**STATE OF OHIO**
**DEPARTMENT OF NATURAL RESOURCES**
**DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

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|---|---|---|
| In re the Matter of the Application of | : | |
| Gulfport Energy Corporation, for | : | |
| Unit Operation | : | Application Date: March 28, 2014 |
| | : | |
| Brown #9 Unit | : | |

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**APPLICATION OF GULFPORT ENERGY CORPORATION FOR UNIT OPERATION**

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14313 North May Avenue, Suite 100
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Attorney for Applicant

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Exhibit 6 Working Interest Owner Approval

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| Brown #9 Unit | : | |

## APPLICATION

Pursuant to Ohio Revised Code Section 1509.28, Gulfport Energy Corporation ("Gulfport"), hereby respectfully requests the Chief of the Ohio Department of Natural Resources' Division of Oil and Gas Resources Management ("Division") to issue an order authorizing Gulfport to operate the Unitized Formation and applicable land area in Belmont and Noble Counties, Ohio (hereinafter, the "Brown #9 Unit") as a unit according to the Unit Plan attached hereto and as more fully described herein. Gulfport makes this request for the purpose of substantially increasing the ultimate recovery of oil and natural gas, including related liquids, from the Unitized Formation, and to protect the correlative rights of unit owners, consistent with the public policy of Ohio to conserve and develop the state's natural resources and prevent waste.

### I.
### APPLICANT INFORMATION

Gulfport Energy Corporation, is a corporation organized under the laws of the State of Delaware. Gulfport has its principal office in Oklahoma City, Oklahoma and is registered in good standing as an "owner" with the Division.

Gulfport designates to receive service, and respectfully requests that all orders, correspondence, pleadings and documents from the Division and other persons concerning this filing be served upon, the following:

Zachary M. Simpson – Corporate Counsel
Samuel D. Allen – Senior Landman
Gulfport Energy Corporation
14313 N. May, Suite 100
Oklahoma City, Oklahoma 73134
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## II.
## PROJECT DESCRIPTION

The Brown #9 Unit is located in Belmont and Noble Counties, Ohio, and consists of sixteen (16) separate tracts of land. See Exhibits A-1, A-2, and A-3 of the Unit Operating Agreement (showing the plat and tract participations, respectively). The total land area in the Brown #9 Unit is approximately 618.856 acres. Gulfport has the right to drill on and produce from 606.479 acres of the proposed unit through its leasehold interest – i.e., approximately ninety-eight percent (98.00001%) of the unit area, which is well above the sixty-five percent (65%) threshold required by Ohio Revised Code § 1509.28.[1] As more specifically described herein, Gulfport seeks authority to drill and complete one or more horizontal wells in the Unitized Formation from a single well pad located in the central northwestern portion of the Brown #9 Unit to efficiently test, develop, and operate the Unitized Formation for oil, natural gas, and related liquids production.

Gulfport's plan for unit operations (the "Unit Plan") is attached to this Application and consists of the Unit Agreement, attached as Exhibit 1; and the Unit Operating Agreement, attached as Exhibit 2. Among other things, the Unit Plan allocates unit production and expenses based upon each tract's surface acreage participation in the unit; includes a carry provision for those unit participants unable to meet their financial obligations, the amount of which is based upon the risks of and costs related to the project; and conforms to industry standards for the drilling and operating of horizontal wells generally used by the Applicant with other interest owners.

## III.
## TESTIMONY

The following pre-filed testimony has been attached to the Application supporting the Brown #9 Unit's formation: (i) testimony from a Geologist establishing that the Unitized Formation is part of a pool and supporting the Unit Plan's recommended allocation of unit production and expenses on a surface acreage basis;[2] (ii) testimony from a Reservoir Engineer establishing that unitization is reasonably necessary to increase substantially the recovery of oil and gas, and that the value of the estimated additional resource recovery from unit operations exceeds its additional costs;[3] and (iii) testimony from an operational Landman with firsthand knowledge of

[1] See Prepared Direct Testimony of Samuel D. Allen at 2-3, attached as Exhibit 5.
[2] See Prepared Direct Testimony of Michael Buckner, attached as Exhibit 3.
[3] See Prepared Direct Testimony of Steve Baldwin, attached as Exhibit 4.

Gulfport's Ohio development who describes the project generally, the Unit Plan, efforts to lease unleased owners, and the approvals received for unit development.[4]

## IV.
## THE CHIEF SHOULD GRANT THIS APPLICATION

### A. Legal Standard

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order providing for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the ultimate recovery of oil and gas, and the value of the estimated additional resource recovery from the unit's operations exceeds its additional costs. See Ohio Rev. Code § 1509.28(A).

The Chief's order must be on terms and conditions that are just and reasonable and prescribe a plan for unit operations that includes the following:

> (1) a description of the unit area;
>
> (2) a statement of the nature of the contemplated operations;
>
> (3) an allocation of production from the unit area not used in unit operations, or otherwise lost, to the separately owned tracts;
>
> (4) a provision addressing credits and charges to be made for the investment in wells, tanks, pumps, and other equipment contributed to unit operations by owners in the unit;
>
> (5) a provision addressing how unit operation expenses shall be determined and charged to the separately owned tracts in the unit, and how they will be paid;
>
> (6) a provision, if necessary, for carrying someone unable to meet their financial obligations in connection with the unit;
>
> (7) a provision for the supervision and conduct of unit operations in which each person has a vote with a value corresponding to the percentage of unit operations expenses chargeable against that person's interest;
>
> (8) the time when operations shall commence and the manner in which, and circumstances under which, unit operations will terminate; and
>
> (9) such other provisions appropriate for engaging in unit operation and for the protection or adjustment of correlative rights.

See Ohio Rev. Code § 1509.28(A). The Chief's order becomes effective once approved in writing by those working-interest owners who will be responsible for paying at least sixty-five percent of the costs of the unit's operations and by royalty and unleased fee-owners of sixty-five percent of the unit's acreage. Once effective, production that is "allocated to a separately owned

[4] See Prepared Direct Testimony of Samuel D. Allen, attached as Exhibit 5.

tract shall be deemed, for all purposes, to have been actually produced from such tract, and all operations *** [conducted] upon any portion of the unit area shall be deemed for all purposes the conduct of such operations and production from any lease or contract for lands any portion of which is included in the unit area." Ohio Rev. Code § 1509.28.

B. Gulfport's Application Meets this Standard

i. *The Unitized Formation is Part of a Pool*

The "Unitized Formation" consists of the subsurface portion of the Unit Area (i.e., the lands shown on Exhibit A-1 and identified in Exhibits A-2 and A-3 to the Unit Operating Agreement) at a depth located from fifty feet above the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation, and frequently referred to as the Utica/Point Pleasant formation. The evidence presented in this Application establishes that the Unitized Formation is part of a pool and thus an appropriate subject of unit operation under Ohio Rev. Code § 1509.28.[5] Additionally, that evidence establishes that the Unitized Formation is likely to be reasonably uniformly distributed throughout the Unit Area – and thus that it is reasonable for the Unit Plan to allocate unit production and expenses to separately owned tracts on a surface acreage basis.[6]

ii. *Unit Operations Are Reasonably Necessary to Increase Substantially the Ultimate Recovery of Oil and Gas*

The evidence presented in this Application establishes that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the lands making up the Brown #9 Unit. The Unit Plan contemplates the potential drilling of approximately three horizontal wells from a single, centrally-located well pad, with laterals averaging in length approximately 7,500 feet, and with the potential for additional unit wells in the event they are necessary to fully recover the resource.[7] Gulfport estimates that the ultimate recovery from this unit development could be as much as 39 MBbls. of oil, 26 billion cubic feet (Bcf) of natural gas and 936 Mbls of natural gas liquids from the Unitized Formation.[8] Absent unit development, that recovery would be substantially less: First, the evidence shows that it is unlikely that vertical development of the unit would ever take place because it is likely to be uneconomic – resulting

[5] A "pool" is defined under Ohio law as "an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir." Ohio Rev. Code § 1509.01(E). See also Exhibit 3 at 2-3.
[6] Exhibit 3 at 3-5.
[7] See, e.g., Exhibit 5 at 4-5.
[8] See, e.g., Exhibit 4 at 3-6. We emphasize that these are only estimates, and like the rest of the estimates set forth in this Application, they should be treated as simply estimates based upon the best information available at the time.

in potentially no resource recovery from the Unitized Formation.[9] Second, simply relying on shorter horizontal laterals to develop the Unitized Formation underlying the Brown #9 Unit would be uneconomical. Oil and gas recovery from horizontal drilling methods is directly related to the length of the lateral – limit a lateral's length and you limit its ultimate recovery. Here, the unleased tracts only allow for the drilling of one abbreviated lateral, the Brown 1-9H at 6,400 feet in length.[10] This would be an economic lateral but would leave as much as 3,678 MBOE of reserves stranded. The remaining two laterals could not be drilled due to unleased acreage impeding the laterals.[11]

The evidence thus shows that the contemplated unit operations are reasonably necessary to allow for, much less increase substantially, the recovery of oil and gas from the Unitized Formation.[12]

iii. *The Value of Additional Recovery Exceeds Its Additional Costs*

As set forth in Steve Baldwin's testimony, Gulfport estimates that the net present value of the recovery, when compared to an uneconomical or total inability to develop the land area comprising the Brown #9 Unit at present, is likely to be approximately $44.6 million.[13] Thus, the evidence establishes that the value of the estimated recovery exceeds the estimated additional costs incident to conducting unit operations.

iv. *The Unit Plan Meets the Requirements of Ohio Revised Code § 1509.28*

The Unit Plan proposed by Gulfport meets the requirements set forth in Ohio Revised Code § 1509.28. The unit area is described in the Unit Agreement at Article 1, as well as on Exhibits A-1, A-2, and A-3 to the Unit Operating Agreement. The nature of the contemplated unit operations can be found generally in the Unit Agreement at Article 3, with greater specificity throughout the Unit Agreement and Unit Operating Agreement.[14] Unit production and unit expenses are allocated on a surface acreage basis as set forth in the Unit Agreement at Articles 3 through 5 (generally), except where otherwise allocated by the Unit Operating Agreement.[15] Payment of unit expenses is addressed generally in Article 3 of the Unit Agreement.[16] No provision for credits and charges related to contributions made by owners in the unit area regarding

[9] *Id.* at 4-6.
[10] *Id.* at 4-6.
[11] *Id.*
[12] *Id.* at 5-7.
[13] *Id.* at 7.
[14] See also, e.g., Exhibit 5 at 6-10.
[15] *Id.* at 7-10.
[16] *Id.*

wells, tanks, pumps and other equipment for unit operations are addressed in the Unit Operating Agreement because none are contemplated.[17] The Unit Plan provides for various carries in the event a participant is unable to meet its financial obligations related to the unit – see, e.g., Article VI of the Unit Operating Agreement.[18] Voting provisions related to the supervision and conduct of unit operations are set forth in Article XV of the Unit Operating Agreement, with each person having a vote that has a value corresponding to the percentage of unit expenses chargeable against that person's interest.[19] Commencement and termination of operations are addressed in Articles 11 and 12 of the Unit Agreement.

## V.
## APPROVALS

As of the filing of this Application, the Unit Plan has been agreed to or approved by approximately ninety-eight percent (98.00001%) of Working Interest Owners. See Exhibit 5 at 2-4, and Exhibit 6. Said approval exceeds the statutory minimum requirements set forth in Ohio Revised Code § 1509.28.

## VI.
## HEARING

Ohio Revised Code § 1509.28 requires the Chief to hold a hearing to consider this Application, when requested by sixty-five percent (65%) of the owners of the land area underlying the proposed unit. Ohio Rev. Code § 1509.28(A). That threshold level is met here. Accordingly, Gulfport respectfully requests that the Division schedule a hearing at an available hearing room located at the Division's Columbus complex for the May 2014 unitization docket, to consider the Application filed herein.

## VII.
## CONCLUSION

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the recovery of oil and gas, and the value of the estimated additional recovery from the unit's operations exceeds its additional costs. Gulfport respectfully submits that the Application meets this standard, and that the terms and conditions of the Unit Plan are just and reasonable and satisfy the requirements of Ohio Revised Code § 1509.28(B). Gulfport therefore asks the Chief to

[17] *Id.* at 10.
[18] *Id.* at 10-13.
[19] *Id.* at 11-13.

issue an order authorizing Gulfport to operate the Brown #9 Unit according to the Unit Plan attached hereto.

Respectfully submitted,

Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant

**UNIT AGREEMENT**
**THE BROWN #9 UNIT**
**BEAVER AND SOMERSET TOWNSHIPS**
**BELMONT AND NOBLE COUNTIES, OHIO**

**THIS AGREEMENT**, entered into as of this 28th day of March, 2014, by the parties subscribing, ratifying, approving, consenting to, or bound to the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto; and by those parties participating as a result of an order issued by the Division of Oil and Gas Resources Management ("Division") pursuant to Ohio Revised Code Section 1509.28.

**W I T N E S S E T H:**

**WHEREAS**, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, natural gas, and other substances from the Brown #9 Unit, in Beaver and Somerset Townships, Belmont and Noble Counties, Ohio, and to avoid waste and protect the correlative rights of the owners of interests therein, it is deemed necessary and desirable to enter into and approve this Agreement to create and establish a unit comprising the Unit Area under the applicable laws of the State of Ohio to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided; and,

**WHEREAS**, this Agreement generally maintains a 1/8th royalty (12.5%) and allocates responsibility for the supervision and conduct of Unit Operations, and responsibility for the payment of Unit Expenses, to Working Interest Owners based upon each owner's pro rata interest in the unit acreage;

**NOW THEREFORE**, in consideration of the premises and of the mutual agreements herein contained, it is agreed and approved as follows:

## ARTICLE 1: DEFINITIONS

As used in this Agreement:

**Effective Date** is the time and date this Agreement becomes effective as provided in Article 11.

**Oil and Gas Rights** are the rights to investigate, explore, prospect, drill, develop, market, transport, and operate within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof, including without limitation the conducting of exploration, geologic and/or geophysical surveys by seismograph, core test, gravity and/or magnetic methods, the injecting of gas, water, air or other fluids into the Unitized Formation, the installation, operation and maintenance of monitoring facilities, the laying of pipelines, building of roads, tanks, power stations, telephone lines, and/or other structures.

**Person** is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Substances or Unitized Formation.

**Royalty Interest** means a right to or interest in any portion of the Unitized Substances or proceeds from the sale thereof other than a Working Interest.

**Royalty Owner** is a Person who owns a Royalty Interest.

**Tract** means the land identified by a tract number in Exhibit A-2 and A-3 to the Unit Operating Agreement.

**Tract Participation** means the fractional interest shown on Exhibit A-2 and A-3 to the Unit Operating Agreement for allocating Unitized Substances to a Tract.

**Uncommitted Working Interest Owner** is a Working Interest Owner, other than an unleased mineral owner, who has not agreed to, ratified or otherwise approved this Plan. Uncommitted Working Interest Owners are likely, but not necessarily, to have obtained their interest by lease.

**Unit Area** means the lands shown on the plat attached as Exhibit A-1 and identified on Exhibit A-2 and A-3 to the Unit Operating Agreement, including also areas to which this Agreement may be extended as herein provided.

**Unit Equipment** means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the unit account for use in Unit Operations.

**Unit Expense** means all cost, expense, investment and indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations, but shall not include post-production costs attributable to Royalty Owner interests.

**Unitized Formation** means the subsurface portion of the Unit Area located from fifty feet above the top of the Utica Shale (at an approximate depth of 7,583 feet) to fifty feet below the base of the Point Pleasant formation (at an approximate depth of 8,335 feet).

**Unit Operating Agreement** means the modified A.A.P.L. Form 610-1982 Model Form Operating Agreement, dated March 1, 2014, for the Brown #9 Unit, which is attached hereto. Such Unit Operating Agreement contains provisions for credits and charges among Working Interest Owners for their respective investments in, and expenses for, Unit Operations, including a provision, if necessary, for carrying any Person unable or electing not to participate in Unit Operations. In addition, the Unit Operating Agreement also contains provisions relating to the supervision and conduct of Unit Operations and the manner in which Working Interest Owners may vote. The Unit Operating Agreement is hereby confirmed and by reference made a part of this Agreement. In the event of a conflict between such agreements, the terms of the Unit Operating Agreement shall govern.

**Unit Operations** are all operations conducted pursuant to this Agreement and the Unit Operating Agreement.

**Unit Operator** is the Person designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.

**Unit Participation** is the sum of the interests obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.

**Unitized Substances** are all oil, gas, gaseous substances, sulfur, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

**Working Interest** means an interest in Unitized Substances in the Unit Area by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of a lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of 7/8ths (87.5%) thereof and a Royalty Interest to the extent of the remaining 1/8th (12.5%). A Royalty Interest created out of a Working Interest subsequent to the participation of, subscription to, ratification of, approval by, or consent to this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

**Working Interest Owner** is a Person who owns a Working Interest.

## ARTICLE 2: CREATION AND EFFECT OF UNIT

**Oil and Gas Rights Unitized**. All Royalty Interests and Working Interests in Oil and Gas Rights in and to the lands identified on Exhibits A-1, A-2, and A-3 to the Unit Operating Agreement are hereby unitized insofar as, and only insofar as, the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

**Personal Property Excepted**. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to, and may be removed by, Working Interest Owners with the prior consent of Unit Operator. The rights and interests therein, as among Working Interest Owners, are set forth in the Unit Operating Agreement.

