OFFERING MEMORANDUM NO._____

Lizzy #1H LP

(An Oil and Gas Horizontal Drilling Program)

February 24, 2026

A Maximum of one hundred (100) Partnership Units (US $195,000 each) totaling a Maximum of US $19,500,000 Limited Partnership Units and Additional General Partnership Units

No Minimum

Payment of US $195,000 per Unit at Subscription for Drilling, Testing and Completion of the Partnership Wells

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

Lizzy #1H LP ("Partnership"), a Texas limited partnership, is offering for sale (the "Offering") one hundred (100) units of Limited Partnership Units and Additional General Partner Units (the "Partnership Units") in the Lizzy #1H LP. Purchasers of Partnership Units will participate in the drilling and completion of the proposed oil and gas well, Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet), and one water injection well (vertical – approx. 6,500 feet, depth to Ellenberger Formation) in Fisher County, Texas (the "Partnership Wells"). Fisher County Texas is on the eastern shelf of the highly productive Permian Basin, located in Eastern New Mexico and Texas. As of June 2023, the Permian Basin reached an all-time high of 5.8 million barrels of oil per day—outproducing Saudi Arabia's massive Ghawar oilfield.

Fisher County has also reached an all-time high of oil and gas production after a new boom began to take shape in 2018, driven by proven geological science, modern drilling technology and fracking techniques. Recent significant new discoveries have been made in the Fisher County Strawn and Oolitic Formations. The decision to drill the Partnership Wells was influenced by the success of the Cholla Buffalo well (API #42-151-33288), located approximately 3 miles to the west of the Partnership Wells planned locations. The cumulative production on the Cholla Buffalo well, between Further, recent significant new discoveries have been made in the Fisher County Strawn and Oolitic Formations. The decision to drill the Partnership Wells was influenced by the following close proximity wells and their respective Texas Railroad Commission reported production:

- Great White (API# 42-151-33331) (11/2023-10/2025 : 265,477 BBLs oil, 514,846 MCF gas)
- Bull 10-10 (API# 42-151-33379) (06/2025-10/2025 : 67,801 BBLs oil, 79,327 MCF gas)
- Bison 6-2 (API# 42-151-33354) (05/2024-10/2025 : 279,414 BBLs oil, 285,827 MCF gas)
- Tatanka (API# 42-151-33330) (11/2023-10/2025 :,657 BBLs oil, 394,830 MCF gas)

The Managing General Partner is FWS Management, LLC, a Texas limited liability company controlled by Frank W. Seidler. The Managing General Partner is affiliated with Seidler Oil & Gas, LP and will operate the Partnership Wells. Hadaway Consulting and Engineering, LLC of Canadian, Texas is unaffiliated with the Managing General Partner and currently has been chosen by the Operator as the P-5 Contract Operator for the Partnership Wells. It carries Texas Railroad Commission Operator No. 342392. A "P-5" is the Texas Railroad Commission form designating which licensed operator is operating which designated oil and gas lease.

Each Partnership Unit is being offered at a price of $195,000 per Unit, payable at subscription. The Maximum Subscription Amount is $19,500,000.

The Partnership investment has the following characteristics, assuming that the Partnership Wells are Commercial Wells:

- Each Partnership Unit in the Partnership Wells will indirectly represent an approximate 1.00% Working Interest (0.72% Net Revenue Interest) in the Partnership Wells, assuming they are Commercial Wells.

- If the Partnership's maximum offering amount is sold, the Partners will indirectly own one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Partnership Wells through the Partnership Units with pro rata percentage reductions for lesser total Partnership Unit sales. Such reductions would not affect the percentage Working Interest or Net Revenue Interest ownership of the Partnership Wells represented by each Unit.

- Thus, assuming the Maximum Subscription Amount, one hundred percent (100%) the leasehold, drilling, completion, and lease operating expenses will be directly charged against the Partnership's Working Interest. Consequently, assuming the Maximum Subscription Amount, the Partners will pay approximately one hundred percent (100%) of the acreage, drilling, testing, completion, and operating expenses of the Partnership Wells and receive approximately seventy-two percent (72%) of the net revenue from the Partnership Wells.

- The US $195,000 per Partnership Unit price will be payable at subscription.

- An unaffiliated prospect generator will receive $150,000 as a prospect generation fee (up to $50,000 or 50% of which will be paid by the Partnership).

- A company affiliated with the Managing General Partner holds the leases on the acreage upon which the Partnership Wells will be drilled will receive up to $2,841,300 in acreage cost compensation. The lease acreage was acquired at an average price of $1,000 per net mineral acre plus engineering, landman, due diligence, legal and other expenses related to the acreage acquisitions.

- The Partnership, or an affiliate, will hold up to $100,000 as a plug and abandon reserve. If the up to $100,000 plug and abandon reserve is not used, such unused reserve amount will become part of the Partnership's capital base capital and reserves. Such funds may be held as a reserve against the Partnership's future anticipated expenses or distributed to Partners as a return of capital, all in the Managing General Partner's sole discretion.

- The estimated costs on the injection well are $1,326,741.

- Seidler Oil & Gas, LP, ("Seidler Oil & Gas") an affiliate of the Managing General Partner (or another affiliate) and the Operator will directly and indirectly charge the Partnership drilling and completion expenses on a pro rata basis for the cost of up to one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the oil and gas Partnership Wells plus an injection well. Assuming the Maximum Subscription Amount, the Operator's Authorization For Expenditure ("AFE") amount for the geological and geophysical costs, drilling and testing of the Partnership Wells for the Working Interest in the Partnership Wells

amounts to approximately $11,301,498. These AFE costs will not include an additional $150,000 fee to an unaffiliated prospect generator and $2,841,330 for acreage costs for the Partnership's Working Interest. Additionally, the Partnership will be responsible for maintaining a reserve for potential plug and abandonment costs for the Working Interest in the Partnership Wells. The estimated AFE costs for drilling and completion of the Partnership Wells leasehold acreage and prospect generator fee (amount based on the maximum Working Interest) is $11,301,498 through completion, plus the $100,000 plug and abandon reserve.

- Seidler Oil & Gas, or an affiliate, will pay such $11,301,498 for the Working Interest, to the Operator for drilling and completion expenses, and to Seidler Oil & Gas or an affiliate for lease and geology expenses, and to the prospect generator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. If, assuming the Maximum Subscription Amount such AFE costs for such Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage and prospect generator costs), Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.

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

- Assuming the Maximum Subscription Amount for the Partnership Wells, Seidler Oil and Gas will separately receive payments of $3,900,000 for organizational and offering costs, $1,950,000 for management fees, and $2,348,502 for general and administrative costs. The organizational and offering costs, management fee and general and administrative costs are not contingent on the amount raised but may be accrued if the Subscribers do not have cash to pay it.

- The oil and gas leases for the Partnership Wells were obtained from the mineral estate owners at different mineral royalty percentages depending on variables, including the amount of mineral estate owned, the location of the leasehold interest, and the negotiation preferences of the mineral estate owners. But the

assignments to the Partnership will always carry a cumulative sum of twenty-eight percent (28%) mineral estate royalty and Overriding Royalty Interest. Any difference between the twenty-eight percent (28%) cumulative royalties burdening the leasehold estates for the Partnership Wells and the mineral estate royalty may be provided to an affiliate of the Managing General Partner in the form of an Overriding Royalty Interest.

- The closing date for this offering is August 28, 2025, unless extended at the discretion of Seidler Oil & Gas.

The Managing General Partner anticipates that the Operator will attempt to spud one or more of the Partnership Wells in 2024. However, Subscribers should understand that the Partnership Wells' spud dates may depend on circumstances outside an Operator's control, such as the availability of drilling rigs and other equipment, the timing of permits from the Texas Railroad Commission and other governmental entities, the weather, and government-ordered drilling moratoriums. Many Operating Agreements give the Operator the right to change Partnership Wells' locations within certain parameters.

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

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

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

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

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

OTHER JURISDICTION HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

The date of this Offering Memorandum is February 24, 2026.

ONLY A NUMBERED, PRINTED MEMORANDUM MAY BE USED TO SUBSCRIBE TO THIS PROGRAM

ADDITIONAL INFORMATION

DURING THE COURSE OF THIS OFFERING AND PRIOR TO SALE, EACH OFFEREE MAY ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM THE MANAGING GENERAL PARTNER CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING, PROVIDED THE INFORMATION IS REASONABLY AVAILABLE. IN ADDITION, EACH OFFEREE WILL BE ENTITLED TO OBTAIN ADDITIONAL INFORMATION FROM THE MANAGING GENERAL PARTNER WHICH THEY BELIEVE TO BE MATERIAL TO A DECISION TO INVEST IN THE PARTNERSHIP UNITS (INCLUDING ADDITIONAL INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM) TO THE EXTENT THE MANAGING GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. SUCH ADDITIONAL INFORMATION AND ALL DOCUMENTS RELATING TO THIS INVESTMENT WILL BE MADE AVAILABLE TO THE OFFEREE UPON REQUEST TO FWS MANAGEMENT, LLC, 7140 FM 917, ALVARADO, TX 76009, (817) 259-1777.

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

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

THIS MEMORANDUM CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE OPERATING AGREEMENT, BUT REFER TO THE OPERATING AGREEMENT, A COPY OF WHICH IS ATTACHED AS EXHIBIT A, FOR COMPLETE INFORMATION CONCERNING THE SUBSCRIBERS' RIGHTS AND OBLIGATIONS. THE MEMORANDUM INCLUDES

SIGNIFICANT ASSUMPTIONS. NO WARRANTY OF SUCH ASSUMPTIONS IS EXPRESSED OR IMPLIED HEREBY. THE MANAGING GENERAL PARTNER WILL MAKE AVAILABLE ALL DOCUMENTS RELATING TO THIS MEMORANDUM UPON REQUEST FROM A PROSPECTIVE SUBSCRIBER.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS, OR FURNISH ANY INFORMATION, WITH RESPECT TO THE MANAGING GENERAL PARTNER OR THE PARTNERSHIP UNITS, OTHER THAN THE REPRESENTATIONS AND INFORMATION STATED IN THIS MEMORANDUM, THE DOCUMENTS OR OTHER DOCUMENTS, OR OTHER INFORMATION WHICH IS FURNISHED BY THE MANAGING GENERAL PARTNER UPON REQUEST. THE MANAGING GENERAL PARTNER WILL PROVIDE ADDITIONAL INFORMATION REQUESTED BY A PROSPECTIVE SUBSCRIBER FOR EVALUATION PURPOSES IF THIS INFORMATION IS REASONABLY AVAILABLE. SUCH ADDITIONAL INFORMATION SHOULD ONLY BE RELIED UPON IF FURNISHED IN WRITTEN FORM AND SIGNED BY A PRINCIPAL OF THE MANAGING GENERAL PARTNER. NO CHANGE IN OPERATOR AFFAIRS FROM THE DATE OF THIS MEMORANDUM SHALL BE IMPLIED OR ASSUMED MERELY BY THE DELIVERY OF THIS MEMORANDUM, OR THE SALE OF THE PARTNERSHIP UNITS.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHO HAS RECEIVED IT FROM THE MANAGING GENERAL PARTNER. DELIVERY OF THIS MEMORANDUM, OR ANY OTHER DOCUMENTS OR INFORMATION FURNISHED TO AN OFFEREE, TO ANYONE OTHER THAN THE PERSON WHO HAS RECEIVED IT FROM THE MANAGING GENERAL PARTNER IS UNAUTHORIZED.
ANY OFFER TO PARTICIPATE IN THE PARTNERSHIP UNITS SHALL ONLY BE MADE TO ACCREDITED INVESTORS AS DEFINED BY SEC RULE 501(a) UNDER THE SECURITIES ACT OF 1933 BY THE MANAGING GENERAL PARTNER WITHOUT ENGAGING IN ANY ADVERTISEMENT, ARTICLE, NOTICE, OR OTHER COMMUNICATION PUBLISHED IN ANY NEWSPAPER, MAGAZINE, OR SIMILAR MEDIA OR BROADCAST OVER TELEVISION, RADIO, OR THE INTERNET OR THROUGH A SEMINAR OR MEETING WHOSE ATTENDEES HAVE BEEN INVITED BY A GENERAL SOLICITATION OR GENERAL ADVERTISING.

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

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

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

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

GENERAL LEGEND

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

TABLE OF CONTENTS

SUMMARY OF THE OFFERING 1
GEOLOGY 12
SUBSCRIBER SUITABILITY 14
GLOSSARY 15
RISK FACTORS 18
TERMS OF THE OFFERING 39
PLAN OF DISTRIBUTION 41
FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS 41
PROPOSED ACTIVITIES 42
SEIDLER OIL & GAS AND ITS MANAGEMENT 44
TAX ASPECTS 49
CONFLICTS OF INTEREST AND TRANSACTIONS WITH MANAGING GENERAL PARTNER AND ITS AFFILIATES 67
INDEMNIFICATION OF OPERATOR 68
INVESTORS SUBJECT TO ERISA 69
FIDUCIARY RESPONSIBILITIES AND INDEMNIFICATION OF GENERAL PARTNER 70
DRILLING, OPERATING, AND PARTICIPATION AGREEMENT SUMMARIES 71
LEGAL PROCEEDINGS 77
SUMMARY OF PARTNERSHIP AGREEMENT 77
TRANSFERABILITY OF UNITS 80
OTHER MATTERS 80
FINANCIAL STATUS OF THE PARTNERSHIP 81
OTHER DOCUMENTS 81
PAYMENT 81

Exhibits:

Exhibit A	Certificate of Formation
Exhibit B	Limited Partnership Agreement
Exhibit C	Drilling and Completion Agreement
Exhibit D	Operating Agreement
Exhibit E	Subscription Application and Agreement

Separate Subscription Booklet - Subscription Documents

Continue to Next Page

SUMMARY OF THE OFFERING

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

Issuer:	Lizzy #1H LP, a Texas limited partnership ("Partnership"), whose address is 7140 FM 917, Alvarado, TX 76009, (817) 259-1777.
Managing General Partner:	FWS Management, LLC, a Texas limited liability company ("Managing General Partner"), whose address is 7140 FM 917, Alvarado, TX 76009, (817) 259-1777.
Operator:	The Operator, FWS Management, LLC, is a Texas limited liability company.
P-5 Contract Operator:	The P-5 Contract Operator, Hadaway Consulting and Engineering, LLC of Canadian, Texas, is a Texas limited liability company and carries Texas Railroad Commission Operator No. 342392. It is not affiliated with the Managing General Partner or its affiliates and currently has been chosen by the Operator as the P-5 Contract Operator for the Partnership Wells. A "P-5" is the Texas Railroad Commission form designating which licensed operator is operating which designated oil and gas lease.
Partnership Wells:	The Managing General Partner will use the net proceeds of the Partnership offering to invest in the Partnership Wells to be drilled in Fisher County, Texas. The proposed oil and gas wells are currently intended to target the Oolitic Formation and the injection well is currently intended to target the Ellenberger Formation. The Partnership Wells have the following descriptions: • Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet) • Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)
Unit Price Payment Schedule	The US $195,000 per Partnership Unit price for the Partnership Wells will be payable at subscription.

Organizational Costs: The Subscribers will reimburse the Managing General Partner or its affiliates for the Organizational Costs paid the Managing General Partner or its Affiliates.

Compensation to Managing General Partner and its Affiliates: See Compensation Table on Page 10.

Subscribers: Subscribers to the Partnership Wells are those who invested up to a maximum of $19,500,000 (one hundred (100) Partnership Units) (the "Maximum Subscription Amount"). The subscription amount for these participations shall be US $195,000 per Partnership Unit to be paid at the time of Subscription.

Offering Period: The closing date for this offering is August 28, 2025, unless extended at the discretion of Seidler Oil & Gas ("Offering Period").

Terms of Subscription: The Subscription Price for each Partnership Unit is $195,000 payable at subscription.

Subscription Documents: Each subscriber must return to Lizzy #1H LP, a complete and executed set of Subscription Documents with payment of the subscription amount of $195,000 per Partnership Unit subscribed.

Partnership's Objective: The Partnership's primary investment objective is to drill and complete the Partnership Wells and produce oil and gas in commercial quantities.

Plan of Operation: The Subscribers will participate in the development and drilling of the horizontal oil and gas Partnership Wells plus an injection well in Fisher County, Texas, all subject to the Managing General Partner's and/or Operator's discretion as to particular operations to undertake (see "Plan of Operations" below).

Proceeds: The subscription payment amount of US $195,000 per Partnership Unit will be deposited to Lizzy #1H LP's account at American National Bank of Texas for subscription to the Partnership Wells.

Capitalization:	After organizational and offering costs have been paid, Seidler Oil & Gas is estimated to have available funds before commencement of operations on the Partnership Wells in the amount of US $11,301,498, assuming the Maximum Subscription Amount is received, all of which will be contributed by the Subscribers. The Managing General Partner will provide managerial services and originated the investment opportunity in the Partnership Wells, and it believes that these efforts have an approximate value equal to its (and its affiliates') stake in the Partnership Wells.
Drilling and Completion Costs:	Seidler Oil & Gas, or an affiliate, will pay such $11,301,498 for the Working Interest, to the Operator for drilling and completion expenses, to an affiliate of Seidler Oil & Gas, for lease and geology expenses, and to the prospect generator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE costs in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. If, assuming the Maximum Subscription Amount such AFE costs for such up to fifty percent (50%) Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.
Potential Capital Calls relating to Unaffiliated Operator	The Operator will charge the Partnership drilling and completion expenses on a pro rata basis for the cost of the one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Partnership Wells. The Operator's Authorization For Expenditure ("AFE") through completion amount for such Working Interest in the Partnership Wells amounts to approximately $11,301,498. Assuming the Maximum Subscription

Amount, Seidler Oil & Gas will pay up to $11,301,498 to the Operator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE for such Working Interest in the Partnership Wells through completion are less than $11,301,498, the Managing General Partner or its affiliate will retain the difference. If, assuming the Maximum Subscription Amount such AFE for such Working Interest in the Partnership Wells exceeds $11,301,498, Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a *pro rata* basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.

After the Partnership Wells are completed, the Managing General Partner and/or Operator may determine that the Partnership Wells require subsequent operations to rework one or more of the Partnership Wells. Subscribers shall be responsible for paying their pro rata share of the cost of such subsequent operations. Under the Partnership Agreement, failing to pay such a call will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount (to be drawn from the defaulting partner's Distributions (as defined in the Partnership Agreement).

Risk Factors: There are high risks associated with the purchase of the Partnership Units.

Subscribers: Prospective subscribers may invest as non-operating participants in oil and gas Working Interest in the Partnership Wells.

Other Documents: Seidler Oil & Gas will, upon request, furnish copies of other documents which are important to an understanding of the nature of, or an investment in, the Partnership Wells.

Working and Net Revenue Interest in Lizzy #1H LP

	Working Interest	Net Revenue Interest
Subscribers	100%	72%
Landowner and Lease Reserve LLC Overriding Royalty Interest	0%	28%
Total:	**100%**	**100%**

All percentages are estimates and may increase or decrease slightly.

Plan of Operations

Purchasers of Partnership Units will participate in the drilling and completion of the four proposed oil and gas wells and one water injection well in Fisher County, Texas. Fisher County Texas is on the eastern shelf of the highly productive Permian Basin, located in Eastern New Mexico and Texas. The decision to drill the Partnership Wells was influenced by the success of the Cholla Buffalo well (API #42-151-33288), located approximately 3 miles to the west of the Partnership Wells planned locations.

The proposed oil and gas wells are currently intended to target the Oolitic Formation and the injection well is currently intended to target the Ellenberger Formation. The Partnership Wells have the following descriptions:

1) Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

The Managing General Partner is FWS Management, LLC, a Texas limited liability company controlled by Frank W. Seidler. FWS Management, LLC is affiliated with Seidler Oil & Gas, LP and currently has been chosen to operate the Partnership Wells. Hadaway Consulting and Engineering, LLC of Canadian, Texas is unaffiliated with the Managing General Partner and currently has been chosen as the P-5 Contract Operator for the Partnership Wells. It carries Texas Railroad Commission Operator No. 342392.

The Managing General Partner (or its affiliate) and the Operator will directly and indirectly charge the Partnership drilling and completion expenses on a pro rata basis for the cost of the one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Lizzy #1H plus an injection well. Assuming the Maximum Subscription Amount, the Operator's Authorization For Expenditure ("AFE") amount for the geological and geophysical costs, drilling and testing of the Partnership Wells for the Working Interest in the Partnership Wells amounts to approximately $11,301,498. These AFE costs will not include an additional $150,000 fee to an unaffiliated prospect generator and $2,841,330 for leasehold acreage for the Partnership's Working Interest.

Additionally, the Partnership will be responsible for maintaining a reserve for potential plug and abandonment costs for the Working Interest in the Partnership Wells. The estimated AFE costs for drilling and completion the Partnership Wells, acreage and prospect generator fee is $11,301,498 through completion, plus the $100,000 plug and abandon reserve.

The Partnership investment has the following characteristics, assuming that the Partnership Wells are Commercial Wells:

- Each Partnership Unit in the Partnership Wells will indirectly represent an approximate 1.00% Working Interest (0.72% Net Revenue Interest) in the Partnership Wells, assuming that they are Commercial Wells.

- If the Partnership's maximum offering amount is sold, the Partners will indirectly own one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Partnership Wells through the Partnership Units with pro rata percentage reductions for lesser total Partnership Unit sales. Such reductions would not affect the percentage Working Interest or Net Revenue Interest ownership of the Partnership Wells represented by each Unit.

- Thus, assuming the Maximum Subscription Amount, the leasehold, drilling, completion, and lease operating expenses will be directly charged against the Working Interest. Consequently, assuming the Maximum Subscription Amount, the Partners will pay all of the acreage, prospect generation, drilling, testing, completion, and operating expenses of the Partnership Wells and receive approximately seventy-two percent (72%) of the net revenue from the Partnership Wells.

- The US $195,000 per Partnership Unit price will be payable at subscription.

- An unaffiliated prospect generator will receive $150,000 as a prospect generation fee.

- A company affiliated with the Managing General Partner holds the leases on the acreage upon which the Partnership Wells will be drilled will receive up to $2,841,300 in acreage cost compensation. The lease acreage was acquired at an average price of $1,000 per net mineral acre plus engineering, landman, due diligence, legal and other expenses related to the acreage acquisitions.

- The Partnership, or an affiliate, will hold $100,000 as a plug and abandon reserve.

- The estimated costs on the injection well are $1,326,741.

- Seidler Oil & Gas, LP, ("Seidler Oil & Gas") an affiliate of the Managing General Partner (or another affiliate) and the Operator will directly and indirectly charge the Partnership drilling and completion expenses on a pro rata basis for the cost of the one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the oil and gas Partnership Wells plus an injection well. Assuming the Maximum Subscription Amount, the Operator's Authorization For Expenditure ("AFE") amount for the geological and geophysical costs, drilling and testing of the Partnership Wells for the Working Interest in the oil and gas Partnership Wells amounts to approximately $11,301,498. These AFE costs will not include an additional $150,000 fee to an unaffiliated prospect generator and $2,841,330 for acreage for the Partnership's Working Interest. Additionally, the Partnership will be responsible for maintaining a reserve for potential plug and abandonment costs for the Working Interest in the Partnership wells. The estimated AFE costs for drilling and completion of the Partnership Wells, acreage and prospect generator fee amount is $11,301,498 through completion, plus the $100,000 plug and abandon reserve.

- Seidler Oil & Gas, or an affiliate, will pay such $11,301,498 for the Working Interest, to the Operator for drilling and completion expenses, and to Seidler Oil & Gas for lease and geology expenses, and to the prospect generator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. If, assuming the Maximum Subscription Amount such AFE costs for such Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs) , Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.

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

- Assuming the Maximum Subscription Amount for the Partnership Wells, Seidler Oil and Gas will separately receive payments of $3,900,000 for organizational and offering costs, $1,950,000 for management fees, and $2,348,502 for general and administrative costs. The organizational and offering costs, management fee and general and administrative costs are not contingent on the amount raised but may be accrued if the Subscribers do not have cash to pay it.

- The closing date for this offering is August 28, 2025, unless extended at the discretion of Seidler Oil & Gas.

The Managing General Partner anticipates that the Operator will attempt to spud one or more of the Partnership Wells in 2024. However, Subscribers should understand that the Partnership Wells' spud dates may depend on circumstances outside an Operator's control, such as the availability of drilling rigs and other equipment, the timing of permits from the Texas Railroad Commission and other governmental entities, the weather, and government-ordered drilling moratoriums. Many Operating Agreements give the Operator the right to change Partnership Wells' locations within certain parameters.

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

Cost of Operations

Seidler Oil & Gas, LP, ("Seidler Oil & Gas") an affiliate of the Managing General Partner (or another affiliate) and the Operator will directly and indirectly charge the Partnership drilling and completion expenses on a pro rata basis for the cost of the one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Lizzy #1H, plus an injection well. Assuming the Maximum Subscription Amount, the Operator's Authorization For Expenditure ("AFE") amount for the geological and geophysical costs, drilling and testing of the Partnership Wells amounts to approximately $11,301,498. These AFE costs will not include an additional $150,000 fee to an unaffiliated prospect generator and $2,841,330 for acreage for the Partnership's Working Interest. Additionally, the Partnership will be responsible for maintaining a reserve for potential plug and abandonment costs for the Working Interest in the Partnership Wells. The estimated AFE costs for drilling and completion the Partnership Wells, acreage and prospect generator fee is $11,301,498 through completion, plus the $100,000 plug and abandon reserve.

If, assuming the Maximum Subscription Amount, the AFE for such Working Interest in the Partnership Wells for geological and geophysical expenses, drilling, testing and completing the Partnership Wells, and drilling the injection well exceeds $11,301,498, Subscribers shall receive a capital call and be responsible for paying such AFE budget excess on a pro rata basis. Such numbers will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not

paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from their Working Interest position.

After the Partnership Wells are completed, the Managing General Partner and/or Operator may determine that the Partnership Wells require subsequent operations to rework one or more of such wells. Subscribers shall be responsible for paying their pro rata share of the cost of such subsequent operations. Under the Partnership Agreement, failing to pay a call for subsequent operations will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount.

