commission or other governmental authority may be withheld by the Overproduced Party until such prices are fully approved by such governmental authority, unless the Underproduced Party furnishes a corporate undertaking, acceptable to the Overproduced Party, agreeing to hold the Overproduced Party harmless from financial loss due to refund orders by such governmental authority.

VIII. TESTING

Notwithstanding any provision of this Agreement to the contrary, any Party shall have the right, from time to time, to produce and take up to one hundred percent (100%) of a well's entire Gas stream to meet the reasonable deliverability test(s) required by such Party's Gas purchaser, and the right to take any Makeup Gas shall be subordinate to the right of any Party to conduct such tests; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after ten (10) days'prior written notice to the Operator and shall last no longer than seventy-two (72) hours.

IX. OPERATING COSTS

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its Percentage Interest in the Balancing Area.

X. LIQUIDS

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated for the joint account in accordance with their PercentageInterests in the Balancing Area.

XI. AUDIT RIGHTS

Not withstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section V or VII hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from theend of the calendar year in which any cash settlement is received pursuant to Section VII to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the Volumes of Gas used in its own operations, along withthe Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section XI shall be in addition to those provided for in Section 5.2 of this Agreement.

XII. MISCELLANEOUS

12.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of any gas sales contract, or in the event of any conflict between the provisions of the Operating Agreement, the provisions of this Agreement shall govern.

12.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for any claims, which may be asserted by any third Party which now or hereafter stands in a contractual relationship with such indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party under the provisions of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages sustained and costs incurred in connection therewith.

12.3 Except as otherwise provided in this agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other Parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party (other than Operator) to pay any amounts owed pursuant to the terms hereof.

12.4 This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives and assigns, if any. The Parties hereto agree to give notice of theexistence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.

12.5 Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

12.6 This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.

12.7 If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the Balancing Area.

12.8 The Parties to this Agreement agree to abide by Treasury Regulation 1.761-2 (d) (2) which states that "all co-producers of natural gas operating under the same joint operating agreement must use either the cumulative gas balancing method, as described in paragraph (d) (3) of this section, unless they use the annual gas balancing method described in paragraph (d) (4) of this section". The parties to this Agreement further agree to use only the cumulative gas balancing method as described in Treasury Regulation 1.761-2 (d) (3). In the event of a conflict between the provisions of this Section and any other provisions of this Agreement, the provisions of this Section shall control.

XIII. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

13.1 Subject to the provisions of Sections 13.2 and 13.3 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

13.2 Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 13.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 13.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least thirty (30) days priorto closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within twenty (20) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section XIII, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section XIII shall be paid by the Overproduced Party on or before the earlier to occur (I) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.1 through 7.3 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning sixty (60) days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 13.1 hereof.

13.3 The provisions of this Section XIII shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

NOTIFICATION AND WELL DATA REQUIREMENTS

Operator: Castex
Well Name: []
Parish and State: []
Prospect: []
Estimated Spud: [], 2024

Company Name: []

Address: []

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Name: ____________________ **Email:** ________________________ **Cell:** ______________________

Election Notice Contact: ________________________ **Cell Phone/24-Hour Number:** __________________

Required/Requested Information	**Digital Delivery to**
Drilling Prognosis	
Location	
Drilling Permit, Regulatory Forms	
Daily Drilling Report	
Daily Mud Log Report	
Final Mud Log	
Daily Directional Reports	
Final Directional Survey	
E-Log Field	
E-Log Final	
LAS Files	
Paleontological Report	
Well Tests	
Completion Report	
All Other Reports	

Company Name:

Address:

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Name: ______________________ **Email:** __________________________ **Cell:** _________________________

Election Notice Contact: __________________________ **Cell Phone/24-Hour Number:** ___________________

Required/Requested Information	**Digital Delivery to**
Drilling Prognosis	
Location	
Drilling Permit, Regulatory Forms	
Daily Drilling Report	
Daily Mud Log Report	
Final Mud Log	
Daily Directional Reports	
Final Directional Survey	
E-Log Field	
E-Log Final	
LAS Files	
Paleontological Report	
Well Tests	
Completion Report	
All Other Reports	

**MEMORANDUM OF OPERATING AGREEMENT
STATEMENT OF LIENS, SECURITY AGREEMENT
AND FINANCING STATEMENT**

THE STATE OF _______________ §
§
PARISH OF __________________ §

Reference is hereby made to that certain Operating Agreement dated as of _____________ ____, 2024, by and between Castex Energy, Inc.., as Operator, whose address is 333 Clay Street, Suite 2900, Houston, Texas 77002, and the undersigned as Non-Operator (the "Operating Agreement").