**Operations**. If an order is issued granting Unit Operator the authority to conduct Unit Operations, the operations conducted pursuant to the order of the chief shall constitute a

fulfillment of all the express or implied obligations of each lease or contract covering lands in the unit area to the extent of that compliance with such obligations cannot be had because of the order of the chief

**Continuation of Leases and Term Interests**. Unit Operations conducted upon any part of the Unit Area or production of Unitized Substances from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each portion of each Tract, and such production or operations shall continue in effect each lease or term, mineral or Royalty Interest, as to all Tracts and formations covered or affected by this Unit Agreement just as if such Unit Operations had been conducted and a well had been drilled on and was producing from each portion of each Tract. It is agreed that each lease shall remain in full force and effect from the date of execution hereof until the Effective Date, and thereafter in accordance with its terms and this Agreement.

**Titles Unaffected by Unitization**. Nothing herein shall be construed to result in any transfer of title to Oil and Gas Rights by any Person to any other Person or to Unit Operator.

**Pre-existing Conditions in Unit Area**. Working Interest Owners shall not be liable for or assume any obligation with respect to (i) the restoration or remediation of any condition associated with the Unit Area that existed prior to the Effective Date of this Agreement, or (ii) the removal and/or plugging and abandonment of any wellbore, equipment, fixtures, facilities or other property located in, on or under the Unit Area prior to the Effective Date of this Agreement. Working Interest Owners reserve the right to elect, but shall not have the obligation, to use for injection and/or operational purposes any nonproducing or abandoned wells or dry holes, and any other wells completed in the Unitized Formation.

## ARTICLE 3: UNIT OPERATIONS

**Unit Operator**. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement.

**Unit Expenses**. Except as otherwise provided in the Unit Operating Agreement, Unit Expenses shall be allocated to each Tract in the proportion that the surface acres of each Tract bears to the surface acres of the Unit Area, and shall be paid by the respective Working Interest Owners. Oil and Gas Rights that are free of a lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of 7/8ths (87.5%) thereof and a Royalty Interest to the extent of the remaining 1/8th (12.5%) thereof.

## ARTICLE 4: TRACT PARTICIPATIONS

**Tract Participations**. The Tract Participation of each Tract is identified in Exhibit A-2 and A-3 to the Unit Operating Agreement and shall be determined solely upon an acreage basis as the proportion that the Tract surface acreage bears to the total surface acreage of the Unit Area. The Tract Participation of each Tract has been calculated as follows: SURFACE ACRES IN EACH TRACT DIVIDED BY THE TOTAL SURFACE ACRES WITHIN THE UNIT AREA. The Tract Participations as shown in Exhibit A-2 and A-3 to the Unit Operating Agreement are accepted and approved as being fair and equitable.

## ARTICLE 5: ALLOCATION OF UNITIZED SUBSTANCES

**Allocation of Unitized Substances**. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

**Distribution Within Tracts**. The Unitized Substances allocated to each Tract or portion thereof shall be distributed among, or accounted for to, the Persons entitled to share in the production from such Tract or portion thereof in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or

pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one (1) such well thereon.

## ARTICLE 6: USE OR LOSS OF UNITIZED SUBSTANCES

**Use of Unitized Substances**. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to, the injection thereof into the Unitized Formation.

**Royalty Payments**. No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

## ARTICLE 7: TITLES

**Warranty and Indemnity**. Each Person who, by acceptance of produced Unitized Substances or the proceeds from a sale thereof, may claim to own a Working Interest or Royalty Interest in and to any Tract or in the Unitized Substances allocated thereto, shall be deemed to have warranted its title to such interest, and, upon receipt of the Unitized Substances or the proceeds from a sale thereof to the credit of such interest, shall indemnify and hold harmless all other Persons in interest from any loss due to failure, in whole or in part, of its title to any such interest.

**Production Where Title is in Dispute**. If the title or right of any Person claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners may: Require that the Person to whom such Unitized Substances are delivered or to whom the proceeds from a sale thereof are paid furnish security for the proper accounting therefor to the rightful owner or owners if the title or right of such Person fails in whole or in part; or withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and hold the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so held shall be paid to the Person rightfully entitled thereto.

**Transfer of Title.** Any conveyance of all or any part of any interest owned by any Person hereto with respect to any Tract shall be made expressly subject to this Agreement. No change of title shall be binding upon Unit Operator, or upon any Person hereto other than the Person so transferring, until 7:00 a.m. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change in ownership.

## ARTICLE 8: EASEMENTS, GRANTS, OR USE OF SURFACE

**Grant of Easements**. Subject to the terms and conditions of the various leases, Unit Operator shall have the right of ingress and egress along with the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

**Use of Water**. Subject to the terms and conditions of the various leases, Unit Operator shall have and is hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner. Unit Operator may convert dry or abandoned wells in the Unit Area for use as water supply or disposal wells.

**Surface Damages**. Subject to the terms and conditions of the various leases, Working Interest Owners shall reimburse the owner for the market value prevailing in the area of growing crops, livestock, timber, fences, improvements, and structures on the Unit Area that are destroyed or damaged as a result of Unit Operations.

**Unitized Property**. Notwithstanding anything in this Article 8 to the contrary, and except where otherwise authorized by the Division, there shall be no Unit Operations conducted on the surface of any property located within the Brown #9 Unit, and there shall be no right of ingress and egress over and no right to use the surface waters of any surface lands located within the Brown #9 Unit, owned by an interest owner identified in Exhibit A-3 to the Unit Operating Agreement.

## ARTICLE 9: CHANGE OF TITLE

**Covenant Running with the Land**. This Agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interests conveyed hereby.

**Waiver of Rights of Partition**. Each party to this Agreement understands and acknowledges, and is hereby deemed to covenant and agree, that during the term of this Agreement it will not resort to any action to, and shall not, partition Oil and Gas Rights, the Unit Area, the Unitized Formation, the Unitized Substances or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

## ARTICLE 10: RELATIONSHIPS OF PERSONS

**No Partnership**. All duties, obligations, and liabilities arising hereunder shall be several and not joint or collective. This Agreement is not intended to and shall not be construed to create an association or trust, or to impose a partnership or fiduciary duty, obligation, or liability. Each Person affected hereby shall be individually responsible for its own obligations.

**No Joint or Cooperative Refining, Sale or Marketing**. This Agreement is not intended and shall not be construed to provide, directly or indirectly, for any joint or cooperative refining, sale or marketing of Unitized Substances.

## ARTICLE 11: EFFECTIVE DATE

**Effective Date**. This Agreement shall become effective, and operations may commence hereunder, as of the date of an effective order approving this unit by the Division in accordance with the provisions of Ohio Revised Code Section 1509.28; provided, however, that Working Interest Owners may terminate this Agreement in the event of a material modification by the Division of all or any part of this Agreement or the Unit Operating Agreement in such order by filing a notice of termination with the Division within thirty (30) days of such order becoming final and no longer subject to further appeal. In the event a dispute arises or exists with respect to this Agreement, the Unit Operating Agreement, or the order approving this unit issued by the Division, Unit Operator may, in its sole discretion, hold the revenues from the sale of Unitized Substances until such time as such dispute is resolved or, in the Unit Operator's opinion, it is appropriate to distribute such revenues.

**Certificate of Effectiveness**. Unit Operator shall file with the Division and for record in the county or counties in which the land affected is located a certificate stating the Effective Date.

## ARTICLE 12: TERM

**Term**. This Agreement, unless sooner terminated in the manner hereinafter provided, shall remain in effect for five (5) years from the Effective Date and as long thereafter as Unitized Substances are produced, or are capable of being produced, in paying quantities from the Unit Area without a cessation of more than ninety (90) consecutive days, or so long as other Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners owning a combined Unit Participation of fifty-one percent (51%) or more whenever such Working Interest Owners determine that Unit Operations are no longer warranted. The date of any termination hereunder shall be known as the "Termination Date."

**Effect of Termination**. Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall cease. Each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for one hundred eighty (180) days after the date on which this Agreement terminates, and for such further period as is provided by the lease or other agreement. The relationships among owners of Oil and Gas Rights shall thereafter be governed by the terms and provisions of the leases and other instruments, not including this Agreement, affecting the separate Tracts.

**Certificate of Termination**. Upon termination of this Agreement, Unit Operator shall file with the Division and for record in the county or counties in which the land affected is located a certificate stating that this Agreement has terminated and the Termination Date.

**Salvaging Equipment Upon Termination**. If not otherwise granted by the leases or other instruments affecting the separate Tracts, Working Interest Owners shall have a period of six (6) months after the Termination Date within which to salvage and remove Unit Equipment.

## ARTICLE 13: APPROVAL

**Original, Counterpart, or Other Instrument**. An owner of Oil and Gas Rights or its agent may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.

**Commitment of Interests to Unit**. The approval of this Agreement by a Person or their agent shall bind that Person and commit all interests owned or controlled by that Person as of the date of such approval, and additional interests thereafter acquired.

**Joinder in Dual Capacity**. Execution as herein provided by any Person, as either Working Interest Owner or a Royalty Owner, shall commit all interests owned or controlled by such Person as of the date of such execution and any additional interest thereafter acquired.

## ARTICLE 14: MISCELLANEOUS

**Determinations by Working Interest Owners**. All decisions, determinations, or approvals by Working Interest Owners hereunder shall be made pursuant to the voting procedure of the Unit Operating Agreement unless otherwise provided herein.

**Severability of Provisions**. The provisions of this Agreement are severable and if any section, sentence, clause or part thereof is held to be invalid for any reason, such invalidity shall not be construed to affect the validity of the remaining provisions of this Agreement.

**Laws and Regulations.** This Agreement shall be governed by and subject to the laws of the State of Ohio, to the valid rules, regulations, orders and permits of the Division, and to all other applicable federal, state, and municipal laws, rules, regulations, orders, and ordinances. Any change of the Unit Area or any amendment to this Agreement or the Unit Operating Agreement shall be in accordance with Ohio law.

Submitted by:

GULFPORT ENERGY CORPORATION

By: _____

Samuel D. Allen, CPL – Senior Landman
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**A.A.P.L. FORM 610-1982**

# MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

**March 1** , **2014** ,
*year*

OPERATOR **Gulfport Energy Corporation**

CONTRACT AREA **Brown #9 Unit, as depicted in Exhibit "A"**

COUNTY OR PARISH OF **Belmont & Noble** STATE OF **Ohio**

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# OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between **Gulfport Energy Corporation** _____, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein 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 "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and 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.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" / **or "Unit"** shall mean a ll of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A"~~,~~ **and Exhibit "A-1."**

E. 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 or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

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

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

**I. The term "lateral" shall mean that portion of the well bore that deviates from approximate vertical orientation to approximate horizontal orientation and all well bore beyond such deviation to total depth.**

**J. The term "horizontal well" shall mean a well drilled, completed or recompleted in a manner in which the horizontal component of the completion interval in the objective formation(s) exceeds the vertical component thereof and which horizontal component exceeds a minimum of one hundred feet (100') in the objective formation(s).**

**K. The term "multi-lateral well" shall mean a well which contains more than one lateral and in which the well bores deviate from approximate vertical orientation to approximate horizontal orientation in order to drill within and test a specific geological interval, utilizing deviation equipment, services, and technology. This shall include similar operations conducted in the reentry of an existing well bore.**

**L. The term "total depth", applied to all multi-lateral or horizontal wells drilled pursuant to this agreement, shall mean the distance from the surface of the ground to the terminus of the well bore. Each lateral taken together with the common vertical well bore shall be considered a single well bore and shall have a corresponding total depth. When the proposed operation(s) is the drilling of, or operations on, a well containing a lateral component, the term "depth" wherever used in the agreement shall be deemed to read "total measured depth" insofar as it applies to such well.**

**M. The term "deepen" when used in conjunction with a multi-lateral or horizontal well shall mean an operation whereby a lateral is drilled to a distance greater than the distance set out in the well proposal approved by the participating parties.**

**N. For the purposes of this agreement, as to a horizontal or multi-lateral well, the term "plug back" shall mean an operation to test or complete the well at a stratigraphically shallower geological horizon in which the operation has been or is being completed and which is not within an existing lateral.**

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

## ARTICLE II.
## EXHIBITS

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

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to this agreement,
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

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

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

☒ G. Exhibit "G", ~~Tax Partnership~~. Notice of Operating Agreement and Financing Statement

If any provision of any exhibit, except Exhibits "E" 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 / or acquires 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 the royalty interest reserved in such lease and the interest of the lessee thereunder~~.~~, subject to Article XV.N of this Agreement.

**B. Interests of Parties in Costs and Production:**

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties / as required pursuant to the Oil and Gas Leases and Oil and Gas Interests subject to this agreement. ~~to the extent of _____ which shall be borne as hereinafter set forth.~~

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and / Operator shall pay or deliver, or cause to be paid or delivered, / on behalf of the joint account ~~to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if any such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.~~

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

~~**C. Excess Royalties, Overriding Royalties and Other Payments:**~~

~~Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.~~

**D. Subsequently Created Interests:**

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties / or does not appear of record in the records of the county in which the Contract Area is located as of the execution of this agreement (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. 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 and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,

2. 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.

## ARTICLE IV.
## TITLES

**A. Title Examination:**

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit / ~~around~~ and through which will be drilled such well /. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, 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 party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ ~~Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

**ARTICLE IV**
**continued**

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and ~~fees paid outside attorneys~~ for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". ~~Operator shall make no charge for~~ All services rendered by its staff attorneys or other personnel in the performance of the above functions ~~.~~ **shall be billed at rates that are not greater than those charged by independent third parties providing such services. Also see Article XV.D.3.**

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing. **Costs incurred by Operator in procuring spacing and pooling orders including fees paid to outside attorneys shall be borne by the Drilling Parties. Also see Article XV.D.1.**

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

**B. Loss of Title:**

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests: and,

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore 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 interest which has been lost, but the interests of the parties 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 interest lost;

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

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

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

~~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, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease 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. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;~~

~~(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interest; and,~~

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

3. Other Losses: All losses incurred, 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. There shall be no readjustment of interests in the remaining portion of the Contract Area.

## ARTICLE V.
## OPERATOR

**A. Designation and Responsibilities of Operator:**

Gulfport Energy Corporation shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

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

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any **affiliate,** ~~single~~ subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

**C. Employees:**

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

**D. Drilling Contracts:**

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling 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.

## ARTICLE VI.
## DRILLING AND DEVELOPMENT

**A. Initial Well:**

On or before the 1st day of October, 2014, Operator shall commence the drilling of a well for oil and gas at the following location:

Operator anticipates the drilling of the initial well within one (1) year off the effective date of unitization order issued by division.

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

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

**ARTICLE VI**
**continued**

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

**The Operator may propose the drilling of an Initial Well. Each Initial Well proposal shall be in writing and shall contain, at a minimum, the following: (i) the proposed location of the Initial Well, including the proposed surface and bottom hole location; (ii) the AFE setting forth the estimated cost to drill and complete the Initial Well; (iii) the proposed total depth and the drilling program/prognosis for same if available; (iv) the configuration of the proposed Contract Area (as hereinafter defined) for such Initial Well; and an executed JOA for the Initial Well being proposed covering the Contract Area for said well. A Party receiving an Initial Well proposal shall have a response period of thirty (30) days after receipt of the proposal within which to notify the Operator whether they elect to participate in the cost of the Initial Well. A party failing to respond to an Initial Well proposal made pursuant to this provision within the thirty (30) day response period shall be deemed a Non-Consenting Party and shall be subject to the following:**

**In the event a Party elects not to participate (a Non-Consenting Party) in the Initial Well proposed in the Contract Area pursuant to Article VI.A., upon the timely commencement of actual drilling operations on such Well, such Non-Consenting Party shall be deemed to have relinquished to the 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 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 production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following: (a) 300% of 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 300% of such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that such Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and (b) 300% of that portion of the costs and expenses of drilling, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300% of that portion of the cost of newly acquired equipment in the well (to and including wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.**

**B. Subsequent Operations:**

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday, and legal holidays. Failure of a 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 proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such a proposed operation, Operator shall, within ~~ninety (90)~~ **one hundred twenty (120)** days after expiration of the notice period of thirty (30) days (or as promptly as possible 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 at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

**Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a party's election or deemed election.**

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.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, within ~~ninety (90)~~ **one hundred twenty (120)** days after the expiration of the notice period of thirty (30) days (or as promptly as possible 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: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting 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

**ARTICLE VI**
**continued**

(exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

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, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, ***The Consenting Parties shall bear proportionately the well costs attributed to any unleased or uncommitted owners in the Contract Area.**
and the well shall then be turned over to Operator 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, 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 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 production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) **200** % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and **200** % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the 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 account. Any such reworking 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 / ~~one~~ **two** hundred percent (/~~100%~~ **200%**) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking 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.

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 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.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing 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, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) 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, deepening, plugging back, testing, completing, and equipping the well for production; or, at its

**ARTICLE VI**
**continued**

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 **on the first day of the month following the month of payout** /, 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, reworking, deepening 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 the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply 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 source of supply.

~~The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well after if has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to produce in paying quantities.~~

3. Stand-By Time: 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, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well 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., 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.