Compensation and Payments to the Managing General Partner Affiliates, and Consultants

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

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

Source of Funds Assuming Maximum Offering Amount Sold For Lizzy #1H LP

Description	Percent	Amount	Per Unit
Subscribers	100%	$19,500,000	$195,000
Total:		**$19,500,000**	**$195,000**

Use of Funds Assuming Maximum Offering Amount Sold for Lizzy #1H LP

Description	Payments	Per Unit	Percent
Lease Acquisition Costs, Geological and Geophysical Costs, Drilling, Testing and Completion Costs[1]	$9,974,757	$99,748	51.15%
Injection Well Drilling and Completion Costs[1]	$1,326,741	$13,267	6.80%
Organization and Offering Expenses[2]	$3,900,000	$39,000	20.00%
Management Fee[3]	$1,950,000	$19,500	10.00%
General and Administrative Costs[4]	$2,348,502	$23,485	12.05%
Total Uses of Funds	**$19,500,000**	**100.0000%**	**$195,000**

[1] This figure represents the Units' share of the fixed acreage costs, prospect generator fee, Geological and Geophysical Expenses, Pad & Road Preparation, Drilling and Testing Costs and Completion Cost of the Partnership Wells.

[2] This figure represents a portion of the expenses expected to be incurred by the Company in connection with the offer and sale of Units, including printing costs, accounting costs, legal costs, and all other costs directly related to the Program. These costs are being paid to the Company on a "non-accountable" basis, that is, the Company shall not be required to account for any such expenses which are incurred.

[3] This figure represents a fixed fee to be paid to the Company for its sponsorship, management and supervision of the Program and its efforts on behalf of Participants in dealing with the Operator during Operations, and thereafter if the Wells are Commercial Wells.

[4] This figure represents the amount to be paid to the Company, on a fixed, non-accountable basis, in payment of all General and Administrative expenses incurred by the Company, including rent, salaries, telephone, etc. incurred during the offer and sale of Units.

Compensation Paid Assuming Maximum Subscription Amount and Completion of the Partnership Wells

Entity Receiving Compensation	Type of Compensation or Distribution	Amount
Managing General Partner or Affiliate	Organizational and Offering Costs	$3,900,000
Managing General Partner or Affiliate	Monthly Accounting Fee	$1,000 per month
Managing General Partner or Affiliate	Management Fee	$1,950,000
Managing General Partner or Affiliate	General and Administrative Costs	$2,348,502
Managing General Partner or Affiliate	Retainer of funds if the land and drilling costs for the Partnership Wells is less than the amount budgeted by Seidler Oil & Gas.	Indeterminate
Managing General Partner or Affiliate	The oil and gas leases for the Partnership Wells were obtained from the mineral estate owners at different mineral royalty percentages depending on variables, including the amount of mineral estate owned and the negotiation preferences of the mineral estate owners. But the assignments to the Partnership will always carry a cumulative sum of twenty-eight percent (28%) mineral estate royalty and Overriding Royalty Interest. Any difference between the twenty-eight percent (28%) cumulative royalties burdening the leasehold estates for the Partnership Wells and the mineral estate royalty may be provided to an affiliate of the Managing General Partner in the form of an Overriding Royalty Interest.	Indeterminate

Entity Receiving Compensation	Type of Compensation or Distribution	Amount
Managing General Partner or Affiliate	A company affiliated with the Managing General Partner holds the leases on the acreage upon which the Partnership Wells will be drilled will receive up to $2,841,300 in acreage cost compensation. The lease acreage was acquired at an average price of $1,000 per net mineral acre plus engineering, landman, due diligence, legal and other expenses related to the acreage acquisitions.	Indeterminate

GEOLOGY

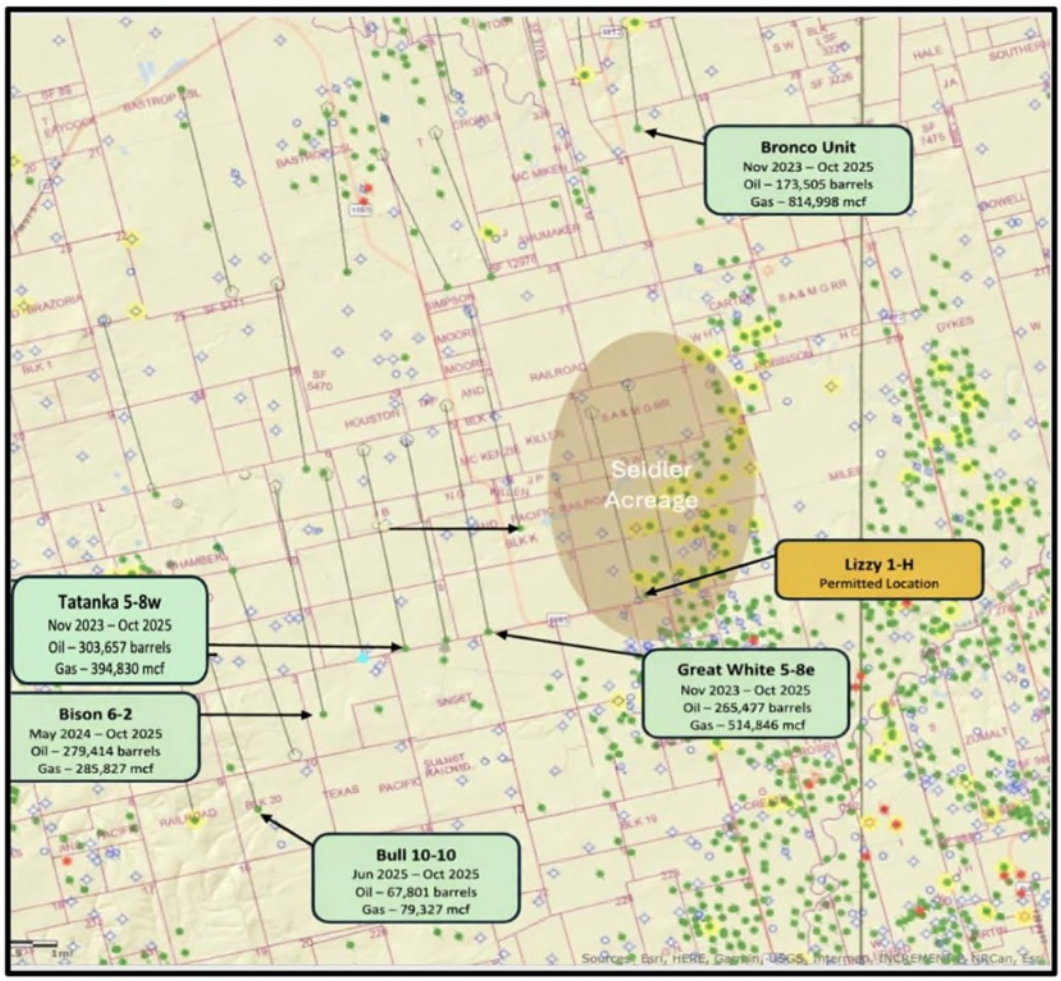
All figures used are estimates and are subject to adjustment.

Lizzy #1H Prospect in Fisher County, Texas

Fisher County has reached an all-time high of oil and gas production after a new boom began to take shape in 2018, driven by proven geological science, modern drilling technology and fracking techniques. Recent significant new discoveries have been made in the Fisher County Strawn and Oolitic Formations.

The decision to drill the Partnership Wells was influenced by the success of the Cholla Buffalo well (API #42-151-33288), Cholla Great White (API# 42-151-33331), Bull 10-10 (API# 42-151-33379), Bison 6-2 (API# 42-151-33354), and Tatanka (API# 42-151-33330) and other nearby wells. The image below shows the Strawn sands Formations, Oolitic Formations, and the location of the Cholla Buffalo well. The planned locations for the Partnership Wells are approximately 3 miles to the east of the Cholla Buffalo well.

Surrounded by Active Production on Seidler Acreage



This map shows Lizzy 1-H positioned in the heart of an active, proven producing corridor on the Seidler Acreage. The permitted Lizzy location sits directly in-trend with multiple high-performing offset wells—including Bronco Unit, Great White 5-8E, Tatanka 5-8W, Bison 6-2, and Bull 10-10—all demonstrating meaningful oil and gas production in the most recent TRRC reporting windows. The density of surrounding producing wells highlights that this is not a speculative step-out, but a high-confidence development location within a currently producing fairway. Investors are getting opportunity in a proven neighborhood, with real, recent offset performance supporting the case.

Cholla has also drilled two additional wells—the Tatanka and the Great White—directly between the Cholla Buffalo well and the Lizzy #1H LP's prospect area, indicative of Cholla Petroleum, Inc.'s confidence in the viability of the area.

SUBSCRIBER SUITABILITY

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

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

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

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

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

C. The Subscriber has an obligation to pay on a pro rata basis for any unbudgeted cost overruns during the Partnership Wells' drilling and completion phases and to pay on a pro rata basis for the cost of subsequent operations after completion on the Partnership Wells as determined by the Managing General Partner and/or Operator.

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

D. The Subscriber has adequate means of providing for its current needs and personal contingencies and no need for liquidity in its investment in Lizzy #1H LP; and,

E. The Subscriber understands that Partnership Wells can make further capital assessments and the Subscriber has the means to pay such assessments.

GLOSSARY

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

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

BBL. The common abbreviation for barrels of oil.

BCF. The common abbreviation for billion cubic feet of natural gas.

Capital Contribution. The $195,000 per Partnership Unit Capital Contribution called for in this Memorandum.

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

Carried Working Interest. The Working Interest paid, or carried, for drilling and completion costs relating to the initial drilling and completion operations in an oil and gas well and any subsequent operations by one or more other Working Interest owners.

Commercial Well. An oil and gas well that tests with enough anticipated production to justify completing the well and attempting to put it on-line.

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

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

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

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

General and Administrative Costs. In respect to any period, all reasonable and customary legal, accounting, geophysical, geological, land, engineering, travel, rent, telephone, and

similar costs necessary or appropriate to the conduct of the business of the Partnership Wells, including the Managing General Partners' management fee.

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

Lizzy #1H LP. A Texas limited partnership that serves as the owner of Working Interest in the Partnership Wells.

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

MMCF. The common description for a million cubic feet of natural gas.

Memorandum. This Offering Memorandum of Partnership Units dated February 24, 2026, pursuant to which the Units are offered for sale.

Net Revenues. In respect to any period, the portion of Proceeds in excess of the Operating Costs and the General and Administrative Costs incurred during such period.

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

Offering Period. The Offering Period is that time between the Offering date and the closing date. The closing date for this Offering is August 28, 2025, unless extended at the discretion of Seidler Oil & Gas.

Operator. The Operator, FWS Management, LLC, is a Texas limited liability company. It is affiliated with Seidler Oil & Gas and has been chosen to operate the Partnership Wells.

Operating Agreements. The Operator will operate the Partnership Wells pursuant to the terms of Operating Agreement in the form attached as Exhibit D.

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

Overriding Royalty Interest. The fractional, undivided interests or rights of participation in the oil or gas, or in the proceeds from the sale of the oil or gas, produced from a specified tract or tracts, which are limited in duration to the terms of an existing lease, and which are not subject to any portion of the expense of development, operation, or maintenance.

P-5 Contract Operator. The P-5 Contract Operator, Hadaway Consulting and Engineering, LLC of Canadian, Texas, is a Texas limited liability company and carries Texas Railroad Commission Operator No. 342392. It is not affiliated with Seidler Oil & Gas and currently has been chosen by the Operator as the P-5 Contract Operator for the Partnership Wells.

Partner. The holder of any portion of any Partnership Unit(s) (or a portion thereof) subscribed for under this Agreement who has agreed to the terms of the Limited Partnership Agreement.

Partnership. Lizzy #1H LP, a Texas limited partnership.

Partnership Unit. A Limited Partnership Unit or Additional General Partner Unit offered through this Offering Memorandum.

Partnership Wells. The oil and gas wells and injection well to be located in Fisher County, Texas for whom a portion of the Working Interest is owned by the Partnership. Those wells are currently planned to be the following:

1) Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

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

Proceeds. In respect to any period, the aggregate gross cash receipts received by Seidler Oil & Gas pursuant to this Offering from all sources during such period.

Subscribers. The persons, firms, corporations, and other entities that have an accepted subscription to the Partnership pursuant to this Memorandum. Reference to a "Partner" means any one of the Subscribers and Seidler Oil & Gas if the context so requires. No owner of any assigned interest in such Partnership Wells shall be deemed to be a Participant unless and until the assignee has been admitted as a Participant in such Partnership Wells as an assignee Participant in accordance with the terms of the Operating Agreement and such Participant has agreed to the terms of the Operating Agreement.

Subscription. The execution and delivery to Seidler Oil & Gas of a properly executed set of Subscription Documents by a potential Participant and the tender by such subscriber of the required cash payment for the Partnership Unit(s) which he, she or it wishes to purchase.

Subscription Amount. The total Initial Capital Contributions to be made for participation in the Partnership Wells by Subscribers in this offering is $19,500,000, assuming Subscriptions for the maximum of one hundred (100) Partnership Units are accepted by FWS Management, LLC prior to the expiration of the Offering Period.

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

Unit. An investment in the Partnership Unit in the Partnership Wells for which the Capital Contribution is $195,000 per Partnership Unit, payable at subscription. Except as otherwise agreed to by FWS Management, LLC, a minimum Subscription of one Unit is required from each potential Participant.

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

RISK FACTORS

PROSPECT WELLS PARTNERSHIP UNITS ARE HIGHLY RISKY. PROSPECTIVE PURCHASERS SHOULD CONSIDER THE FOLLOWING FACTORS, AMONG OTHERS, BEFORE SUBSCRIBING, AND ARE URGED TO CONSULT THEIR OWN FINANCIAL, TAX AND LEGAL COUNSEL BEFORE DECIDING TO PURCHASE.

Liability for Subscribers. Subscribers are liable for the obligations of the Partnership Wells from Subsequent Operations. (See Partnership Agreement, attached hereto as Exhibit B).

Risks Pertaining to Oil and Gas Investments

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

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

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;

- the prices and availability of competitors' supplies of oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC, and state-controlled oil companies relating to oil price and production controls;
- the price and quantity of foreign imports;
- the impact of U.S. dollar exchange rates on oil and natural gas prices;
- domestic and foreign governmental regulations and taxes;
- speculative trading of oil and natural gas futures contracts;
- the availability, proximity, and capacity of gathering and transportation systems for natural gas;
- the availability of refining capacity;
- the prices and availability of alternative fuel sources;
- weather conditions and natural disasters;
- political conditions in or affecting oil and natural gas producing regions, including the Middle East and South America;
- the continued threat of terrorism and the impact of military action and civil unrest;
- public pressure on, and legislative and regulatory interest within, federal, state, and local governments to stop, significantly limit or regulate hydraulic fracturing activities;
- the level of global oil and natural gas inventories and exploration and production activity;
- the impact of energy conservation efforts;
- technological advances affecting energy consumption; and
- overall worldwide economic conditions

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

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

Russia produces the second-most natural gas and the third most oil of any country in the world (the U.S.A. is first in both). Since the commencement of the Ukraine war and the imposition of sanctions, the prices of natural gas and oil have spiked in response to the potential unavailability of Russian natural gas and oil. In response, importers of natural

gas and oil have been seeking alternative sources and increased production elsewhere. Further, other importers, such as Germany, have been seeking to reduce their demand, particularly, for natural gas and have been reopening coal power plants. These political and war risks have caused uncertainty in anticipating price levels and price changes in natural gas and oil and thus increased the uncertainty of the anticipated revenue from the Partnership. Subscribers should anticipate high volatility in the price of natural gas and oil obtained by the Operator for the Partnership with corresponding earnings volatility for the Partnership.

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

Oil and Gas Wells Drilling and Production Risks - Operations. All Drilling and Completion activities involve a high degree of risk with exploratory wells presenting a higher degree of risk than developmental wells. Oil and gas drilling hazards include unusual or unexpected formations, pressures or other conditions, blow-outs, fires, failure of equipment, down hole collapses, and other hazards (whether similar or dissimilar to those enumerated). Although the Operating Agreement requires that Managing General Partner and/or Operator maintain insurance, the Partnership Wells may suffer losses due to hazards against which it cannot insure or against which it may elect not to insure.

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

Drilling for oil and natural gas is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect us. The Partnership Wells' success could depend, in part, on the success of a drilling program. There is no way to

predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable the Operator to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. Seidler Oil & Gas cannot assure you that the analogies drawn from available data from other wells, more fully explored prospects or producing fields will be applicable to current drilling prospects.

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

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

If the Managing General Partner and/or Operator decides to drill a certain location, there is a risk that (i) no commercially productive oil or natural gas reservoirs will be found or produced, (ii) they may drill or participate in new wells that are not productive or (iii) they may drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. One or more of the productive Partnership Wells may become uneconomical if water or other deleterious substances are encountered which impair or prevent the production of oil and/or natural gas from such wells. Seidler Oil & Gas's overall drilling success rate or drilling success rate for activity within a particular project area may decline. Unsuccessful drilling activities could result in a significant decline in production and revenues and materially harm operations and financial condition by reducing available cash and resources. There is no way to predict in advance of drilling and testing whether any particular location will yield oil or

natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, Seidler Oil & Gas may damage the potentially productive hydrocarbon-bearing formation or experience mechanical difficulties while drilling or completing one or more of the Partnership Wells, resulting in a reduction in production and reserves from the well or abandonment of the relevant wells.

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

The Partnership Wells may have accidents, equipment failures or mechanical problems while drilling or completing wells or in production activities, which could adversely affect its business. While the Partnership Wells (or a substitute well) are being drilled and completed or are involved in production activities, accidents or experience equipment failures or mechanical problems in one or more of the Partnership Wells may occur, that may cause the Operator to be unable to (i) drill and complete such Prospect Well or (ii) continue to produce according to plan. The Operator may also damage a potentially hydrocarbon-bearing formation during drilling and completion operations. Such incidents may result in a reduction of production and reserves from such Prospect Well or in abandonment of one or more of the Partnership Wells.

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

The Partnership Wells may carry liabilities or risks that the Operator did not know about or that the Operator did not assess correctly, and, as a result, could be subject to liabilities that could adversely affect results of operations. Before developing the Partnership Wells, Seidler Oil & Gas estimated the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities, and other factors relating to the wells. However, such review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, the Subscribers may not discover all existing or potential problems associated with the properties being purchased. The Subscribers may not become

sufficiently familiar with the properties to assess fully its deficiencies and capabilities. For production acquisition transactions, the Subscribers may not have inspected the Partnership Wells, and therefore may not have been able to observe mechanical and environmental problems even when an inspection is conducted. Seidler Oil & Gas may not be willing or financially able to give contractual protection against any identified problems, and Seidler Oil & Gas may decide to assume environmental and other liabilities in connection with properties acquired. If the Partnership Wells carry risks or liabilities that were unknown or not assessed correctly, financial condition, results of operations and cash flows could be adversely affected as claims are settled and cleanup costs related to these liabilities are incurred.

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

The Partnership Wells may incur substantial losses and be subject to substantial liability claims as a result of oil and natural gas operations. Additionally, the Partnership, Managing General Partner and/or Operator may not be insured for, or current insurance may be inadequate to protect against, these risks. The Partnership, Managing General Partner

and/or Operator are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect the business, financial condition, or results of operations. The Partnership Wells are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

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

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

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

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

The drilling locations that the Operator decides to drill may not yield oil or natural gas in commercially viable quantities. There is no way to predict in advance of drilling and testing whether any location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of technologies and the study of producing fields in the same area will not enable Seidler Oil & Gas to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, the Partnership Wells (or a substitute well) may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the Partnership Wells, resulting in a reduction in production from the Partnership Wells or abandonment of the wells. If Seidler Oil & Gas drills additional wells identified as dry holes in current and future drilling locations, Seidler Oil & Gas's drilling success rate may decline and materially harm

its business. Seidler Oil & Gas cannot assure you that the analogies drawn from available data from other wells, more fully explored locations or producing fields will be applicable to drilling locations. In sum, the cost of drilling, completing, and operating the Partnership Wells is often uncertain, and new wells may not be productive.

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

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

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

Governmental regulation and liability for environmental matters may adversely affect the Lizzy #1H LP's business, financial condition, and results of operations. The Lizzy #1H LP's intended operations and participations are onshore in the United States. Oil and natural gas operations are subject to various federal, state, and local government regulations that may change from time to time. Matters subject to regulation include:

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

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

hazardous substances such as oil and natural gas related products. As a result, the Subscribers may incur substantial liabilities to third parties or governmental entities and may be required to incur substantial remediation costs.

Federal, state, and local laws and regulations relating primarily to the protection of human health and the environment apply to the development, production, handling, storage, transportation, and disposal of oil and natural gas, by-products thereof, and other substances and materials produced or used in connection with oil and natural gas operations. In addition, additional General Partners may be liable for environmental damages caused by previous owners of the Lizzy #1H LP's property. Subscribers are also subject to changing and extensive tax laws, the effects of which cannot be predicted. Compliance with existing, new, or modified laws and regulations could have a material adverse effect on the Lizzy #1H LP's business, financial condition, and results of operations.

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

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

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

obtain preliminary title opinions before commencing operations and completed a preliminary title review of the spacing unit within which the proposed Partnership Wells are to be drilled to ensure there are no obvious deficiencies in title to the wells. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, and such curative work entails expense. Failure to cure any title defects may adversely impact the Partnership Wells' ability in the future to increase production and reserves. In the future, the Subscribers may suffer a monetary loss from title defects or title failure. Additionally, unproved and unevaluated acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which the Subscribers holds an interest, the Partnership Wells will suffer a financial loss which could adversely affect the Partnership Wells' financial condition, results of operations and cash flows.

Before the Partnership Wells' completions, their title will be held by the Managing General Partner, its Affiliates and/or Operator or its designee, as nominee, to facilitate operations and the acquisition of properties until the relevant wells are tested. Moreover, there is no obligation to provide an assignment until a Commercial Well has been completed, which could result in the Working Interest being subject to claims by the Operator's creditors. Working Interest Participants must rely on the Managing General Partner, its Affiliates and/or Operator to use its best judgment to obtain appropriate title to the Partnership Wells' leasehold interest. The Managing General Partner, its Affiliates and/or Operator will take such steps as it deems necessary with the Managing General Partner, its Affiliates and/or Operator to assure that title to its interest in the Partnership Wells to suit the Subscribers' purposes. The Managing General Partner, its Affiliates and/or Operator is free, however, to use its own judgment in waiving title requirements and will not be liable for any failure of title to the Partnership Wells transferred to or owned by the Subscribers. Further, neither Seidler Oil & Gas nor its Affiliates will make any warranties as the validity or merchantability of titles to any interest in the Partnership Wells to be acquired by the Subscribers. Seidler Oil & Gas will execute assignments for Subscribers upon request post-completion.

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

Competition in the oil and natural gas industry is intense making it more difficult for Seidler Oil & Gas to acquire properties, market natural gas and secure trained personnel. Seidler Oil & Gas's ability to acquire prospects and to find and develop reserves in the future will depend on the ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas and securing trained personnel. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. Many competitors

possess and employ financial, technical and personnel resources substantially greater than Seidler Oil & Gas's. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to evaluate, bid for and purchase a greater number of properties and prospects than Seidler Oil & Gas's financial or personnel resources permit. In addition, other companies may be able to offer better compensation packages to attract and retain qualified personnel than Seidler Oil & Gas may be able to offer. The cost to attract and retain qualified personnel has increased in recent years due to competition and may increase substantially in the future. Seidler Oil & Gas may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital, which could have a material adverse effect on the Partnership's business.

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

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

Liquidity and cash flow problems encountered by the Subscribers' Working Interest co-owners. The Subscribers Working Interest co-owners may be unwilling or unable to pay its share of the costs of projects as they become due. In the case of a Working Interest owner, the Subscribers could be required to pay the Working Interest owner's share of the project costs. Seidler Oil & Gas cannot assure you that they would be able to obtain the capital necessary to fund these contingencies.

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

Oil and natural gas operations are subject to particular hazards incident to the drilling and production of oil and natural gas, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires and pollution and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operation. The Subscribers do not operate the Partnership Wells. Thus, the Managing General Partner, its Affiliates and/or Operator maintains insurance of various types to cover operations with policy limits and retention liability customary in the industry. Seidler Oil & Gas believes the coverage and types of insurance are adequate. The occurrence of a significant adverse event that is not fully covered by insurance could result in the loss of the Subscribers' total investment in a particular prospect which could have a material adverse effect on financial condition and results of operations.

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

Producing oil and gas wells decline over time. Oil and gas wells flow due to pressure gradients. The oil and gas flows from the high-pressure areas to the collection point. Pumps and other production methods are used to maintain well pressure. As a well produces oil and/or gas from a reservoir, the reservoir pressure will decline with a corresponding effect on the amount of hydrocarbons collected. Subscribers should expect such declines. The actual decline curve is subject to numerous factors and cannot, in normal circumstances, be calculated in advance. The production from an oil and gas well is also subject to fluctuation for a myriad of reasons. Oil and/or gas

production may not be stable on a month-to-month basis. At some point such production may decline to the point where one or more of the Partnership Wells are no longer commercially viable, and it will be shut in or plugged. No prediction can be made as to how long or at what rate such a decline may occur.

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

Impact of the Dodd-Frank Act. In July 2010 Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. This Act substantially changes financial regulation relating to the trading of commodities and commodity derivatives such as future contracts and thus may have a significant effect on the relevant prices for oil and gas going forward. For example, the Act requires that large banks spin off their proprietary trading operations, including their commodity trading operations. The Act may also impose limits on leverage used for trading commodities and commodity futures. Consequently, active traders in the oil and gas spot and futures market may possibly have less available capital to participate in these markets. The Dodd-Frank Act mandated hundreds of rule-making procedures and studies by financial regulatory agencies and the true impact of the Act will not be fully understood until those rules are issued and implemented and those studies completed. Seidler Oil & Gas makes no predictions or representations as to what impact the Dodd-Frank Act may have on the prices of oil and/or gas and related demand.