This Memorandum of Operating Agreement, Statement of Liens, Security Agreement and Financing Statement (the "Memorandum") shall be effective when the Operating Agreement becomes effective.

The parties hereto have entered into the Operating Agreement which provides for the development and production of crude oil, natural gas and associated substances from the lands and leases (the "Contract Area") described in Exhibit "A" Contract Area attached hereto. The Operating Agreement contains an Accounting Procedure, along with provisions giving the parties hereto mutual liens and security interests where one or more parties hereto become debtors to one or more other parties hereto. This Memorandum incorporates by reference all of the terms and conditions of the Operating Agreement, including but not limited to the lien and security interest provisions.

The purpose of this Memorandum is to place third parties on notice of the Operating Agreement, and to secure and perfect the mutual liens and security interests of the parties hereto.

The Operating Agreement specifically provides that:

1. The Operator shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of the Operating Agreement.

2. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area.

3. Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil or gas or both when extracted and its interest in all equipment, to secure payment of its share of expenses, together with interest thereon at the rate provided in the Accounting Procedure. To the extent that Operator has a security interest under the Uniform Commercial Code (the "Code") of the state in which the Contract Area is located, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the rights or security interest for the payment thereof.

4. If any Non-Operator fails to pay its share of costs when due, Operator may require other Non-Operators to pay their proportionate part of the unpaid share, whereupon the other Non-Operators shall be subrogated to Operator's lien and security interest.

5. The Operator grants to Non-Operator a lien and security interest equivalent to that granted to Operator as described in Paragraph 3 above, to secure payment by Operator of its own share of costs when due.

The Operating Agreement contains other provisions which do not conflict but supplement the above described provisions, including non-consent provisions which provide that parties who elect not to participate in certain operations shall be deemed to have relinquished their interest until the consenting parties are able to recover their costs of such operations plus a specified amount. Should any person or firm desire additional information regarding the Operating

Agreement or wish to inspect a copy of the Operating Agreement, said person or firm should contact the Operator.

For purposes of perfecting said liens and security interests, the undersigned parties agree that this Memorandum covers all right, title and interest of the debtor(s) in:

Security Interests

1. A. All personal property located upon or used in connection with the Contract Area.
   B. All fixtures on the Contract Area.
   C. All oil, gas and associated substances of value in, on or under the Contract Area which may be extracted there from.
   D. All accounts resulting from the sale of the items described in subparagraph C, at the wellhead of every well located on the Contract Area or on lands pooled herewith
   E. All items used, useful, or purchased for the production, treatment, storage, transportation, manufacture, or sale of the items described in subparagraph C.
   F. All accounts, contract rights, rights under any gas balancing agreement, general intangibles, equipment, inventory, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights, whether now owned or existing or hereafter acquired or arising, including but not limited to all interest in any partnership, limited partnership, association, joint venture, or other entity or enterprise that holds, owns, or controls any interest in the Contract Area or in any property encumbered by this Memorandum.
   G. All severed and extracted oil, gas, and associated substances now or hereafter produced from or attributable to the Contract Area, including without limitation oil, gas and associated substances in tanks or pipelines or otherwise held for treatment, transportation, manufacture, processing or sale.
   H. All proceeds and products of the items described in the foregoing paragraphs now existing or hereafter arising, and all substitutions therefore, replacements thereof, or accessions thereto.
   I. All personal property and fixtures now and hereafter acquired in furtherance of the purposes of the Operating Agreement.

2. Certain the above described items are, or are to become fixtures of the Contract Area.

3. The proceeds and products of collateral are also covered.

Lien Property

1. All real property within the Contract Area, including all oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.

2. All fixtures within the Contract Area.

3. All real property and fixtures now and hereafter acquired in furtherance of the purposes of the Operating Agreement.

The above items will be financed at the wellhead of the well or wells located on the Contract Area, and this Memorandum is to be filed for record in the real estate records of the county or counties in which the Contract Area is located, and in the Uniform Commercial Code records.

On default of any covenant or condition of the Operating Agreement, in addition to any other remedy afforded by law or the practice of the state in which the Contract Area is located, each party to the agreement and any successor to such party by assignment, operating of law, or otherwise, shall have, and is hereby given and vested with the power and authority to take possession of and sell any interest which the defaulting party has in the subject lands and to foreclose this lien in the manner provided by law.

Upon expiration of the subject Operating Agreement and the satisfaction of all debts, the Operator may file or record a Release of this Memorandum on behalf of all parties concerned.