4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore 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 the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand by 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. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

**Also see Article XV.I.**

**ARTICLE VI**
**continued**

**C. TAKING PRODUCTION IN KIND:**

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

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

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil **and/or gas** / produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil **and/or gas** / or sell it to others at any time and from time to time, for the account of the non-taking party at the best price / ~~obtainable in the area for~~ **received from the sale of** such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil **and/or gas** / not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil **and/or gas** / shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

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

**D. Access to Contract Area and Information:**

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, **and actual monthly oil and gas production and sales volumes** / ~~tank tables, daily gauge and run tickets and reports of stock on hand at the first of~~ each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the Information. **Non-consenting parties shall be denied access to the well location and well information during the non-consent period.**

**E. Abandonment of Wells:**

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt 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 shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties **who participated in the cost of drilling the well** /. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt 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 interval(s) of the formation(s) then open to production 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. / **Failure of a party to make written election within thirty (30) days will be deemed to be a consent to the abandonment of the well.** Each abandoning party shall assign 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 well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations 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 interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

**ARTICLE VI**
**continued**

"B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion 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 interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. ~~Upon re-~~ **At the election of the Non-Operators,** ~~quest,~~ / 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 interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

## 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. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

**B. Liens and Payment Defaults:**

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) 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. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

**C. Payments and Accounting:**

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.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made 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. Limitation of Expenditures:**

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

**ARTICLE VII**
**continued**

☒ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

**See Article XV.G.**

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. 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. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

**See Article XV.G.**

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking 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.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **Fifty Thousand** Dollars ($**50,000.00**) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **Fifty Thousand** Dollars ($**50,000.00**) but less than the amount first set forth above in this paragraph. **An AFE is an estimate only of costs and in no way shall the execution of an AFE limit the liability of any party.**

**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.~~ **IV.B.3.**

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well **drilled hereunder** /, or the shutting in or return to production of a producing gas well **drilled hereunder** /, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment **attributable to a well drilled hereunder** / 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 leasehold estate 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 leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

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

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

**ARTICLE VII**
**continued**

**G. Insurance:**

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; 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 to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's 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 public 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 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, no consent shall be necessary to release a lease which has expired or otherwise terminated or if release is required by law or order of notice of violation from the regulatory agency having jurisdiction, and notice of such release shall be provided to the other parties.**

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced **in commercial quantities** from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material 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. 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.

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.

**B. Renewal or Extension of Leases:**

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

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

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; 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 lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of oil and gas leases.

**C. Acreage or Cash Contributions:**

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

**ARTICLE VIII**
**continued**

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

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

**D. Maintenance of Uniform Interests:**

~~For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all leases and equipment and production; or~~

~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

Every ~~such~~ sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by ~~four~~ **two** or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.
**Also see Article XV.E.**

**E. Waiver of Rights to Partition:**

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

~~**F. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

**ARTICLE IX.**
**INTERNAL REVENUE CODE ELECTION**

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, 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 Federal Regulations 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 Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

## ARTICLE X.
## CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed **Fifty Thousand** Dollars ($ **50,000.00** ) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

## ARTICLE XI.
## FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspending during, but no longer than, the continuance of the force majeure. 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.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, 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.

## ARTICLE XII.
## NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. 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.

## 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 production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of **90** days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to 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 producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within **90** days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

## ARTICLE XIV.
## COMPLIANCE WITH LAWS AND REGULATIONS

**A. Laws, Regulations and Orders:**

This agreement shall be subject to the conservation 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 operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or 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.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

## ARTICLE XV.
## OTHER PROVISIONS

**A. Conflicts:**

**Notwithstanding anything herein contained to the contrary, it is understood and agreed that if there is any conflict between any part of or all of the terms and provisions of Article XV and any other terms and provisions of this agreement, the terms and provisions of this Article XV shall prevail and control.**

**B. Priority of Operations:**

**If at any time there is more than one operation proposed in connection with any well subject to this agreement and if the Consenting Parties do not agree on the sequence of proposed operations, such proposed operations shall be conducted in the following sequence:**

| | |
|---|---|
| **First** | **-testing, coring or logging** |
| **Second** | **-completion attempts without plugging back in ascending order from deepest to shallowest depths;** |
| **Third** | **-sidetracking in the order of least deviation from the original bottomhole location to the greatest deviation;** |
| **Fourth** | **-deepening of a well below the authorized depth in descending order from shallowest to deepest depths;** |
| **Fifth** | **plugging back and completion attempts in ascending order from deepest to shallowest depths.** |

**C. Netting and Setoff:**

**Except for any payments related to charges on any joint interest billing that a Non-Operator has disputed in good faith, in the event that Non-Operator does not remit payment for any operating costs or charges assessable to Non-Operators and permitted under this Operating Agreement within forty five (45) days after the date payment is due, Operator is authorized to deduct such costs or charges, and to remit to such Non-Operators their respective net share of any proceeds attributable to the interest of such Non-Operators being received directly from any purchasers of production from the Contract Area. The foregoing provisions shall not diminish Operator's lien rights contained within this agreement.**

**ARTICLE XV**
**continued**

**D. Miscellaneous Costs:**

**The following expenses shall be a direct charge, borne by the Joint Account as provided in Exhibit "C", and shall not be included as administrative overhead as set forth in Part III of Exhibit "C":**

**1. All reasonable costs incurred by Operator, and necessary in its sole judgment, in obtaining spacing, pooling or other orders or rulings from state regulatory bodies or courts regarding the Contract Area.**

**2. All reasonable costs incurred by Operator in complying with the Natural Gas Policy Act of 1978, or in complying with federal, state or local law for the obtaining and monitoring of any well classifications required in the Natural Gas Policy Act of 1978; or in complying with any laws administered by, or any rules or regulations promulgated by, through, or under the United States Department of Energy regarding the Contract Area.**

**3. The reasonable costs of Operator's in-house abstracting and title examination employees billed as Direct Charges, Labor, under the attached Exhibit "C", Accounting Procedure, Joint Operations, provided such services are comparable in price and quality to third party providers.**

**E. Multiple Billing:**

**In no event shall Operator be required to make more than three billings for the entire interest credited to each Non-operator on Exhibit "A". If any Non-Operator to this agreement disposes of any part or all of the interest credited to it on Exhibit "A", hereinafter referred to as "Selling Party", such Selling Party shall be solely responsible for billing its assignee or assignees and shall remain primarily liable to the other Parties for the interest or interests assigned until such time as Selling Party has 1) designated and qualified the assignees to receive the billing for its interest, 2) designated assignees have been approved and accepted by Operator, and 3) has furnished to Operator written notice of the conveyance and photocopy of the recorded assignments by which the transfer is made. The sale or other disposition of any interest in the leases covered by this agreement shall be made specifically subject to the provisions of this Article. Operator's approval will not be unreasonably withheld.**

**F. Prepayment of Costs and Expenses:**

**Notwithstanding any other provisions of this agreement, and without prejudice to any other rights of the Operator, when under an approved AFE an operation, on any well within the Contract Area is proposed under the terms hereof, where the cost of such an operation is reasonably expected to be in excess of $50,000.00, Operator will have the right to request and receive from each Non-Operator payment in advance, as provided in this Article XV.F below, of its respective share of (i) the costs of any well to be drilled hereunder to which such Non-Operator has consented, and (ii) the cost of any completion, reworking, recompletion, sidetracking, deepening, plugging back operation or any other operation hereunder to which such Non-Operator has consented (any such operation under clause (i) or (ii) being herein called a "Drilling Operation"). Such request for advance payment may be made on all Non-Operators in writing and may be either mailed, hand-delivered or transmitted by facsimile machine.**

**Any request by Operator for an advanced payment of a Drilling Operation shall be made no sooner than thirty (30) days prior to such time as Operator in good faith reasonably expects to actually commence such Drilling Operation. A Non-Operator consenting to such operation and receiving a request for advance payment will within thirty (30) days of the receipt of such written request, pay to Operator in cash the full amount of such request. Operator will credit the amount to the Non-Operator's account for the payment of such Non-Operator's share of costs of such Drilling Operation and, following the end of each month, Operator will charge such account with such Non-Operator's share of actual costs incurred during such month.**

**In the event that a Drilling Operation is not conducted within the one hundred twenty (120) day time period, (or as extended), all as provided in Article VI.B.1, Operator shall immediately refund to Non-Operator any advanced payment made by Non-Operator, it being understood that such refund shall be made no later than thirty (30) days after the expiration of said applicable period. Payment of an advance will not relieve a Non-Operator of the obligation to pay such Non-Operator's share of the actual cost of a Drilling Operation and, when the actual costs have been determined, Operator will adjust the accounts of the parties by refunding any net amounts due or invoicing the parties for additional sums owing, which additional sums shall be paid in accordance with the Accounting Procedure.**

**In the event a Non-Operator to which a request for advance payment was made does not, within the time and manner above provided and after five (5) days written notice of non-payment to such Non-Operator, fully satisfy the request for advance payment as provided in this Paragraph G, then Operator may, in the Operator's sole discretion at any time prior to actual payment, exercise any one or more of the following rights and remedies: (a) if the advance was requested for any Drilling Operation, Operator may notify such Non-Operator that such Non-Operator is deemed to have relinquished its interest in the well to which the Drilling Operation relates and to have elected to go non-consent on such Drilling Operation under Article VI.B.2; or (b) exercise any and all other rights and remedies available to the Operator under this agreement and applicable law. Each of the parties to this agreement hereby agrees to execute and deliver to the other parties hereto any and all documents, agreements and acknowledgments necessary to evidence any actions taken by the Operator pursuant to the provisions of this Paragraph F. All remedies herein provided are cumulative and not alternative, and no failure to exercise or delay in exercising any such right will operate as a waiver thereof.**

**G. Horizontal Wells:**

**1. Notwithstanding anything contained herein to the contrary, (i) the provisions of Article VII.D.1 Option No. 1 shall apply to any "horizontal well" (hereinafter defined) proposed hereunder, and (ii) the provisions of Article VII.D.1. Option No. 2 shall apply to all other wells proposed hereunder that are not expressly proposed as "horizontal wells". To be effective as a "horizontal well proposal", such proposal must include an AFE, the corresponding Unit and Contract Area size and dimensions within which the well will be drilled, and other accompanying documents that clearly stipulate that the well being proposed is a horizontal well. As to any possible conflicts that may arise during the completion phase of a horizontal well, priority shall be given first to a lateral drain hole of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth.**

**2. Operator shall have the right to cease drilling a horizontal well at any time, for any reason, and such horizontal well shall be deemed to have reached its objective depth so long as Operator has drilled such horizontal well to the objective formation and has drilled laterally in the objective formation for a distance which is at least equal to fifty percent (50%) of the length of the total horizontal drainhole displacement (displacement from true vertical) proposed for the operation.**

**ARTICLE XV**
**continued**

**H. Deeper Drilling:**

**In the event any Consenting Party desires to drill or deepen a Non-Consent well to a depth below the initial proposed objective formation or interval, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties except any Non-Consenting Party that declined to participate in an Initial Well Proposal which caused it to forfeit its lease rights to such deeper objective formation or interval within the proposed Unit or Contract Area). Thereupon, Article VI.B. shall apply and all parties receiving such notice shall have the right to participate or not participate in the drilling or deepening of such well pursuant to said Article VI.B. In the event, however, any Non-Consenting Party elects to participate in the deeper drilling operation, such Non-Consenting Party shall pay or make reimbursement (as the case may be) of the following costs and expenses:**

**1. If the proposal to drill deeper is made prior to the completion or proposed completion of such Non-Consent well as a dry hole or prior to completion of such well as a commercial well, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in drilling said well from the surface to total depth, as deepened or proposed to be deepened, which Non-Consenting Party would have paid if said well had initially been proposed to be drilled to said depth and Non-Consenting Party had agreed to participate therein; 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 drill deeper than the Initial Proposed Objective shall be for the sole account of Consenting Parties; and**

**2. If the proposal is made for a Non-Consent well that has been previously completed as a commercial well but is no longer producing in paying quantities, such Non-Consenting Party shall, in addition to paying all costs of re-entering said well and deepening the same below its total depth, also reimburse Consenting Parties for the proportional share of the Non-Consenting Parties share of the actual part of any unrecovered costs to drill, complete and equip such well.**

**The foregoing shall not imply a right of any Consenting Party to propose any deeper drilling operation for a Non-Consent well prior to completion of the drilling of such well to casing point for its Initial Proposed Objective without the consent of all other Consenting Parties.**

**The provisions of this Article XV.H. shall not apply to the takeover of a well by Non-Consenting Parties in the event all Consenting Parties elect to permanently plug and abandon the same, but such right of Non-Consenting Parties shall be governed by Article VI.E.3.**

**I. Sidetracking:**

**Notwithstanding the provisions of Article VI.B(4), "Sidetracking", such paragraph shall not be applicable to operations in the lateral portion of a horizontal or multi-lateral well. Drilling operations which are intended to recover penetration of the target interval which are conducted in a horizontal or multi-lateral well shall be considered as included in the original proposed drilling operations.**

**J. Further Assurances:**

**In connection with this agreement, the parties agree to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out, and perform all the terms, provisions and conditions of this agreement. Without limiting the generality of the foregoing, the parties agree to execute and deliver to Operator one or more Memoranda of Agreement in the form of Exhibit "F" in recordable form, giving notice of the existence of this Operating Agreement, which Operator shall cause to be recorded in the county or counties in which any portion of the Contract Area is located.**

**K. Covenants Running with the Land:**

**The terms, provisions, covenants and conditions of this agreement shall be deemed to be covenants running with the lands, the lease or leases and leasehold estate covered hereby, and all of the terms, provisions, covenants and conditions of this agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns.**

**L. Headings:**

**All headings in this agreement are for reference purposes only and have no binding effect on the terms, conditions or provisions of this agreement.**

**M. Non-Participation in a Completion Election Proposal for a Vertical Well:**

**The parties agree that to the extent a party participates in the drilling of a vertical well proposed as an Initial Well under Article VI.A, and such party makes a non-consent election as to the completion proposed under Article VII.D.2, the non-consenting party shall be subject to the provisions of non-consent penalties as set forth in Article VI.B.2 with respect to that well for all costs incurred thereafter. Such non-consent election shall not act to cause a forfeiture of leasehold rights within the proposed unit of the Initial Well.**

**N. Indemnity for Access to Contract Area:**

**Each Non-Operator shall indemnify and hold Operator harmless against any and all liability in excess of insurance coverage carried for the joint account for injury to each such Non-Operator's officers, employees and/or agents resulting from and in any way relating to such officers, employees, and/or agents presence on the Contract Area. The Non-Operators indemnity to Operator shall also apply to any other person whose presence on the Contract Area is at the insistence of such Non-Operator.**

**O. Limited Area of Mutual Interest:**

**1. If any leases are acquired within the Contract Area by any party hereto after the execution of this Agreement ("Acquiring Party"), the other parties to this Agreement (each "Non-Acquiring Party) agree to participate in the acquisition of the leases by paying the Acquiring Party the actual acreage acquisition costs including lease bonus and brokerage fees, as such costs are proportionately reduced to reflect such Non-Acquiring Party's working interest set forth on Exhibit "A," subject to the provisions of Paragraph 2 below. Should a party fail to timely pay its proportionate share of such costs, then Operator may exercise its rights under Article XV.C to account for such unpaid costs.**

**ARTICLE XV**
**continued**

**2. Any leases acquired within the Contract Area by the parties hereto after the execution of this Agreement must be taken at reasonable market rates, which shall not exceed an acquisition cost of $7,500.00 per net mineral acre (inclusive of lease bonus paid to the landowner and brokerage costs incurred through acquisition) and a royalty burden of 20%. The Acquiring Party shall deliver the lease free of any overriding royalty burdens created by the acquiring party.**

**If any party acquires an oil and gas interest within the Contract Area after the execution of this Agreement, then such interest shall be deemed to be leased as provided in Article III. Notwithstanding the terms of Article III, all of the parties to this Agreement shall be treated as lessees of such interest under the terms of the oil and gas lease attached as Exhibit "B," in the percentages set forth on Exhibit "A," and the Non-Acquiring Parties agree to participation in the acquisition of such oil and gas interest by paying the Acquiring Party a deemed bonus per acre of $7,500.00 per net mineral acre, proportionately reduced to reflect such Non-Acquiring Party's working interest set forth on Exhibit "A." Should a party fail to timely pay its proportionate share of such costs, then Operator may exercise its rights under Paragraph C of this Article to account for such unpaid costs.**

**Should an Acquiring Party desire to acquire a lease at a bonus price or royalty that exceeds that as described above ("Excess Cap Lease"), then it shall give the Non-Acquiring Party written notice of the proposed lease specifying the bonus price, royalty burden, acreage amount, legal description, and other material provisions to the proposed lease. The Non-Acquiring Parties shall have thirty (30) days after receipt of the notice within which to notify the Acquiring Party whether they elect to participate in the cost of the proposed lease. Failure of a Non-Acquiring Party to reply within the time period above shall constitute an election to not participate in the cost and ownership of the Excess Cap Lease.**

**In the event a party elects not to participate ("Non-Consenting Lease Party") in the proposed Excess Cap Lease, such Non-Consenting Lease Party shall not acquire an interest in the Excess Cap Lease. If some, but less than all, of the parties elect to participate in the purchase of an Excess Cap Lease, the Excess Cap Lease shall be owned by the Consenting Lease Parties in proportion to their respective interests as shown on Exhibit "A" plus their proportionate share of the interests that would have been attributable to the Non-Consenting Lease Parties had they elected to participate in same and the payment obligation for such lease shall be adjusted to conform to this allocation. The respective interests of the Consenting Lease Parties and Non-Consenting Lease Parties as set forth on Exhibit "A" shall be recalculated after all elections have been made (or deemed to have been made), such that each parties' respective working interest in the Contract Area may be adjusted (upward or downward) for any future subsequent operations (as described in VI.B.) conducted in the Contract Area. Such calculation shall be based upon a percentage determined by dividing the number of each party's net acreage ownership in the Contract Area (inclusive of any new lease or Excess Cap Lease) by the total number of net acres owned by all parties to this agreement within the Contract Area.**

**Any change in working interest resulting from acquisitions of leases pursuant to this provision shall affect only the working interests of the parties in wells that are proposed subsequent to the time such acquisition and the Non-Acquiring party has made or deemed to have made its election. A party's working interest in a well shall be considered established when it receives a valid proposal and makes a formal election in the well, but shall be subject to change due to title failure, scrivener or typographical errors, omissions, unit revisions due to deed or tract size discrepancies, and/or 3rd party elections. Notwithstanding the foregoing, if any pending lease is identified in the well's proposal letter, the Non-Acquiring party's working interest shall reflect the working interests of the parties as if the Non-Acquiring Party will elect to acquire its proportionate share of the pending lease, but such party's working interest shall be subject to reduction in the event non-acquiring party should elect not to participate in the acquisition of the pending lease(in the case of an Excess Cap Lease where an election is allowed).**

**A party that elects not to participate in the acquisition of lease or an oil and gas interest within the Contract Area pursuant to this Paragraph O. shall nonetheless agree to timely execute any necessary amendment to a unit declaration and this JOA to allow such lease or oil and gas interest to be included in an existing unit and Contract Area.**

**Any subsequently acquired oil and gas interest shall proportionately burden all parties as to wells then in existence to the extent of any reduced unit net revenue interest resulting from the inclusion of such oil and gas interest in the Contract Area, whether or not a party elects to participate in the acquisition of oil and gas interest.**

**This provision shall not apply to extensions and renewals of leases, the treatment of which, shall be in accordance with Article VIII.B. of this agreement.**

**P. Voting by the parties:**

**Unless otherwise provided for herein, each party to this agreement shall have a voting interest equal to its Unit participation. All decisions, determinations, consents or approvals of the parties, unless otherwise provided for herein or in the Unit Agreement Attached hereto, shall be made by the affirmative vote of one or more parties having a combined voting interest of at least fifty-one Percent (51%).**

**[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]**

**[SIGNATURE BLOCKS ON PAGE 18]**

**ARTICLE XVI.**
**MISCELLANEOUS**

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

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

IN WITNESS WHEREOF, this agreement shall be effective as of 1st day of March, (year) 2014.