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

On January 27, 2021, President Biden issued an executive order that includes the following restrictions on oil and gas development in the United States:[1]

1) President Biden ordered the halt of new oil and gas leasing on federal onshore lands and offshore waters "to the extent consistent with applicable law." This pause will not affect existing operations or permits for existing leases, private lands or Native American tribal lands;
2) President Biden ordered the Secretary of the Interior to consider whether to adjust coal, oil, and gas royalties to account for corresponding climate costs, suggesting the possibility of a royalty increase; and

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

3) President Biden ordered the Department of the Interior to take steps toward conserving 30 percent of public lands and waters by 2030 and toward doubling offshore wind production in the same timeframe.

President Biden had previously ordered halting the leasing program for the Arctic National Wildlife Refuge and effectively suspended new leases, contract or drilling permits on public lands for 60 days. Moreover, on January 20, 2021 – inauguration day – President Biden issued an executive order withdrawing the permit for the Keystone XL pipeline and ordered agencies to consider new rules to cut methane emissions from oil and gas. Finally, President Biden ordered federal agencies to work toward eliminating fossil fuel subsidies by fiscal 2022.[2]

On January 20, 2025, President Trump issued a series of executive orders and memoranda signaling a shift in environmental and energy policy in the United States, including the revocation of approximately 80 executive orders issued by President Biden related to public health, the environment, climate change and climate-related financial risks. President Trump also declared a "national energy emergency," directing agencies to expedite conventional energy projects. While the extent of the Trump Administration's changes to the environmental regulatory landscape in the United States is unknown at this time, it is possible that such actions could prompt more activity from state and local legislative bodies and administrative agencies to pass stricter laws, regulations and other binding commitments.

The Choice of Operator Carries Investment and Performance Risks. The Partnership Wells will be operated by an unaffiliated Operator. Drilling and completing an oil and gas wells is a highly technical engineering endeavor that depends heavily on the skills and experience of the persons guiding the drilling and completion activities and working on the rig and the quality and implementation of the equipment and materials used to drill and complete the Partnership Wells. Thus, the Subscribers are relying almost entirely on the technical expertise of the Operator to bring in the Partnership Wells. Further, the Subscribers are also relying on Seidler Oil & Gas to pay contractors for its portion of the Partnership Wells and to properly forward funds paid by the Subscribers in the Partnership Wells. If Seidler Oil & Gas fails to properly pay these contractors, they can file materialman and mechanics liens against the Partnership Wells and may stop working causing drilling or completion activities to cease. Consequently, the Subscribers are also relying on Seidler Oil & Gas's financial performance.

Bad weather may delay production and development activities. Adverse weather conditions may cause delays in drilling and completion operations. First, such delays could cause a delay in Subscribers receiving returns on investment, thus lowering the effective return on investment. Second, such delays could affect the tax year timing of deductibility of intangible drilling costs, especially if the Partnership Wells are not

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

spudded by the deadline required under tax law. Third, such delays could affect oil and gas lease terms and delay rental payments. Fourth, adverse weather could damage production and transport equipment used in collecting oil and gas from the Partnership Wells after they are placed into production. Finally, the Subscribers may be liable for the cost of recovering from weather-related damage if such costs relate to Subsequent Operations.

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

The Partnership Units have risks relating to the financial conditions of the Operator's subcontractors. Seidler Oil & Gas anticipates that the Operator will seek out solvent subcontractors, but, if a subcontractor does not timely pay for materials and services, those providers could file liens against the Partnership Wells. In that event, the Subscriber could incur excess costs in discharging these liens.

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

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

Asset Concentration. The proposed Partnership Wells will be located in Fisher County, Texas. Consequently, investors should understand that the Partnership Wells provide little diversity. Essentially all the Subscribers' eggs will be in one basket. Any operational problems with the Partnership Wells could have a material impact on the Partnership Wells' performance. Finally, all of the Subscribers' assets will consist of participations in an oil and gas acreage and drilling venture. So, the Subscribers' assets will be completely focused on one type of activity (acreage cost, exploration, and production) in one industry

(domestic oil and gas production) in only one oil and gas well and one injection well (Partnership Wells in Fisher County, Texas).

Tax Risks

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

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

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

Chance of Audits. The Partnership Wells may be subject to tax audits which may lead to taxable income adjustments for the Subscribers. Seidler Oil & Gas provides no assurance that the Subscribers' tax deductions will survive a challenge from the IRS.

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

Treatment of Subscriber Losses and Income as Passive. If a Subscriber has previously participated in exploration and production activities involving one or more oil and gas wells that produce from the same reservoir as the reservoir to be used targeted or used for the Partnership Wells and that Subscriber made that previous participation using a business entity which would have provided limited liability to the Participant for that Venture, then the Subscriber's income and losses from the Partnership Wells will be treated as passive income and losses, subject to passive loss limitations.

Material Portion of Subscription Proceeds Not Currently Deductible. A material portion of the Subscription proceeds of an Interest may be expended for items which will not be currently deductible for Federal income tax purposes. These include the proceeds used to offering and organizational expenses. The offering expenses will likely be deemed to be selling expenses and are not amortizable. Costs classified as "organizational costs"

may be amortized over 15 years and thus will provide little or no near-term tax benefit. Reasonable project management fees may be deducted as ordinary and necessary business expenses as the work is performed.

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

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

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

Tax-exempt investors should be cautious about investing as Subscribers because the non-passive income and losses of Subscribers may generate UBTI. Moreover, the tax benefits of the Participant status relating to the deductibility of intangible drilling costs will not benefit tax-exempt investors.

If Seidler Oil & Gas incurs debt on the Partnership Wells, tax-exempt Subscribers may be at risk of accruing UBTI liability.

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

Specific Risks of this Offering

Key Personnel Risk. Seidler Oil & Gas's participation in the Partnership Wells depends on key personnel of Seidler Oil & Gas, including Frank W. Seidler. The success of the Partnership Wells depends on the key personnel's commitment to the enterprise and their personal relationships with operators, landmen and contractors. If any of the key personnel become unavailable to Seidler Oil & Gas for any reason, the Partnership Wells could be severely impacted.

***Reliance on Seidler Oil & Gas*.** Seidler Oil & Gas's solvency and financial resources will materially affect its ability to fulfill its obligations relating to the Partnership Wells. Further, the operations and financial success of the Partnership Wells is significantly dependent on Seidler Oil & Gas's managerial personnel. If the management of Seidler Oil & Gas becomes unable or unwilling to continue to direct the operations of the Partnership Wells and the Subscribers could be adversely affected.

***Negligence of Operator(s)*.** The Operating Agreement requires the Managing General Partner, its Affiliates and/or Operator to maintain general liability insurance. But there can be no assurance that the dollar amount of insurance coverage will be sufficient to pay such claims**.** Consequently, claims may be made against the Working Interest, including the Subscribers' Working Interest. Such claims may negatively affect Subscribers' distributions and may cause additional liability for Subscribers.

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

Assessments. Subscribers may be subject to assessments for Partnership's re-entry, recompletion, sidetrack, deepening, perforating new formations and rework activities should the amount called for by the Managing General Partner and/or the Operator exceed the amount the AFE-budgeted amount. If after the Partnership Wells has been completed and placed into production, the Managing General Partner and/or the Operator elects that additional re-entry, recompletion, sidetrack, deepening, perforating new formations and rework on the Partnership Wells are necessary; the Subscribers could receive an additional assessment relating such work. Subscribers may also receive an assessment for payments to extend the leases for prospect.

Limited Experience. The Partnership Wells will be drills on the Fisher County leases and has no history of operation on such lease.

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

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

Liability and Indemnification of the Operator. The Operating Agreement with FWS Management, LLC provides that FWS Management, LLC will not be liable to any Subscriber for, and will be indemnified and held harmless by the Subscribers in respect of, the consequences of any act or failure to act of the FWS Management, LLC unless such act or omission constitutes gross negligence or willful misconduct.

> Operator (FWS Management, LLC) shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct.
> (Article V.A)

The existence of these provisions grants to the Subscribers more limited causes of action than they might otherwise have had against the Operator in the absence of such provisions.

Arbitration. Disputes with Seidler Oil & Gas and/or its Affiliates arising from the purchase of Partnership Units by a Subscriber are subject to arbitration sponsored by the American Arbitration Association, rather than civil litigation filed in court. Such dispute resolution may be viewed as depriving the Subscribers of their full legal remedies.

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

Limits on Transferability of the Partnership Units. Subscribers are unlikely to be able transfer Partnership Units. FWS Management, LLC must consent to any subsequent sale if the transferee is to become a substitute Participant. In that regard, FWS Management, LLC may also require an opinion of counsel to the effect that any such transfer will not violate applicable Federal or state securities laws. The Partnership Units will not be, and the purchasers of the Partnership Units have no right to require that they be, registered under the Act. There will be no public market for the Partnership Units and no market is expected to develop. FWS Management, LLC has no obligation to repurchase any of the Partnership Units from the Subscribers. The Partnership Units may become progressively less attractive to any prospective purchaser thereof because the anticipated tax benefits associated with an investment in the Partnership Units will decline over time as the Partnership Wells are drilled, tested, and completed and because of the payment of nonrecurring fees to be deducted by the Subscribers in the earlier years of the Partnership Wells.

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

No Redemption Rights. FWS Management, LLC has no obligations to repurchase any Partnership Units.

The Partnership may be required to report an investor's identity to the U.S. Treasury Department's Financial Crimes Enforcement Network if such investor owns more than twenty-five percent (25%) of the Partnership as the end of 2024. If an investor owns more than twenty-five percent (25%) of the Partnership, the Partnership may be required to report such ownership to the U.S. Treasury Department's Financial Crimes Enforcement Network ("FINCEN"). Congress adopted the Corporate Transparency Act ("CTA") as part of the Anti-Money Laundering Act of 2020, which was included in the National Defense Authorization Act for Fiscal 2021.[3] The effective date was January 1, 2024. The Partnership will be required to disclose its beneficial owners which includes: "any individual who, directly or indirectly, either exercises substantial control over such reporting company or owns or controls at least 25 percent of the ownership interests of such reporting company."[4] Investor partners will be passive and not generally qualify as persons with substantial control under the CTA. But, if an investor owns twenty-five percent (25%) or more of the Partnership, the Partnership will be required to report such ownership to FINCEN by December 31, 2024. If the reported person obtains a FINCEN identifier, the report will be the FINCEN identifier. If there is no FINCEN identifier, the CTA and its rules require the submission of the beneficial owner's full legal name, the date of birth, the current address, and a unique identification number, and an "image of the document from which the unique identifying number…was obtained."[5] The unique identification number can come from a valid passport, valid driver license, or other valid identification document issued to the individual by the state, local government or Indian tribe.

TERMS OF THE OFFERING

The Partnership Wells. Lizzy #1H LP, hereby offers one hundred (100) Partnership Units of Partnership Wells priced at $195,000 per Unit for a maximum Subscription Amount of $19,500,000.

Each Partnership Unit in the Partnership Wells will be approximately a 1.00% Working Interest (0.72% Net Revenue Interest) in each of the Partnership Wells, assuming that one or more of such wells are Commercial Wells.

Deposit and Use of Funds. Lizzy #1H LP, a Texas limited partnership, is offering for sale (the "Offering") one hundred (100) units of Limited Partnership Units and Additional

[3] Beneficial Ownership Information Reporting Requirements, 87 Fed. Ref. 59,498, 59,499 (September 30, 2022).
[4] Beneficial Ownership Information Reporting Requirements, 87 Fed. Ref. 59,498 (September 30, 2022) (to codified at 31 CFR § 1010.380(d)).
[5] Beneficial Ownership Information Reporting Requirements, 87 Fed. Ref. 59,498 (September 30, 2022) (to codified at 31 CFR § 1010.380(b)(1)(ii)).

General Partner Units (the "Partnership Units") in the Lizzy #1H LP. Purchasers of fractional interests in the Partnership Units will participate in the drilling and completion of the Partnership Wells. The proposed oil and gas wells are currently intended to target the Oolitic Formation and the injection well is currently intended to target the Ellenberger Formation. The Partnership Wells have the following descriptions:

1) Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

If the Partnership Wells are Commercial Wells, purchasers of Partnership Units ("Subscribers") shall collectively be entitled to receive the one hundred percent (100%) Working Interest (equating to seventy-two percent (72%) of the Net Revenue Interest) in the Partnership Wells, assuming all Partnership Units are sold. Each Partnership Unit will represent 1.00% Working Interest (0.72% Net Revenue Interest) in the Partnership Wells. In sum, Subscribers will collectively pay all Drilling and Testing Costs and Completion and Equipping Costs while earning seventy-two percent (72%) of the Net Revenue Interest.

Each Partnership Unit is being offered at a price of $195,000 per Unit, payable at subscription. The Maximum Subscription Amount is $19,500,000.

Subscription proceeds from the Offering, will be deposited into Seidler Oil & Gas's general operating account for use as it deems appropriate, which may include the payment of Seidler Oil & Gas's past and future expenses unassociated with the Partnership Wells' expenses. But Seidler Oil & Gas will be obligated to pay up to $3,231,900 to the Operator to drill, test, complete and equip the Partnership Wells. (See "Terms of Offering" and "Risk Factors").

This Partnership Wells investment program have the following characteristics, assuming that one or more of the Partnership Wells are Commercial Wells:

Seidler Oil & Gas, or an affiliate, will pay such $11,301,498 for the Working Interest, to the Operator for drilling and completion expenses, to Seidler Oil & Gas for lease and geology expenses and to the prospect generator for such Working Interest through completion. Additionally, there will be a $100,000 plug and abandon reserve, assuming the Maximum Subscription Amount. If, assuming the Maximum Subscription Agreement such AFE costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. If, assuming the Maximum Subscription Amount such AFE costs for such Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such

unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from their pass-through Working Interest position.

After one or more of the Partnership Wells are completed, the Managing General Partner, its Affiliates and/or Operator may determine that a Prospect Well requires subsequent operations to rework such wells. Subscribers shall be responsible for paying their pro rata share of the cost of such subsequent operations. Under the Partnership Agreement, failing to pay a call for subsequent operations will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount (to be drawn from the defaulting partner's Distributions (as defined in the Partnership Agreement).

For the Partnership Wells, Seidler Oil and Gas will separately receive payments of $3,900,000 for organizational and offering costs, $1,950,000 for management fees and $2,348,502 for general and administrative costs. The management fee is not contingent on the amount raised but may be accrued if the Subscribers do not have cash to pay it.

Subscription Procedure and Payment. Initial payments by Subscribers for the Partnership Units described herein will be payable upon the execution of the Subscription Documents. Seidler Oil & Gas will require the Subscription Agreement to be accompanied by cash, check or wire transfer made payable to Lizzy #1H LP in the subscription amount of $195,000 per Unit subscribed. Subscriptions must be for whole Units with a one unit minimum unless Seidler Oil & Gas waives the minimum.

PLAN OF DISTRIBUTION

The Offering will be sold by the Managing General Partner or its Affiliates.

FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS

Statements, other than statements of historical facts, included in this Memorandum and its exhibits address activities, events or developments that Seidler Oil & Gas anticipate will or may occur in the future. These forward-looking statements include such things as estimated oil and gas reserves, estimated recoverability of oil and gas reserves, oil and gas prices, well drilling and completion costs and budgets, environmental conditions, weather, quality and timely delivery of equipment and materials to the wellsite, regulatory compliance, tax treatments, competition, management expertise and other similar matters. These statements are based on certain assumptions and analyses made by Managing General Partner in light of its experience and their perception of historical trends, current conditions and expected future developments. However, whether actual results will conform with these expectations is subject to a number of risks and

uncertainties, many of which are beyond the control of the Managing General Partner, its Affiliates and/or Operator of the Partnership Wells, including general economic, market or business conditions, changes in laws or regulations, the risk that the wells are productive but does not produce enough revenue to return the investment made, the risk that the Partnership Wells are dry holes, uncertainties concerning the price of gas and oil, and other risks. Thus, all of the forward-looking statements made in this Memorandum and its exhibits are qualified by these cautionary statements. There can be no assurance that actual results will conform to Seidler Oil & Gas's and the Subscribers' expectations.

PROPOSED ACTIVITIES

Oil and gas exploration involves a high degree of risk because of the many uncertainties inherent in locating and developing oil and gas reservoirs. Neither scientific techniques nor management expertise can completely eliminate those risks. Notwithstanding the presence of such uncertainty, the Subscribers will participate where appropriate in the drilling, testing, and completing of its portion of the Partnership Wells.

Investment Objective

The primary investment objective of the Partnership Wells is to produce of oil and gas as a Commercial Wells.

Plan of Operations

Subscribers will participate in the drilling and completion of the proposed oil and gas well and water injection well in Fisher County, Texas. Fisher County, Texas is on the eastern shelf of the highly productive Permian Basin, located in Eastern New Mexico and Texas. The decision to drill the Partnership Wells was influenced by the success of the Cholla Buffalo well (API #42-151-33288), located approximately 3 miles to the west of the Partnership Wells planned locations.

The proposed oil and gas well is currently intended to target the Oolitic Formation and the injection well is currently intended to target the Ellenberger Formation. The Partnership Wells have the following descriptions:

1) Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

Description of P-5 Contract Operator

The P-5 Contract Operator, Hadaway Consulting and Engineering, LLC of Canadian, Texas, is a Texas limited liability company and carries Texas Railroad Commission Operator No. 342392. It is not affiliated with FWS Management, LLC and currently has been chosen by the Operator as the P-5 Contract Operator for the Partnership Wells.

Cost of Operations

The Operator will charge drilling and completion expenses on a pro rata basis for the cost of the Working Interest in the Partnership Wells. The Operator's Authorization For Expenditure ("AFE") through completion amount for such Working Interest in the Partnership Wells amount to approximately $11,301,498. Assuming the Maximum Subscription Amount, Seidler Oil & Gas will pay up to $11,301,498 to the Operator for such Working Interest through completion. If, assuming the Maximum Subscription Amount, the AFE and acreage costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498, Seidler Oil & Gas will retain the difference.

If, assuming the Maximum Subscription Amount, the AFE for such Working Interest in the Partnership Wells exceeds $11,301,498, Subscribers shall receive a capital call and be responsible for paying such AFE budget excess on a pro rata basis. Such numbers will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from their Working Interest position.

After one or more of the Prospect Well are completed, the Managing General Partner, its Affiliates and/or Operator may determine that a Prospect Well requires subsequent operations to rework such wells. Subscribers shall be responsible for paying their pro rata share of the cost of such subsequent operations. Under the Partnership Agreement, failing to pay a call for subsequent operations will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount.

Market

As of August 20, 2024, the natural gas (Henry Hub - Louisiana) spot price was $2.18 per MMBTU according to the U.S. Energy Information Administration. As of August 23, 2024, the spot price for West Texas Intermediate Crude (Cushing, Oklahoma) was $75.82 per BBL and the Louisiana Light Sweet crude spot price was $77.19, according to the U.S. Energy Information Administration. The net prices obtained for gas and oil will likely differ from the referenced market quotes due to transportation costs and the way such transportation costs are assigned in the oil and gas leases and differences in the designated quality of the oil or gas. For example, in some leases, transportation costs can be charged against the royalty interests and in others such costs cannot be charged against those interests. In general investors should expect that the realized price will be less than the prices posted on the commodities exchanges for specifically designated locations because there is no commodities exchange-based trading market for prices of oil and gas at the Partnership Wells' wellhead. The price obtained will be the price negotiated with the local purchaser.

Substitute Wells Locations or Decision Not to Drill

The Managing General Partner, its Affiliates and/or Operator, may determine the locations of the Partnership Wells need to be moved for multiple reasons, including new geological and title information or issues with surface rights owners. It is possible that such locations may change prior to drilling. It is possible that the Managing General Partner, its Affiliates and/or the Operator could decide not to drill the Partnership Wells in the location and according to the plan described in this Memorandum.

SEIDLER OIL & GAS AND ITS MANAGEMENT

Seidler Oil & Gas and Affiliates

Seidler Oil & Gas, LP is a Texas limited partnership organized in July 2006 and is controlled and managed by Frank W. Seidler. Its offices are located at 7140 FM 917, Alvarado, TX 76009. Lease Reserve, LLC, a Texas limited liability company, is a control affiliate of Seidler Oil & Gas which has secured rights to the leasehold relating to the Lizzy #1H LP area and will receive the acreage cost paid by the Partnership and may receive overriding royalty interest. FWS Management, LLC, a Texas limited liability company, is a control affiliate of Seidler Oil & Gas, LP, and serves as the Managing General Partner of the Partnership.

Frank W. Seidler, President of Seidler Oil & Gas, LP: Frank W. Seidler is the founder and President of Seidler Oil & Gas, LP. He has been involved in marketing oil and gas investments since 1987. In the mid-1990s, Frank became sales manager for a large broker dealer in Dallas, Texas. In January 1997, he founded Choice Exploration, Inc. and over the next ten years he managed to build it into a highly successful oil and gas exploration company. In July 2006, Mr. Seidler negotiated a very lucrative deal that allowed his partners to buy his majority ownership of the company. Mr. Seidler then founded Seidler Oil & Gas, LP, recruiting industry leaders for his team. Frank brings his 30+ years of negotiating skills, leadership, and integrity to continue to offer energy investment opportunities that will have the potential to generate successful results. Mr. Seidler is also a control person for the Managing General Partner, as well as having ownership in the affiliated company which holds the leases on the acreage upon which the Partnership Wells will be drilled.

Previous Activities

Well Name	Production Start	Operator	State	County or Parish	Current Status	API #
Abram SWD 1	N/A	Terrain Water Systems, LLC	TX	Reeves	Saltwater Disposal Well in Operation	N/A
Andrus	N/A	Cimarron Eng'g Corp.	TX	Nueces	Withdrew Participation	42-355-34181
Bledsoe Lindsey	N/A	TriC Res., LLC	TX	Newton	Dry Hole	42-351-30916
Bodacious #1A/ Headlight South	1/7/2018	LLOX, LLC	LA	St Charles	Producer	17-089-20677
Bodacious #4A	5/1/2018	LLOX, LLC	LA	St Charles	Producer	17-089-20680
Bodacious#3/ Flashlight	5/1/2018	LLOX, LLC	LA	St Charles	Producer	17-089-20678
Bodacious#4/ Greenlight	5/1/2018	LLOX, LLC	LA	St Charles	Producer	17-089-20679
Buckeye	N/A	Cimarron Eng'g Corp.	TX	Live Oak	Dry Hole	42-297-36095
Crazy Chester	5/1/2019	LLOX, LLC	TX	Brazoria	Producer	42-039-33338
Crazy Martin	N/A	LLOX, LLC	TX	Brazoria	Withdrew Participation	42-039-32047
Custer	8/2024	Rover Operating	OK	Custer	Producing	35-039-22630
Dakota #2-West Beaumont	9/1/2017	LLOX, LLC	TX	Jefferson	Plugged	42-245-32855

Well Name	Production Start	Operator	State	County or Parish	Current Status	API #
Darryl J. Owen	01/27/2022	LLOX, LLC	LA	LaFourche	Producing	17-057-23334
Diamondback	N/A	Cimarron Eng'g Corp.	TX	Brazoria	Withdrew Participation	N/A
EFG State #1H	1/6/2022	Trigo Exploration	TX	Reeves	Producing	42-389-39516
EFG State #2H	1/6/2022	Trigo Exploration	TX	Reeves	Producing	42-389-39517
EFG State #3H	12/2025	Trigo Exploration	TX	Reeves	Producing	42-389-39716
EFG State #4H	12/2025	Trigo Exploration	TX	Reeves	Producing	42-389-40380
EFG State #5H	12/2025	Trigo Exploration	TX	Reeves	Producing	42-389-40379
EFG State #6H	12/2025	Trigo Exploration	TX	Reeves	Producing	42-389-40374
Hamilton	5/1/2019	LLOX, LLC	TX	Chambers	Producer	42-071-32625
Jackson	Early 2020	LLOX, LLC	LA	LaFourche	Producer	17-109-24244
Langham #2	2/1/2017	Choice Expl.	TX	Jefferson	Producer	42-245-32847
Langham #3	5/1/2016	Choice Expl.	TX	Jefferson	Producer	42-245-32843
Loma Novia	N/A	Cimarron Eng'g Corp.	TX	Duval	Dry Hole	
Lone Star	9/1/2020	Cimarron Eng'g Corp.	TX	Brazoria	Producer	42-039-33350
Longhorn Prospect		Cimarron Eng'g Corp.	TX	Hardin	Withdrew Participation	

Well Name	Production Start	Operator	State	County or Parish	Current Status	API #
MAC5 SWD #1			TX	Fisher	Holding Leases Pending Future Production	
Maverick/ Tarpon Prospect	5/1/2019	LLOX, LLC	LA	LaFourche	Producer	17-057-23316
NE Weeks	N/A	LLOX, LLC	LA	St, Mary	Dry Hole	17-045-21347
Night Hawk SWD #1	N/A	Revolution Midstream, LLC	TX	Reeves	Saltwater Disposal Well in Operation	389-38775
Omega SWD #1	N/A	Terrain Water Systems, LLC	TX	Reeves	Saltwater Disposal Well in Operation	42-389-40510
Plauche	Early 2020	LLOX, LLC	LA	LaFourche	Producer	17-057-23328
Ponyboy #1H		Hadaway Consulting and Engineering, LLC	TX	Fisher	Holding Leases pending future develop-ment	
Potomac	N/A	Houston Energy, LP	LA	Plaquemines	Withdrew Participation	
Powell Lumber	N/A	TriC Res., LLC	TX	Orange	Dry Hole	42-361-30693
Prestige Worldwide SWD	N/A	Revolution Midstream, LLC	TX	Reeves	Saltwater Disposal Well in Operation	N/A
Rocking Chair SWD #1	N/A	Terrain Water Systems, LLC	TX	Reeves	Withdrew Participa-tion	N/A

Well Name	Production Start	Operator	State	County or Parish	Current Status	API #
Rylan #1 SWD	N/A	Terrain Water Systems, LLC	TX	Reeves	Saltwater Disposal Well in Operation	N/A
Simoneaux#001/Bodacious#1_Head	8/1/2017	LLOX, LLC	LA	St Charles	Producer	17-089-20675
Snowball	N/A	LLOX, LLC	TX	Brazoria	Dry Hole	42-039-33348
Sodapop #1H		Hadaway Consulting and Engineering, LLC	TX	Fisher	Holding Leases for Future Develop-ment	42-151-33301
Swan Seale #1	4/1/2016	Acock/ Anaqa Operating	TX	Jackson	Plugged	42-239-33721
Tejas 777 DW#3/UL24 Voyager 2H	10/1/2017	Forge Energy	TX	Pecos	Producer	42-371-39532
Tejas777 DW#2/UL23 Mercury 1H	4/1/2017	Forge Energy	TX	Pecos	Producer	42-371-39447
Tiger 777 #1H		Hadaway Consulting and Engineering, LLC	TX	Fisher	Holding Leases for Future Develop-ment	
Twobit #1H		Hadaway Consulting and Engineering, LLC	TX	Fisher	Holding Leases for Future Develop-ment	
Widgeon	N/A	LLOX, LLC	LA	Acadia	Dry Hole	17-001-22308
Wrangler Prospect Well (Blackstone 109 #1H		Cimarron Eng'g Corp.	TX	Brazoria	Withdrew Participation	

Well Name	Production Start	Operator	State	County or Parish	Current Status	API #
Yellow Fin	N/A	TriC Res., LLC	LA	Calcasieu	Dry Hole	17-019-22365

TAX ASPECTS

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

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

A limited partnership taxed as a partnership incurs no federal income tax liability under US law. Instead, taxable income and losses are passed through to its member, although it must file information returns with the IRS. In general, the character of a Partner's share of each item of income, gain, loss, deduction, and credit is determined at the Partner level. The Partnership will allocate each Partner a share of these items as required by the Partnership Agreement to determine the Partner's income or loss. Partners report these Profits and Losses without regard to whether the Partner has received or will receive any cash distributions from the Partnership. So, Partners could be liable for income taxes on Profits without receiving any corresponding cash payments.