It is understood and agreed by the parties hereto that if any part, term or provision of this Memorandum is by the courts held to be illegal or in conflict with any law of the state where made, the validity of the remaining portions or provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Memorandum did not contain the particular part, term or provision held to be invalid.

This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns. The failure of one or more parties owning an interest in the Contract Area to execute this Memorandum shall not in any manner affect the validity of the Memorandum as to those parties who have executed this Memorandum.

A party having an interest in the Contract Area can ratify this Memorandum by execution and delivery of an instrument of ratification, adopting and entering into this Memorandum and such ratification shall have the same effect as if the ratifying party had executed this Memorandum or a counterpart thereof. By execution or ratification of this Memorandum such party hereby consents to its ratification and adoption by any party who may have or may acquire any interest in the Contract Area.

This Memorandum may be executed or ratified in one or more counterparts and all of the executed or ratified counterparts shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto need to be filed of record.

[Signature Pages to Follow]

After recording, return to:

Castex Energy, Inc.
333 Clay Street, Suite 2900
Houston, Texas 77002
Attn: Mrs. Susan Warner

IN WITNESS WHEREOF, this agreement shall be effective as of the _______day of ___________________, 2026__________.

OPERATOR

ATTEST OR WITNESS | **Castex Energy, Inc.**

By: Ashley Green

Type or Print Name

Title: Corporate Secretary

Date:

Address: 333 Clay Street, Suite 2900, Houston, TX 77002

NON-OPERATORS

ATTEST OR WITNESS | **Castex Energy 2021, LLC**

By: Ashley Green

Type or Print Name

Title: Corporate Secretary

Date:

Address: 333 Clay Street, Suite 2900, Houston, TX 77002

ATTEST OR WITNESS | **[ ]**

By:

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS | **[ ]**

By:

Type or Print Name

Title:

Date:

Address:

[ ]

By:

Type or Print Name

Title:

Date:

Address:

ACKNOWLEDGMENTS

NOTE:

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

Acknowledgment in Representative Capacity

Acknowledgment in Representative Capacity

State of __Texas_____________ §

§ ss.

County of ___Harris_________ §

This instrument was acknowledged before me ____

on _by__Ashley Green______________________________ as Corporate Secretary______________________ of

Castex Energy 2021, LLC____.

(Seal, if any) ____________________________________

Title (and Rank) _________________________

My commission expires: ____________________

Acknowledgment in Representative Capacity

State of ____________________ §

§ ss.

Parish of ___________________ §

This instrument was acknowledged before me on ____

by ____ as ______________________________ of

____.

(Seal, if any) ____________________________________

Title (and Rank) _________________________

My commission expires: ____________________

Acknowledgment in Representative Capacity

State of ____________________ §

§ ss.

Parish of ___________________ §

This instrument was acknowledged before me on ____

by ____ as ______________________________________ of

____.

(Seal, if any) ____

Title (and Rank) _________________________________

My commission expires: __________________________

Acknowledgment in Representative Capacity

State of ____________________ §

§ ss.

Parish of ___________________ §

This instrument was acknowledged before me on ____

by ____ as ______________________________________ of

____.

(Seal, if any) ____

Title (and Rank) _________________________________

My commission expires: __________________________

EXHIBIT "E"

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

(Authority for Expenditure)

CASTEX

CASTEX ENERGY, INC.
Authorization For Expenditure

DRILLING AFE

AFE No:

Well Name:	Thrasher	**Operator:** CASTEX ENERGY, INC.	**Date:** 2/3/2026
Field / Area:	Leeville		**Est. Spud:**
OCS-G / Lease:	LL&E	**Targets:** upper 95 sand	**PTD:** 14,618 MD
Parish/County:	Lafourche	lower 96 sand	14,500 TVD
State:	Louisiana		
Location:	SHL: X: 2343576 Y: 217507	SERIAL# 0	**Water Depth:** 8
	BHL: X: 2342602 Y: 216994	API# 0	

Objective:
Drill and log or P&A a directional hole to 14,618'/14,500' MD/TVD to target interval.Surface- 4,500', TD- 14,618'

The following is an estimate only and it is understood and agreed that this AFE shall be your authority to drill said well and incur such expenses as are necessary, whether the cost is more or less than the following sum. These expenses will include, but not limited to, third-party Engineering & Regulatory costs required to meet all Regulatory, Environmental, and Safety requirements for all applicable Federal, State, and local agencies.