**Gulfport Energy Corporation**, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than / **as shown by strikethrough and/or bold type,** ~~those in Articles~~ _____, have been made to the form.

OPERATOR

GULFPORT ENERGY CORPORATION

_____ By: _____

_____ Michael Moore
Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATORS

**EXHIBIT "A"**

Attached to and made a part of that certain Unit Operating Agreement
dated March 1, 2014, as approved by the
Ohio Department of Natural Resources for the Brown #9 Unit

1. **Description of lands subject to this Agreement:**

The Contract Area is the Unit shown on Exhibit "A-1" attached hereto.

2. **Restrictions, if any, as to depths, formations or substances:**

This Agreement shall cover the Unit Area from fifty feet above the top of the Utica Shale formation to fifty feet below the base of the Point Pleasant (as more particularly defined in Article 1 of the Unit Agreement).

3. **Parties to agreement with addresses for notice purposes:**

Gulfport Energy Corporation
14313 N. May Ave., Suite 100
Oklahoma City, Oklahoma 73134
Attention: Bill Eischeid, Land Manager

The names and addresses of the remaining parties set forth in Exhibit "A-3" attached hereto.

4. **Percentages or fractional interests of parties to this agreement:**

| **OPERATOR** | **Working Interest** |
|---|---|
| Gulfport Energy Corporation | 98.00001%* |
| **NON OPERATOR** | |
| Unitized Parties | 1.999998%* |
| **TOTAL:** | **100.000000%** |

5. **Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement:**

See Exhibit "A-2"

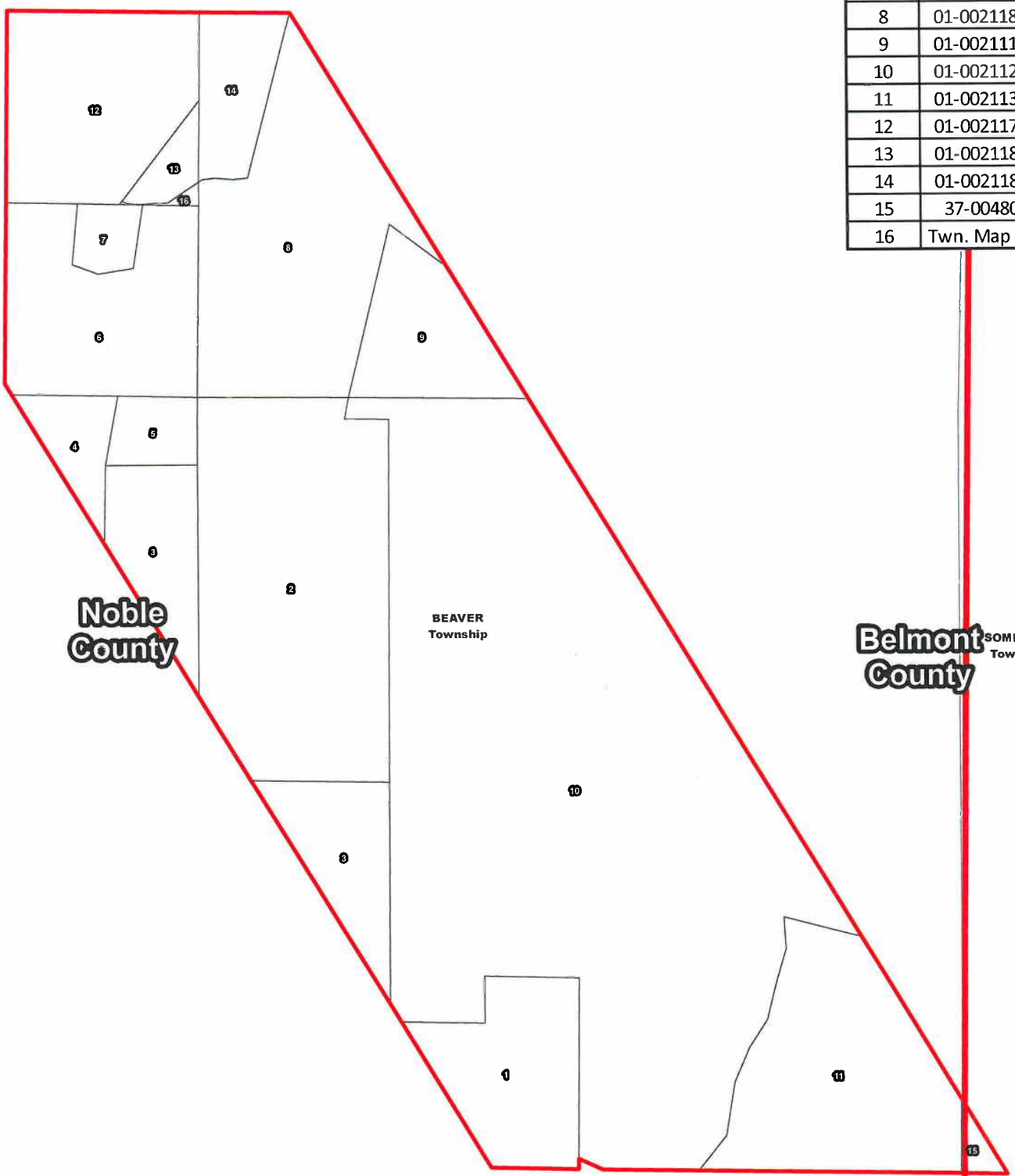
*It is understood by the Parties that the working interests listed above are estimates and are subject to change based upon the verification of title, additional leasehold acquired within the Contract Area, and/or the participation or non-participation of unleased mineral interests and/or third parties. The Parties' interests shall be adjusted to reflect the actual interest owned by the Parties in the Contract Area.

**End of Exhibit "A"**

# EXHIBIT "A-1"

## GULFPORT ENERGY CORPORATION
## BROWN #9 UNIT
## NOBLE COUNTY, OHIO
## 618.856 ACRES

| MAP ID | PARCEL NUMBER |
|---|---|
| 1 | 01-0021148.000 |
| 2 | 01-0021162.000 |
| 3 | 01-0021161.000 |
| 4 | 01-0021178.000 |
| 5 | 01-0021176.000 |
| 6 | 01-0021175.000 |
| 7 | 01-0021175.001 |
| 8 | 01-0021180.000 |
| 9 | 01-0021115.000 |
| 10 | 01-0021122.000 |
| 11 | 01-0021132.000 |
| 12 | 01-0021174.000 |
| 13 | 01-0021181.000 |
| 14 | 01-0021180.001 |
| 15 | 37-00480.000 |
| 16 | Twn. Map No. 12 |




UNIT BOUNDARY - 618.856 ACRES

BROWN #9
BEAVER TOWNSHIP NOBLE COUNTY, OHIO
SOMERSET TOWNSHIP BELMONT COUNTY, OHIO

GULFPORT ENERGY CORPORATION

N

0 2,160
Feet

**Exhibit "A-2"**

**Leases Within the Contract Area**

**Attached to and made a part of that certain Unit Operating Agreement dated March 1, 2014 as approved by the Ohio Department of Natural Resources for the Brown #9 Unit**

| TRACT NUMBER | GULFPORT LEASE ID | LESSOR/OWNER | LEASED YES/NO | SURFACE ACRES IN UNIT | TRACT PARTICIPATION | TAX MAP PARCEL ID NUMBERS | TOWNSHIP | COUNTY | STATE | GULFPORT WORKING INTEREST (NET ACRES) | UNIT PARTICIPATION | ADDRESS | CITY | STATE | ZIP CODE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 5439 | Meno A. & Marie A. Byler | Yes | 26.455 | 0.04274823 | 01-0021148.000 | Beaver | Noble | OH | 26.455 | 4.275% | 220 Byler Ln | Curwensville | PA | 16833 |
| 2 | 5760 | Ralph W. Talmage, Trustee of the Ralph W. Talmage Trust dated January 24, 2003 | Yes | 78.551 | 0.12692937 | 01-0021162.000 | Beaver | Noble | OH | 58.913 | 9.520% | 1291 Arlington Avenue | Columbus | OH | 43212 |
| 2 | 5760 | David E. Haid, Trustees of the David E. Haid Trust dated December 19, 2011 | Yes | | 0.00000000 | 01-0021162.000 | Beaver | Noble | OH | 19.638 | 3.173% | 5200 Locust Hill Lane | Dublin | OH | 43017 |
| 3 | 5760a | Billy A. & Martha R. Miller | Yes | 33.563 | 0.05423394 | 01-0021161.000 | Beaver | Noble | OH | 22.375 | 3.616% | 54142 Calais Road | Quaker City | OH | 43773 |
| 3 | 5760a | LL&B Headwater I, LP | Yes | | 0.00000000 | 01-0021161.000 | Beaver | Noble | OH | 11.188 | 1.808% | 510 Hearn Steet Bldg. | Austin | TX | 78703 |
| 4 | 5761 | John P. & Arlene Wehr | Yes | 8.389 | 0.01355566 | 01-0021178.000 | Beaver | Noble | OH | 8.389 | 1.356% | 55341 Calais Rd. | Quaker City | OH | 43773 |
| 5 | 5761 | John P. & Arlene Wehr | Yes | 6.580 | 0.01063252 | 01-0021176.000 | Beaver | Noble | OH | 6.580 | 1.063% | 55341 Calais Rd. | Quaker City | OH | 43773 |
| 6 | 5761 | John P. & Arlene Wehr | Yes | 36.587 | 0.05912038 | 01-0021175.000 | Beaver | Noble | OH | 36.587 | 5.912% | 55341 Calais Rd. | Quaker City | OH | 43773 |
| 7 | 5761 | Susan L. Miller | Yes | 4.699 | 0.00759304 | 01-0021175.001 | Beaver | Noble | OH | 4.699 | 0.759% | 308331 Melrose Road | Quaker City | OH | 43773 |
| 8 | 5740 | LL&B Headwater I, LP | Yes | 57.858 | 0.09349186 | 01-0021180.000 | Beaver | Noble | OH | 57.858 | 9.349% | 510 Hearn Steet Bldg. | Austin | TX | 78703 |
| 9 | 5748 | Donald Morris | Yes | 19.728 | 0.03187818 | 01-0021115.000 | Beaver | Noble | OH | 19.728 | 3.188% | 1708 Back Road | Macksburg | OH | 45746 |
| 10 | 5748 | Donald Morris | Yes | 242.625 | 0.39205405 | 01-0021122.000 | Beaver | Noble | OH | 242.625 | 39.205% | 1708 Back Road | Macksburg | OH | 45746 |
| 11 | 5739 | Gerald J. Tomechko & Denise M. Tomechko | Yes | 47.624 | 0.07695490 | 01-0021132.000 | Beaver | Noble | OH | 26.789 | 4.329% | 4340 Royal St. George Dr. | Avon | OH | 44011 |
| 11 | 7706 | Dorothy Johnson | Yes | | 0.00000000 | 01-0021132.000 | Beaver | Noble | OH | 2.977 | 0.481% | 1361 Rochester Ave. | Cambridge | OH | 43725 |
| 11 | 7716 | Homer & Ruth Garrett | Yes | | 0.00000000 | 01-0021132.000 | Beaver | Noble | OH | 2.977 | 0.481% | 2362 State Route 83 | Millersburg | OH | 44654 |
| 11 | P | Cindy & William Leininger | Yes | | 0.00000000 | 01-0021132.000 | Beaver | Noble | OH | 0.992 | 0.160% | 1273 Ashland Road 1356 | Ashland | OH | 44805 |
| 11 | P | Susan & Lloyd Spotts | Yes | | 0.00000000 | 01-0021132.000 | Beaver | Noble | OH | 0.992 | 0.160% | 725 Center Street, Apt. 313 | Ashland | OH | 44805 |
| 11 | 7715 | Patt L. Leasure | Yes | | 0.00000000 | 01-0021132.000 | Beaver | Noble | OH | 0.992 | 0.160% | 115 Caldwell St. | Pleasant City | OH | 43772 |
| 12 | 3302 | Noel M. & Evelen Brown | Yes | 36.720 | 0.05933529 | 01-0021174.000 | Beaver | Noble | OH | 36.720 | 5.934% | 30760 Melrose Road | Quaker City | OH | 43773 |
| 13 | 3302 | Joseph M. Brown | Yes | 4.215 | 0.00681095 | 01-0021181.000 | Beaver | Noble | OH | 4.215 | 0.681% | 30820 Melrose Road | Quaker City | OH | 43773 |
| 14 | 3302 | Joseph M. Brown | Yes | 12.907 | 0.02085623 | 01-0021180.001 | Beaver | Noble | OH | 12.907 | 2.086% | 30820 Melrose Road | Quaker City | OH | 43773 |
| 15 | 3302 | Francis J. & Patrick McCort | Yes | 1.883 | 0.00304271 | 37-00480.000 | Somerset | Belmont | OH | 1.883 | 0.304% | 54295 Temperanceville Hwy. | Barnesville | OH | 43713 |
| | | | | | | | | | | | | | | | |
| | | **TOTAL LEASED ACRES:** | | **618.384** | **0.999237302** | | | | | | **98.00001%** | | | | |
| | | **TOTAL UNIT ACRES:** | | **618.856** | | | | | | | | | | | |

**Exhibit "A-3"**
**Unitized Parties**

**Attached to and made a part of that certain Unit Operating Agreement dated March 1, 2014 as approved by the Ohio Department of Natural Resources for the Brown #9 Unit**

| TRACT NUMBER | LESSOR/OWNER | ADDRESS | LEASED YES/NO | SURFACE ACRES IN UNIT | TRACT PARTICIPATION | TAX MAP PARCEL ID NUMBERS | PROPERTY TOWNSHIP | PROPERTY COUNTY | STATE | OWNER CITY | OWNER STATE | OWNER ZIP CODE | UNIT PARTICIPATION |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 11 | Oleta Garrett | 1273 County Road 1356 | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Ashland | OH | 44805 | 0.160296% |
| 11 | William & Linda Garrett | 3700 Waldo Place | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Columbus | OH | 43220 | 0.160296% |
| 11 | Barbara and Jack Stover | 22081 County Road B | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Archibold | OH | 43503 | 0.160296% |
| 11 | Robert Garrett | 5621 Wigmore Dr. | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Columbus | OH | 43235 | 0.160296% |
| 11 | Connie Louthen | 2505 Hardscrabble Road | No | 1.488 | 0.002405 | 01-0021132.000 | Beaver | Noble | OH | Alexandria | OH | 43001 | 0.240484% |
| 11 | William Louthen | 280 Meadow Dr. | No | 1.488 | 0.002405 | 01-0021132.000 | Beaver | Noble | OH | Reynoldsburg | OH | 43068 | 0.240484% |
| 11 | Rodona & Charles Dunfee | 58285 Wright Road | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Barnesville | OH | 43713 | 0.160296% |
| 11 | Sharon Miller | 3655 Flat Rock Road | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Barnesville | OH | 43713 | 0.160296% |
| 11 | Charles & Regina Winland | 39414 Township Road 61 | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Jerusalem | OH | 43747 | 0.160296% |
| 11 | Thomas & Martha Winland | 39239 Township Road 61 | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Jerusalem | OH | 43747 | 0.160296% |
| 11 | William Winland | P. O. Box 7 | No | 0.992 | 0.001603 | 01-0021132.000 | Beaver | Noble | OH | Alledonia | OH | 43902 | 0.160296% |
| 16 | Last known owner: The heirs and/or assigns of John D. Brown - October 4, 1944 | Unknown | No | 0.472 | 0.000763 | Township Map Parcel No. 12 | Beaver | Noble | OH | Unknown | | | 0.076270% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | **TOTAL UNITIZED ACRES:** | | **12.377** | **0.019999** | | | | | | | | |
| | | **TOTAL UNIT ACRES:** | | **618.856** | | | | | | | | | |

**EXHIBIT "B"**

Attached to and made a part of that certain Operating Agreement dated March 1, 2014, for the Brown #9 Unit

## OIL AND GAS LEASE

THIS **OIL AND GAS LEASE** ("**Lease**") is made and entered into as of the _____ day of _____, 2012 ("**Effective Date**"), by and between_____, a _____limited liability company, with an address at _____("**Lessor**") and _____, a _____Corporation, with an address at ("**Lessee**").