INTANGIBLE DRILLING AND DEVELOPMENT COSTS DEDUCTIONS

Generally, taxpayers cannot deduct capital expenditures under Tax Code § 263(a). See also Treas. Reg. § 1.461-1(a)(2). In Indopco, Inc. v. Commissioner, 503 U.S. 79 (1992), the Supreme Court said that the costs should be capitalized when they provide benefits that extend beyond one tax year. However, Congress granted to the Treasury Secretary the authority to prescribe regulations allowing taxpayers to expense, rather than capitalize, intangible drilling and development costs ("IDC"). Tax Code § 263(c). The Treasury Regulations generally state that the option to expense IDC applies only to

expenditures for drilling and development items without salvage value. Treas. Reg. § 1.612-4.

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

A. Classification of Costs

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

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

be charged by an independent driller under similar conditions will not qualify as IDC and will be required to be capitalized.

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

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

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

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

B. Timing of Deductions

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

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

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

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

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

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

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

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

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

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

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

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

The Management and Maintenance Agreement provides for precise contractual requirements for the prepayment of costs to the Manager. The Managing General Partner is assuredly optimistic these contractual requirements comport with the legislative intent and past judicial rulings regarding the prepayment of IDC.

C. Allocation of IDC Deductions

The intangible drilling and completion costs will be allocated pro rata basis within the Partnership based on percentage ownership. In Levy v. Commissioner, 732 F.2d 1435 (9th Cir. 1984), the Ninth Circuit Court of Appeals allowed a taxpayer who had invested in oil and gas properties by paying both cash and a note to allocate the IDCs first to the cash portion of the investment that allowed for current-year deduction, and secondarily to the note portion of the investment, that did not allow for current-year deduction. The IRS had argued that the IDC should have been allocated on a pro rata basis against both forms of payment. Subsequently, the IRS's Chief Counsel released an Action on Decision statement. The Chief Counsel said that the IRS would not appeal this decision but disagreed with it. The Action on Decision stated that the IRS's position was that a taxpayer cannot allocate intangible drilling costs against different types of payment except in a pro rata fashion. IRS AOD 1984-055 (September 13, 1984).

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

D. Recapture of IDC

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

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

BONUS DEPRECIATION

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

DEPLETION DEDUCTIONS

The owner of an economic interest in an oil and gas property may claim the greater of percentage depletion or cost depletion on qualified oil and gas properties. In the case of partnership taxed as partnerships, the depletion allowance must be computed separately by each partner and not by the partnership. Tax Code § 613A(c)(7)(D). Notwithstanding

this requirement, however, the Partnership, pursuant to § 5.1(d) of the Partnership Agreement, will compute a "simulated depletion allowance" at the Partnership level, solely for the purposes of maintaining Capital Accounts. Tax Code §§ 613A(d)(2) and 613A(d)(4).

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

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

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

Percentage depletion will be available, if at all, only to the extent that a taxpayer's average daily production of domestic crude oil or domestic natural gas does not exceed the taxpayer's depletable oil quantity or depletable natural gas quantity, respectively. Generally, the taxpayer's depletable oil quantity equals 1,000 barrels and depletable

natural gas quantity equals 6,000,000 cubic feet. Tax Code § 613A(c)(3) and (4). In computing his individual limitation, a Partner will be required to aggregate his share of the Partnership's oil and gas production with his share of production from all other oil and gas investments. Tax Code § 613A(c). Taxpayers who have both oil and gas production may allocate the deduction limitation between the two types of production.

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

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

Alternative Minimum Tax

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

Taxation of Pass-Through Entities

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

But this deduction is limited by payment of W-2 income to employees and income thresholds. The deduction generally would be limited to the greater of 50% of the taxpayer's pro rata share of domestic wages paid by the business; or the sum of 25% of

such wages and 2.5% of the initial basis of tangible depreciable property used in the business. The limitation is phased in for individuals with taxable income exceeding $315,000 in the case of a joint return (or $157,500 for single filers).

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

TAX SHELTER RULES

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

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

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

If the IRS or the Managing General Partner subsequently determine that the Partnership should have been registered as a tax shelter with the IRS, the Partnership would be subject to certain penalties under Tax Code § 6707, including a penalty ranging from $500 to 1% of the aggregate amount invested in the Partnership Units for failing to register and $100 for each failure to furnish to a Partner a tax shelter registration number, and each Partner would be liable for a $250 penalty for failure to include the tax registration number on his tax return, unless such failure was due to reasonable cause. A Partner also would be liable for a penalty of $100 for failing to furnish the tax shelter registration number to

any transferee of his Partnership Units. The Managing General Partner can give no assurance that, if the Partnership is determined to be a tax shelter that must be registered with the IRS, the above penalties will not apply.

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

PARTNERSHIP AUDIT SIMPLIFICATION ACT OF 2015

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

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

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

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

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

INTEREST DEDUCTIONS

The Partners will acquire their interests by remitting cash in the amount of up to $100,000 per Partnership Unit to the Partnership. The Partnership will not accept notes in exchange for a Partnership Units. Nevertheless, without any assistance of the Managing General Partner or any of its Affiliates, some Partners may choose to borrow the funds necessary to acquire the Partnership Units and may incur interest expense in connection with those loans. The Managing General Partner makes no representations on the tax treatment of the interest on such loans.

TRANSACTION FEES

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

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

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

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

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

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

BASIS AND AT RISK LIMITATIONS

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

In addition, Tax Code § 465 provides that, if an individual or a closely held C (i.e., regularly taxed) corporation engages in any activity to which Tax Code § 465 applies, any loss from that activity is allowed only to the extent of the aggregate amount with respect to which the taxpayer is "at risk" for such activity at the close of the taxable year. Tax Code § 465(a)(1). A closely held C corporation is a corporation, more than fifty percent (50%) of the stock of which is owned, directly or indirectly, at any time during the last half of the taxable year by or for not more than five (5) individuals. Tax Code §§ 465(a)(1)(B) and 542(a)(2). For purposes of Tax Code § 465, a loss is defined as the excess of otherwise allowable deductions attributable to an activity over the income received or accrued from that activity. Tax Code § 465(d). Any such loss disallowed by Tax Code § 465 shall be treated as a deduction allocable to the activity in the first succeeding taxable year. Tax Code § 465(a)(2).

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

Related persons for purposes of Tax Code § 465(b)(3) are defined to include related persons within the meaning of Tax Code § 267(b) (that describes relationships between family members, corporations and shareholders, trusts and their grantors, beneficiaries

and fiduciaries, and similar relationships), Tax Code § 707(b)(1) (that describes relationships between partnerships and their partners) and Tax Code § 52 (that describes relationships between persons engaged in businesses under common control). Tax Code § 465(b)(3)(C). Special ownership percentage limits of 10 percent or more can be made in determining who is a related person under Tax Code §§ 267 and 707. Tax Code §465(b)(3).

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

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

The Treasury has published proposed regulations relating to the at-risk provisions of Tax Code § 465. These proposed regulations provide that a taxpayer's at-risk amount will include "personal funds" contributed by the taxpayer to an activity. Prop. Treas. Reg. § 1.465-22(a). "Personal funds" and "personal assets" are defined in Prop. Treas. Reg. § 1.465-9(f) as funds and assets that (i) are owned by the taxpayer, (ii) are not acquired through borrowing, and (iii) have a basis equal to their fair market value.

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

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

PASSIVE LOSS AND CREDIT LIMITATIONS

A. Introduction

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

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

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

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

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

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

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

B. Additional General Partnership Units

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

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

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

not as Limited Partners or stockholders. Further, the liability of the Additional General Partners will not be otherwise limited under applicable state law.

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

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

Publicly Traded Partnerships

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

traded partnership, their ability to offset income or losses from this Partnership, could be very limited.

Texas Severance Tax

Texas imposes a severance tax on oil, gas, and condensate production. All hydrocarbon production for the benefit of the Partnership will be subject to these taxes. The baseline Texas severance taxes are:

1) Gas severance tax = 7.5% of market value of gas produced and saved;
2) Oil severance tax = 4.6% of market value of oil produced; and
3) Condensate tax = 4.6% of market value.

Additionally, Texas has a "regulatory fee" of $.000667 for thousand cubic feet of gas produced.

Texas has other production incentives that carry reduced severance taxes. But these should not be expected by Subscribers.

The Partnership Wells will be subject to property taxation tax levies in Fisher County, Texas.

Disclaimer

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

CONFLICTS OF INTEREST AND TRANSACTIONS WITH THE MANAGING GENERAL PARTNER AND ITS AFFILIATES

Conflicts of Interest

The Partnership is acquiring contractual Working Interest participation rights from Seidler Oil & Gas, LP, an affiliate of the Managing General Partner. The terms of the Working Interest participation rights are not being negotiated with Subscribers and are not the subject of arms' length negotiations. The terms could be viewed as arbitrary and conflicted.

Seidler Oil & Gas and its affiliates own other oil and gas properties and is actively involved in the development of new oil and gas prospects. The Subscribers may make other investments in other wells originated by Seidler Oil & Gas or its affiliates.

Seidler Oil & Gas and its affiliates also engage in other significant participations in oil and gas wells.

Seidler Oil & Gas is subject to various conflicts of interest arising out of its relationship with the Subscribers. These conflicts include, but are not limited to, the following:

***Future Programs by Seidler Oil & Gas and its Affiliates*.** Seidler Oil & Gas and its Affiliates have the right and expect to continue to organize and manage oil and gas drilling programs in the future similar to the Partnership Wells and may conduct operations now and in the future jointly or separately, on its own behalf or for other private or public investors. To the extent Affiliates of Seidler Oil & Gas invest in the Partnership Wells or other oil and gas prospects sponsored by Seidler Oil & Gas, conflicts of interest will arise.

***Seidler Oil & Gas's Fees and Payments*.** Although Seidler Oil & Gas believes that its and its affiliates' fees and payments in connection with the Partnership Wells is equitable, such interest was not determined by arm's-length negotiation.

***Conflicts with Other Programs*.** Seidler Oil & Gas realizes that its conduct and the conduct of its Affiliates in connection with the other drilling programs could give rise to a conflict of interest if Seidler Oil & Gas or one of its Affiliates as participant or sponsor of such additional programs. In resolving any such conflicts, each drilling program will be treated equitably with such other drilling programs on a basis consistent with the funds available to the drilling programs and the time limitations on the investment of funds. However, no provision has been made for an independent review of conflicts of interest.

INDEMNIFICATION OF THE OPERATOR

The Operating Agreement includes provisions indemnifying the Operator against liability for losses suffered by the Subscribers resulting from actions by the Operator. The Operating Agreement provides for indemnification of the Operator against liability for losses arising from the Partnership's affairs provided that the Operator did not act or fail to act with gross negligence or willful misconduct.

In the U.S. Securities and Exchange Commission's opinion, indemnification provisions indemnify for liabilities arising under the Securities Act of 1933 and the Securities Exchange Act of 1934 are against public policy, and, therefore, unenforceable. Consequently, unless Courts rule otherwise, the Operator will not be indemnified for liabilities arising under Federal securities laws unless (1) there has been a successful adjudication on the merits of each count involving securities law violations or (2) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction or (3) a court of competent jurisdiction approves a settlement of such claims and finds that indemnification of the settlement and the related costs should be made after having been advised of U.S. Securities and Exchange Commission's and relevant state securities administrators' positions on indemnification of securities violations

claims. A successful indemnification claim would deplete Partnership Wells' Working Interest assets by the amount paid. A Subscriber may have a narrower scope of legal actions due to the indemnification provision than if the indemnification provision was omitted.

INVESTORS SUBJECT TO ERISA

The Partnership Units are likely to be treated as equity interests. Thus, ERISA will likely apply to investors which are employee benefit plans or trusts subject to ERISA, or Keogh Plan subject to the Internal Revenue Code, and such investors should consider the risks involving ERISA and the Internal Revenue Code.

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

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

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

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

The fiduciaries of each Plan proposing to purchase the Partnership Units will be required to represent that they have been informed of and understand the Partnership's

investment objectives, policies, and strategies, and that the decision to invest Plan assets in the Partnership Units is consistent with the provisions of ERISA that require diversification of Plan assets and impose other fiduciary responsibilities. Further, tax benefits such as intangible cost and depletion deductions will likely be of little or no benefit to ERISA and Keogh plans.

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

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

FIDUCIARY RESPONSIBILITIES AND INDEMNIFICATION OF THE MANAGING GENERAL PARTNER

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

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

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

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

In the U.S. Securities and Exchange Commission's opinion, indemnification provisions indemnify for liabilities arising under the Securities Act of 1933 and the Securities Exchange Act of 1934 are against public policy, and, therefore, unenforceable. Consequently, unless Courts rule otherwise, the Managing General Partner will not be indemnified for liabilities arising under Federal securities laws unless (1) there has been a successful adjudication on the merits of each count involving securities law violations or (2) such claims have been dismissed with prejudice on the merits by a court of

competent jurisdiction or (3) a court of competent jurisdiction approves a settlement of such claims and finds that indemnification of the settlement and the related costs should be made after having been advised of U.S. Securities and Exchange Commission's and relevant state securities administrators' positions on indemnification of securities violations claims. A successful indemnification claim would deplete Partnership assets by the amount paid. A Limited Partner may have a narrower scope of legal actions due to the indemnification provision than if the indemnification provision was omitted.

DRILLING, OPERATING AND PARTICIPATION AGREEMENT SUMMARIES

Drilling and Completion Agreement

The following is a summary of the Drilling and Completion Agreement with the Managing General Partner. This summary is not a substitute for reviewing and understanding the Drilling and Completion Agreement and in the case of any possible disagreement between this summary and the actual Drilling and Completion Agreement, the Drilling and Completion Agreement's terms controls. This summary does not modify the Drilling and Completion Agreement in any way. The Drilling and Completion Agreement is attached as Exhibit C to this Memorandum.

The Partnership will enter a Drilling and Completion Agreement with the Managing General Partner. The Drilling and Completion Agreement will state that Partnership will pay the Managing General Partner or its affiliates up to $11,301,498 for leasehold, drilling and completion expenses, prospect generation fee to an unaffiliated third party, $3,900,000 for organizational and offering costs, $1,950,000 for management fees, $2,348,502 for general and administrative costs, for the one hundred percent (100%) Working Interest (seventy-two percent (72%) Net Revenue Interest) in the Partnership Wells in Fisher County, Texas. For these prices, the Managing General Partner will pay the Operator the Partnership's proportional costs of drilling and completing the Partnership Wells, acreage costs, and an unaffiliated third party for prospect generation. If the referenced leasehold acreage costs, prospect generation, drilling, and completion expenses are less than $11,301,498, the Managing General Partner shall retain the difference between that amount and $11,301,498. If the referenced acreage costs, drilling, and completion expenses are greater than $11,301,498, the Partnership shall pay the difference between that amount and $11,301,498 and Partners shall be obligated to pay their pro rata share of such amount. Additionally, there will be a $100,000 plug and abandon reserve, assuming the Maximum Subscription Amount.

The Managing General Partner, its Affiliates and/or Operator shall have the choice of completing or plugging the Partnership wells, subject to non-consent limitations in the Operating Agreement. The Operator is unaffiliated with the Managing General Partner.

The Managing General Partner, its Affiliates and/or Operator will be responsible for paying for labor, material, services, and supplies relating to the drilling of the Partnership

Wells. Further, the Operator will be responsible for providing reports to the Managing General Partner and preparing the drill site location.

During the drill, test and initial completion phase of the Partnership Wells, the costs of equipment failures will be subject to the Drilling and Completion Agreement. After the Initial Investment Phase, the Partnership will have responsibility for its proportional interest in any defective equipment relating to the Partnership Wells, including, but not limited to, casing, tubing, and well head equipment.

The Managing General Partner will allocate Intangible Drilling Costs relating to the Partnership Wells. The Intangible Drilling Costs to be allocated to Partnership under this Agreement shall be determined by the Managing General Partner by:

1) determining the markup percentage on this Drilling and Completion Agreement to Contractor after determining the total costs of the well after completion or abandonment;
2) determining what the intangible costs were of the total costs of the well after completion or abandonment; and
3) multiplying the Drilling and Completion Agreement markup percentage by the total intangible costs of the Partnership Well and adding to that amount to the total intangible costs for the Partnership Well.

Operating Agreement – Partnership Wells

The following is a summary of the Operating Agreement with FWS Management, LLC. The Partnership will be a non-operator Working Interest owner under the Operating Agreement with FWS Management, LLC, a Texas limited liability company. The Operating Agreement is based on a Form 610 American Association of Petroleum Landmen Joint Operating Agreement, including 2005 COPAS Accounting Procedures. The Operating Agreement provides that Working Interest owners in the agreement area shall bear all costs and liabilities incurred and all materials and equipment acquired for operations in the Agreement area shall be apportioned to the Working Interest owners consistent with their ownership of Working Interest percentage. If a Working Interest is burdened by a Carried Working Interest or Overriding Royalty Interest, that Working Interest owner shall also pay the expenses that would have otherwise been apportioned to the Carried Working Interest or Overriding Royalty Interest.

The Operating Agreement requires the Operator to market oil and gas production on behalf of non-operators and pay production revenue to non-operators after expenses.

The Operating Agreement grants the Operator the authority to designate, hire, and manage the P-5 Contract Operator under a separate agreement.

If the Operator defaults under the terms of the Operating Agreement, the Operator can be removed on the affirmative vote of non-operators owning a majority interest of the

Working Interest in the property subject to the Operating Agreement after excluding the Operator's vote. However, this removal shall only be effective after a 30-day cure period.

The Operating Agreement requires that the Operator charge the following expenses to the Working Interest owners:

1) Costs incurred because of governmental or regulatory requirements to satisfy environmental considerations;
2) Lease delay rental and royalty payments;
3) Salaries and wages (including benefits) of Operator's field employees, first-level supervisors and employees providing directly employed on the operated property in conducting operations under the Operating Agreement (includes holiday, vacation, sickness benefits and disability payments or insurance life insurance, medical insurance and costs, pension plans, retirement plans, stock option plans, and bonus plans);
4) Salaries and wages (including benefits) of technical employees (engineers, geologists, et al.) directly employed on or temporarily or permanently assigned to and employed on the operated property if such charges are excluded from overhead rates (includes holiday, vacation, sickness benefits and disability payments or insurance life insurance, medical insurance and costs, pension plans, retirement plans, stock option plans, and bonus plans);
5) Training costs for the employees;
6) Payments or contributions relating to assessments imposed by government authorities which are applicable to Operator costs;
7) Materials purchased or furnished by Operator for use on the operated property;
8) Transportation of employees and materials necessary for operations;
9) Contract services provided by third parties, including geological, geophysical and petroleum engineering services;
10) Equipment provided by third parties;
11) Utility costs;
12) Damages and losses to the operated property through fire, flood, theft and other causes except when caused by the Operator's gross negligence or willful misconduct;
13) Legal expenses relating to investigating and settling claims, discharging liens, paying judgments and settlements resulting from activities under the Operating Agreement or as necessary to protect or recover the operated property;
14) Taxes assessed or levied in connection with the operated property;
15) Insurance premiums;
16) Abandonment costs;
17) Communications systems; and
18) Other expenses related to the operated property.

If the Operator uses its own tools and equipment, the rates paid to the Operator will be the prevailing commercial rates, less 20%, as agreed by the parties to the Operating Agreement. The Operator shall charge depreciation of 12% per annum on the Operator's

use of its own equipment and facilities, unless such equipment and facilities have been fully depreciated. If the Operator uses the goods or services of its affiliate in operations requiring and Authorization for Expenditures ("AFE") or the authorization of the non-operators, such charges are approved if they are included in the AFE or do not exceed $50,000 per individual project or cumulatively $100,000 for a given calendar year.

If the Operator absorbs the engineering, design and drafting costs related to the project or charges the engineering, design and drafting costs related to the project directly to the Working Interest group, the Operator shall receive 5% of the total costs if such costs are less than $100,000; plus 4% of total costs in excess of $100,000 but less than $1,000,000; plus 3% of total costs in excess of $1,000,000.

The Operating Agreement requires the Operator charge the Working Interest owners overhead charges for costs not already specifically identified. These overhead charges shall include, but not be limited to, costs and expenses of warehousing, procurement, administration, accounting and auditing, gas dispatching and gas chart integration, human resources, management, additional legal services, preparation and monitoring of permits and certifications, preparing regulatory reports and the salaries or wages and benefits for the personnel performing the overhead functions. The Operator shall charge the Working Interest owners directly as charged by the third-party contract operator.

In addition to the costs of reworking the well, the Operator will be imposing costs on producing wells for monthly accounting, pumpers, electrical costs for pumpjacks, and lease and well maintenance.

The Operator may propose additional oil and gas drilling, completion, or rework activities. The Partnership Agreement states that non-consenting parties who do not pay for their proportional share of such additional work will pay a 300% penalty and in revenues from the well. The Operating Agreement also provides that the Operator must obtain consents from non-operating Working Interest participants for projects that exceed threshold amounts stated in the agreement and were not previously authorized under the Operating Agreement and are not emergency projects.

The Operator may also settle uninsured claims and lawsuits arising from well operations for a designated amount or less per claim without seeking consent from the Working Interest owners. Such settlements are joint expenses. If there is an uninsured claim for more than the threshold amount from well operations, the Working Interest owners shall take over further handling of the matter unless they delegate it to the Operator. All claims and lawsuits against the Operator relating to well operations will be treated as claims or lawsuits against all the Working Interest owners.

The Operator will be required to maintain certain levels of insurance.

Finally, the Operating Agreement carries a force majeure clause for the benefit of the Operator.

Acquisition and Development Agreement – Partnership Wells

The following is a summary of the Acquisition and Development Agreement under negotiation for the Partnership Wells. This summary is not a substitute for reviewing and understanding the Acquisition and Development Agreement and in the case of any possible disagreement between this summary and the actual Acquisition and Development Agreement, the Acquisition and Development Agreement's terms controls. This summary does not modify the Acquisition and Development Agreement in any way. The Acquisition and Development Agreement is available upon request to the Managing General Partner.

Subscribers will participate in the drilling of the proposed Partnership Wells, located in Fisher County, Texas. Purchasers of the Partnership Units will participate in the drilling and completion of the proposed oil and gas well and injection well in Fisher County, Texas. The proposed oil and gas well is currently intended to target the Oolitic Formation and the injection well is currently intended to target the Ellenberger Formation. The Partnership Wells have the following descriptions:

1) Lizzy #1H (horizontal –,up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

Seidler Oil & Gas, or an affiliate, will pay such $11,301,498 for the Working Interest, to the Operator for drilling and completion expenses, to Seidler Oil & Gas for lease and geology expenses and to the prospect generator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. Additionally, there will be a $100,000 plug and abandon reserve, assuming the Maximum Subscription Amount. If, assuming the Maximum Subscription Amount such AFE costs for such Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.

Service Agreement

The following is a summary of the Service Agreement under negotiation with the P-5 Contract Operator, as an independent contractor, and the Operator. This summary is not a substitute for reviewing and understanding the Service Agreement and in the case of any possible disagreement between this summary and the actual Service Agreement, the Service Agreement's terms controls. This summary does not modify the Service Agreement in any way. The Service Agreement is still being negotiated as of the Offering Date. The Service Agreement will be available upon request to the Managing General Partner once completed.

The P-5 Contract Operator shall provide: (i) engineering services, including (1) preparing and filing drilling applications, (2) contracting for preparation and maintenance of well sites and access roadways, (3) contracting will drill contractors, (4) purchasing casing, tubing, wellhead equipment, tanks, and other equipment necessary for producing, processing, storing, and marketing oil and gas produced, (5) contracting for well logging services, well perforation and treatment services and well completion services, (6) contracting for saltwater disposal, if any, and (7) filling all required regulatory applications and reports; (ii) upon request, administrative services, including marketing of oil and gas produced, negotiating sales and marketing agreements, collections for products sold, joint interest billings, revenue distributions and payment of production and severance taxes; and (iii) operator services for the well or wells designated by the Operator.,.