Sub	Intangible Costs (USD) - Code (320)	Original	Supplement	Total
195	Surveys, Location Preparation, Bottom Clearance, Rig Positioning	525,000		525,000
60	Daywork - Unit	880,000		860,000
370	Turnkey	0		0
305	Rig Move - Rig, Tugs, Mob, Demob	258,800		258,800
130	Fuel, Water, Lube, Power	340,000		340,000
365	Contract Supervision - Onsite and Office	80,000		80,000
10	Bits, Reamers, Stabilizers	58,000		58,000
225	Mud - Materials and Engineering	475,800		475,800
285	Separation Equipment	0		0
61	Disposal	179,200		179,200
105	Equipment Rental	145,000		145,000
15	Casing Crews and Tools	57,500		57,500
260	Quartering and Catering	18,000		18,000
30	Communications	9,500		9,500
75	Diving, ROV	0		0
335	Specialized Services	17,500		17,500
240	Open Hole Logging - MWD/LWD, E-Line, Testing	78,250		78,250
20	Cement - Product Material, Service Charge	105,000		105,000
115	Fishing and Pipe Recovery	0		0
65	Directional Drilling, Downhole Surveys	281,900		281,900
190	Contract Labor and Regulatory/Permitting Services	20,000		20,000
205	Transportation	450,000		450,000
325	Shorebase - Dock, Dispatcher, Etc.	40,000		40,000
891	Overhead - COPAS Drilling Supplies	12,000		12,000
160	*Insurance	99,709		99,709
251	Plug & Abandon (including Rig Time)	250,000		250,000
250	Miscellaneous	0		0
	SUBTOTAL	4,110,959		4,110,959
999	**CONTINGENCY** 15%	616,644		616,844
	Total Intangible Cost	4,977,603		4,977,603

CASTEX ENERGY, INC.
DRILLING AFE

AFE No: 0

Well Name: Thrasher
Field / Area: Leeville
Operator: CASTEX ENERGY, INC.
Date: 2/3/2026

Sub	Tangible Costs (USD) - Code (321)		Original	Supplement	Total
135	Well Guard Protector		0		0
200	Drive Pipe		41,400		41,400
5	Conductor Pipe		0		0
20	Surface Casing (10-3/4")		238,500		238,500
10	Intermediate Casing (7")		0		0
120	Drilling Liner (7")		0		0
130	Drilling Liner Hanger(s)		0		0
175	Mudline Suspension Equipment		0		0
190	Other Equipment (including cementing jewelry, specialty x/o, etc.)		15,000		15,000
315	Wellhead Equipment		33,500		33,500
200	Lost in Hole		0		
	SUBTOTAL		328,400		328,400
999	**CONTINGENCY**	15%	49,260		49,200
		Total Tangible Cost	**377,660**		**377,660**

Castex Energy, Inc.		
Applicant:		
	Gabe Cusimano/ David T. Law	Date
Approved:		
	Eric Easton	Date
Approved:		
	Richard Stinson	Date
Approved:		
	Aaron Killian	Date
Approved:		
	Jonathan Wilson	Date

	Original	Supplement	Total
Total Tangible Cost	377,660		377,660
Total Intangible Cost	4,977,603		4,977,603
Total Dry Hole Cost	5,355,263		5,355,263

*Insurance billing may include some, but not limited to, the following types of coverages: OEE, P/D, Wind, B/R, Liability. They will be billed according to the WI% of each owner. You may elect to opt out provided CEI has your COI on file.

Working Interest Owner Approvals			Working Interest	Original	Supplement	Total
Operator:	Castex Energy, Inc.	Date:	100.0000%	5,355,263		5,355,263
WI Owner:		Date:		0		0
WI Owner:		Date:		0		0
WI Owner:		Date:		0		0
WI Owner:		Date:		0		0
		Totals	100.0000%	5,355,263		5,355,263

CASTEX

CASTEX ENERGY, INC.
Authorization For Expenditure

COMPLETION AFE
****SCOPING COST****

AFE No:

Well Name:	Thrasher	Operator: CASTEX ENERGY, INC.	Date: 4/21/2026
Field / Area:	Leeville		Est. Spud:
OCS-G / Lease:	LL&E	Targets: upper 85 sand	PTD: 14,818 MD
Parish/County:	Lafourche	lower 86 sand	14,500 TVD
State:	Louisiana		
Location:	SHL: X: 2343576 Y: 217507	SERIAL#	Water Depth: 8
	BHL: X: 2342602 Y: 216994	API# 0	

Objective:
To run the 7" production casing and 2-7/8" tubing, Perforate thru-tubing.