**WITNESSETH THAT**: In consideration of ten ($10) dollars, the mutual covenants and agreements contained herein, and other good and valuable consideration, Lessor and Lessee agree as follows:

1. **Leasing**. Lessor, for and in consideration of the sum of Ten Dollars ($10.00), the receipt of which is hereby acknowledged, and the covenants herein contained, hereby grants, demises, leases and lets unto Lessee whatever interest the Lessor owns in the oil and gas drilling and production rights **to and only to** the Utica and Point Pleasant Formation, within and underlying the tract of land more particularly described on **Exhibit A**, attached hereto and incorporated by reference herein, for the purposes of exploring by geophysical and other methods, drilling either vertically or horizontally, operating for, producing oil or gas or both from the Target Formations, together also with the right to drill, together with the right and easement to construct (in locations approved by Lessor), operate, repair, maintain and remove pipelines, telephone, power and electric lines, tanks, ponds, roadways, plants, equipment and structures thereon to produce, save, store and take care of such substances, and the exclusive right to inject air, gas, water, brine or other fluids into the Target Formations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of the lands, alone or conjointly with neighboring lands for these purposes. Notwithstanding the tax map designation for these tracts, this Lease shall be effective as to the tracts actually owned by Lessor whether or not the tax map designation correctly identifies the location of the same.

For all purposes of this Lease, including determining the amount of delay rentals, royalties and shut-in royalties hereunder, said land shall be deemed to contain _____ acres whether it actually contains more or less. For all purposes of this Lease, references to oil and gas or either or both of them shall mean oil, or gas, or both and all substances which are constituents of or produced with oil or gas, whether similar or dissimilar or produced in a gaseous, liquid, or solid state. Notwithstanding anything in this Lease to the contrary, this Lease only covers oil, gas and associated liquid and gaseous hydrocarbons produced from the wellbore.

2. **Term**. Subject to the other provisions hereof, this Lease shall remain in force for a primary term of one (1) year from the Effective Date and as long thereafter as oil and gas, or either of them, is produced in paying quantities from any well(s) drilled on the leased premises or on lands pooled or unitized therewith, subject to the additional terms and conditions in this Lease.

3. **Excluded Gas; Coal Operations.** To the extent it is included within the Target Formations, coalbed methane is expressly reserved from and not subject to this Lease. Further, Lessee acknowledges that the Lessor has the right to develop any coal seams or formations within and underlying the leased premises. In the event Lessor wishes to develop any of these coal seams or formations, Lessor and Lessee covenant and warrant to work together in a reasonable manner and to reasonably accommodate the other for purposes of developing their respective interests.

4. **Delay Rental.** Each subsequent year of the primary term, Lessee shall pay a delay rental of $75 per acre per year, payable 60 days after each one year anniversary of the Effective Date of

this Lease in addition to any royalty payments being made pursuant to Section 9 of this Agreement.

5. **Royalties**. The royalties to be paid by Lessee are: (a) on oil, twelve and one-half percent (12.5%) of the current market value of that produced and saved from wells on the leased premises, or on land pooled therewith, or into the pipeline to which the well may be connected, free and clear of all cost and expense. Lessee may from time to time purchase any royalty oil in its possession, paying the market price then prevailing for the field where produced, and Lessee may sell any royalty oil in its possession and pay Lessor the price received by Lessee for such oil computed at the well; (b) on gas, including casinghead gas or other gaseous substance, produced from wells on the leased premises, or on land pooled therewith, and sold or used beyond the leased premises or for the extraction of gasoline or other product, an amount equal to twelve and one-half percent (12.5%) of amount realized by Lessee for all gas produced, sold and marketed off the leased premises less those costs for production, heating, sweetening, gathering, dehydrating, compressing, processing, manufacturing, transporting, trucking, marketing, blending, and other costs and expenses incurred by Lessee in marketing said oil and gas and any all excise, depletion, privilege and production taxes now or hereafter levied, or assessed or charged on oil and gas owned by Lessor and produced from the leased premises, including severance taxes applicable to production from the leased premises. Payment of royalties hereunder shall be made or tendered on or before the end of the month following the production month.

6. **Dry Hole/Cessation of Production during Primary Term**. If prior to the discovery of oil, gas or other hydrocarbons on the leased premises, or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after the discovery of oil, gas or other hydrocarbons, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within 60 days thereafter, or if it be within the primary term, commences or resumes the payment or tender of rentals or commences drilling or re-working operations on or before the rental paying date next ensuing after the expiration of 60 days from the date of completion of the dry hole, or cessation of production. If at any time subsequent to 60 days prior to the beginning of the last year of the primary term, and prior to the discovery of oil, gas or other hydrocarbons on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the Lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other hydrocarbons are not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the Lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other hydrocarbons, so long thereafter as oil, gas or other hydrocarbons are produced from said land, or acreage pooled therewith. The term "drilling operations", as referred to in this Lease, shall mean actual drilling operations with a drilling rig on location on the leased premises, or on land pooled therewith, together with all attendant equipment needed to drill a well to the permitted depth, with the drill bit actually turning in the ground. The term "re-working operations", as referred to in this Lease, shall be construed to mean the actual re-entry of a well on the leased premises, or on land pooled therewith, with the equipment necessary on location to conduct such reworking of such well and actual operations in the hole in a good and workmanlike manner and prosecuted with reasonable diligence.

7. **Shut-in Royalty**. If there is an oil or gas well on the leased premises, or on land pooled therewith, that is capable of producing oil or gas in paying quantities, and such well is shut-in for a period of 90 consecutive days, this Lease shall not terminate, but Lessee shall be obligated to pay or tender to Lessor as royalty for constructive production, an amount equal to Five Dollars ($5.00) per acre leased hereunder per year that is within a unit established for said well or, if no such unit is established, by the total amount of acreage leased. Such payment or tender shall be made promptly following the end of each such 90-day shut-in period. Shut-in royalty payments shall be deemed a royalty under all provisions of this Lease.

8. **Surrender**. Provided Lessee has complied with all laws, rules and regulations for plugging and abandoning any wells drilled hereunder by Lessee, Lessee may, at any time, by the

payment or tender of the sum of One Dollar ($1.00) to the Lessor, execute and deliver to Lessor and place of record a surrender covering all or any part of the leased premises and thereupon shall be relieved of all obligations thereafter to accrue with respect to the leased premises so surrendered. Prior to or commensurate with this surrender, Lessee shall pay to Lessor all moneys due and payable under this Lease.

9. **Pooling**. Lessor grants unto Lessee the right to pool into a separate drilling or production unit(s), as to any one or more Target Formations, said land or any part thereof and the leasehold estates in the vicinity of said land, whether contiguous or non-contiguous, held by Lessee or other Lessees, when in Lessee's judgment, it is necessary or advisable to create such pools to develop and operate efficiently such lands. Any such pool shall not exceed 80 acres for oil and 640 acres for gas, provided however, that larger pools may be created to conform to any well spacing or unit pattern prescribed by any governmental authority. Lessee, alone or with other Lessees, may form any pool before or after completion of a well thereon by recording in the county wherein the pooled land(s) are located a declaration of such pooling and by mailing a copy thereof to Lessor. Neither the pooling nor the provisions hereof shall operate as a transfer to title of any interest in the leased premises. The commencement of a well, the conduct of other drilling operations, the completion of a well or dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except as to royalties and free gas) as if said well were located on, or such drilling operations were conducted upon, the lands covered by this Lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. The royalties provided for in Paragraph 4 hereof shall be tendered or paid to Lessor in the proportion that Lessor's acreage in the pooled area(s) bears to the total pooled area. Lessee shall have the recurring right to revise any unit formed hereunder by expansion or contraction or both with the prior written consent of Lessor or in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any production acreage determination made by such governmental authority; provided, that in making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effecting date of revision. The royalties and such other payments tendered or paid thereafter shall then be based upon the proportionate acreage and interests in the revised pool. At any time the pool is not being operated as aforesaid, the declaration of pooling may be surrendered and canceled of record. Such cancellation or surrender shall not effect a surrender or cancellation of this Lease. Notwithstanding anything in this Lease to the contrary, at or after the expiration of the primary term, production from a well located on a pooled unit authorized by this Lease shall maintain this Lease only as to that portion of the leased premises included in such unit. At the expiration of the primary term, this Lease shall terminate as to all non-pooled acreage and subsurface depths as provided for herein unless said non-pooled acreage is maintained by other provisions of this Lease.

10. **Other Rights – Lessee**. Lessee shall have the right to use, free of cost, oil, gas and water produced on said land for its operations to the extent and only to the extent that the Lessor has the right to use the same. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing, except that coal protection casing will not be removed without Lessor's written consent; provided, however, that within 120 days after the expiration or termination of this Lease as to all or any part of the leased premises, Lessee shall remove all property and fixtures placed by Lessee on the leased premises; and further provided that if Lessee fails to do so, then at the option of Lessor: (1) all property and fixtures not so removed within such time shall become the property of Lessor if Lessor shall elect to accept same, or (2) Lessor may, at Lessor's election, remove the same from the leased premises at Lessee's expense, and Lessee agrees to reimburse Lessor for all costs of removal, together with interest thereon at the rate of ten percent (10%) per annum or the maximum rate provided by law, whichever is less, and together with reasonable attorneys' fees, or (3) Lessor may obtain specific enforcement of this provision by a court of competent jurisdiction, requiring Lessee to remove such property, together with reasonable attorneys' fees. Lessee shall also have the right to use, free of cost, any pipeline(s) laid under the terms of this Lease for the transportation of oil or gas produced off of the lands leased hereunder.

11. **Other Rights – Lessor**. At Lessor's request, Lessee shall bury below plow depth its pipelines on the leased premises. Lessee shall pay for actual damages to growing crops, merchantable timber and fences caused by its operations on said lands. No well shall be drilled

nearer than two hundred (200) feet to any structure now on said land without the written consent of the Lessor. Lessee shall pay for damages to growing crops caused by its operations on said lands.

12. **Warranties**. Lessor has not and does not make any warranty to the leased premises, whether express, implied or statutory and this Lease is made "As-Is, Where-Is" with all faults and without recourse to Lessor. This Lease is made subject and subordinate to (i) all instruments of title or other documents of record and (ii) all reservations, restrictions and conditions contained or referred to in prior deeds, leases, licenses, easements, rights of way, encumbrances, pledges, instruments, and other title documents of record affect or pertain to the leased premises. Lessee expressly assumes the obligation in determining the sufficiency of the title of Lessor to the leased premises granted hereunder, and further releases Lessor for any liability with respect to any failure of title.

13. **Payments / Notices.** All notices and/or payments necessary to be given under the terms of this Lease shall be directed: to each party at the party's address on the first page of this Lease or to such other address as each party may designate in writing to the other party, and, the receipt of any such notice with postage prepaid shall, be notice to the addressees of the contents of such writing.

14. **Lesser Interest**. The respective amounts of all delay rentals, royalties and other payments are to be calculated in proportion to Lessor's interest in such rights and with respect to which each such payment is made; that is, in case Lessor owns less of an interest in any of such rights that the full and entire interest therein, then the payments in respect to such rights shall be paid to Lessor only in the proportion which Lessor's interest in such rights bears to the full and entire interest in such rights. Any overpayment of royalties shall only be recoupable from future royalty payments, but only to the extent any future royalties are paid. If none are paid, then Lessee has no recourse, legal or otherwise, to recoup these overpaid royalties from Lessor, or their successors or assigns.

15. **Successors and Assigns**. This Lease and all provisions thereof shall be applicable to and binding upon the parties and their respective heirs, devisees, personal representatives, successors and assigns. Reference herein to Lessor and Lessee shall include reference to their respective heirs, devisees, personal representatives, successors and assigns.

16. **Manner of Operations**. All drilling and/or re-working operations as those terms are used in this Lease, shall and must be conducted in good faith, with reasonable diligence, with adequate equipment, and in a good and workmanlike manner, in keeping with the standard of conduct of a reasonably prudent operator and shall comply with all federal, State and local laws, rules, orders and regulations of any and all governmental authorities having jurisdiction over the same. Lessee shall comply with all federal, State and local laws, regulations and orders pertaining to reporting the oil and gas produced from the leased premises and the proceeds derived from the sale thereof, and shall timely provide to Lessor all information required by any federal, State or local law, regulation or order in order to enable Lessor to verify the gross production, disposition and sales price of the oil and gas produced from the leased premises. Notwithstanding any statutory right, Lessor has the right to review all records pertaining to production and proceeds from any well(s) drilled on or on lands pooled and unitized with the leased premises. Any such review shall be conducted on reasonable notice, at least one week, and shall be conducted at Lessee's nearest office to the leased premises.

17. **Division Orders**. Neither the acceptance of royalties, rentals, shut-in royalties or other payments by Lessor (regardless of any notation thereon or instrument accompanying same), nor Lessor's execution of any division order or transfer order or similar instrument, shall ever constitute or be deemed to effect (a) a ratification, renewal or amendment of this Lease or of any pooled unit designation filed by Lessee purporting to exercise any pooling rights granted to Lessee in this Lease, or (b) a waiver of the rights granted to Lessor, or the obligations imposed upon Lessee, express or implied, by the terms of this Lease, or remedies for Lessee's breach thereof, or (c) an estoppel against Lessor preventing Lessor from enforcing Lessor's rights or Lessee's obligations hereunder, express or implied, or from seeking damages for Lessee's breach thereof. Lessor's agreement to accept royalties from any purchaser shall not affect Lessee's

obligation to pay royalties pursuant to this Lease. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless the instrument is clearly titled to indicate its purpose and intent. It shall not be necessary for Lessor to execute any division or transfer order in order to be entitled to payment of royalties due under this Lease.

18. **Breach or Default**. Lessee's failure to perform or comply with any obligations or covenants under this Lease shall not be a breach of this Lease until Lessee receives written notice from Lessor that it considers Lessee to be in breach of an obligation or covenant and Lessee fails to cure the asserted breach or default within sixty (60) days of Lessee's receipt of Lessor's written notice. Lessee's failure to cure Lessor's asserted breach within such sixty (60) day period shall be a breach of this Lease and Lessor reserves any and all rights and remedies available at law or in equity.

19. **Indemnity**. Lessee covenants and agrees to indemnify, defend and hold Lessor harmless from and against any and all losses, claims, liabilities, damages, expenses and costs, including attorney's fees, arising from personal injury, including death, or property damages to any person occurring, directly or indirectly, as a result of Lessee's drilling, operations, maintenance and activities conducted pursuant to this Lease.

20. **Force Majeure**. If Lessee is rendered unable, wholly or in part by force majeure, to carry out its obligations under this Agreement, other than any obligation to make any money payments, including shut-in payments, which obligation will never be extended or suspended due to force majeure, with reasonably full particulars, and thereupon the obligations of Lessee, so far as they are affected by the act of force majeure, will be suspended, and the running of all time periods within which certain actions must be completed will be tolled during, but not longer than, the continuance of the force majeure plus such reasonable further period of time, if any, required to resume the suspended operation. Lessee must use all reasonable diligence to remove the force majeure situation as quickly as practicable; provided, however, that it will not be required to settle strikes, lockouts or other labor difficulty contrary to its wishes. All such difficulties are to be handled entirely within the discretion of Lessee concerned. "Force majeure" means an act of nature, strike, lock-out or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other adverse weather condition, explosion, governmental action, inaction, restraint or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Lessee; provided that the unavailability of drilling rigs shall not qualify as force majeure.

21. **No Storage.** Lessee shall have no right to use any stratum or strata underlying the leased premises, or any part thereof, for the storage of gas or liquids.

22. **Rights to Joint Development.** Lessee acknowledges that Lessor retains ownership and control over all oil and gas not subject to the terms of this Lease, that is all oil and gas contained in formations and strata excluding the Target Formations. The rights retained by the Lessor and the rights granted the Lessee herein shall be exercised in such manner that neither shall unduly interfere with the operations of the other upon the leased premises.

23. **Counterparts**. This Lease may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

24. **Severability.** If any term or provision of this Lease is held invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this Lease shall nevertheless remain in full force and effect.

25. **Lease Execution.** Lessor and Lessee further agree that this Lease shall not be considered fully executed until such time as both parties' corporate representatives with full and proper authority to contractually bind the party has fully, validly and properly affixed their signatures to this Lease under seal.

26. **Entire Contract.** This Lease contains the entire agreement between the Lessor and Lessee, and no verbal warranties, representations or promises have been made or relied upon by the Lessor or Lessee supplementing, modifying or as an inducement to this Lease.

**IN WITNESS WHEREOF**, the undersigned parties, intending to be legally bound, have executed this Lease as of the day and year first above written.

**LESSOR:**

_____ By: _____

Witness

Its:_____

**LESSEE:**

_____ By: _____

Witness

Its:_____

STATE/COMMONWEALTH OF _____ )

COUNTY OF _____ )

The foregoing instrument was acknowledged before me on the _____ day of _____, 2014 by _____[name of officer or representative], who acknowledged [himself/herself] to be the _____ [name of officer or representative] of_____, a _____ limited liability company, and that ___[he/she] as such _____ [title], being authorized to do so, executed the foregoing instrument on behalf of the company, in my said State.

In witness hereof, I hereunto set my hand and official seal.