The Operator shall pay the P-5 Contract Operator $250/ per hour for engineering services. The Operator shall pay the P-5 Contract Operator $1200/ per month per well for Contract Operations from the date drilling operations begin until State regulatory authority approval of the completion paperwork and lease number is assigned, then $550/month for Contract Operations. "Contract Operations" shall only mean that the P-5 Contract Operator is the named operator with the state regulatory agency. The Operator shall pay $55/day for drilling reports and $30/day for completion reports, for reports provided by WELLEZ web-based reporting services. The Operator shall pay $75/hour for the P-5 Contract Operator's clerical staff in the performance of this Service Agreement. For supervision services provided by the P-5 Contract Operator's consultant before, during and after drilling operations, completion operations, fracking operations, work-over operations, or equipment and personnel in need of supervision are moved onsite, the Operator shall pay the P-5 Contract Operator varying rates for the service provided.

The P-5 Contract Operator will be required to maintain certain levels of insurance, including Worker's Compensation Insurance, Employer's Liability Insurance of $1 million per accident/occurrence, Commercial General Liability Insurance of $1 million per accident/occurrence, $2 million in the aggregate for Bodily Injury and Property Damage, including Contractual Liability, Product Liability, and Completed Operations, with Severability of Interest/Cross Liability Endorsement, Automobile Liability Insurance with $1 million combined single limit for Bodily Injury and Property Damage, Excess/Umbrella

Liability Insurance with $5 million combined single limit for any one occurrence, and Physical Damage Insurance on the P-5 Contract Operator's own property.

LEGAL PROCEEDINGS

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

SUMMARY OF THE PARTNERSHIP AGREEMENT

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

Responsibility of the Managing General Partner

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

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

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

additional Capital Contributions if the Managing General Partner determines such capital is needed for the Partnership's business.

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

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

The Managing General Partner seeks to mitigate (but cannot eliminate) this risk through the Drilling and Completion Agreement attached as Exhibit C to this Memorandum.

Conversion from an Additional General Partner to a Limited Partner

On January 1 of the year immediately following the calendar year of the Partnership with respect to which the Managing General Partner has determined that the at least 95% of funds paid to the Partnership by the Investor Partners as a result of the offer and sale of Units shall have been expended the Units held by the Additional General Partners may be converted to Limited Partner Units, unless the Managing General Partner determines that such conversion at that time would not be in the best interests of the General Partners or the Partnership.

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

Allocations and Distributions

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

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

Voting Rights

Each Partner may vote, in person or by proxy, with its vote being counted in proportion with the Partner's Partnership Units in matters considered at Partnership meetings with the quorum required for approval of such matters.

Books and Records

Partners have the right to review the Partnership's books and records during reasonable business hours at the Partnership's principal office.

Retirement of the Managing General Partner

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

Term and Winding-up

The Partnership will commence winding-up upon the occurrence if:

(a) the written consent of the Managing General Partner and Limited Partners representing the Managing General Partner, with the consent of a Majority-in-Interest of the Investor Partners, determining that the Partnership should be dissolved of the Partnership Interest requests the Winding-Up of Partnership activities; or

(b) The Managing General Partner's resignation, retirement, adjudication of incapacity, withdrawal, removal, dissolution, liquidation, or bankruptcy, unless a successor Managing General Partner is selected by Partners owning a majority of the then outstanding Partnership Interest within 90 days after such event to reconstitute the Partnership.

Indemnification

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

Reports to Partners

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

Power of Attorney

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

Other Provisions

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

TRANSFERABILITY OF UNITS

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

OTHER MATTERS

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

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

FINANCIAL STATUS OF THE PARTNERSHIP

Lizzy #1H LP is a Texas limited partnership which was formed on July 19, 2024, and as of the date of this offering is not capitalized.

OTHER DOCUMENTS

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

PAYMENT

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

Continue to Next Page

Exhibit A

Certificate of Formation

Lizzy #1H LP

Continue to Next Page

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

Jane Nelson
Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING
OF

Lizzy #1H LP
805630952

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

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

Dated: 07/23/2024

Effective: 07/23/2024

Jane Nelson
Secretary of State

Form 403
(Revised 05/11)

Submit in duplicate to:
Secretary of State
P.O. Box 13697
Austin, TX 78711-3697
512 463-5555
FAX: 512/463-5709
Filing Fee: $15

This space reserved for office use.

Certificate of Correction

Entity Information

1. The name of the filing entity is:

Lizzy #1H LP

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

The file number issued to the filing entity by the secretary of state is: 805630952

Filing Instrument to be Corrected

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

The date the filing instrument was filed with the secretary of state: 07/19/2024
mm/dd/yyyy

Identification of Errors and Corrections

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

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

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

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

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

OR

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

First *Middle* *Last Name* *Suffix*

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

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

Corrected Registered Office Address

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

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

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

The period of duration is corrected to read as follows:

Identification of Other Errors and Corrections

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

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

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

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

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

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

Statement Regarding Correction

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

Correction to Merger, Conversion or Exchange

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

Entity name	*SOS file number*
Entity name	*SOS file number*

Effectiveness of Filing

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

Execution

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

Date: 07/23/2024

By: FWS Management LLC, General Partner

/s/ John Settle
Signature of authorized person

John Settle, CFO
Printed or typed name of authorized person (see instructions)

Form 207
(Revised 12/21)

Submit in duplicate to:
Secretary of State
P.O. Box 13697
Austin, TX 78711-3697
512 463-5555

Filing Fee: $750

This space reserved for office use.

Certificate of Formation
Limited Partnership

Article 1 – Entity Name and Type

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

Lizzy #1H LP

The name must contain the words "limited," "limited partnership," or an abbreviation of that word or phrase. The name of a limited partnership that is also a limited liability partnership must also contain the phrase "limited liability partnership" or "limited liability limited partnership" or an abbreviation of one of those phrases.

Article 2 – Registered Agent and Registered Office

(Select and complete either A or B and complete C)

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

FWS Management LLC

OR

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

First Name	*M.I.*	*Last Name*	*Suffix*

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

Street Address	*City*	*State*	*Zip Code*
7140 E FM 917	Alvarado	TX	76009

Article 3—Governing Authority

(Provide the name and address of each general partner.)

The name and address of each general partner are set forth below:

GENERAL PARTNER 1

NAME (Enter the name of either an individual or an organization, but not both.)

IF INDIVIDUAL

First Name	*M.I.*	*Last Name*	*Suffix*

OR

IF ORGANIZATION

FWS Management LLC

Organization Name

ADDRESS

Street or Mailing Address	*City*	*State*	*Country*	*Zip Code*
7140 E FM 917	Alvarado	TX	USA	76009

GENERAL PARTNER 2

NAME (Enter the name of either an individual or an organization, but not both.)

IF INDIVIDUAL

First Name	*M.I.*	*Last Name*	*Suffix*

OR

IF ORGANIZATION

Organization Name

ADDRESS

Street or Mailing Address	*City*	*State*	*Country*	*Zip Code*

GENERAL PARTNER 3

NAME (Enter the name of either an individual or an organization, but not both.)

IF INDIVIDUAL

First Name	*M.I.*	*Last Name*	*Suffix*

OR

IF ORGANIZATION

Organization Name

ADDRESS

Street or Mailing Address	*City*	*State*	*Country*	*Zip Code*

Article 4—Principal Office

The address of the principal office of the limited partnership in the United States where records are to be kept or made available under section 153.551 of the Texas Business Organizations Code is:

7140 E FM 917	Alvarado	TX	USA	76009
Street or Mailing Address	*City*	*State*	*Country*	*Zip Code*

Initial Mailing Address

(Provide the mailing address to which state franchise tax correspondence should be sent.)

7140 E FM 917	Alvarado	TX	USA	76009
Mailing Address	*City*	*State*	*Zip Code*	*Country*

Supplemental Provisions/Information

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

Effectiveness of Filing (Select either A, B, or C.)

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

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

C. ☐ This document takes effect upon the occurrence of the future event or fact, other than the passage of time. The 90th day after the date of signing is: _____

The following event or fact will cause the document to take effect in the manner described below:

Execution

The undersigned general partner affirms that the person designated as registered agent has consented to the appointment. The undersigned also affirms that, to the best knowledge of the undersigned, the name provided as the name of the filing entity does not falsely imply an affiliation with a governmental entity. The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized to execute the filing instrument.

Date: 07/19/2024

Signature for each general partner:

FWS Management LLC

By: John Settle, CFO

/s/ John Settle

Continue to Next Page

Exhibit B

Limited Partnership Agreement

Lizzy #1H LP

Continue to Next Page

AGREEMENT OF LIMITED PARTNERSHIP

Dated as of July 19, 2024

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

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

Continue to Next Page

AGREEMENT OF LIMITED PARTNERSHIP
AGREEMENT OF LIMITED PARTNERSHIP
OF
Lizzy #1H LP
A Texas Limited Partnership
Dated as of July 19, 2024

This LIMITED PARTNERSHIP AGREEMENT (this *"Agreement,"* as it may be amended from time to time as provided below) is initially made and entered into and effective as of July 29, 2024, by and among the Persons (as defined below) executing this Agreement below.

SECTION I
General

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

1.2 The name of the Partnership shall be Lizzy #1H LP.

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

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

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

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

1.7 The purpose of the Partnership shall be to explore, develop, operate, buy, and sell oil and gas prospects and leasehold interests, buy, produce, and sell hydrocarbon production and products, to participate in such ventures, to generate cash returns for investors, and to engage in any other lawful business or activity permitted by the Texas Business Organizations Code.

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

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

SECTION II
Definitions

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

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

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

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

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

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

"CTA" means the Corporate Transparency Act (31 U.S.C. § 5336).

"CTA Compliance Person" means the Managing General Partner, or such other Person designated by the Managing Members as having responsibility for the Company's compliance with the Corporate Transparency Act.

"CTA Information" means, with respect to a natural Person: (a) the full legal name of such Person, including any suffix; (b) their date of birth; (c) their complete current residential street address, including any apartment or suite number; (d) a unique identifying number; and (e) an image of such Acceptable Identification Document of sufficient quality.

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

"Drilling and Completion Agreement" means the Drilling and Completion Agreement attached as Exhibit C to the Offering Memorandum and incorporated herein by reference.

"Entity Partner" has the meaning specified in Section 24.2.

"FinCEN" means the U.S. Department of the Treasury's Financial Crimes Enforcement Network.

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

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

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

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

"IRC" means the Internal Revenue Code of 1986.

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

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

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

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

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

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

"Operator" means FWS Management, LLC and/or any other suitable and/or subsequent Operators engaged by the Partnership to operate Oil and Gas Properties.

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

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

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

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

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

"P-5 Contract Operator" means Hadaway Consulting and Engineering, LLC of Canadian, Texas and/or any other suitable and/or subsequent P-5 Contract Operators engaged by the Operator to operate Oil and Gas Properties.

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

"Partner" means any General Partner or Limited Partner.

"Partnership" has the meaning specified in Section 1.1.

"Partnership Losses" means the amount by which the amount in the Capital Accounts is less than the previous balance in the Capital Accounts over a specified period.
"Partnership Profits" and *"Partnership Losses"* means, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with IRC Section 703(a) and Regulations under the IRC.

"Partnership Wells" means all oil and gas wells and injection wells in which the Partnership has an interest, including the following planned wells in Fisher County, Texas for whom a portion of the Working Interest is owned by the Partnership:

1) Lizzy #1H (horizontal – up to 12,500 feet, depth – approx. 5,300 feet)
2) Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

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

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

"Prospect" means a contiguous Oil and Gas Interest, upon which drilling operations may be conducted. In general, a Prospect is an area in which the Partnership owns or intends to own one or more Oil and Gas Properties which is geographically defined by the Managing General Partner on the basis of geological data by and which is anticipated by the Managing General Partner to contain at least one reservoir and, an

area covering lands which are believed by the Managing General Partner to contain subsurface structural or stratigraphic conditions making it susceptible to the accumulations of hydrocarbons in commercially productive quantities at one or more horizons. A Prospect with respect to a particular horizon may be limited to the minimum area permitted by state law or local practice, whichever is applicable, to protect against drainage from adjacent wells if the well to be drilled by the Partnership is to a horizon containing proved reserves.

"Regulations" means Rules issued pursuant to the IRC.

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

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

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

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

"Subsequent Operations" means operations determined to be required after the drilling and completion of the prospect well by the Operator pursuant to the terms of the Operating Agreement and the Participation Agreement.

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

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

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

SECTION III
Capital Contributions and Capital Accounts

3.1 The Managing General Partner shall not be required to contribute any cash to the Partnership as its Capital Contributions upon its execution of this Agreement. It shall, however, pay organization costs and contribute to the Partnership copies of all

geological and geophysical information it previously acquired with respect to any of the Properties described in the Offering Memorandum which are acquired by the Partnership. Should the Managing General Partner have insufficient capital to pay the organization costs, it may allow one of its Affiliates to pay those Costs and issue a note payable to that affiliate for those organization costs.

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

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

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

(d) The Managing General Partner may, at its election, request that each Investor Partner pay his pro-rata share of Operating Deficits as they occur. A request for an Operating Deficit Contribution shall set forth the aggregate amount of the Operating Deficit, as calculated on per well basis, and the proportionate share thereof requested of the Investor Partners) If Subsequent Operations are proposed by the Operator or another Working Interest owner, and the Partnership consents to such operations, the Managing General Partner may, at its election, pay for the Partnership's share of such Subsequent Operations from cash available for Distributions generated by revenues from the Prospects. Alternatively, the Managing General Partner may request that each Partner make a Subsequent Operations Contribution to the Partnership in cash.

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

Partner shall pay his assessed Subsequent Operations Contribution within fifteen (15) days after the mailing of such request by the Managing General Partner.

(g) Upon a Partner's receipt of a request for a Subsequent Operations Contribution, he may either elect to "consent" to the proposed Subsequent Operations, in which case he must pay the assessment within the time period specified, or he may "non-consent" to the proposed Subsequent Operations (whereby he becomes a "defaulting Partner"), in which case the Managing General Partner shall have the option of either (a) paying the amount of the defaulting Partner's Subsequent Operations Contribution or (b) allow another Partner to do so or (c) allow a third party to be admitted to the Partnership as a Substitute Limited Partner for the purpose of paying the defaulting Partner's Subsequent Operations Contribution. In such event, Distributions shall be withheld from the defaulting Partner until such time as the person or entity which pays the defaulting Partner's assessed share of Subsequent Operations shall have received additional Distributions in an amount equal to three hundred percent (300%) of the amount he paid on behalf of the defaulting Partner. Once the paying Partner has received this sum, the payment of Distributions to the defaulting Partner shall be resumed.

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

3.3 The Partnership shall not be permitted to borrow money to fund its operations without the consent of the Majority-In-Interest of the Investor Partners. All needed Partnership funds are to be derived from revenues of the Partnership or Capital Contributions to the Partnership by a Partner.

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

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

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

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

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

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

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

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

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

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

3.6 Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account of any Partner, the Capital Account of the Partner shall

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

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

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

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

SECTION IV
Control and Management

4.1 Subject to the other provisions of this Agreement, the Managing General Partner shall have the right to, and shall be fully responsible for, the management and control over the business of the Partnership. The Managing General Partner shall make all decisions affecting the business of the Partnership, except to the extent that this Agreement or nonwaivable provisions of the Texas Business Organizations Code require the consent or approval of some or all other Partners. The Managing General Partner shall have all rights, powers and authority generally conferred by the Texas Business Organizations Code or as otherwise provided by law or necessary, advisable, or consistent with accomplishing the purposes of the Partnership. No person, firm, or corporation dealing with the Partnership shall be required to inquire into the authority of the Managing General Partner to take any action or make any decision. The Limited Partners and the Additional General Partners shall have no authority to take part in the control, conduct or operation of the Partnership and shall have no right or authority to act for or bind the Partnership, including during the winding up of the Partnership. Other than as specifically provided in this Agreement or nonwaivable provisions of the Texas Business Organizations Code, no Limited Partner or Additional General Partner shall have the right to vote upon any matter concerning the business and affairs of the Partnership.

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

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

(b) to enter into the Drilling and Completion Agreement with the Managing General Partner;

(c) to enter into and execute Leases and assignments thereof, Operating Agreements, contracts for Subsequent Operations, farmout

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

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

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

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

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

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

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

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

(k) so long as otherwise permitted by the provisions of this Agreement, to sell, farmout, exchange, contribute, mortgage, or pledge any or all the

Partnership's Oil and Gas Properties, revenues therefrom, or any interest therein when and on such terms and conditions as it shall deem in the best interests of the Partnership;

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

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

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

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

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

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

4.4 Tax Matters.

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

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

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

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

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

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

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

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

4.6 (a) The Partnership may purchase or acquire drilling and completion equipment and other equipment necessary in the drilling, completion, equipping, or operation of the Partnership's Oil and Gas Properties, but the Partnership may be charged

for such drilling and completion equipment and other equipment only at competitive rates in the industry for such area.

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

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

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

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

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

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

(a) do any act in contravention of this Agreement;
(b) except as specifically permitted by Section IV or IX, do any act which would make it impossible to carry on the ordinary business of the Partnership;
(c) confess a judgment against the Partnership;

(d) without prior approval of Majority-in-Interest of Investor Partners, mortgage or pledge the Partnership's Oil and Gas Properties, revenues therefrom, or assign to a third party any rights in a specific Partnership Asset, other than for a legitimate Partnership purpose;
(e) change or reorganize the Partnership into any other legal form;
(f) require any Limited Partner to make any contribution to the capital of the Partnership not otherwise provided for in this Agreement; or
(g) make any loans or advances from the Partnership to the Managing General Partner and/or its Affiliates.

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

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

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

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

4.14 *Title to Leases.*

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

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

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

4.16 *Meetings of Partners.* The Managing General Partner may call meetings of Partners at such times and places as the Managing General Partner may determine in its sole discretion. Upon request from a majority in interest of the Limited Partnership Unit owners, the Managing General Partner must call for a Partner meeting to occur within 30 days of the receipt of the request. Partners may participate in Partnership meetings in person or by telephone, webcast, or videoconference, or such other technology as may allow Partners to participate in Partner meetings. The Managing General Partner shall, upon request from an Additional General Partner or Limited Partner, promptly provide the names and contact information for the Additional General Partner or Limited Partners to an Additional General Partner or Limited Partner who requests it for the purpose seeking to request a Partner meeting.

4.17 *Voting at Meeting of Partners.* At a meeting of the Partners, Partners may vote their interests either by participating in a meeting under Section 4.17 of this Agreement or by proxy. Each partner shall have proportional voting rights in the Partnership based on a formula, the numerator of which shall be the total amount of the Partner's capital account as designated in Section 3.2 of this Agreement and denominator of which shall be the sum of all the capital accounts of all the Partners.

SECTION V

Allocations of Profits and Losses

5.1 (a) After giving effect to the allocations set forth in Section 5.1(c), and except as otherwise provided in Section 3.4, Profits and Losses for any fiscal year or other period shall be allocated 99.9% to the Investor Partners and 0.1% to the Managing General Partner.

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

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

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

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

(2) If there is a net decrease in minimum gain attributable to a Partner nonrecourse debt (determined pursuant to Regulations Section 1.704-2(i)) during any Partnership taxable year, certain items of income and gain shall be allocated (on a gross basis) as quickly as possible to those Partners who had a share of the minimum gain attributable to the Partner nonrecourse debt (determined pursuant to Regulations Section 1.704-2(i)(5)) in the amounts and manner described in Regulations Section 1.704-2(i)(4)). This Section 5.1(c)(2) is intended to comply with the minimum gain chargeback requirement (set forth in Regulations Section 1.704-2(i)(4)) relating to partner nonrecourse debt (as defined in Regulations Section 1.704-2(b)(4)) and shall be so interpreted.

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

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

(5) IDCs deductible under Section 263(c) of the IRC, shall be allocated first to the Investor Partners, up to but not exceeding the sum of $195,000.00 per Partnership unit, with any excess then being allocated to the Managing General Partner.

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

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

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

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

(g) It is intended that the allocations in Section V of this Agreement effect an allocation for federal income tax purposes consistent with Section 704

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

SECTION VI
Distributions

6.1 (a) Except as otherwise provided in this Agreement, after providing for the satisfaction of the current debts and obligations of the Partnership in the manner required by this Agreement and after withholding any cash reserves required by the Partnership in the opinion of the Managing General Partner, the Managing General Partner shall, as expeditiously as possible, and preferably on a monthly but no less than quarterly basis, make Distributions out of the Partnership's net cash flow to the Partners. Of all Distributions made, 99.9% shall be allocated to the Investor Partners and 0.1% to the Managing General Partner. The Managing General Partner's determination of the net cash flow available for Distributions shall be conclusive and binding upon all Partners.

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

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

7.1 FWS Management, LLC, a Texas limited liability company, is hereby authorized to be the initial Operator of the Partnership Wells in Fisher County, Texas under the terms of Participation Agreements and Operating Agreements the Partnership enters with FWS Management, LLC and shall be compensated for those activities. Hadaway Consulting and Engineering, LLC of Canadian, Texas is hereby authorized to be the initial P-5 Contract Operator of the Partnership Wells under the terms of the Service Agreements the Operator enters with Hadaway Consulting and Engineering, LLC of

Canadian, Texas, and shall be compensated for those activities. The Managing General Partner may change Operators at any time and designate different wells for the Oil and Gas Properties in its sole discretion.

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

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

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

(a) The Managing General Partner shall be reimbursed for Organizational Expenses and offering expenses, estimated at up to $3,900,000, but which may be greater, assuming the maximum number of Partnership Units were sold;

(b) The Managing General Partner shall receive a management fee of up to $1,950,000 under a Drilling and Completion Agreement assuming the maximum number of Partnership Units were sold and this fee may be reduced on a pro rata basis if fewer than the maximum number of Partnership Units are sold;

(c) The Managing General Partner shall receive general and administrative fees and costs of up to $2,348,502 under a Drilling and Completion Agreement assuming the maximum number of Partnership Units were sold and this fee may be reduced on a pro rata basis if fewer than the maximum number of Partnership Units are sold;

(d) The Managing General Partner will charge a monthly fee to the Partnership in the amount of $1,000.00 for its services to the Partnership, in addition to being reimbursed for its out-of-pocket expenses;

(e) The Managing General Partner shall receive compensation under a Drilling and Completion Agreement of the following assuming the maximum number of Partnership Units were sold and this fee may be reduced on a pro rata basis if fewer than the maximum number of Partnership Units are sold, up to $11,301,498 for acreage costs, prospect generation, drilling, testing and

completion of the Working Interest in the Partnership Wells (with pro rata reductions if less than the Maximum Subscription Amount of Partnership Units is sold) and the Managing General Partner or its affiliates will retain the amount difference between the amount stated above and the actual costs paid for acreage costs, prospect generation, drilling, testing and completion of the Working Interest in the Partnership Wells. Additionally, there will be a $100,000 plug and abandon reserve, assuming the Maximum Subscription Amount;

(f) A company affiliated with the Managing General Partner holding the leases on the acreage upon which the Partnership Wells will be drilled will receive $2,841,330 in acreage cost compensation. The acreage was acquired at an average lease price of $1,200 per net mineral acre plus engineering, landman, due diligence, legal and other expenses related to the acreage costs.

(g) The Managing General Partner, or an affiliate, will pay such $11,301,498 (not including the $100,000 plug and abandon reserve) for the Working Interest, to the Operator for drilling and completion expenses, to an affiliate of the Managing General Partner for acreage and geology expenses and to the prospect generator for such Working Interest through completion. If, assuming the Maximum Subscription Agreement such AFE costs for such Working Interest in the Partnership Wells through completion are less than $11,301,498 (including the geophysical, drilling, completion, acreage, and prospect generator costs), the Managing General Partner, or its affiliate, will retain the difference. If, assuming the Maximum Subscription Amount, such AFE costs for such Working Interest in the Partnership Wells through completion are more than $11,301,498 (including the geophysical, drilling, completion, acreage and prospect generator costs), Subscribers shall receive a capital call from the Partnership so that the Partnership may fulfill the capital call to the Operator, covering such AFE budget excess on a pro rata basis. Such amounts will be adjusted on a pro rata basis if Subscribers purchase less than the Maximum Subscription Amount. Subscribers not paying for any such unanticipated cost overruns would be breaching their contract and run the risk of being removed from the Partnership.

(h) The oil and gas leases for the Partnership Wells were obtained from the mineral estate owners at different mineral royalty percentages depending on variables, including the amount of mineral estate owned, the location of the leasehold interest, and the negotiation preferences of the mineral estate owners. But the assignments to the Partnership will always carry a cumulative sum of twenty-eight percent (28%) mineral estate royalty and Overriding Royalty Interest. Any difference between the twenty-eight percent (28%) cumulative royalties burdening the leasehold estates for the Partnership Wells and the mineral estate royalty may be provided to an affiliate of the Managing General Partner in the form of an Overriding Royalty Interest.

(i) In addition, the Partnership will pay the Managing General Partner a prospect fee in the amount of 0.1% of the Partnership payments for a prospect well in consideration for the Managing General Partner originating the prospect and the expenses incurred, including the value of the seismic data used, in originating the Prospect of the Limited Partners as an organizational fee and to reimburse it for the expenses associated with organization of the Partnership.

SECTION VIII
Transfers of Interests of Partners

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

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

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

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

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

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

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

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

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

SECTION IX
Dissolution and Termination

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

(a) August 22, 2074;

(b) the Managing General Partner, with the consent of a Majority-in-Interest of the Investor Partners, determining that the Partnership should be dissolved;

(c) the Managing General Partner resigning or becoming insolvent or bankrupt;

(d) the Partnership becoming insolvent or bankrupt;

(e) the sale or other disposition of all or substantially all the Partnership's assets; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

amount then due under this Section 9.4, and the balance of such proceeds, if any, shall be delivered to such Partner.

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

SECTION X
Death or Insanity of an Investor Partner

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

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

SECTION XI
Accounting

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

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

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

11.4 The Managing General Partner shall prepare, or cause to be prepared, a partnership income tax return in compliance with Section 6031 of the IRC and any

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

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

SECTION XII
Reports and Statements

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

12.2 The Managing General Partner shall, within 10 days after receipt thereof, forward to each Partner a copy of any notice received by the Managing General Partner or the Partnership of any material default under any material instrument to which the Partnership is a party or which materially affects the assets of the Partnership, and shall report to the Partners any other developments materially affecting the Partnership, its business or assets, as soon as practicable following the occurrence of each such development.