Sub	Intangible Costs (USD) Code (322)	Original	Supplement	Total
195	Location	0		0
60	Daywork - Complete	430,000		430,000
370	Turnkey	0		0
305	Rig Move - Rig, Tugs, Mob, Demob	0		0
130	Fuel, Water, Lube, Power	108,500		108,500
25	CTU, Snubbing, Liftboat	0		0
385	Contract Supervision - Onsite and Office	40,000		40,000
10	Bits, Reamers, Stabilizers	15,000		15,000
225	Mud - Completion Fluids, Chemicals, Engineering	131,500		131,500
125	Filtration	0		0
61	Disposal	35,000		35,000
105	Equipment Rental	45,000		45,000
15	Casing Crews and Tools	85,000		85,000
260	Quartering and Catering	15,000		15,000
30	Communications	4,000		4,000
75	Diving, ROV	0		0
335	Specialized Services (Casing/Tubing Inspection, Torque-Turn, Wellhead, Etc.)	72,500		72,500
395	Slickline, E-Line, Logging Services	40,000		40,000
20	Cement - Product Material, Service Charge	87,500		87,500
115	Fishing and Pipe Recovery	0		0
340	Stimulation & Sand Control	0		0
261	Perforating & Testing	92,500		92,500
190	Contract Labor and Regulatory Services	25,000		25,000
205	Transportation	225,000		225,000
325	Shorebase - Dock, Dispatcher, Etc.	25,000		25,000
991	Overhead - COPAS ReCompletion, Supplies	8,600		8,600
160	Insurance - Included in DHC	0		0
250	Miscellaneous	2,500		2,500
	SUBTOTAL	1,467,600		1,467,600
999	**CONTINGENCY** 10%	146,760		146,760
	Total Intangible Cost	1,614,360		1,614,360

CASTEX ENERGY, INC.
COMPLETION AFE

AFE No: 0

Well Name: Thrasher **Operator:** CASTEX ENERGY, INC. **Date:** 4/21/2026
Field / Area: Leeville

Sub	Tangible Costs (USD) Code (323)	Original	Supplement	Total
15	Production Casing (7")	545,750		545,750
210	Production Tieback	0		0
295	Tubing (2-7/8")	449,500		449,500
130	Production Liner Hanger(s)	0		0
175	Mudline Suspension Equipment	0		0
190	Other Equipment (including cementing jewelry, specialty x/o, etc.)	15,000		15,000
315	Wellhead/Tubing Head Equipment and Tree	128,000		128,000
55	Artificial Lift	0		0
60	Gravel Pack Equipment	0		0
50	Subsurface Equipment - Packers, SCSSV. Nipples, Etc.	109,500		109,500
350	Surface Equipment	0		0
	SUBTOTAL	1,247,750		1,247,750
999	CONTINGENCY 10%	124,775		124,775
	Total Tangible Cost	1,372,525		1,372,525

Castex Energy, Inc.		
Applicant:	Gabe Cusimano/David Law	Date
Approved:	Eric Easton	Date
Approved:	Richard Stinson	Date
Approved:	Aaron Killan	Date
Approved:	Jonathan Wilson	Date

	Original	Supplement	Total
Total Tangible Cost	1,372,525		1,372,525
Total Intangible Cost	1,614,360		1,614,360
Total Completion Cost	2,986,885		2,986,885

Working Interest Owner Approvals			Working Interest	Original	Supplement	Total
Operator	Castex Energy, Inc.	Date:	100.0000%	2,986,885		2,986,885
WI Owner:		Date:		0		0
WI Owner:		Date:		0		0
WI Owner:		Date:				
WI Owner:		Date:				
		Totals	100.0000%	2,986,885		2,986,885

EXHIBIT "F"

Attached to and made a part of that certain Participation Agreement, dated effective [], 2026 by and between Castex Energy, Inc. et al as "Operator", Castex Energy 2021, LLC as "Seller", and Seidler Oil & Gas L.P. as "Buyer".

(Buyer's Respective Share of the Prospect Fee, Sunk Cost, Spud Fees and Completion Fees)

	Sunk Costs of $254,196.62	Prospect Fee	Perdido Spud Fee	Spud Fee	Completion Fee
8/8ths Costs	$ 254.196.62	$ 300,000.00	$ 84,500.00	$ 100,000.00	$ 50,000.00
Buyer Proportionate Share	$ 50,839.32	$ 60.000.00	$ 16,900:00	$ 20,000.00	$ 10,000.00

Due contemporaneous with execution of the Participation Agreement: $110,839.32

Perdido Spud Fee due thirty (30) days before spud; Seller Spud Fee due no later than three (3) days after spud; Completion Fee due no later than three (3) days after completion