_____

(Seal) NOTARY PUBLIC

My commission expires _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____ )
) SS:
COUNTY OF _____ )

On this the _____ day of _____, 2014, before me, the undersigned authority, personally appeared _____, who acknowledged himself to be the _____ of _____, and that he as such _____, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires _____

_____
Notary Public

Recorder Return to:

**Exhibit A**
Leased Premises

| Property No. | Original Grantor | Date | Recording Information | District | County | State | Acreage |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

# EXHIBIT " C "
# ACCOUNTING PROCEDURE
# JOINT OPERATIONS

Attached to and made part of that certain Joint Operating Agreement dated and effective March 1, 2014 by and between Gulfport Energy Corporation, as Operator

## I. GENERAL PROVISIONS

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

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

### 1. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2. STATEMENTS AND BILLINGS

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

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

## 3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.

B. Except as provided below, each Party shall pay its proportionate share of all bills in full within thirty (30) ~~fifteen (15)~~ days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

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

## 4. ADJUSTMENTS

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

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

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

## 5. EXPENDITURE AUDITS

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

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

those Non-Operators approving such audit.

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

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

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

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

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

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

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

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

## 6. APPROVAL BY PARTIES

### A. GENERAL MATTERS

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

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

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of _____two_____ (___2___) or more Parties, one of which is the Operator, having a combined working interest of at least ___Sixty-Five____ percent (__65__%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

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

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

## II. DIRECT CHARGES

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

### 1. RENTALS AND ROYALTIES

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

### 2. LABOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. MATERIAL

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

## 4. TRANSPORTATION

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

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

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

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

## 5. SERVICES

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

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

## 6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ____Twelve____ percent (___12___%) per annum; provided, however, depreciation shall not be charged when the

equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

## 7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (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 $ 50,000.00 If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed $ 100,000.00 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 II.12 (*Communications*).

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

## 8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

## 9. LEGAL EXPENSE

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

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

## 10. TAXES AND PERMITS

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

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

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

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

**11. INSURANCE**

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

**12. COMMUNICATIONS**

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

**13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY**

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

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

**14. ABANDONMENT AND RECLAMATION**

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

**15. OTHER EXPENDITURES**

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

## III. OVERHEAD

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

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

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

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

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

## 1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

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

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

A. TECHNICAL SERVICES

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

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

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

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

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

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

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

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

B. OVERHEAD—FIXED RATE BASIS

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

Drilling Well Rate per month $ 12,000.00 (prorated for less than a full month)

Producing Well Rate per month $ 1,200.00

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

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

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

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

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

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

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

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

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

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

C. ~~OVERHEAD—PERCENTAGE BASIS~~

~~(1) Operator shall charge the Joint Account at the following rates:~~

~~(a) Development Rate _____ percent (_____) % of the cost of development of the Joint Property, exclusive of costs provided under Section II.9 (*Legal Expense*) and all Material salvage credits.~~

~~(b) Operating Rate _____ percent (_____%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.~~

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

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

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

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

**2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE**

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

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

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

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

(1) ___7___% of total costs if such costs are less than $100,000; plus

(2) ___5___% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ___4___% of total costs in excess of $1,000,000.

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

(1) ___5___% of total costs if such costs are less than $100,000; plus

(2) ___3___% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ___2___% of total costs in excess of $1,000,000.

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

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

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

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

### 3. AMENDMENT OF OVERHEAD RATES

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

## IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

### 1. DIRECT PURCHASES

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

## 2. TRANSFERS

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

### A. PRICING

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

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

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

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

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

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

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

### B. FREIGHT

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

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

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

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

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

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

### C. TAXES

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

D. CONDITION

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

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

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

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

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

## 3. DISPOSITION OF SURPLUS

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

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

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

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

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

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

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

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

## 4. SPECIAL PRICING PROVISIONS

### A. PREMIUM PRICING

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

### B. SHOP-MADE ITEMS

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

### C. MILL REJECTS

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

# V. INVENTORIES OF CONTROLLABLE MATERIAL

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

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

## 1. DIRECTED INVENTORIES

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

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

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

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

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

## 2. NON-DIRECTED INVENTORIES

### A. OPERATOR INVENTORIES

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

### B. NON-OPERATOR INVENTORIES

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

### C. SPECIAL INVENTORIES

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

## EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated March 1, 2014, for the Brown #9 Unit.

Insurance

Operator shall at all times while conducting operations hereunder carry insurance to protect and save the parties hereto harmless as follows:

(a) Workman's Compensation Insurance in accordance with the laws of the state in which the operations are to be conducted, and Employer's Liability Insurance with limits not less than $500,000.00 for any one person, and not less than $500,000.00 for any one accident.

(b) General Liability Insurance with limits of not less than $5,000,000.00 for any one person, and $5,000,000.00 for any one accident; and Property Damage Liability Insurance with limits of not less than $5,000,000.00 per accident. $5,000,000.00 combined single limit.

(c) Automobile Public Liability Insurance with limits of not less than $1,000,000.00 for any one person, and not less than $1,000,000.00 for any one accident; and Automobile Property Damage Insurance with limits of not less than $1,000,000.00 to cover all automotive equipment. $1,000,000.00 combined single limit.

(d) Excess Liability Umbrella Form (Bodily injuries and Property Damage) with limits of $5,000,000.00 each occurrence.

(e) Well Control including Blowout and Cratering Hazard Property Damage, Pollution and Saline Coverage, Underground Resources and Equipment Hazard with limits of $1,000,000.00 each occurrence.

Operator shall require all other contractors or subcontractors conducting operations hereunder to carry insurance of such types and in such amounts as Operator deems adequate to protect the parties hereto. No liability shall attach to Operator in the exercise of its good-faith judgment as to the types and amounts of insurance, if any, to be required of such other contractors.

Operator shall at all times comply with the laws of the state in which the operations are to be conducted covering Workman's Compensation Insurance. Any other insurance desired by a party hereto shall be carried by such party at its own cost and expense.

In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the joint account and borne by the parties in accordance with their respective percentage of ownership as determined by this agreement.

It is further understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom such insurance is carried, and that except for willful negligence, Operator shall not be liable to Non-Operator for any loss suffered on account of the insufficiency of the insurance carried, or of insurer with whom carried. Operator shall not be liable to Non-Operator for any loss accruing by reason of Operator's inability to procure or maintain the insurance above mentioned. Operator agrees that if at any time during the life of this agreement it is unable to obtain or maintain such insurance, it shall immediately notify in writing Non-Operators of such fact.

NOTE: Instructions For Use of Gas Balancing Agreement MUST be reviewed before finalizing this document.

**EXHIBIT "E"**

**GAS BALANCING AGREEMENT ("AGREEMENT")**

**ATTACHED TO AND MADE PART OF THAT CERTAIN**

**OPERATING AGREEMENT DATED** March 1, 2014

**BY AND BETWEEN** GULFPORT ENERGY CORPORATION, Operator

**AND** _____ **("OPERATING AGREEMENT")**

**RELATING TO THE** Ohio **AREA,**

Monroe **COUNTY/~~PARISH~~, STATE OF** OHIO.

**1. DEFINITIONS**

The following definitions shall apply to this Agreement:

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

1.02 "Balancing Area" shall mean **(select one):**

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

☐ all of the acreage and depths subject to the Operating Agreement.

☐ _____

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16 ☑ **(Optional)** "Winter Period" shall mean the month(s) of November and December in one calendar year and the month(s) of January through March in the succeeding calendar year.

**2. BALANCING AREA**

2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in **(Alternative 1)** ☑ Mcfs or **(Alternative 2)** ☑ MMBtus.

2.2 In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing Area and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

**3. RIGHT OF PARTIES TO TAKE GAS**

3.1 Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified, of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other

requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement.

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

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

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

3.5 Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency, mode of operation, production facility capabilities and pipeline pressures.

3.6 In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall be deemed to be Gas taken for the account of such Party.

**4. IN-KIND BALANCING**

4.1 Effective the first day of any calendar month following at least Thirty / ( 30 ) days' prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying twenty-five / percent ( 25 %) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than twenty-five / percent ( 25 %) of its Full Share of Current Production for Makeup Gas. The Operator will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

4.2 ☐ **(Optional - Seasonal Limitation on Makeup - Option 1)** Notwithstanding the provisions of Section 4.1, the average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period pursuant to Section 4.1 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the _____ (_____) months immediately preceding the Winter Period.

4.2 ☑ **(Optional - Seasonal Limitation on Makeup - Option 2)** Notwithstanding the provisions of Section 4.1, no Overproduced Party will be required to provide more than fifteen / percent ( 15 %) of its Full Share of Current Production for Makeup Gas during the Winter Period.

4.3 ☐ **(Optional)** Notwithstanding any other provision of this Agreement, at such time and for so long as Operator, or (insofar as concerns production by the Operator) any Underproduced Party, determines in good faith that an Overproduced Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may be required to make available for Makeup Gas, upon the demand of the Operator or any Underproduced Party, up to One Hundred percent ( 100 %) of such Overproduced Party's Full Share of Current Production.

**5. STATEMENT OF GAS BALANCES**

5.1 The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No.24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.

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

**6. PAYMENTS ON PRODUCTION**

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

6.2 ☐ **(Alternative 1 - Entitlements)** Each Party shall pay or cause to be paid all Royalty due with respect to Royalty

owners to whom it is accountable as if such Party were taking its Full Share of Current Production, and only its Full Share of Current Production.

6.2.1 ☑ **(Optional - For use only with Section 6.2 - Alternative I - Entitlement)** Upon written request of a Party taking less than its Full Share of Current Production in a given month ("Current Underproducer"), any Party taking more than its Full Share of Current Production in such month ("Current Overproducer") will pay to such Current Underproducer an amount each month equal to the Royalty percentage of the proceeds received by the Current Overproducer for that portion of the Current Underproducer's Full Share of Current Production taken by the Current Overproducer; provided, however, that such payment will not exceed the Royalty percentage that is common to all Royalty burdens in the Balancing Area. Payments made pursuant to this Section 6.2.1 will be deemed payments to the Underproduced Party's Royalty owners for purposes of Section 7.5.

6.2 ☑ **(Alternative 2 - Sales)** Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account.

6.3 In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

**7. CASH SETTLEMENTS**

7.1 Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination of the Operating Agreement or any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

7.2 Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 7.4.

7.3 ☐ **(Alternative I - Direct Party-to-Party Settlement)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment.

7.3 ☑ **(Alternative 2 - Settlement Through Operator)** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will send its cash settlement, accompanied by appropriate accounting detail, to the Operator. The Operator will distribute the monies so received, along with any settlement owed by the Operator as an Overproduced Party, to each Underproduced Party to whom settlement is due within ninety (90) days after issuance of the Final Gas Settlement Statement. In the event that any Overproduced Party fails to pay any settlement due hereunder, the Operator may turn over responsibility for the collection of such settlement to the Party to whom it is owed, and the Operator will have no further responsibility with regard to such settlement.

7.3.1 ☐ **(Optional - For use only with Section 7.3, Alternative 2 - Settlement Through Operator)** Any Party shall have the right at any time upon thirty (30) days' prior written notice to all other Parties to demand that any settlements due such Party for Overproduction be paid directly to such Party by the Overproduced Party, rather than being paid through the Operator. In the event that an Overproduced Party pays the Operator any sums due to an Underproduced Party at any time after thirty (30) days following the receipt of the notice provided for herein, the Overproduced Party will continue to be liable to such Underproduced Party for any sums so paid, until payment is actually received by the Underproduced Party.

7.4 ☑ **(Alternative 1 - Historical Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual.

7.4 ☐ **(Alternative 2 - Most Recent Sales Basis)** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the volume of Gas that constituted Overproduction by the Overproduced Party from the Balancing Area. For the purpose of implementing the cash settlement provision of the Section 7, an Overproduced Party will not be considered to have produced any of an Underproduced Party's share of Gas until the Overproduced Party has produced cumulatively all of its Percentage Interest share of the Gas ultimately produced from the Balancing Area.

7.5 The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any Royalty actually paid by the Overproduced Party to an Underproduced Party's Royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's Royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.

7.5.1 ☑ **(Optional - For Valuation Under Percentage of Proceeds Contracts)** For Overproduction sold under a gas purchase contract providing for payment based on a percentage of the proceeds obtained by the purchaser upon resale of residue gas and liquid hydrocarbons extracted at a gas processing plant, the values used for calculating cash settlement will include proceeds received by the Overproduced Party for both the liquid hydrocarbons and the residue gas attributable to the Overproduction.

7.5.2 ☐ **(Optional - Valuation for Processed Gas - Option 1)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been extracted from the Overproduction.

7.5.2 ☐ **(Optional - Valuation for Processed Gas - Option 2)** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the values used for calculating cash settlement will include the proceeds received by the Overproduced Party for the sale of the liquid hydrocarbons extracted from the Overproduction, less the actual reasonable costs incurred by the Overproduced Party to process the Overproduction and to transport, fractionate and handle the liquid hydrocarbons extracted therefrom prior to sale.

7.6 To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the

Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. In the event that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be based on the spot sales prices published for the applicable geographic area during such month in a mutually acceptable pricing bulletin.

7.7 Interest compounded at the rate of Zero percent (0%) per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1 beginning the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadline set out in Sections 7.2 and 7.3 contributed to the accrual of the interest.

7.8 In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.

7.9 ☑ **(Optional - For Balancing Areas Subject to Federal Price Regulation)** That portion of any monies collected by an Overproduced Party for Overproduction which is subject to refund by orders of the Federal Energy Regulatory Commission or other governmental authority may be withheld by the Overproduced Party until such prices are fully approved by such governmental authority, unless the Underproduced Party furnishes a corporate undertaking, acceptable to the Overproduced Party, agreeing to hold the Overproduced Party harmless from financial loss due to refund orders by such governmental authority.

7.10 ☑ **(Optional - Interim Cash Balancing)** At any time during the term of this Agreement, any Overproduced Party may, in its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

**8. TESTING**

Notwithstanding any provision of this Agreement to the contrary, any Party shall have the right, from time to time, to produce and take up to one hundred percent (100%) of a well's entire Gas stream to meet the reasonable deliverability test(s) required by such Party's Gas purchaser, and the right to take any Makeup Gas shall be subordinate to the right of any Party to conduct such tests; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after Thirty (30) days' prior written notice to the Operator and shall last no longer Forty-eight / (48) hours.

**9. OPERATING COSTS**

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

**10. LIQUIDS**

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

**11. AUDIT RIGHTS**

Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations, along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section 11 shall be in addition to those provided for in Section 5.2 of this Agreement.

**12. MISCELLANEOUS**

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

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

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

12.4 This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives

and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.

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

12.6 In the event that any "Optional" provision of this Agreement is not adopted by the Parties to this Agreement by a typed, printed or handwritten indication, such provision shall not form a part of this Agreement, and no inference shall be made concerning the intent of the Parties in such event. In the event that any "Alternative" provision of this Agreement is not so adopted by the Parties, Alternative 1 in each such instance shall be deemed to have been adopted by the Parties as a result of any such omission. In those cases where it is indicated that an Optional provision may be used only if a specific Alternative is selected: (i) an election to include said Optional provision shall not be effective unless the Alternative in question is selected; and (ii) the election to include said Optional provision must be expressly indicated hereon, it being understood that the selection of an Alternative either expressly or by default as provided herein shall not, in and of itself, constitute an election to include an associated Optional provision.

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

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

12.9 In the event Internal Revenue Service regulations require a uniform method of computing taxable income by all Parties, each Party agrees to compute and report income to the Internal Revenue Service **(select one)** ☐ as if such Party were taking its Full Share of Current Production during each relevant tax period in accordance with such regulations, insofar as same relate to entitlement method tax computations; or ☐ based on the quantity of Gas taken for its account in accordance with such regulations, insofar as same relate to sales method tax computations.

**13. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT**

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

13.2 ☑ **(Optional - Cash Settlement Upon Assignment)** Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 13.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 13.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least Thirty (30) days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within Thirty (30) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section 13, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section 13 shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning sixty (60) days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 13.1 hereof.

13.3 The provisions of this Section 13 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

**14. OTHER PROVISIONS**

**15. COUNTERPARTS**

This Agreement may be executed in counterparts, each of which when taken with all other counterparts shall constitute a binding agreement between the Parties hereto; provided, however, that if a Party or Parties owning a Percentage Interest in the Balancing Area equal to or greater than a _____ percent (_____%) therein fail(s) to execute this Agreement on or before _____, this Agreement shall not be binding upon any Party and shall be of no further force and effect.

IN WITNESS WHEREOF, this Agreement shall be effective as of the 1st day of October, 2014.

**ATTEST OR WITNESS:**

**OPERATOR**

GULFPORT ENERGY CORPORATION

_____ BY: _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATORS

_____

_____ BY: _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

_____

_____ BY: _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

**ACKNOWLEDGMENTS**

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

Acknowledgment in representative capacity:

State of _____ )

) ss.

County of _____ )

This instrument was acknowledged before me on _____

_____ by _____ as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____ )

) ss.

County of _____ )

This instrument was acknowledged before me on _____

_____ by _____ as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____ )

) ss.

County of _____ )

This instrument was acknowledged before me on _____

_____ by _____ as

_____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

**EXHIBIT "F"**

Attached to and made a part of that certain Joint Operating Agreement dated March 1, 2014 for the Brown #9 Unit.

# EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION

During the performance of this contract, the Operator (meaning and referring separately to each party hereto) agrees as follows:

1. NONSEGREGATED FACILITIES REQUIREMENTS: The provisions of this section apply only if the total contract amount exceeds $10,000. A Certification of Nonsegregated Facilities, as required by 41 CFR 1-12.803-10(d)(1) and 60-1.8, shall be submitted prior to the aware of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period.

2. EQUAL EMPLOYMENT OPPORTUNITY: The provisions of this Section apply only if the total contract amount exceeds $10,000. During the performance of this contract, the seller agrees that it will comply with all provisions of Executive Order No. 11246, which is incorporated into this agreement by this reference.

3. EQUAL EMPLOYMENT OPPORTUNITY REPORTING REQUIREMENTS: The following applies only if Seller has 50 or more employees and holds contracts, subcontracts or purchase orders amounting to more than $50,000: Seller will complete and file Government Standard Form 100, Equal Employment Opportunity Employer Information Report EEO-1 (or such other form as may have superseded it), in accordance with the Instructions contained therein.