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

SECTION XIII
Bank Accounts

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

SECTION XIV
Power of Attorney

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

(a) all documents of transfer of a Partner's interest and all other instruments to effect such transfer, including, but not limited to, transfers effectuated pursuant to the provisions of Section 3.3 of this Agreement, but only if in compliance with all applicable provisions of this Agreement;

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

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

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

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

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

SECTION XV
Consents

15.1 Any action requiring the consent or approval of all or any percentage of the Investor Partners under the provisions of this Agreement shall be taken only if the

consent or approval of the requisite number of Investor Partners is evidenced by written instruments executed by such consenting or approving Investor Partners.

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

15.3 On January 1 of the year immediately following the calendar year of the Partnership, with respect to which the Managing General Partner has determined that the funds paid to the Partnership by the Investor Partners, as a result of the offer and sale of Units shall have been expended (at least 95% of the proceeds received from the sale of Units must be expended for the purpose of this Section 15.3), the Units held by the General Partners may be converted to Limited Partner Units, unless the Managing General Partner determines that such conversion at that time would not be in the best interests of the General Partners or the Partnership. If conversion is so delayed, the Managing General Partner will continue to have the power and authority to cause such conversion on January 1 of any subsequent year during the term of the Partnership or such other date if the Managing General Partner determines that conversion is in the best interests of the General Partners and the Partnership. Thereafter, the Managing General Partner will, if required, (a) file an amended certificate of formation with the Secretary of State of the State of Texas removing the General Partners as general partners of the Partnership, and (b) take such other actions as are necessary or appropriate to accomplish conversion of the interests. Upon filing the amended certificate of formation reflecting conversion of the interests, if any, held by former General Partners to Limited Partner Units, the conversion shall be effective, and thereafter each General Partner shall have the rights and obligations of a Limited Partner and will be entitled to limited liability to the extent provided by the Texas Business Organizations Code; provided, however, that General Partners will remain liable to the Partnership for their proportionate share of Partnership obligations and liabilities arising prior to the conversion of their interests in the Partnership to Limited Partner Units.

SECTION XVI
Removal of Managing General Partner

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

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

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

16.4 The compensation paid to the Managing General Partner as stated in Section 7.4 herein shall not be terminated upon the Managing General Partner's termination as Managing General partner.

SECTION XVII
Arbitration

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

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

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

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

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

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

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

17.2 If a dispute, controversy or claim, of any kind and every kind or type, whether based on contract, tort, statute, regulations, or otherwise, arising out of, or connected with, or relating in any way to this Agreement, or the relationship of the parties, or the obligations of the parties, or the operations carried out under this Agreement, including without limitation, any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination, or enforceability of this Agreement, or the breach thereof, including claims against the Partnership, the Managing General Partner, Frank W. Seidler (any one of which constituting the "Dispute"), and if the Dispute cannot be settled through direct discussions (in the opinion of any party), the parties agree to first endeavor to settle the Dispute in an amicable manner by mediation under the Commercial Mediation Rules of the American Arbitration Association ("AAA"), before resorting to arbitration. If the Dispute is not settled by mediation within thirty (30) days of written request for mediation by any party to AAA, then and thereafter any unresolved Dispute, including the arbitrability of any unresolved Dispute, shall be settled by arbitration administered by the AAA in accordance with the then current Commercial Arbitration with the award being final and binding. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any provisional remedy which would be available from a court of law shall be available from the arbitrator(s) to the parties to this Agreement pending arbitration. Civil discovery shall be permitted for the production of documents and taking of depositions. The arbitrator(s) shall be guided but not controlled by the Texas Rules of Civil Procedure in allowing discovery and all issues regarding compliance with discovery requests shall be decided by the arbitrator(s). The arbitrator(s) may impose sanctions and take other actions regarding the parties that the arbitrator(s) deem appropriate to the same extent that a judge could pursuant to the Texas Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitration proceedings under this Agreement. This Agreement shall in all other respects be governed and interpreted by the laws of the State of Texas, including its statutes of limitation but excluding any conflicts or choice of law rule or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The arbitration shall be conducted in Fort Worth, Texas, by one neutral arbitrator chosen by AAA according to its Commercial Arbitration Rules if the amount of the claim, exclusive of interest and costs, is one million dollars ($1,000,000)

or less or by three neutral arbitrators chosen by AAA in the same manner as the one neutral arbitrator if the amount of the claim, exclusive of interest and costs, is more than one million dollars ($1,000,000). Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. All fees and expenses of the arbitration shall be borne by the parties equally who shall make deposits as requested by AAA of each party's share of the deposits requested. Failure or refusal by a party to pay its share of the requested deposits shall constitute a waiver by the non-paying party of its rights to be heard, present evidence, cross-examine witnesses, and assert counterclaims in the arbitration. Informing the arbitrator(s) of a party's failure to pay its share of the requested deposits for the purpose of implementing this waiver provision shall not be deemed to affect the arbitrator's impartiality, neutrality, independence, or ability to proceed with the arbitration. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs. This agreement to arbitrate shall survive the termination or repudiation of this Agreement. ARBITRATION MUST BE ON AN INDIVIDUAL BASIS. THIS MEANS NO PARTY MAY JOIN OR CONSOLIDATE CLAIMS IN ARBITRATION BY OR AGAINST OTHER PARTNERS OR LITIGATE IN COURT OR ARBITRATE ANY CLAIMS AS A REPRESENTATIVE OR MEMBER OF A CLASS OR IN A PRIVATE ATTORNEY GENERAL CAPACITY.

SECTION XVIII
Notices

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

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

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

SECTION XIX
Binding Effect

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

SECTION XX
Amendments

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

SECTION XXI
Applicable Laws

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

SECTION XXII
Counterparts

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

SECTION XXIII
Limitation on Liability

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

SECTION XXIV
Corporate Transparency Act

24.1 The CTA, and the rules and regulations promulgated thereunder, require reporting companies report certain beneficial ownership information to the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") unless an exemption applies.

24.2 By their execution and delivery of this Agreement, each Partner represents and warrants to the Company and acknowledges that:

(a) If such Partner is a natural Person, such Partner has provided, or will provide upon request of the CTA Compliance Person, to the Partnership either such Partner's true and correct CTA Information or the true and correct FinCEN identifier assigned to such Partner by FinCEN.

(b) If such Partner is not a natural Person (each, an "Entity Partner") such Entity Partner has, with respect to each of its indirect owners, provided (or will provide upon request of the CTA Compliance Person) to the Partnership either (z) such indirect owner's true and correct CTA Information or (y) the true and correct FinCEN identifier assigned to such indirect owner by FinCEN, or the true and correct FinCEN identifier assigned to such Entity Partner by FinCEN.

24.3 Each Partner shall promptly, but within not more than five (5) business days, notify the CTA Compliance Person in writing of any change or inaccuracy in or to:

(a) such Partner's or, in the case of an Entity Partner, any of such Entity Partner's indirect owners' CTA Information. Notwithstanding the foregoing, the requirements of this Section 24.3 shall not apply with respect to any Partner or indirect owner as to whom a FinCEN Identifier assigned to such person by FinCEN has been provided to the Partnership; or

(b) the true and correct CTA Information or FinCEN Identifier of any natural Person who becomes an indirect owner of such Entity Partner.

24.4 Each Partner hereby agrees to indemnify and hold harmless the Partnership and the other Partners from and against any losses, claims, damages, judgments, penalties, fines, costs, or liabilities of whatever kind arising from or relating to any inaccuracy in or breach of any of such Partner's representations or warranties contained in this Section 24; any failure of such Partner to comply with such Partner's obligations under this Section 24; or any provision by such Partner of false or incomplete CTA Information. The obligations of a Member pursuant to this Section 24 shall survive the termination, dissolution, liquidation, and winding up of the Company.

24.5 Each Partner acknowledges and consents to the disclosure to FinCEN by the Partnership of CTA Information provided by such Partner to the Partnership to the extent that the CTA Compliance Person determines, in its sole discretion, that such disclosure is necessary in connection with reporting the Partnership's beneficial ownership information to FinCEN under the CTA.

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

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

By: _____
Frank W. Seidler, Manager, FWS Management, LLC,
Managing General Partner, Lizzy #1H LP

SCHEDULE A
TO
AGREEMENT OF PARTNERSHIP
OF
Lizzy #1H LP

Managing General Partner:	Initial Contribution
FWS Management, LLC 7140 FM 917 Alvarado, TX 76009	Services and information with a value approximately equal to .1% of the initial contributions made by the Partners purchasing Units

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

Exhibit C

Drilling and Completion Agreement

Lizzy #1H LP

Continue to Next Page

Lizzy #1H LP
(A Horizontal Oil and Gas Drilling Program)
August 28, 2024

DRILLING AND COMPLETION AGREEMENT

WHEREAS Lizzy #1H LP will purchase up to a 100% in Working Interest in a prospective horizontal oil and gas well and an injection well to be drilled in Fisher County, Texas, operated by FWS Management, LLC, a Texas limited liability company, or an otherwise suitable or a successor Operator.

THIS AGREEMENT is made and entered into as of the August 28, 2024, by and between the parties herein designated as "Partnership" and "Contractor."

Partnership: Lizzy #1H LP, a Texas limited partnership
Address: 7140 FM 917, Alvarado, TX 76009

Contractor: FWS Management, LLC, a Texas limited liability company
Address: 7140 FM 917, Alvarado, TX 76009

1. PARTNERSHIP WELLS AND CONTRACT DEPTHS

IN CONSIDERATION of the mutual promises, conditions and agreements herein contained, Partnership engages Contractor to furnish, or contract with a P-5 Contract Operator to furnish, the equipment, labor, and services to drill, test and, if results justify, complete the Partnership Wells in search of oil and/or gas to be operated by FWS Management, LLC, or an otherwise suitable or a successor Operator, and P-5 Contract Operator, Hadaway Consulting and Engineering, LLC of Canadian, Texas, or an otherwise suitable or a successor P-5 Contract Operator.

The Partnership Wells will consist of one production well and one water injection well (the "Partnership Wells"). The oil and gas production wells will primarily target the Oolitic Formation at approximately 5,300 feet. This contract shall be satisfied by a completion attempt in one of the above-designated Formations for each of the Partnership's oil and gas wells. The Partnership Wells will all be located on approximately 947 mineral acres in Fisher County, Texas. Said wells are hereby designated the "Partnership Wells." Said depths are hereby designated "Contract Depths."

2. CONTRACT WORK

In connection with the above-referenced Partnership Wells this Drilling and Completion Agreement shall cover:

1) the drilling of the wells to the minimum depths and horizontal lengths, contingent on engineering and geological issues as stated below:

    a. Lizzy #1H (horizontal –,up to 12,500 feet, depth – approx. 5,300 feet)
    b. Injection Well (vertical – approx. 6,500 feet, depth to Ellenberger Formation)

2) the testing and logging of such wells as deemed necessary by the Operator;
3) an attempt to complete each well as determined by the Operator; and
4) if no attempt to complete either well is made, the plugging and abandonment of said Partnership Wells.

The Partnership will make the specified payments to Contractor for its above-referenced operations up to one hundred percent (100%) Working Interest in order (i) to negotiate with the Operator and its affiliates for the opportunity to participate in the above-designated wells; (ii) to obtain a price from Contractor for relevant Working Interest percentage for the drilling to Contract Depth, testing, and, if warranted, completing the Partnership Wells, (iii) to assure that Operator will be available to drill, test and complete the subject Partnership Wells for the Partnership, and (iv) to pay the Operator the expenses relating to attempting to drill the Partnership Wells to Contract Depths and complete said wells, if required by the Operator.

3. BASIS OF DETERMINING AMOUNT PAYABLE TO CONTRACTOR:

For the Partnership Well, the Contractor shall be paid at the following rate for the work performed hereunder for Partnership's up to one hundred percent (100%) Working Interest, called the Contract Price:

- Acreage cost, prospect generation, geological and seismic, drilling and testing (all operations regarding one oil and gas well and one injection well necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed) and completion and equipping (all operations regarding the Partnership Wells necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed and completing such Partnership Wells that are capable of being completed):

    Up to $11,301,498.00.

- Organization and Offering Expenses and Fees:

    Up to $3,900,000.00.

- Management Fee:

    Up to $1,950,000.00.

- General and Administrative Costs and Fees:

  Up to $2,348,502.00.

- Plug and Abandon Reserve:

  Up to $100,000.00.

- The above payments shall be reduced on a pro rata basis if less than a 100.0% Working Interests is delivered to the Partnership.

- If the actual costs relating to acreage cost, prospect generation, geological and seismic, drilling and testing (all operations regarding one oil and gas well and one injection well necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed and completing such Partnership Wells that are capable of being completed) and completion and equipping (all operations regarding the Partnership Wells necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed) exceed $11,301,498, the Partnership shall be liable for and pay Contractor all such costs in excess of $11,301,498.

- If the actual costs relating to acreage cost, prospect generation, geological and seismic, drilling and testing (all operations regarding one oil and gas well and one injection well necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed and completing such Partnership Wells that are capable of being completed) and completion and equipping (all operations regarding the Partnership Wells necessary to drill to Contract Depth and test, and either plug the well or save such Partnership Wells as capable of being completed) are less than $11,301,498, Contractor shall retain all amounts between such costs and $11,301,498.

4. TIME OF PAYMENT:

Payment by the Partnership to the Contractor of the Contract Price becomes due and payable when the Offering of Partnership Interests becomes capitalized. Neither commencement nor completion of Contractor's performance shall be a condition precedent to this obligation to pay.

5. CASING POINT ELECTION

After reaching Contract Depth for any of the Partnership Wells and performing such testing as may be reasonably be required, the Contractor anticipates that the Operator, who is not a

party to this Agreement, shall determine whether to set a production string, or plug the well. In the event the Operator sets a production string, the Contractor anticipates that the Operator shall commence the operations necessary to complete the Partnership Well for commercial production, including the setting of a production string and the acquisition, delivery and installation of all necessary equipment needed to extract and contain oil and/or gas from the Partnership Well. In the event the Operator directs that drilling operations cease and to abandon the Partnership Well, Contractor anticipates that Operator shall plug the Partnership Well, and remove all drilling apparatus from the well site.

6. STOPPAGE OF WORK BY THE PARTNERSHIP:

Notwithstanding the provisions of paragraph 2 with respect to the depth and horizontal length to be drilled, the Partnership shall not have the right to direct the stoppage of the work to be performed by the Contractor or Operator hereunder at any time prior to reaching the Contract Depth. If the Operator exercises its right to discontinue drilling a well, the Partnership will not receive a refund for any unused portion of the funds stated in this Agreement allocable to the discontinued well, but the Partnership may direct Contractor to apply the unused portion of the portion of funds to the cost of another well that the Partnership shall specify.

7. PAYMENT OF CLAIMS:

Contractor agrees to pay all claims for labor, material, services and supplies to be furnished by Operator hereunder and chargeable to the Partnership's Working Interest percentage through the completion of the Partnership Wells.

8. RESPONSIBILITY FOR LOSS OR DAMAGE:

Fire or Blow-Out: Subject to the Force Majeure clause of this Agreement, should a fire or blowout occur or should the hole for any cause be lost or damaged while Operator is engaged in the performance of work hereunder, all such loss of or damage to the hole including cost of regaining control of a fire or blowout, shall be borne by the Partnership, If the hole is not in condition to be carried to the Contract Depth as herein provided as determined by the Operator and determines to drill a new hole, the drilling of the new hole shall be conducted under the terms and conditions of this Agreement in the same manner as though it were the first hole and Contractor shall be responsible for the Partnership's Working Interest liability for replacement of any casing lost in a junked and abandoned hole as well as the cost of preparing a new drill site for the new hole and the road thereto.

9. NO WAIVER EXCEPT IN WRITING:

It is fully understood and agreed that none of the requirements of this Agreement shall be considered as waived by either party unless the same is done in writing, and then only by the persons executing this Agreement or other duly authorized agent or representative of the party.

10. FORCE MAJEURE:

If Contractor is rendered unable, wholly or in part (and its performance hereunder is not rendered merely commercially impracticable) by force majeure to carry out its obligation under this Agreement, it shall give the Partnership prompt written notice of the force majeure with reasonably full particulars. Thereupon, the obligations of the notifying party, so far as they are affected by the force majeure, shall be suspended during, but not longer than, the continuance of the force majeure, and the notifying party agrees to use reasonable diligence to remove the force majeure as quickly as possible. This paragraph shall not relieve Contractor for its obligations to expend sums of money or to indemnify the other party hereto, as provided elsewhere in this Agreement. The term "force majeure" as herein employed shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, extreme weather conditions, or governmental restraint.

11. INFORMATION CONFIDENTIAL:

Upon written request by the Partnership, information obtained by Contractor in relating to drilling operation on the Partnership Well, including, but not limited to depth, formations penetrated, the results of coring, testing, and surveying, shall be considered confidential and shall not be divulged by Contractor or its employees, to any person, firm or any corporation other than the Partnership's designated representative.

12. ASSIGNMENT:

Neither party may assign this Agreement or any rights or remedies under this Agreement without the prior written consent of the other, and prompt notice of any such intent to assign shall be given to the other party. If any assignment is made that materially alters Contractor's financial burden, Contractor's compensation shall be adjusted to give effect to any increase or decrease in Contractor's operating costs.

13. NOTICES AND PLACE OF PAYMENT:

All notices to be given with respect to this Agreement unless otherwise provided for shall be given to Contractor and to the Partnership respectively at the addresses hereinabove shown. All sums payable under this Agreement to Contractor shall be payable at the address hereinabove shown unless otherwise specified herein.

14. CONSEQUENTIAL DAMAGES

The Contractor shall not be liable for special, indirect, or consequential damages resulting or arising from this contract, including loss of profit or business interruptions.

15. NO PARTNERSHIP

This Agreement is not intended or to be construed to create a partnership between Contractor and the Partnership.

16. AMENDMENT

Changes, alterations, and modifications to this Agreement shall not be effective against the parties unless such changes, alterations, or modifications are made in writing and executed by Contractor and the Partnership.

18. INTEGRATION

This Agreement constitutes the entire agreement between the Partnership and the Contractor relating to the Partnership's participation in the Partnership Wells.

Signature page follows

By: Lizzy #1H LP

_____

Frank W. Seidler, Manager, FWS Management, LLC,
Managing General Partner, Lizzy #1H LP

By: FWS Management, LLC

_____

Frank W. Seidler, Manager, FWS Management, LLC

Continue to Next Page

Exhibit D

Operating Agreement

Lizzy #1H LP

Continue to Next Page

A.A.P.L. FORM 610 - 2015

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

August 28, **2024**,
Year

OPERATOR **FWS Management, LLC**

CONTRACT AREA **See Exhibit "A"**

COUNTY OF **Fisher**, STATE OF **Texas**

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AMERICAN ASSOCIATION OF PROFESSIONAL LANDMEN,
800 FOURNIER STREET, FORT WORTH, TEXAS 76102
APPROVED FORM. - A.A.P.L. NO. 610 – 2015

TABLE OF CONTENTS

Article	Title	Page
I.	**DEFINITIONS**	1
II.	**EXHIBITS**	2
III.	**INTERESTS OF PARTIES**	2
	A. OIL AND GAS INTERESTS:	2
	B. INTERESTS OF PARTIES IN COSTS AND PRODUCTION:	2
	C. SUBSEQUENTLY CREATED INTERESTS:	3
IV.	**TITLES**	3
	A. TITLE EXAMINATION:	3
	B. LOSS OR FAILURE OF TITLE:	4
	1. Failure of Title	4
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	4
	3. Other Losses	4
	4. Curing Title	4
V.	**OPERATOR**	5
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:	5
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR:	5
	1. Voluntary Resignation of Operator	5
	2. Events Deemed Resignation of Operator	5
	3. Effect of Bankruptcy	5
	4. Removal of Operator	5
	5. Non-Owning Operator	5
	6. Selection of Successor Operator	5
	7. Effective Date and Time of Resignation or Removal of Operator	5
	C. EMPLOYEES AND CONTRACTORS:	6
	D. RIGHTS AND DUTIES OF OPERATOR:	6
	1. Competitive Rates and Use of Affiliates	6
	2. Discharge of Joint Account Obligations	6
	3. Protection from Liens	6
	4. Custody of Funds	6
	5. Access to Contract Area and Records	6
	6. Filing and Furnishing Governmental Reports	6
	7. Drilling and Testing Operations	6
	8. Cost Estimates	6
	9. Insurance	6
VI.	**DRILLING AND DEVELOPMENT**	7
	A. INITIAL WELL:	7
	B. SUBSEQUENT OPERATIONS:	7
	1. Proposed Operations	7
	2. Operations by Less Than All Parties	7
	3. Stand-By Costs	8
	4. Deepening	9
	5. Sidetracking	9
	6. Extension	9
	7. Order of Preference of Operations	9
	8. Conformity to Spacing Pattern	9
	9. Paying Wells	10
	10. Spudder Rigs	10
	11. Multi-Well Pads	10
	C. COMPLETION OF WELLS; REWORKING AND PLUGGING BACK:	10
	1. Completion	10
	2. Rework, Recomplete or Plug Back	10
	D. OTHER OPERATIONS:	11
	E. DEVIATIONS FROM APPROVED PROPOSALS:	11
	F. ABANDONMENT OF WELLS:	11
	1. Abandonment of Dry Holes	11
	2. Abandonment of Wells That Have Produced	11
	3. Abandonment of Non-Consent Operations	11
	G. TERMINATION OF OPERATIONS:	11
	H. TAKING PRODUCTION IN KIND:	12
	(Option 1) Gas Balancing Agreement	12
	(Option 2) No Gas Balancing Agreement	12
VII.	**EXPENDITURES AND LIABILITY OF PARTIES**	12
	A. LIABILITY OF PARTIES:	12
	B. LIENS AND SECURITY INTERESTS:	13
	C. ADVANCES:	13
	D. DEFAULTS AND REMEDIES:	13
	1. Suspension of Rights	13
	2. Suit for Damages	14
	3. Deemed Non-Consent	14
	4. Advance Payment	14
	5. Costs and Attorneys' Fees	14
	E. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES:	14
	F. TAXES:	14

VIII. ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST 15
A. SURRENDER OF LEASES: 15
B. RENEWAL OR EXTENSION OF LEASES: 15
C. ACREAGE OR CASH CONTRIBUTIONS: 15
D. ASSIGNMENT; MAINTENANCE OF UNIFORM INTEREST: 15
E. WAIVER OF RIGHTS TO PARTITION: 16
F. PREFERENTIAL RIGHT TO PURCHASE 16
IX. INTERNAL REVENUE CODE ELECTION 16
X. CLAIMS AND LAWSUITS 16
XI. FORCE MAJEURE 16
XII. NOTICES 17
XIII. TERM OF AGREEMENT 17
XIV. COMPLIANCE WITH LAWS AND REGULATIONS 17
A. LAWS, REGULATIONS AND ORDERS: 17
B. GOVERNING LAW: 17
C. REGULATORY AGENCIES: 17
XV. MISCELLANEOUS 18
A. EXECUTION: 18
B. SUCCESSORS AND ASSIGNS: 18
C. COUNTERPARTS: 18
D. SEVERABILITY 18
E. CONFLICT OF TERMS 18
XVI. OTHER PROVISIONS 18

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Oolitic Tiger, LLC , 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. An AFE is not a contractual commitment. Rather it is only an estimate, made in good faith.

B. The term "Affiliate" shall mean for a person, another person that controls, is controlled by, or is under common control with that person. For purposes of this definition, "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 a partnership interest), and "person" means an individual, corporation, partnership, trust, estate, unincorporated organization, association, or legal entity.

C. Completion" or "Complete" shall mean a single operation intended to complete a well as a well capable of producing Oil or 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.

D. The term "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.

E. The term "Contract Area" shall mean all of the lands, 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."

F. 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. "Deepen" shall not refer or apply to an operation involving the Extension of a Lateral.

G. The term "Displacement" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall otherwise mean the length of a Lateral.

H. 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 Consenting Parties.

I. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located. When used in connection with a Horizontal Well, the term "Drillsite" shall mean (i) the surface hole location, and (ii) the Oil and Gas Leases or Oil and Gas Interests within the Drilling Unit on or under which the wellbore, including the Lateral, is located.

J. The term "Extension" or "Extend" shall mean an operation related to a Horizontal Well whereby a Lateral is drilled in the same Zone to a Displacement greater than (i) the Displacement contained in the proposal for such operation approved by the Consenting Parties, or (ii) the Displacement to which the Lateral was drilled pursuant to a previous proposal.

K. The term "Horizontal Rig Move-On Period" shall mean the number of days after the date of rig release of a Spudder Rig until the date a rig capable of drilling a Horizontal Well to its Total Measured Depth has moved onto location.

L. The term "Horizontal Well" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean a well containing one or more Laterals which are drilled, Completed or Recompleted in a manner in which the horizontal component of the Completion interval (1) extends at least one hundred feet (100') in the objective formation(s) and (2) exceeds the vertical component of the Completion interval in the objective formation(s).

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

N. The term "Lateral" shall mean that portion of a wellbore of a Horizontal Well between the point at which the wellbore initially penetrates the objective Zone and the Terminus.

O. 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.

P. The term "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Q. 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.

R. 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.

S. 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.

T. The term "Operator" shall mean the party in this agreement designated with the responsibility to oversee operations of the Wells and with authority to designate, hire, and manage the P-5 Operator.

U. The term "P-5 Operator" shall mean the party designated with the Texas Railroad Commission as the Operator of the Wells the subject of this Agreement.

V. 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. When used in connection with a Horizontal Well, the term “Plug Back” shall mean an operation to test or Complete the well at a stratigraphically shallower Zone in which the operation has been or is being Completed and which is not in an existing Lateral.

W. The term "Recompletion" or "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.

X. The term "Rework" 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 Workover or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Y. 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. When used in connection with a Horizontal Well, the term “Sidetrack” shall mean the directional control and deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral from the approved proposal unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

Z. The term "Spudder Rig" shall mean a drilling rig utilized only for drilling all or part of the vertical component of a Horizontal Well; a rig used only for setting conductor pipe shall not be considered a Spudder Rig.

AA. The term “Terminus” shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean the furthest point drilled in the Lateral.

BB. The term “Total Measured Depth”, when used in connection with a Horizontal Well, shall mean the distance from the surface of the ground to the Terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed operation(s) is the drilling of, or operation on, a Horizontal Well, the terms “depth” or “total depth” wherever used in this agreement shall be deemed to read “Total Measured Depth” insofar as it applies to such well.

CC. The term “Vertical Well” shall mean a well drilled, Completed or Recompleted other than a Horizontal Well.

DD. The term "Workover" shall mean routine maintenance and repair work performed on a well but does not include a Rework operation.

EE. 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.

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.

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

__X__ C. Exhibit "C," Accounting Procedure.

__X__ D. Exhibit "D," Insurance.

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

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

_____ G. Exhibit "G," Tax Partnership.

_____ H. Other: _____

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 conducted under this agreement shall be owned, by the Limited Partnership, and shall be beneficially owned by the parties through the Limited Partnership as their interests are set forth in Exhibit "A." In the same manner, the parties shall also beneficially own, by and through the Limited Partnership, all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter. Operator shall amend Exhibit “A,” from time to time, in order to correct mistakes therein or to reflect changes in ownership within the Contract Area. Operator’s duty to amend Exhibit “A” shall be subject to the following:

1. If such amendment is a correction of the initial Exhibit “A,” it shall be effective, retroactively as of the effective date of this agreement. If such amendment reflects a change occurring after the effective date of this agreement, it shall be effective, retroactively, as of the effective date of such change. In either event, if the amendment changes the interests of any parties in the Contract Area, the accounts of the affected parties shall be thus adjusted.

2. If a proposed amendment to Exhibit “A” involves only one of the parties, Operator shall amend Exhibit “A,” upon the written consent of such affected party.

3. Whenever any amendment is made to Exhibit “A,” Operator shall promptly furnish each party with a copy of the amended Exhibit “A,” irrespective of whether such party is affected by the amendment.

The parties shall always own their interest beneficially, by and through the Limited Partnership. Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby, and all direct interest in the leases, wells, equipment, and production, shall be owned and controlled by the limited partnership.

C. Subsequently Created Interests:

If any Lease or Interest is burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production, the cost of such burden shall be deducted prior to payment of any net proceeds to working interest owners, but not prior to payment of royalties due to royalty and mineral owners.

Working interest parties shall not create any lease burdens, including but not limited to, overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder. If any party does create such a burden, such burden shall be deemed a "Subsequently Created Interest".

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:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Consenting Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, 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. Copies of all title opinions shall be furnished to each Consenting Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys and outside landmen for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions), title curative, and other direct charges as provided in Exhibit "C" shall be borne by the Consenting Parties in the proportion that the interest of each Consenting Party bears to the total interest of all Consenting Parties. Operator shall make no charge for services rendered by its staff attorneys, staff landmen or other personnel in the performance of the above functions.

If requested by Operator, a 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; otherwise, Operator shall be responsible for such activities. 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 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 outside attorneys, 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 Operator.

B. Loss or Failure of Title:

1. Failure of Title: A failure of title shall occur when an Oil and Gas Interest or Oil and Gas Lease contributed by a party is determined to be invalid as of the effective date of this agreement, or to cover a lesser interest or less lands (as to aerial extent or Zones) during the term of this agreement, unless such limitations are disclosed on Exhibit “A”. 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 Limited Partnership 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 Limited Partnership shall bear the loss, which shall be passed through to the partnership by deduction from future revenues from production 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) 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;

(d) 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;

(e) 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; and

(f) 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 Operator or any other 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., and subject to the provisions of Article VII.E with respect to shut-in payments, 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.

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, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." Losses included in this Article IV.B.3. shall include but not be limited to the loss of any Lease or Interest (or portion thereof) through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money which is addressed in IV.B.2. above), operation of an express term in the Lease or Interest, , or the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended as provided in Article VIII.B. 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:

Oolitic Tiger, LLC shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations conducted under this agreement as permitted and required by, and within the limits of this agreement. Operatorship is neither assignable nor forfeited except in accordance with the provisions of this Article V. 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 may, from time to time, contract out its services as Operator, but shall continue to manage and oversee the performance of those services have full responsibility to the Non-Operators for the services provided as if fully performed by Operator. 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, except that Non-Operators hereby designate and appoint Operator as their agent and attorney-in-fact for the sole purpose of executing, filing for approval by a governmental agency as required under applicable law or regulation, and recording a declaration of pooling or communitization agreement to effectuate the pooling or communitization of the Oil and Gas Leases (to the extent legally allowed under their respective terms and conditions) and/or Oil and Gas Interests to conform with a spacing order of a governmental agency having jurisdiction over any portion of the Contract Area. However, said agency authority shall only be exercised by Operator after providing written notice including a copy of the proposed pooling declaration or communitization agreement to Non-Operators, and shall be binding upon any Non-Operator failing to provide to Operator a written objection within ten (10) days after receipt of such notice. Operator shall conduct its activities, and shall ensure that any contract operator shall conduct its activities under this agreement as a reasonably 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. However, in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred in connection with authorized or approved operations under this agreement except such as may result from gross negligence or willful misconduct.

The Operator shall own an interest in the Contract Area except as provided in this Article V.A and subject to the provisions of Article V.B.5. A non-owning operator may serve as Operator but, as a condition precedent to serving as Operator, the putative non-owning operator and the Non-Operators must enter into a separate agreement, or insert Article XVI provisions to this agreement, to govern the relationship between them. Unless such separate agreement or Article XVI provisions provide otherwise, said non-owning operator shall be bound by all terms and conditions of this agreement applicable to Operator. The failure of a non-owning operator and Non-Operators to enter into such a separate agreement or such Article XVI provisions shall disqualify said non-owning operator from serving as Operator, and a party owning an interest in the Contract Area must instead be designated as Operator.

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

This Section intentionally deleted.

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 the 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. Operator will act to ensure any contractor hired to conduct operations shall be charging competitive pricing for its services based on the market for such services within the geographic area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, 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. Any work performed or materials supplied by an Affiliate 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. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. All such filings shall be made in accordance with the provisions of this agreement. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

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

(a) Operator will use reasonable efforts to promptly advise Non-Operators of the date on which drilling operations are commenced.

(b) Subject to the provisions of Article V.B.5, Operator will send to the 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.

(c) Operator shall adequately test all Zones encountered that are within the Contract Area 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.

(d) For any Horizontal Well drilled under this agreement, Operator shall drill such well to the objective Zone(s) and drill the Lateral in the Zone(s) to the proposed Displacement unless drilling operations are terminated pursuant to Article VI.G or Operator deems further drilling is neither justified nor required.

7. Cost Estimates: Upon written 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.

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

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

ARTICLE VI.

DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the_____day of_____, _____, Operator shall commence the drilling of the Initial Well at the following location (if a Horizontal Well, surface and Terminus/Termini of the Lateral(s)): and shall thereafter continue the drilling of the well (horizontally if a Horizontal 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.G. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

1. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations 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 (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-

Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period.
If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.7. and VI.F.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) 300 % 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 proposed operation; and

(ii) 300 % 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 in the proposed operation.

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 who submitted or voted for an alternative proposal under Article VI.B.7. to drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, 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.

(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 100 % 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 monthly billings. Each month 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 in accordance with the terms of this agreement and Exhibit "C" attached hereto.

2. 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.G., stand-by costs incurred pending response to a party's notice proposing a Reworking, Sidetracking, Deepening, Recompleting, Plugging Back, Completing or Extension operation in such a well (including the period required under Article VI.B.7. 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.

3. Deepening: 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"). A Vertical 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.

(a) 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.G.

4. Sidetracking: 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:

(a) 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."

5. Extension: If, in the event that during actual drilling operations on the Lateral and prior to reaching the Displacement specified in an approved proposal for a Horizontal Well (the “Approved Displacement”), Operator desires an Extension of the Lateral more than 20% (measured in feet) beyond the Approved Displacement, Operator shall give the Consenting Parties written notice of such intent to Extend, together with the estimated costs, not less than 24 hours before Operator estimates reaching the Approved Displacement. Unless at least ___% interest of the Consenting Parties provide written notice of their consent to the Extension within 48 hours of receipt of such notice, Operator shall not Extend the Lateral beyond the Approved Displacement and will proceed with Completion in accordance with the latest approved proposal and applicable terms and conditions of this agreement. Failure of a Consenting Party to respond to such notice shall be deemed a rejection. If ___% interest of the Consenting Parties or more consent, the Extension shall be deemed approved and binding upon all Consenting Parties.

6. Conformity to Spacing Pattern: Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to 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, including such well having been approved as an exception to the existing well pattern for such Zone by the regulatory agency having jurisdiction thereof.

7. Spudder Rigs:

(a) Within Approved Horizontal Well proposals (*i.e.* proposals which include an approved AFE). If an approved Horizontal Well proposal provides that a Spudder Rig shall be utilized, and Operator desires to extend the proposed Horizontal Rig Move-On Period, Operator may obtain one or more extensions, each for a period of time not to exceed 90 days only upon notice and

the affirmative vote of not less than ___% in interest of the Consenting Parties to the drilling of the proposed well.

(b) Not Within Approved Horizontal Well proposals. If an approved Horizontal Well proposal does not provide that a Spudder Rig may be utilized, and Operator subsequently desires to utilize a Spudder Rig, Operator may utilize a Spudder Rig upon notice to the Consenting Parties (which notice shall include a Horizontal Rig Move-On Period) and the affirmative vote of not less than ___% in interest of the Consenting Parties. Extension(s) of the Horizontal Rig Move-On Period may be requested by Operator in the same manner as provided in Article VI.B.10.(a) immediately above.

(c) Failure to meet Horizontal Rig Move-On Period. If a rig capable of drilling a Horizontal Well to its Total Measured Depth has not commenced operations within the Horizontal Rig Move-On Period, or any approved extension(s) thereof, unless ___% in interest of the Consenting Parties agree to abandon the operation, Operator shall re-propose the well in the manner provided in Article VI.B of this agreement. Any party who was a Non-Consenting Party to the original drilling proposal shall be entitled to a new election. Costs of the operation, incurred both before and after such re-proposal, shall be borne as follows:

(1) Operator shall promptly reimburse all unused funds previously advanced for the drilling of the well to each party who advanced such unused funds;

(2) If the well's drilling operations are subsequently resumed, all costs, whether incurred before or after the re-proposal, shall be borne by the Consenting Parties to the re-proposed well; and, the Consenting Parties shall proportionately reimburse each party who consented to the original proposal but did not consent to the re-proposal such party's share of costs incurred prior to the re-proposal.

(3) If the well's drilling operations are not subsequently resumed pursuant to a re-proposal as herein provided, all costs incurred prior to the re-proposal, and all costs of abandonment, shall be borne and paid by the original Consenting Parties.

(d) Commencement of Operations. For purposes of Article VI.B., and subject to the provisions of this sub-section 10, the date a Spudder Rig commences actual drilling operations shall be considered the commencement of drilling operations of the proposed well.

10. Multi-well Pads: If multiple Horizontal Wells are drilled or proposed to be drilled from a single pad or location, the costs of such pad or location shall be allocated, and/or reallocated as necessary, to the Consenting Parties of each of the wells thereon.

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: 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:

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

Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of a Vertical Well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof 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 (exclusive 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.7. 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.7. 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; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay 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 participates in a Completion attempt.

Notwithstanding anything to the contrary, including the selection of Option 2 above, or anything else in this agreement, Option 1 shall apply to all Horizontal Wells.

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 _____ _____ Dollars ($ _____) 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___Dollars ($_____). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform a Workover operation or undertake the installation of artificial lift equipment or to conduct additional work with respect to a well drilled hereunder or other similar project 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 by 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 _____% 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. Facilities other than those exclusively servicing and benefiting the Contract Area shall be governed by separate agreement.

E. Deviations from Approved Proposals:

If Operator, in its reasonable judgment, deviates from an approved proposal based upon information derived from facts and circumstances determined subsequent to the commencement of the operations relating to such proposal (including, without limitation, revision of the originally proposed Completion staging and design), such deviations in and of themselves will not result in liability of the Operator to the Parties.

F. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled, Deepened or Sidetracked pursuant to Article VI.B., any well which has been drilled, Deepened or Sidetracked 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 owning an interest in the well at the time of the dry hole completion proposal. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within thirty (30) days or, if a drilling rig is on location, 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 or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within thirty (30) days or forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays), whichever is applicable, after delivery of notice of the proposed plugging shall take over the well as of the end of such thirty (30) day or forty-eight (48) hour notice period, whichever is applicable, 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.

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 party may propose that a well which has been completed as a producer be plugged and abandoned; provided, however, that such a well may not be plugged and abandoned without the consent of all parties. 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 an 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. All such assigned interests shall be free and clear of Subsequently Created Interests. 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.F.1. or VI.F.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.F.; 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).

G. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion, Extension or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing _____% 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.F. shall thereafter apply to such operation, as appropriate.

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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 this agreement, 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, fees or other financial obligations under this agreement, or upon the improper use of funds by a party, 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:

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 thirty (30) 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 monthly 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.

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. 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, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to elect to participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

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

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting consenting 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.

Notwithstanding the foregoing, to the extent that all or any part of the risk penalty to be recovered pursuant to Article VI.B. or Article VI.C, as the case may be, in connection with the provisions of this Article VII.B.3, is determined to constitute interest on a debt, such interest shall not exceed the maximum amount of non-usurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of such debt or, if that has been paid, refunded. This provision overrides any conflicting provisions in this agreement.

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

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

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

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

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 it agrees 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 to the extent that all such taxes are assessed at a uniform rate. If an Oil and Gas Lease or Oil and Gas Interest contributed by any party is taxed at a higher rate, or is subject to an additional tax, that party alone shall pay or cause to be paid such additional tax.

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 acquired by the parties under this agreement and used exclusively for the lease being surrendered 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 or lands pooled therewith, 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 in the form of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party.

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

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

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement 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 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. 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. For federal income tax purposes the parties agree that any gas imbalances will be reported under the cumulative gas balancing method as defined in Treasury Regulations § 1.761-2(d)(3).

ARTICLE X.

CLAIMS AND LAWSUITS

Operator may settle any single or related aggregate uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed_____Dollars ($) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Operator shall promptly give notice to Non-Operators and Operator shall assume and handle the claim or suit on behalf of all parties unless, within 14 days after receipt of such notice, a party gives notice to Operator and the other parties of its affirmative election to assume and handle the claim or suit on its own behalf, which assumption and handling shall be done at said party's own expense and over and above said party's proportionate share chargeable to the joint account as hereinafter provided. 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, 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, or facsimile, each of which may also be delivered by attachment to electronic mail ("Email Notice"), postage or charges prepaid, if applicable, 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 facsimile machine or email address 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 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, or other facsimile or email address 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. Each Email Notice shall clearly state that it is a notice or response to a notice under this agreement. An Email Notice shall be deemed delivered only when affirmatively acknowledged by email reply from the receiving party. Automatic delivery receipts issued, without direct acknowledgment of the Email Notice, are not evidence of Receipt for purposes of this agreement. If the receiving party fails or declines to affirmatively acknowledge an Email Notice, then Receipt of the notice shall only be deemed to have occurred when received by the party as otherwise provided above.

ARTICLE XIII.

TERM OF AGREEMENT

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

Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise

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

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

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.

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 _____ shall govern.

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 liability above and beyond its proportionate share of 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 any governmental agency having jurisdiction to the extent such interpretation or application was made in good faith and does not constitute gross negligence or willful misconduct. 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 less costs incurred by Operator prior to termination that were attributable to preparation for or furtherance of the operation shall be returned to such Non-Operator without interest. Except as otherwise provided in Article IV.B, in the event operations on a well shall be commenced without execution of this agreement by all persons listed on Exhibit "A" as having a current interest in such well, or in the event that subsequent to the commencement of operations on the well previously unknown or undisclosed persons owning working interests in a well are discovered, or both, the parties executing this agreement agree to one of the following:

Option No. 1: Operator shall indemnify executing Non-Operators with respect to all costs incurred for the well which would have been charged to each such person under this agreement as if such person had executed the same and Operator shall receive all revenues which would have been received by each such person under this agreement as if such person had executed the same.

Option No. 2: The Operator shall advise all parties of the total interest of the parties that have executed this agreement. Each party executing this agreement, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the Operator 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 interest of all parties executing this agreement) of non-executing persons' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of non-executing persons' interests together with all or a portion of its proportionate part of any non-executing persons interests that any executing party did not elect to take. Any interest of non-executing persons that is not carried by an executing party shall be deemed to be carried by the Operator. Failure to advise the Operator within the time required shall be deemed an election under (i).

B. Successors and Assigns:

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

C. Counterparts:

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

D. Severability:

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

E. Conflict of Terms:

Notwithstanding anything in this agreement to the contrary, in the event of any conflict between the provisions of Articles I through XV of this agreement and the provisions of Article XVI, if any, the provisions of Article XVI, if any, shall govern

ARTICLE XVI.

OTHER PROVISIONS

IN WITNESS WHEREOF, this agreement shall be effective as of the 26th day of August, 2024.

_____, 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 610-2015 Model Form Operating Agreement, as published in computerized form by AAPL. 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

FWS Management, LLC

By _____

Frank Seidler

Type or print name

Title Authorized Signatory

Date _____

Tax ID or S.S. No. _____

NON-OPERATORS

_____

_____

_____

_____

By _____

_____

_____

_____

_____

By _____

_____

_____

_____

_____

By _____

_____

_____

owing 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.

ACKNOWLEDGMENTS

Individual acknowledgment:

State of Texas)
) 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 Texas)
) ss.
County of _____)

This instrument was acknowledged before me on

by _____ as

_____ of ____.

(Seal, if any)_____

Title (and Rank)_____

My commission expires:_____

Note: The

copas

EXHIBIT" "

ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of

1. 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 front 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's means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by die 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.

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"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. or in the event the party designated pursuant to the Agreement to conduct the Joint Operations hires a third party contractor to conduct some or all of the Joint Operations, or other duty of the Operator herein, then "Operator" shall mean such third party contractor relative to those Joint Operations, or other duty of the Operator, such third party contractor is hired to perform.

"Parties" means legal entities signatory to the Agreement or their successors and assigns.

"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 1.2 and/or Section I.3.A ***(Advances and Payments by the Parties)*** *via email,* electronic data interchange, interact 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 Ole statement or billing is available on the websitc 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.

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I 3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.

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

(I) 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 APE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement, or
(3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or
(4) charges outside the adjustment period, as provided in Section 1.4 ***(Adjustments).***

4. ADJUSTMENTS

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section 1.5 ***(Erpenditure Audits).***

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

(1) a physical inventory of Controllable Material as provided for in Section V ***(Inventories of Controllable Material),*** or
(2) an offsetting entry (whether in whole or in part) that lathe 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.

S. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section 1.4 ***(Adjustments).*** Any Party that is subject to payout accounting under the Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

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

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those Non-Operators approving such audit.

The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month requirement for taking specific detailed written exception as required in Section 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 no long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with the additional deadlines in Section 1.5.8 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 provides 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 net 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 1.5.E, if the Operator fails to provide substantive response Io an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section 1.3.0 *(Advances **and** Payments by the Parties).*

D. If any Party fails to meet the deadlines in Sections 1.5.0 or I.5.0 or if any audit issues arc 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.5.0 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. O *(Optional Provision — Forfeiture Penalties)*

lf the Non-Operators fall to meet the deadline in Section 15.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. lf the Operator fails to meet the deadlines In Section 1.5.B or 1.5.C, any unresolved exceptions that were not addressed by the Operator within one (1,1 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 to contrary provisions in regard thereto, the

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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 LOB.

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 fifty-one percent (51 %) which approval shall be binding on all Parties, provided, however, approval of at least one (I) Non-Operator shall *be* required.

C. AFFILIATES

For the purpose of administering the voting procedures of Sections I.6.A and 1.613, 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.

IL 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 MF1-37 ("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 11.6 *(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 11.2.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 11.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section 11.2, unless otherwise approved by the Parties pursuant to Section **1.6A** *(General Matters).*

B. Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose salaries and wages arc 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.2A. 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.

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D. Personal Expenses of personnel whose salaries and wages am chargeable to the Joint Account under Section MIA 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 11.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of 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 1.6,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 11.2.A. This training charge shall include die 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 11.2.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 Properly to the Operator's warehouse or other storage point shall be paid for by the Joint Properly 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.

S. 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 11.7 ***(Affiliates),*** or excluded under Section 11.9 ***(Legal Expense).*** Awards paid to contractors shall be chargeable pursuant to COPAS MEI-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 famished 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 11.6.13, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 50,000 If the total costs for an Affiliate's goods and services charged to such individual project arc not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A *(General Matters).*

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A *(General Matters),* if the charges exceed $ 100,000 in a given calendar year.

C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section 11.12 *(Communications).*

If the Parties fail to designate an amount in Sections II.7.A or 11.7.13, 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 (S 0.00).

8. DAMAGES AND LOSSES TO JOINT PROPERTY

MI costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the extent such diunagcs 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 opemtions under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Opemtor's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section I.6.A *(General Matters)* or otherwise provided for in the Agreement.

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

10. TAXES AND PERMITS

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

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

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Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section 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 lax 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

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Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations am 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. lathe 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 (LISL&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 MF1-44 ("Field Computer and Communication Systems"). If the communications facilities or systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section 11.6 ***(Equipment and Facilities Furnished by Operator).*** If the communication facilities or systems serving the Joint Property are owned by the Operator's /Inflate, 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 mtes and shall periodically review and update the rate and the supporting documentation.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections 11.2 ***(Labor),*** 11.5 ***(Services),*** or Section 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 11.15 shall require approval of the Parties, pursuant to Section I.6.A ***(General Matters).***

111. 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 11.13, III. I .A(ii), and 111.2, Option 13)
- inventory costs not chargeable under Section V ***(Inventories of Controllable Material)***
- procurement
- administration
- accounting and auditing
- gas dispatching and gas chart integration

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- human resources
- management
- supervision not directly charged under Section 11.2 *(Labor)*
- legal services not directly chargeable under Section 11.9 *(Legal Expense)*
- taxation, other than those costs *identified* as directly chargeable under Section IL 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

X (Alternative I) Fixed Rate Basis, Section 111.I.B.
0 (Alternative 2) Percentage Basis, Section 111.1.C.

A. TECHNICAL SERVICES

(i) Except as otherwise provided in Section 11.13 *(Ecological Environmental, and Safety)* and Section 111.2 *(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:

X (Alternative 1 — Direct) shall be charged direct to the Joint Account.

0 (Alternative 2— Overhead) shall be covered by the overhead rates.

(ii) Except as otherwise provided in Section 11.13 *(Ecological, Environmental, and Safety)* and Section 111.2 *(Overhead — Major Construction and Catastrophe),* or by approval of the Pardon pursuant to Section I.6.A *(General Matters),* the salaries, wages, related payroll burdens and benefits, and Personal Expenses for Off-slte Technical Services, including third party Technical Services:

0 (Alternative 1 — All Overhead) shall be covered by the overheat(roles.

X (Alternative 2— All Direct) shall be charged direct to die Joint Account.

O (Alternative 3 — Drilling Direct) shall be charged direct to the Joint Account, only to the extent such Technical Services arc 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

111.2 *(Overhead - Major Construction and Catastrophe)* shall be covered by the overhead rates.

Notwithstanding anything to the contrary in this Section Ill, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section 11.7 *(Affiliates).* Charges for Technical personnel performing non-technical work shall not be governed by this Section

111.1 .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:

As charged by third party contract operator
As charged by

Drilling Well Rate per month S (prorated for less than a full month)

Producing Well Rate per month S third party contract operator

(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.

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(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 Rote. 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 111.1.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. I .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").

[illegible]—PERCENTAGE BASIS

(I) Operator shall charge the Joint Account at the following rates:

(a) Development Rate percent % of the cost of development of the Joint Property, exclusive of costs provided under Section 11.9 *(Legal Expense)* and all Material salvage credits.

(b) Operating Rate percent (_%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II. 1 *(Rentals and Royalties)* and 11.9 *(Legal Erpense);* all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.

Percentage Basis shall hens follows:

[illegible]

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

[i] drilling, redrilling, sidetracking, or deepening of a well
[ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work-days
[iii] preliminary expenditures necessary in preparation for drilling
[iv] expenditures incurred in abandoning when the well is not completed as a producer

[v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, other than Major Construction or Catastrophe as defined in Section 111.2 *(Overhead-Major Construction and Catastrophe).*

(b) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section 111.2 *(Overhead-Major* ***Construction*** *and Catastrophe).*

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

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

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2. TRANSFERS

A transfer is determined to occur when the Operator (i) furnishes Material from a storage facility or front 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 Panics 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 1V.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 eastcm 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 robing transferred to the Railway Receiving Point.

(3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate front 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 11.4 *(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.

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D. CONDITION

(I) 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 1V.2.A ***(Pricing),*** IV.2.B ***(Freight),*** and 1V.2.0 ***(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.2.13 ***(Freight),*** and IV.2.0 ***(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.2.13 ***(Freight),*** and IV.2.0 ***(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 fitnetion until after reconditioning shall be priced by multiplying the price determined in Sections IV.2.A ***(Pricing),*** 1V.2.B ***(Freight),*** and IV,2.0 ***(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 nor 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 housed 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 I.6.A ***(General Matters).***

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

E. OTHER PRICING PROVISIONS

(I) 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 W.1 ***(Direct Purchases)*** or IV.2A ***(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

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 die prior approval of the Parties owning such Material.

  If the gross sole 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 I4.2 ***(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 I11.2 ***(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 ofSurplus),*** 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 1V.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 convened 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 1V.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.

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I. 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 rote 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 pm-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 fumished 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.I *(Directed Inventories).*

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Exhibit E

Subscription Application and Agreement

Lizzy #1H LP

Continue to Next Page

INSTRUCTIONS FOR THE USE AND COMPLETION OF EXECUTION DOCUMENTS

These Execution Documents contain documentation required by Lizzy #1H LP to allow it to properly consider whether the tendered subscription for the interests offered hereby may be accepted. This part of the offering is comprised of two separate sections: Section 1, Subscriber Questionnaire; and Section 2, Subscription Agreement.