4. AFFIRMATIVE ACTION COMPLIANCE PROGRAMS: The provision of the Section apply only if Seller has 50 or more employees and holds contracts, subcontracts or purchase orders amounting to more than $50,000.

   (a). In compliance with Paragraph 60-1.40, and in accordance with Sections 60-2.1 through 60-2.32 of the rules of the Office of Federal Contract Compliance Programs, Seller shall develop a written affirmative action compliance program for each of its establishments. Within 120 days from the issue date of this contract, Seller shall maintain a copy of separate affirmative action compliance programs for each of its establishments.

   (b). Seller shall require each of its subcontractors who have 50 or more employees and a subcontract placed hereunder of $50,000 or more to develop a written affirmative action compliance program for each of its establishments in conformance with the requirements of this Section.

5. EMPLOYMENT OF QUALIFIED HANDICAPPED INDIVIDUALS: The provisions of this Section apply only if the total contract amount exceeds $2,500. Seller agrees to comply with Section 503 of the Rehabilitation Act of 1973, Section III of the Rehabilitation Act amendments of 1974 and 41 CFR 60-741.4 which are incorporated into this agreement by this reference.

6. EMPLOYMENT OF VETERANS The provisions of this Section apply only if the total contract amount exceeds $10,000. Seller agrees to comply with Section 2012 of the Vietnam Era Veterans Readjustment Act of 1974, and 41 CFR 60-250.4 which are incorporated into this agreement by this reference.

7. UTILIZATION OF MINORITY BUSINESS ENTERPRISES: The provisions of this Section apply only if the total contract amount exceeds $10,000.

   (a). It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

   (b). Contractor agrees to use its best efforts to carry out this policy in the awareness of its subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purpose of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Oriental, American-Indians, American-Eskimos, and American Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an Independent investigation. 41 CFR 1-1.1310-2(a).

8. UTILIZATION OF LABOR SURPLUS AREA CONCERNS: The provisions of this Section apply only if the total contract amount exceeds $10,000.

   (a). It is the policy of the Government to award contracts to labor surplus area concerns that agree to perform substantially in labor surplus area, where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. Contract agrees to use its best efforts to place its subcontracts in accordance with this policy.

   (b). In complying with subsection (a) of this Section and with subsection (b) of Section 9 of this contract entitled "Utilization of Small Business Concerns," the Contractor in placing his subcontracts shall observe the following order of preference: (1) small business concerns that are labor surplus area concerns, (2) other small business concerns, and (3) other labor surplus area concerns.

   (c) (1) The term "labor surplus area" means a geographical area identified by the Department of Labor as an area of concentrated unemployment or underemployment or an area of labor surplus.

   (c)(2) The term "labor surplus area concern" means a concern that together with its first-tier subcontractors will perform substantially in labor surplus area.

   (c)(3) The term "perform substantially in a labor surplus area" means that the costs incurred on account of manufacturing, production or appropriate services in labor surplus area exceed 50 percent of the contract. price. 41 CFR 1-1.805-3(a).

9. UTILIZATION OF SMALL BUSINESS CONCERNS: The provisions of this section apply only if the total contract amount exceeds $10,000.

   (a) It is the policy of the Government as declared by Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

   (b) Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that contractor finds to be consistent with the efficient performance of this contract. 41 CFR 1-1.710-3(a).

10. AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA: The provisions of this Section apply only if the total contract amount exceeds $10,000. Seller agrees to comply with Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974 and 41 CFR 60-250.1 which are incorporated into this agreement by this reference.

11. UTILIZATION OF WOMEN-OWNED BUSINESS CONCERNS: The provision of this section apply only if the total contract amount exceeds $10,000.

   (a) It is the policy of the United States Government that women-owned businesses shall have the maximum practicable opportunity to participate in the performance of contracts awarded by any Federal Agency.

   (b) Contractor agrees to use its best efforts to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, a "woman-owned business" concern means a business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management. "Women" mean all women business owners. Temporary Regulation 54, Appendix to 41 CFR Chapter 1. (See Executive Order No. 12138).

**STATE OF OHIO**
**DEPARTMENT OF NATURAL RESOURCES**
**DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

| | | |
|---|---|---|
| In re the Matter of the Application of | : | |
| Gulfport Energy Corporation for | : | |
| Unit Operation | : | Application Date: March 28, 2014 |
| | : | |
| Brown #9 Unit | : | |

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# PREPARED TESTIMONY OF MICHAEL BUCKNER ON BEHALF OF GULFPORT ENERGY CORPORATION

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Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant,
Gulfport Energy Corporation

Date: March 28, 2014

Exhibit 3

# PREPARED DIRECT TESTIMONY OF MICHAEL BUCKNER

## INTRODUCTION.

**Q1. Please state your name and business address.**

A1. My name is Michael Buckner, and my business address is 14313 N. May Ave, Oklahoma City, Oklahoma 73134.

**Q2. Who is your employer?**

A2. Gulfport Energy Corporation.

**Q3. What is your position with Gulfport?**

A3. Geologist.

**Q4. Please describe your professional responsibilities at Gulfport.**

A4. My professional responsibilities include interpreting geological data for Gulfport's Ohio asset team. I prepare structure isopach maps and make electric log cross-sections to determine what true vertical depth is needed for each well. I also help set up new drilling units for horizontal wells and geosteer each operated horizontal well to make sure the wellbore stays in the target formation.

**Q5. Starting with college, would you describe your education background?**

A5. I graduated with a Bachelor of Science degree in Geology from the University of North Carolina at Wilmington. I then received a Masters degree in Geology from East Carolina University.

**Q6. Would you briefly describe your professional experience?**

**A6.** I have ~9 years' experience as a geologist in the oil and gas industry and have worked primarily in unconventional reservoirs within the continental US. I started my career at Chesapeake Energy in the Granite Wash of the Texas panhandle and then worked the Fayetteville shale play in Arkansas. In 2009 I began consulting fulltime and have geosteered for multiple clients in various unconventional reservoirs. I came to Gulfport Energy Corporation in the beginning of 2013 and have been working the Utica/Point Pleasant formation in Ohio ever since.

**Q7. Are you a member of any professional associations?**

A7. I am a member of the American Association of Petroleum Geologist Society, the Ohio Geological Society, and the Oklahoma City Geological Society.

**Q8. Are you familiar with Gulfport Energy Corporation's Application for Unit**

**Operations with respect to the Brown #9 Unit?**

A8. Yes.

**Q9. Could you please describe the Brown #9 Unit, in terms of its general location, surface acreage, and subsurface depth?**

A9. Yes. The Brown #9 Unit consists of 16 distinct tracts of land totaling approximately 618.856 acres in Beaver and Somerset Townships of Belmont and Noble Counties, Ohio. Exhibit MB-1 to the Application depicts the geographical location of the proposed unit in Belmont and Noble Counties in relation to the surrounding counties. The Unitized Formation described in the Application is the subsurface portion of the Brown #9 Unit at a depth located from 50' above the top of the Utica Shale, to 50' below the base of the Point Pleasant formation.

**UNITIZED FORMATION IS PART OF A POOL.**

**Q10. In geological terms, what does the term "pool" mean in connection with unitization?**

A10. Generally a pool is understood to be a common source of supply in pores of a rock that yields hydrocarbons on drilling.

**Q11. Ohio Revised Code § 1509.01(E) defines the term "pool" as follows: "'Pool' means an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir. Each zone of a geological structure that is completely separated from any other zone in the same structure may contain a separate pool." Does this definition of "pool" apply to the Brown #8 Unit?**

A11. Yes. Geologic mapping shows the entire Brown #9 Unit to be underlain by the Utica/Point Pleasant formation, which is of the same thickness throughout the Brown #9 unit area. The hydrocarbon accumulation extends in all directions from this proposed unit and the rock properties such as porosity and water saturation are the same under the entire unit and constitute a common source of supply. This means that the geologic characteristics with equal rock properties extend under the entire unit, suggesting that production would be similar from all wells drilled in the unit. Therefore, the Unitized Formation qualifies as part of a pool – with the entire pool being the Utica/Point Pleasant formation extending beyond the currently

defined Brown #9 Unit.

**Q12. How do geologists investigate the geologic characteristics of a shale play in the Utica/Point Pleasant formation?**

A12. Geologists study well logs to gain information such as porosity, permeability, water saturation, and thermal maturity in addition to core analysis from Whole Core or Rotary Side-Wall cores in order to match the electric log data to measurements on the actual rock. Correlation of this information over a larger area reveals a regional picture or trend of the Utica/Point Pleasant formation.

**Q13. Generally speaking, what sources of data would you review and analyze in order to assess the geologic characteristics of a potential shale play?**

A13. Generally speaking, core and electric log data.

**Q14. How is this data obtained, and what is it meant to show about the formation?**

A14. Data is obtained thru public information sources such as the ODNR, thru vendors such as IHS, proprietary data from well logs run or cores taken on recently drilled Gulfport wells. Gulfport is also a partner with other operators and has received geological data from wells drilled by partner operators and finally thru data trades with other operators. Geologist correlate the logs well-to-well by picking the same formation top in each well in order to create structure and isopach maps of various formations over the area of interest.

**Q15. What data sources did you use in determining the geologic features of the Brown #9 Unit?**

A15. Electric log data from Trenton penetrations in the area were used to construct Exhibits MB-1 and MB-2 to the Unit Application. Since there are not a lot of Trenton penetrations in the area, Exhibit MB-1 shows a well 5.45 miles to the southwest and one well 4.66 miles to the southeast of the proposed unit. The cross-section found in Exhibit MB-2 has been flattened at the top of the Trenton in order to better show the uniform thickness of the Utica/Point Pleasant across the unit.

**Q16. What do these exhibits tell us about the Brown #9 Unit?**

A16. Exhibits MB-1 and MB-2 are a location map and cross section created using downhole electric logs, respectively. The cross-section suggests equal thickness of the Utica formation and Point Pleasant formation and the location map shows the

extent of the predicted thickness across the Brown #9 Unit.

**Q17. What is the approximate depth of the Utica/Point Pleasant formation under the Brown #9 Unit?**

A17. The top of the Utica/Point Pleasant formation is expected to be around 7,633' feet True Vertical Depth.

**Q18. Which formations are included in the proposed Brown #9 Unit?**

A18. The Unitized Formation described in the Application is the subsurface portion of the Brown #9 Unit at a depth located from 50' above the top of the Utica Shale to 50' below the base of the Point Pleasant formation.

**Q19. How and why were these formations chosen?**

A19. We expect to produce from both the Utica Shale and Point Pleasant formations, though fractures from completion activities may extend outside those formations. We ask for a 50' buffer above and below the productive formations for this reason.

**Q20. Based on the data you analyzed, should the area be considered a pool?**

A20. Yes

**Q21. Could you please explain why?**

A21. Analysis of the data indicates the reservoir properties are very similar over the unit area for the proposed Utica/Point Pleasant formation and would qualify as part of a pool.

ALLOCATION METHODOLOGY

**Q22. Are you generally familiar with the manner in which unit plans allocate production and unit expenses to parcels within the unit?**

A22. Yes.

**Q23. You testified earlier that the Utica/Point Pleasant formation underlying the Brown #9 Unit has a relatively uniform thickness and reservoir quality. Given those characteristics, what would be an appropriate method of allocating production and unit expenses among the parcels contained in the Brown #9 Unit?**

A23. Yes because of the reservoir quality and relatively uniform thickness across the unit. An appropriate method of allocation would be on a surface-acreage basis.

**Q24. Is this method used elsewhere?**

A24. Yes.

**Q25. What method of allocation is utilized in the unit plan for the Brown #9 Unit?**

A25. Based on the testimony of Samuel D. Allen, production and unit expenses are allocated on a surface-acreage basis.

**Q26. Does this conclude your testimony?**

A26. Yes.

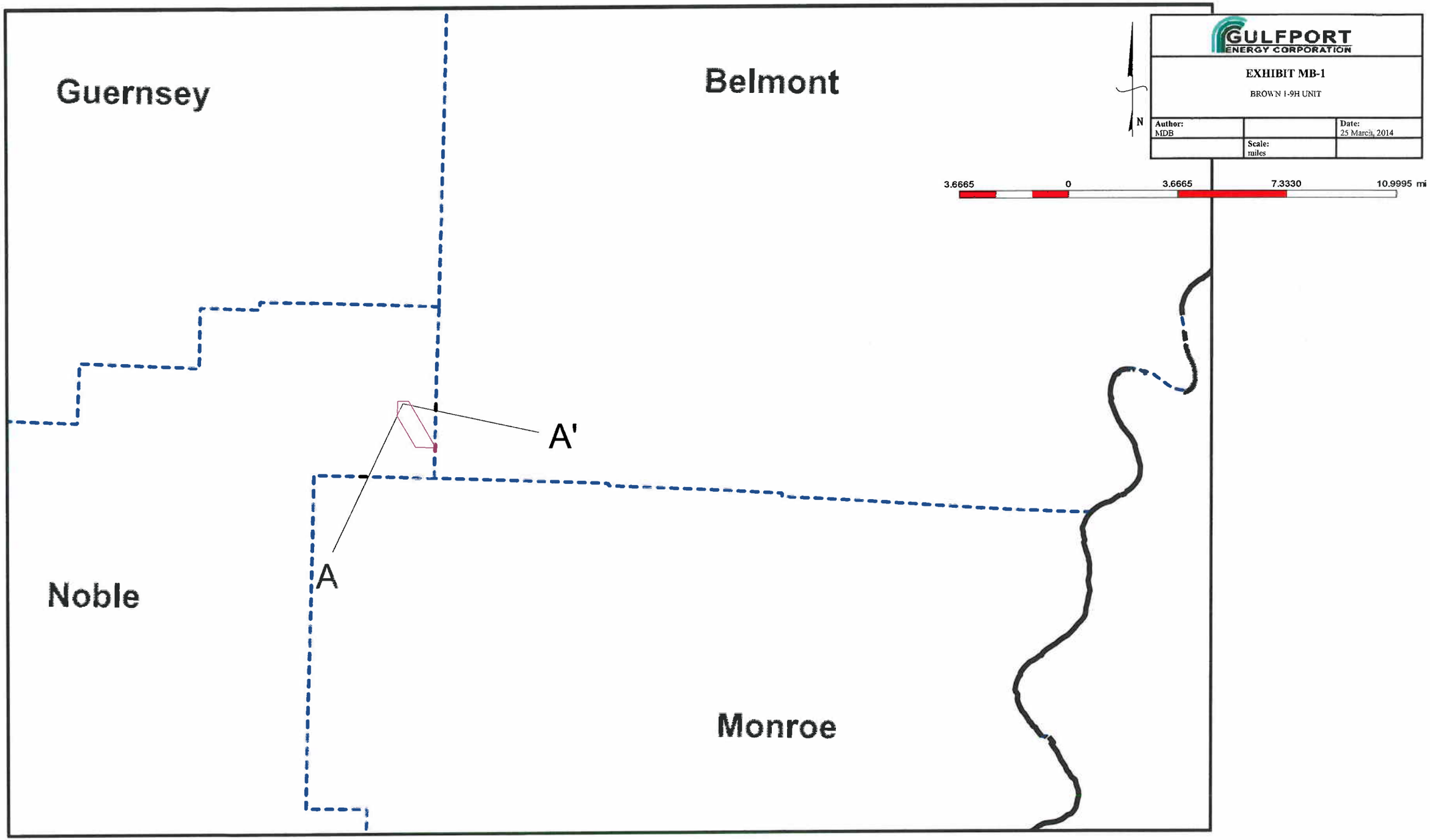
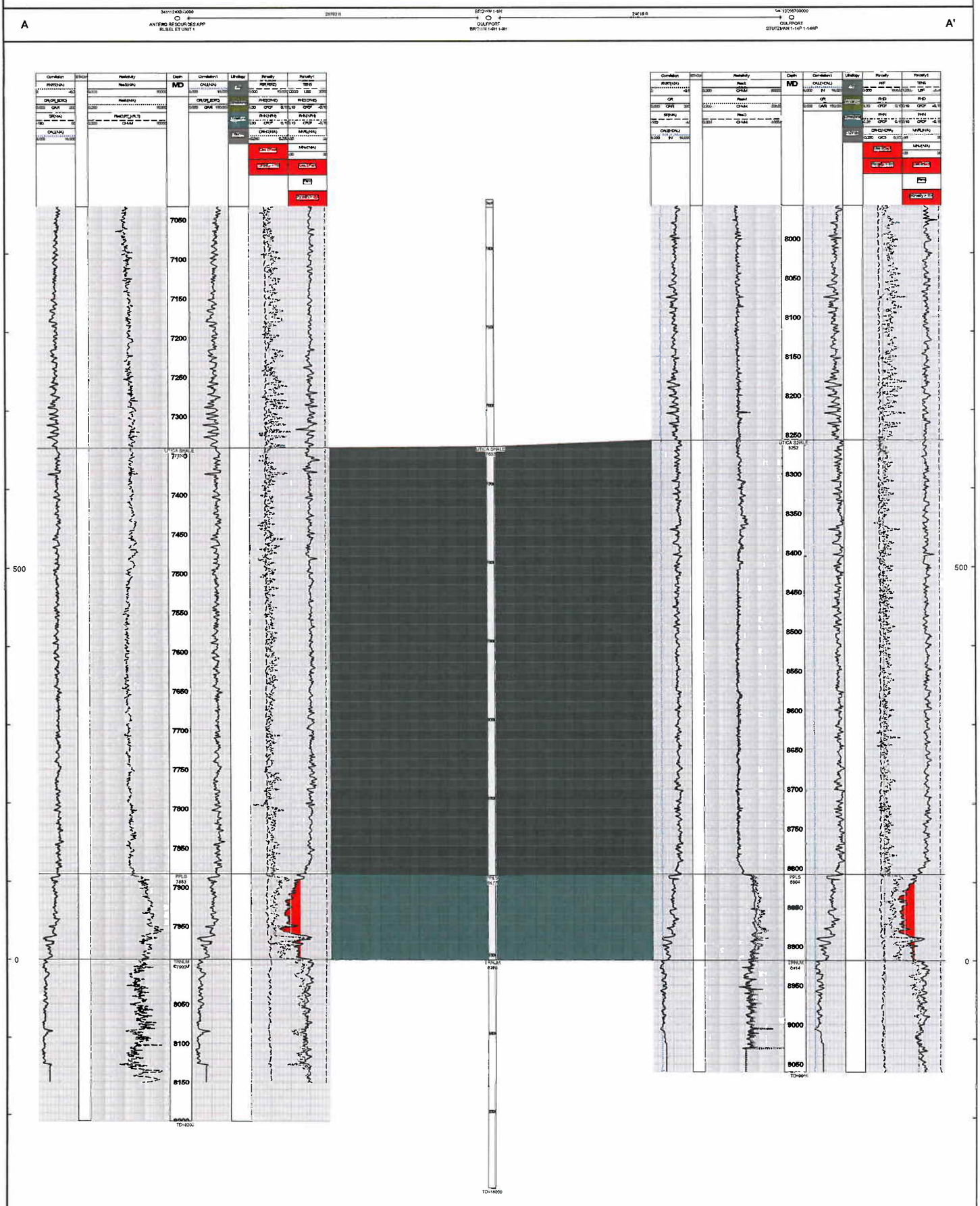