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

Section 2 (Subscription Agreement) sets forth the terms and conditions agreed to by the Subscriber in subscribing for Partnership Wells Partnership Units. According to a portion of the terms of the Agreement, the Subscriber acknowledges the terms and restrictions of the Offering, including the arbitration clause, makes certain representations and warranties to Lizzy #1H LP. **The Agreement contains an arbitration clause.** The Subscriber is asked to sign a copy of the Partnership Wells signature pages.

1.		Complete Subscriber Questionnaire ("Natural Persons" or "Entities" as appropriate).
2.		Subscriber should read, understand and acknowledge the terms, conditions and provisions of Subscription Agreement.
3.		Complete appropriate blanks in the Subscription Agreement. **Sign where indicated on Pages 13 and 14.**
4.	Make payment to "Lizzy #1H LP" in the amount as set forth on Page 14 of the Subscription Agreement	Return the entire Subscription Agreement, an extra copy of which is enclosed, along with the check or money order payable to Lizzy #1H LP, either in person or by mail to: Lizzy #1H LP, 7140 FM 917, Alvarado, TX 76009, (817) 259-1777.
5.	Return all documents properly signed and completed	Return the entire Subscription Agreement, an extra copy of which is enclosed, along with funding: a) check or money order payable to "Lizzy #1H LP" either in person or by mail to: Lizzy #1H LP, 7140 FM 917, Alvarado, TX 76009, or b) Wire Transfer to: Institution: American National Bank of Texas Account Name: Lizzy #1H LP Routing #: 111901519 Account #: 4601030150

Continue to Next Page

Subscription Booklet Number _____

Lizzy #1H LP, a Working Interest participation in horizontal oil and gas wells and an injection well in Fisher County, Texas

SUBSCRIBER QUESTIONNAIRE

Name and Address of Subscription: Limited Partnership Unit(s) and Additional General Partnership Unit(s) ("Partnership Unit(s)") in Lizzy #1H LP, 7140 FM 917, Alvarado, TX 76009, (817) 259-1777 (the "Partnership")

I understand that the Partnership Unit(s) will not be registered under the U.S. federal and state law in reliance on SEC Rule 506. I provide the following information to the Partnership to verify compliance with these legal provisions.

A. NATURAL PERSONS

Name: _____

Home Address: _____

Home Country: _____

Home Phone No: _____

Tax ID No: _____

Date of Birth: _____

Employer: _____

Employer Address: _____

Business Phone No: _____

Business Fax No: _____

E-mail: _____

B. ENTITIES

Subscribers Which Are NOT Natural Persons

Name of Entity: _____

Address of Principal Office: _____

Type of Organization: _____

Date & Place of Organization: _____

Tax ID No.: _____

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

Check the following representations (a) through (d), if applicable. If not a natural person, proceed to Part D.

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

_____ (b) My net worth, or joint net worth with my spouse or spousal equivalent, excluding the value of the equity for my primary residence, is in excess of US $1 million.

Clarification: If the fair value of your primary residence exceeds the mortgage obligation on the primary residence, you may exclude the primary residence mortgage obligation from your net liabilities for the purpose of calculating your net worth for the purposes of determining accredited investor status, provided that the mortgage obligation accrued more than 60 days before the date you are signing this Agreement. You may not exclude mortgage liabilities relating to loans 60 days old or less from your net worth.

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

_____ (c) I am a director or executive officer of Lizzy #1H LP, or its affiliates.

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

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

D. ENTITIES – U.S. ACCREDITED INVESTORS (ALL ENTITY SUBSCRIBERS)

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

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

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

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

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

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

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

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

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

(i) _____ an insurance company as defined in Section 2(a)(13) of the Securities Act of 1933;

(j) _____ an investment company registered under the Investment Company Act of 1940;

(k) _____ a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940;

(l) _____ a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

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

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

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

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

(q) _____ a private business development Company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; and

(r) _____ an organization described in Section 501(c)(3) of the Internal Revenue Code, or similar company, not formed for the specific purpose of acquiring the Partnership Unit(s), with total assets in excess of US $5,000,000.

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

(t) _____ an irrevocable trust not formed for the specific purpose of acquiring the Partnership Unit(s) and whose purchase of the Partnership Unit(s) is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii), provided such trust has total assets in excess of $5,000,000.

(u) _____ an irrevocable trust not formed for the specific purpose of acquiring the Partnership Unit(s) and whose purchase of the Partnership Unit(s) is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii), provided that (1) the trust was a grantor trust for federal tax purposes; (2) The grantor was the sole funding source of the trust; (3) the grantor would be taxed on all income of the trust during at least the first 15 years following the investment and would be taxed on any sale of trust assets during that period; (4) during this period, all of the assets of the trust would be includable in the grantor's estate for federal estate tax purposes; (5) The grantor was a co-trustee of the trust and had total investment discretion on behalf of the trust at the time the investment decision was made; (6) the terms of the trust provided that the entire amount of the grantor's contribution to the trust plus a fixed rate of return on the contribution would be paid to the grantor (or his estate) before any payments could be made to the beneficiaries of the trust; (7) the trust was established by the grantor for family estate planning purposes to facilitate the distribution of his estate and In order to effectuate the estate planning goals, the trust was irrevocable; and (8) Creditors of the grantor would be able to reach the grantor's interest in the trust at all times; AND the grantor's individual income was in excess of US $200,000 (or US $300,000 with my spouse or spousal equivalent) in each of the two most recent years and I reasonably expect an income of US $200,000 (or $300,000 with my spouse) in the current year or grantor is natural person whose individual net worth, or joint net worth with grantor's spouse or spousal equivalent, exceeds $1,000,000.

SUBSCRIBER SIGNATURES

(To Be Completed By All Subscriber)

Subscriber has received a copy of the Offering Memorandum dated February 24, 2026, for the Partnership Unit(s) offered by Lizzy #1H LP (the "Subscription"), and all exhibits thereto setting forth information relating to the Subscription and the terms and conditions of an investment in the Partnership Unit(s), as well as any other information Subscriber deemed necessary or appropriate to evaluate the merits and risks of an investment in the Partnership Unit(s). Subscriber further acknowledges that Subscriber has had the opportunity to ask questions of, and to receive answers from, representatives of the Subscription concerning the terms and conditions of the Subscription Agreement and the information contained in the Offering Memorandum.

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

IN WITNESS WHEREOF, this signature page has been executed by Subscriber this _____ day of _____, 2024.

_____
Signature of Prospective Subscriber

_____
Printed Name of Prospective Subscriber

☐ **Check here if you are borrowing money to make this investment**

☐ **Check here if you are using IRA or SEP IRA funds to make this investment**

SUBSCRIPTION AGREEMENT

Lizzy #1H LP
7140 FM 917
Alvarado, TX 76009

Gentlemen:

Subscriber ("Subscriber") hereby asks Lizzy #1H LP and applies for the purchase of the Lizzy #1H LP ("Partnership Wells") Partnership Unit(s) in the Subscription as shown on Page 14 hereof and herewith encloses a check or other acceptable form of payment for the Partnership Unit(s). Subscriber hereby acknowledges and understands:

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

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

(iii) That Subscriber shall pay the purchase price of US $195,000 per Partnership Unit at the time of Subscription;

(iv) That each Partnership Unit will represent 1.00% Working Interest (0.72% Net Revenue Interest) in each of the proposed Partnership Wells in Fisher County, Texas, or their substitute wells;

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

(vi) That Subscriber understands and acknowledges that the Subscribers may receive future capital calls for operations on the Partnership Wells required by the unaffiliated operator subsequent to the completion of the well(s) in which the Subscriber has invested. The Subscriber further understands and acknowledges that failing to pay such a call for funds will result in the defaulting Subscriber being assessed a three hundred percent (300%) non-consent penalty of the unpaid amount (to be drawn from the defaulting partner's Distributions (as defined in the Partnership Agreement);

(vii) That if Lizzy #1H LP rejects this Subscription Agreement, this payment shall be returned with the notice of such rejection;

(viii) That tax-qualified Subscribers must use a custodian to maintain custody of the Partnership Unit(s) in a tax-qualified account;

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

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

(xi) That Subscriber is liable for the total amount of the Subscription Price and for any funds called for by Lizzy #1H LP pursuant to the terms of Section 35 of the Subscription Agreement;

(xii) That there is no government or other insurance covering the Partnership Unit(s);

(xiii) That the Partnership Unit(s) are speculative investments which involve a high degree of risk of loss by Subscriber of the entire investment of Subscriber, and that there is no assurance of any income from such investment;

(xvi) That no prospectus has been or is intended to be filed by Lizzy #1H LP with the SEC, or any state securities administrator, in connection with the issuance of Partnership Unit(s), the issuance is intended to be exempted from prospectus and registration requirements of the applicable U.S. securities law and as a consequence of acquiring the Partnership Unit(s) pursuant to these exemptions:

a. the Subscriber is restricted from using most of the civil remedies available under applicable U.S. securities law;

b. the Subscriber may not receive information that would otherwise be required to be provided to the Subscriber under applicable U.S. securities law; and

c. Lizzy #1H LP is relieved from certain obligations that would otherwise apply under applicable U.S. securities law;

(xv) That if Subscriber is a retirement plan, the plan administrator has been informed of and understands the Partnership's objectives, policies, and strategies, including illiquidity, oil and gas exploration and development risks, and the risk of generating unrelated business taxable income and represents that the Subscription is consistent with legal provisions that require diversification of plan assets and the plan administrator's fiduciary responsibilities;

(xvi) That Subscriber may receive pro rata capital calls in connection with drilling, testing and completing the Partnership Wells if costs exceed budgeted amounts;

(xvii) That Subscriber may receive pro rata capital calls in connection with subsequent operations after completion relating to reworking the Partnership Wells at the discretion of Lizzy #1H LP; and

(xiii) That Subscriber may be required to produce financial records showing assets or income or statements from its CPA, attorney, investment adviser or broker-dealer representing that Subscriber is an accredited investor as defined by SEC Rule 501.

Subscriber hereby represents, certifies, and warrants as follows:

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

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

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

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

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

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

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

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

9. Lizzy #1H LP has made all documents pertaining to this investment available to Subscriber and, if Subscriber so requested, to his attorney or accountant.

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

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

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

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

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

15. Subscriber has not become aware of any advertisement in printed media of general and regular paid circulation, radio or television with respect to the distribution of the Partnership Unit(s).

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

    a. that any person will resell or repurchase the Partnership Unit(s);

b. that any person will refund the purchase price of the Partnership Unit(s);

c. as to the future price or value of the Partnership Unit(s); or

d. that the Partnership Unit(s) will be listed and posted for trading on a stock exchange or that application has been made to list and post the Partnership Unit(s) for trading on any stock exchange.

17. Subscriber is:

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

b. a corporation, the Subscriber is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Subscription Agreement, to subscribe for the Partnership Unit(s) as contemplated herein and to carry out and perform its covenants and obligations under the terms of this Subscription Agreement and the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the controlling documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound; or

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

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

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

20. Subscriber is subscribing for the Partnership Unit(s) as principal for its own account and not for the benefit of any other person (within the meaning of applicable U.S. securities law) or if it is contracting hereunder as an agent or trustee for a principal (including, for greater certainty, a portfolio manager or comparable adviser) and not purchasing as agent or trustee for accounts fully managed by it, the name of such

principal has been set in this Subscription Agreement and the Subscriber acknowledges that Lizzy #1H LP may be required by law to disclose to certain regulatory authorities the identity of each such principal for whom the Subscriber is acting.

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

22. Subscriber is not a "control person" of Lizzy #1H LP as defined in the applicable U.S. securities law, will not become a "control person" by virtue of this Subscription for the Partnership Unit(s) and does not intend to act in concert with any other person to form a control group of Lizzy #1H LP.

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

24. Subscriber is capable of assessing the proposed investment as a result of the Subscriber's financial and business experience or as a result of advice received from a registered person other than Lizzy #1H LP or its affiliates.

25. If required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist Lizzy #1H LP in filing, such reports, undertakings and other documents with respect to the issuance of the Partnership Unit(s) as may be required.

26. The funds representing the aggregate Subscription price for the Partnership Unit(s) which will be advanced by the Subscriber hereunder will not represent proceeds of crime for the purposes of the Money Laundering Control Act of 1986 (18 USC. §1956 and 1957) (USA), International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (Title III of PATRIOT Act) (USA) or Proceeds of Crime (Money Laundering) and the Subscriber acknowledges that Lizzy #1H LP may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's Subscription hereunder, on a confidential

basis, pursuant to such Act. To the best of its knowledge: (a) none of the Subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the law of the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) the Subscriber shall promptly notify Lizzy #1H LP if the Subscriber discovers that any of such representations ceases to be true, and to provide the Issuer with appropriate information in connection therewith.

Subscriber agrees to the following:

27. Subscriber hereby subscribes to purchase the number of Partnership Unit(s) designated on Pages 13 and 14 of this agreement for the total Subscription price of US $195,000 per Partnership Unit payable at Subscription.

28. Lizzy #1H LP may accept or reject this Subscription in whole or in part in its sole and absolute discretion.

29. Subscriber has carefully reviewed and understands the risks of a purchase of the Partnership Unit(s), including the risks set forth under the section in the Memorandum captioned “Risk Factors,” and elsewhere in the Memorandum.

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

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

32. Subscriber has relied solely upon the advice of its tax advisor in assessing the tax aspects of investing in the Partnership Unit(s).

33. Subscriber agrees that the Partnership Unit(s) may be resold only in compliance with the Subscription Agreement and applicable law. Any value that the Partnership Unit(s) may have will derive from the performance of the Subscription. Subscribers will seek their own counsel and advice in considering sales of the Partnership Unit(s) relating to the impact that the laws of United States may have on the value of the Partnership Unit(s) and the disposition of proceeds from the sale of the Partnership Unit(s).

34. Subscriber agrees to the terms of the compensation paid to Lizzy #1H LP as stated in the Memorandum, including, but not limited to payments of (assuming the Maximum Subscription Amount): (a) $3,900,000 for organizational and offering costs, (b) $1,950,000 for management fees, (c) $2,348,502 for general and administrative costs; (d) any positive difference between the budgets up to $11,301,498 to be paid to the

Operator for drilling and completion of the Partnership Wells and the actual amount paid to the Operator for drilling and completion of the Partnership Wells, (e) $150,000 paid to an unaffiliated Prospect Generator; (f) $2,841,330 to be paid to an affiliated company holding the leases on the acreage upon which the Partnership Wells will be drilled, (g) $100,000 to be held by the Partnership for a plug and abandon reserve; and (h) the cumulative sum of twenty-eight percent (28%) mineral estate royalty and Overriding Royalty Interest.

35. Subscriber hereby agrees to be bound by the terms of the Limited Partnership Agreement in the form attached as Exhibit B to the Memorandum for the Partnership Wells.

36. Subscriber agrees to pay pro rata cost overrun allocations to Working Interest owners during the Lizzy #1H LP's acreage, drilling and completion phases that exceed $195,000 per Partnership Unit as stated in the Memorandum.

37. Subscriber agrees to pay pro rata cost allocations made by the Operator to Working Interest owners in the Partnership Wells made after completion based on the Operator's authority to undertake subsequent operations as defined in the Operating Agreement and to rework one or more of the Partnership Wells.

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

39. Corporate Transparency Act.

    a. Subscriber understands that effective January 1, 2024, the Partnership will be subject to the federal Corporate Transparency Act which requires the Partnership file certain information about its officers, managers and twenty-five percent (25%) beneficial owners (including disclosing the natural persons who ultimately own such interest) with the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN"). If Subscriber is a disclosable person, the Partnership will be required to disclose to FinCEN passport or driver license and other background information, or, if such person has a FinCEN number, disclose such FinCEN number to FinCEN.

b. Subscriber hereby agrees to provide to the Partnership the documents required by FinCEN or the FinCEN numbers of each natural person who owns or has control over Subscriber.

c. Subscriber further acknowledges that FinCEN can impose a $500 per day penalty for late Corporate Transparency Act filings, up to $10,000, and agrees to indemnify the Partnership for any such penalties caused by Subscriber's failure to provide the required information, documents, or FinCEN number to enable the Partnership to timely file its Corporate Transparency Act filings.

40. **ARBITRATION CLAUSE DISCLOSURE:**

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

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

41. **Arbitration Clause – Lizzy #1H LP and Personnel:**

If a dispute, controversy or claim, of any kind and every kind or type, whether based on contract, tort, statute, regulations, or otherwise, arising out of, or connected with, or relating in any way to this Agreement, or the relationship of the parties, or the obligations of the parties, or the operations carried out under this Agreement, including without limitation, any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination, or enforceability of this Agreement, or the breach thereof, including claims against Lizzy

#1H LP and/or Frank W. Seidler (any one of which constituting the "Dispute"), and if the Dispute cannot be settled through direct discussions (in the opinion of any party), the parties agree to first endeavor to settle the Dispute in an amicable manner by mediation under the Commercial Mediation Rules of the American Arbitration Association ("AAA"), before resorting to arbitration. If the Dispute is not settled by mediation within thirty (30) days of written request for mediation by any party to AAA, then and thereafter any unresolved Dispute, including the arbitrability of any unresolved Dispute, shall be settled by arbitration administered by the AAA in accordance with the then current Commercial Arbitration with the award being final and binding. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any provisional remedy which would be available from a court of law shall be available from the arbitrator(s) to the parties to this Agreement pending arbitration. Civil discovery shall be permitted for the production of documents and taking of depositions. The arbitrator(s) shall be guided but not controlled by the Texas Rules of Civil Procedure in allowing discovery and all issues regarding compliance with discovery requests shall be decided by the arbitrator(s). The arbitrator(s) may impose sanctions and take other actions with regard to the parties that the arbitrator(s) deem appropriate to the same extent that a judge could pursuant to the Texas Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitration proceedings under this Agreement. This Agreement shall in all other respects be governed and interpreted by the laws of the State of Texas, including its statutes of limitation but excluding any conflicts or choice of law rule or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The arbitration shall be conducted in Tarrant County, Texas, by one neutral arbitrator chosen by AAA according to its Commercial Arbitration Rules if the amount of the claim, exclusive of interest and costs, is one million dollars ($1,000,000) or less or by three neutral arbitrators chosen by AAA in the same manner as the one neutral arbitrator if the amount of the claim, exclusive of interest and costs, is more than one million dollars ($1,000,000). Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. All fees and expenses of the arbitration shall be borne by the parties equally who shall make deposits as requested by AAA of each party's share of the deposits requested. Failure or refusal by a party to pay its share of the requested deposits shall constitute a waiver by the non-paying party of its rights to be heard, present evidence, cross-examine witnesses, and assert counterclaims in the arbitration. Informing the arbitrator(s) of a party's failure to pay its share of the requested deposits for the purpose of implementing this waiver provision shall not be deemed to affect the arbitrator's impartiality, neutrality, independence, or ability to proceed with the arbitration. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs. This agreement to arbitrate shall survive the termination or repudiation of this Agreement. ARBITRATION MUST BE ON AN INDIVIDUAL BASIS. THIS MEANS NO PARTY MAY JOIN OR CONSOLIDATE CLAIMS IN ARBITRATION BY OR AGAINST OTHER PARTNERS OR LITIGATE IN

COURT OR ARBITRATE ANY CLAIMS AS A REPRESENTATIVE OR MEMBER OF A CLASS OR IN A PRIVATE ATTORNEY GENERAL CAPACITY.

42. This Agreement and all of its provisions are made to be performed in Tarrant County, Texas USA, where jurisdiction and venue shall lie for all purposes, including, but not limited to, any arbitration or litigation involving the validity or enforceability of the requirement of arbitration hereof, or any dispute arising there under.

43. Subscriber recognizes that the offer and sale of the Partnership Unit(s) to Subscriber were based upon the representations and warranties of Subscriber contained in Paragraphs 1 through 26 above and hereby agrees to indemnify Lizzy #1H LP, and their officers, directors and affiliates, including Frank W. Seidler and the other Subscribers of Partnership Units to hold each of such entities and persons harmless against all liabilities, costs or expenses (including reasonable attorney's fees) arising by reason of or in connection with any misrepresentation or any breach of such warranties by Subscriber, or arising as a result of the sale or distribution of the Partnership Unit(s) by Subscriber in violation of the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, or any other applicable Federal or state statute.

44. Subscriber hereby indemnifies Lizzy #1H LP, and their officers and directors, including Frank W. Seidler, and the other Subscribers of Partnership Wells, and holds each of such persons and entities harmless from and against any and all loss, damages, liability or expense, including costs and reasonable attorney's fees, to which they may be put or which they may incur by reason of or in connection with any misrepresentation made by Subscriber, any breach of any of his warranties, or his failure to fulfill any of his covenants or agreements set forth herein. Subscriber agrees that all of the representations and warranties of Subscriber set forth in this Subscription Agreement and any other documents submitted herewith shall survive the purchase of the Partnership Unit(s). This Subscription Agreement and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of Subscriber.

45. Subscriber acknowledges that Lizzy #1H LP reserves the right to modify any part of this agreement between it and the Subscriber without notification to Subscriber when modifications are immaterial to the Subscriber.

Special Power of Attorney

Subscriber hereby constitutes and appoints Lizzy #1H LP with full power of substitution and re-substitution, the true and lawful attorney of Subscriber, for the use and benefit of Subscriber to sign, execute, certify, swear to, acknowledge, file and record any other certificate, instruments and documents or amendments thereto, which may be required of the Lizzy #1H LP or Subscriber under the laws of any state or by any governmental agency, or which Lizzy #1H LP deems necessary or advisable to file, record or deliver. This authority includes the authority to enter the Limited Partnership Agreement attached as Exhibit B to the Offering

Memorandum on behalf of Subscriber in connection with the Lizzy #1H LP. The foregoing grants of authority may be exercised by each of such attorneys-in-fact by listing the name of Subscriber along with the names of all other persons for whom certificates, instruments and documents are prepared, with the single signature of such attorney-in-fact acting for all of the persons whose names are so listed.

Upon acceptance by Lizzy #1H LP of Subscriber's Subscription, Subscriber agrees (a) to subscribe to become a Subscriber to the Partnership Unit(s), (b) to make the payment required by the Subscription Agreement, and (c) otherwise to be bound by the terms of the Subscription Agreement. Subscriber acknowledges and agrees that, except for good and sufficient cause and as required by law, Subscriber is not entitled to cancel, terminate or revoke this Subscription, any agreements of Subscriber hereunder, or the power of attorney granted hereby and that such Subscription, agreements and power of attorney shall survive (i) changes in the transactions, documents and instrument described in the Memorandum which in the aggregate are not material or which are contemplated by the Memorandum, and (ii) the death or disability of Subscriber; provided, however, that if Lizzy #1H LP shall not have accepted this Subscription by the date 30 days after the date of signing by Subscriber of this Subscription Agreement, either by personally delivering to Subscriber an executed copy hereof reflecting such acceptance or by depositing with an international delivery service, delivery fee prepaid, a written notice of acceptance addressed to Subscriber hereunder, at the address set forth below, this Subscription, all agreements of Subscriber hereunder, and the power of attorney granted hereby shall automatically be canceled, terminated and revoked.

WHEREFORE, IN CONSIDERATION, of the foregoing covenants and representations, I hereby submit the following Subscription for participation in the Lizzy #1H LP as specified on Page 13 of this Subscription Agreement.

LIZZY #1H LP
PARTNERSHIP UNIT(S) SIGNATURE PAGE

$_____ Cash Payment payable upon subscription for Partnership Unit(s) of Lizzy #1H LP for the purposes set forth in this Agreement and the Offering Memorandum (Initial Payment of US $195,000.00 per Partnership Unit payable to Lizzy #1H LP);

_____ Number of Partnership Unit(s) Subscribed.

Payment payable by check, wire transfer or cashier's check payable to:

Lizzy #1H LP

The Subscription Agreement, of which this signature page is a part, contains a pre-dispute Arbitration Agreement on Pages 9-11, Paragraphs 41 and 42.

Signed: _____

Name Printed: _____

Title: _____

Business Entity: _____

Date: _____

LIZZY #1H LP
REGISTRATION INFORMATION

_____Number of Lizzy #1H LP Partnership Unit(s) (Each Unit will represent approximately a 1.00% Working Interest and 0.72% Net Revenue Interest in the proposed Lizzy #1H LP oil and gas wells and an injection well in Fisher County, Texas or their substitute wells).

Investing as an Additional General Partner

$_____Cash Payment payable upon subscription for Lizzy #1H LP Partnership Unit(s) for the purposes set forth in this Agreement and the Offering Memorandum (Payment of US $195,000.00 per Partnership Unit payable to Lizzy #1H LP Routing #: 111901519 Account #: 4601030150)

By signing below the subscriber acknowledges that he or she has read and understood Lizzy #1H LP's Offering Memorandum and exhibits, including the Operating Agreement and the Subscription Agreement, of which this signature page is a part. The Subscription Agreement contains a pre-dispute Arbitration Agreement on Pages 9-11, Paragraphs 40 and 41.

_____ _____ _____
Printed Name Signature Date

Business Entity (if any): _____

Name Under Which Subscriber Should Be Listed:_____

State of Legal Residence:_____ Tax ID #: _____

Mailing Address: _____

MANAGING GENERAL PARTNER'S ACCEPTANCE FOR LIZZY #1H LP

FWS Management, LLC herewith accepts the foregoing Subscription for Lizzy #1H LP Partnership Unit(s).

Date: _____ _____
Authorized Signatory

Restrictive US Legend: These securities have not been registered under the Securities Act of 1933, as amended, or any State Securities Act or Regulations and may not be sold, transferred, or assigned unless an opinion of counsel satisfactory to FWS Management, LLC. Lizzy #1H LP shall have been received by FWS Management, LLC to the effect that such sale, transfer or assignment will not be in violation of the Securities Act of 1933 or relevant State Securities Act, as amended, and the rules and regulations thereunder, or applicable state securities laws.