Guernsey
Belmont
Noble
Monroe
A
A'
N
GULFPORT
ENERGY CORPORATION
EXHIBIT MB-1
BROWN 1-9H UNIT
Author:
MDB
Date:
25 March, 2014
Scale:
miles
3.6665
0
3.6665
7.3330
10.9995 mi

EXHIBIT MB-2
Stratigraphic Cross Section "Brown 1-9H': Equally Spaced Logs
Datum = Trenton
Vertical Section = 2.5 in per 100 ft
Brown S-N X-section.xsd



**STATE OF OHIO**
**DEPARTMENT OF NATURAL RESOURCES**
**DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

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|---|---|---|
| In re the Matter of the Application of | : | |
| Gulfport Energy Corporation for | : | |
| Unit Operation | : | Application Date: March 28, 2014 |
| | : | |
| Brown # 9 Unit | : | |

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# PREPARED TESTIMONY OF STEVE BALDWIN ON BEHALF OF GULFPORT ENERGY CORPORATION

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Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant,
Gulfport Energy Corporation

Date: March 28, 2014

Exhibit 4

# PREPARED DIRECT TESTIMONY OF STEVE BALDWIN

**Q1. Please introduce yourself.**

A1. My name is Steve Baldwin and my business address is 14313 N. May, Oklahoma City, Oklahoma 73134. I am a Senior Reservoir Engineer for Gulfport Energy Corporation.

**Q2. What is the purpose of your testimony today?**

A2. I am testifying in support of the Application of Gulfport Energy Corporation for Unit Operation filed with respect to the Brown #9 Unit, consisting of sixteen (16) separate tracts of land totaling approximately 618.856 acres in Noble County, Ohio. My testimony addresses the following: (1) that unit operations for the Brown #9 Unit are reasonably necessary to increase substantially the recovery of oil and gas; and (2) that the value of the estimated additional recovery due to unit operations exceeds its estimated additional costs.

**Q3. Can you summarize your educational experience for me?**

A3. I hold a Bachelors of Science in Petroleum Engineering for the University of Oklahoma.

**Q4. Are you a member of any professional associations?**

A4. I am a member of The Society of Petroleum Engineers.

**Q5. How long have you been a Senior Reservoir Engineer for Gulfport?**

A5. Seven years.

**Q6. What other work experiences have you had?**

A6. Over my +30 years of experience, I have worked for Mobil Oil Company as a Production Engineer, with Noble Affiliates as a Reservoir Engineer, with Chaparral Energy as a Senior Reserve & Acquisitions Engineer and the last seven years with Gulfport Energy as a Senior Reservoir Engineer.

**Q7. What does being a reservoir engineer entail?**

A7. I perform reserve evaluations estimating reserves and recoveries. I analyze the economics and risk assessment of developmental wells and projects. I calculate how many hydrocarbons are believed to exist or remain on Gulfport properties as well as how much we can economically expect to produce.

**Q8. How do you do that?**

A8. There are several methods available such as volumetric calculations, analogy to offset production and decline curve analysis that we can use to make projections about how much hydrocarbon exit and how much can be produced. We factor in geologic data as

well as drilling and fracturing techniques and cost to estimate economics.

**Q9. Did you perform any calculations to support Gulfport's application for unitization for the proposed Brown #9 Unit?**

A9. Yes. I did.

**Q10. And did you perform those calculations yourself, or did someone assist you?**

A10. I performed the calculations myself.

**Q11. What sort of calculations were you asked to perform?**

A11. Under the current un-unitized acreage, Gulfport could only drill one horizontal well (6,400') keeping within the 500 feet limit of unleased parcels. I estimated how much oil and gas Gulfport could expect to retrieve from this one well without unitization. If the unitized area is approve, Gulfport would be able to drill 3 longer horizontal wells (7,508' average) from a single pad in the unit. I did the same reserve estimates for a three well unit.

**Q12. Why horizontal wells?**

A12. Unconventional shale reservoirs cannot be produced at economic flow rates and do not produce economic volumes of oil and gas without the use of horizontal drilling and the assistance of stimulation treatments like hydraulic fracturing. This largely explains why the Utica Shale hasn't been developed to date in Ohio. The permeability of shale formations, including the Utica formation, is extremely low. In order for hydrocarbons found in the shale reservoir to flow at economic rates, the surface area open to flow must be maximized. Horizontal multi-stage hydraulically fractured wells are the most efficient way to date that the oil and gas industry has been able to maximize the surface area exposed to the reservoir for flow purposes.

**Q13. How are horizontal wells drilled?**

A13. Horizontal drilling is the process of drilling down vertically to a point commonly referred to as the kickoff point, and then gradually turning the wellbore to drill and place the wellbore in the desired hydrocarbon bearing formation – in this case, the Utica shale – horizontally in order to maximize the areal contact of the reservoir. This technology along with hydraulically fracturing the formation is required to economically develop unconventional resources like shale gas formations.

**Q14. How deep is the kickoff point that you are referring to?**

A14. It depends on the well being drilled, but for the proposed Brown #9 Unit, it is likely to be approximately 7,100' TVD (true vertical depth) based on data gathered from an offset that was recently drilled.

**Q15. Is horizontal drilling common in the oil and gas industry?**

A15. Yes. The oil and gas industry has been drilling horizontal wells for many years. Hydraulic fracturing is also nothing new. Hydraulic fracturing has been used in the oil and gas industry for more than seventy years. The combination of hydraulic fracturing and horizontal drilling is what is allowing shale formations like the Utica to finally be developed.

**Q16. Is it fair to say, then, that horizontal wells are the predominant method used to develop shale formations like the Utica today?**

A16. Yes.

**Q17. Turning specifically to the Brown # 9 Unit, have you made an estimate of the production you anticipate from the proposed unit's operations?**

A17. Yes, I have evaluated and estimated the production potential from the Utica formation in the Brown # 9 Unit and believe that the gross production from unitized operations, as proposed in this application, if successful, could be as much as 39 MBbls. of oil, 936 MBbls. of natural gas liquids and 26 BCF of gas.

**Q18. How did you make those estimates?**

A18. From analogy of offset Utica horizontal wells and from decline curve analysis. There are horizontal Utica wells approximately four miles of the proposed unit that I believe have similar characteristics in terms of fluid type and production profile and data from those wells were used in my calculations.

**Q19. Once you had that data from the other Utica shale wells, what did you do with it?**

A19. I used actual production data from those wells to develop an average Utica production profile or "type curve" using decline curve analysis. With all wells, production and pressure is highest at the onset and gradually decreases to a point where production can't be sustained without some additional stimulation. This decline can be plotted and for wells within the same formation, tends to exhibit similar characteristics. In the type curve process, data from the first day of production for all the wells are all aligned, and the production volumes are then averaged. This will produce the average production

profile of the wells included in the type curve. Then a mathematical expression is used to match the production and forecast the future production that is expected to be produced from the well. This is referred to as "decline curve analysis." Type curves are routinely used in the industry to estimate reserves.

**Q20. I see that you've qualified your calculations as an estimate. Does that mean that you cannot calculate the production from these wells ahead of time with mathematical certainty?**

A20. Yes that's correct. The ultimate recovery of a well cannot be known until it has produced its last drop which will not be for many years. However, we have established production and test data in the area.

**Q21. In your professional opinion, would it be economic to develop the Brown # 9 Unit using traditional vertical drilling?**

A21. No. These unconventional reservoirs cannot be produced at economic flow rates or do not produce economic volumes of oil and gas without the use of horizontal drilling and the assistance of stimulation treatments. This largely explains why the Utica Shale had not been developed prior to the recent horizontal activity in Ohio.

**Q22. Are the estimates that you made based on good engineering practices and accepted methods in the industry?**

A22. Yes

**Q23. Do you have the calculations you performed?**

A23. Yes. The summary of my calculations are attached to this prepared testimony as Exhibit "SB-1"

**Q24. Can you summarize what your calculations show?**

A24. First, I looked at the economics of non-unitization. The only horizontal lateral that could be drilled from the pad would be the Brown 1-9H at 6,400'. This would be economic but would leave as much as 3,678 MBOE of reserves stranded. The other two wells (Brown 2-9H and the Brown 3-9H) could not be drilled horizontally due to the unleased tracts.

**Q25. Did you also estimate what could be recovered if operations in this area are unitized, as is being proposed by this application?**

A25. Yes. In that case, Gulfport does not have to avoid the unleased parcels, and Gulfport is able to fully develop the unit with three full horizontal laterals. The Brown 1-9H, 2-9H

and the 3-9H laterals would then measure approximately 8,289', 8,232' and 6,400' respectively.

**Q26. Can you summarize what those calculations show?**

A26. Yes. If Gulfport develops a unit with three fully drilled horizontal laterals, I project that it will produce approximately 39 MBbls. of oil, 26 BCF of gas and 936 MBbls of natural gas liquids over the combined productive life of these three wells.

**Q27. Is the unitized recovery due solely to being able to drill beneath the currently unleased parcels?**

A27. No. The oil and gas from those unleased parcels accounts for part of the increase, but the majority of the increase is from what would otherwise be stranded reserves that would not be produced unless the Division approves the unitization application for full unit operation. That oil and gas would forever be left behind if not produced through unit operation by these wells. Drilling an additional well or wells to try to recover those stranded reserves is simply not economically feasible.

**Q28. Let's shift our focus to the economic calculations for this project. Have you made an estimate of the economics of the proposed development of the Brown # 9 Unit?**

A28. Yes

**Q29. Would you walk us through your economic evaluation, beginning with your estimate of the anticipated revenue stream from the Brown # 9 Unit development?**

A29. During the reserve estimation process, not only were the ultimate reserve numbers estimated, but the production profile over time of the reservoir hydrocarbons was also developed. The production profile and a price scenario were used to develop the revenues that are expected from the proposed unit's development.

**Q30. What do you mean when you say "production profile over time of the reservoir hydrocarbons," and why is it important?**

A30. I am referring to the actual production we expect on a daily or monthly basis for the well's entire life. This is important when doing an economic evaluation in which revenue from future production is discounted in order to obtain the net present value and rate of return for the specific project.

**Q31. What price scenario did you use?**

A31. A six year forward strip price for March 26, 2014 was used. This is the market's current

view of what gas and oil prices will be in the future and are not guaranteed to be the price received for the produced hydrocarbons from the Brown # 9 Unit. I have attached those figures as Exhibit "SB-2".

**Q32. What about anticipated capital and operating expenses?**

A32. Capital and operating expenses were incorporated as well. The total estimated capital is based on the anticipated capital costs for both the drilling and completion process. The basis for this estimate comes from recent costs we have experienced with our early Utica formation development in the state of Ohio. These costs were adjusted to correspond to the respective lateral length of each lateral within the proposed unit. Incorporated in the analysis are both fixed and variable cost estimates.

**Q33. Based on this information and your professional judgment, does the value of the estimated recovery from the operations proposed for the Brown # 9 Unit exceed its estimated costs?**

A33. Yes. The total estimated cost of developing the Brown # 9 Unit is approximately 30.9 million. Undiscounted Net Cash Flow is $85 million and using a 10% discount rate, the net present value is approximately $44.6 million.

**Q34. In your professional opinion, do you believe that the proposed unit operations for the Brown # 9 Unit are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the unit area?**

A34. Yes. It is my professional opinion that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the unit area. This area would not be able to be developed without unit operations. Further, unit operation will protect the correlative rights of all of the mineral owners by effectively and efficiently draining all of the reserves, eliminating any waste of mineral resources associated with stranded reserves. There is no doubt in my mind that unit operation will substantially increase the ultimate recovery of oil and gas from this unit area.

**Q35. In your professional opinion, does the value of increased recovery attributable to unit operations exceed the estimated additional costs of unit operation?**

A35. Yes. To increase the exposure to the reservoir and produce the maximum amount of hydrocarbons, placing horizontal wells across the entire proposed unit is ideal. This limits the capital cost by limiting the number of required surface locations and wells and

maximizes the production from the proposed unit's operations. Without the proposed unit operations, we would not be able to develop this area. As indicated above, the estimated development of the proposed unit would require $30.9 million in capital, and would have an undiscounted net cash flow of $85 million and a net 10% present value of approximately $44.6 million. Thus, the value of the increased recovery significantly outweighs the increased cost of unitized operation. Financially, it makes sense to operate as a unit.

**Q36. And your opinions are based on your education and professional experience?**

A36. Yes

**Q37. Does this conclude your testimony?**

A37. Yes.

**EXHIBIT "SB-1"**

BROWN # 9 UNIT

| Lateral Length and Capital | | | | |
|---|---|---|---|---|
| Well Name | Unit Lateral Length (ft) | Unit Dev. Cost (M$) | Non-Unit Lat. Length (ft) | Non-Unit Dev . Cost (M$) |
| 1-9H | 8,289 | 10,700 | 6,400 | 9,500 |
| 2-9H | 8,232 | 10,700 | 0 | 0 |
| 3-9H | 6,004 | 9,500 | 0 | 0 |
| TOTAL | 22,525 | 30,900 | 6,400 | 9,500 |

| Reserve and Economic Summary | | |
|---|---|---|
| | Full Dev. Totals | Partial Dev. Totals |
| Gross Condensate (MBbls.) | 39 | 13 |
| Gross NGL (MBbls.) | 936 | 288 |
| Gross Residue Gas (MMCF) | 26,032 | 8,010 |
| Equivalent EUR (MBOE) | 5,314 | 1,636 |
| Undis. Net Cash Flow (M$) | 84,964 | 25,865 |
| PV 10% (M$) | 44,644 | 13,863 |

EXHIBIT "SB-2"

STRIP PRICES AS OF MARCH 26, 2014

| DATE | OIL PRICE $/BBL. | GAS PRICE $/MCF |
|---|---|---|
| Apr-Dec 2014 | 96.35 | 4.47 |
| Jan-Dec 2015 | 89.17 | 4.25 |
| Jan-Dec 2016 | 84.19 | 4.21 |
| Jan-Dec 2017 | 81.76 | 4.28 |
| Jan-Dec 2018 | 80.44 | 4.37 |
| Jan-Dec 2019 | 79.48 | 4.51 |
| To Life | 78.94 | 4.70 |

**STATE OF OHIO**
**DEPARTMENT OF NATURAL RESOURCES**
**DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

| | | |
|---|---|---|
| In re the Matter of the Application of | : | |
| Gulfport Energy Corporation, for | : | |
| Unit Operation | : | Application Date: March 28, 2014 |
| | : | |
| Brown #9 Unit | : | |

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**PREPARED TESTIMONY OF SAMUEL D. ALLEN, CPL**
**ON BEHALF OF GULFPORT ENERGY CORPORATION**

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Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant,
Gulfport Energy Corporation

Date: March 28, 2014

Exhibit 5

# PREPARED DIRECT TESTIMONY OF SAMUEL D. ALLEN, CPL

**INTRODUCTION.**

**Q1. Please state your name and business address.**

A1. My name is Samuel Allen and my business address is 14313 North May Ave., Suite 100, Oklahoma City, OK 73134

**Q2. Who is your employer?**

A2. Gulfport Energy Corporation.

**Q3. What is your position with Gulfport?**

A3. I am a Senior Landman.

**Q4. Please describe your professional responsibilities at Gulfport.**

A4. My primary responsibilities involve preparing and overseeing development of drilling units from the early stages of designing the unit based on Gulfport's lease position, acquisition of leases or rights to drill, and title work up and through the drilling phase, ending at overseeing attorneys determining title for the distribution of production proceeds.

**Q5. Starting with college, please describe your educational background.**

A5. I earned a Bachelor of Science in Management and Ethics from the Mid-America Christian University.

**Q6. Please briefly describe your professional experience.**

A6. I started training as a field oil and gas landman / broker in 1981, geographically working primarily in Oklahoma. Through my career I have worked in Texas, Kansas, Arkansas, Colorado and presently in Ohio. I have worked for 33 years as an independent for my own account or as a company employee of small independent operators, and large independents such as Chesapeake Energy Corporation performing all land related business functions pursuant to acquiring rights to oil and gas exploration and development.

**Q7. What do you do as a Landman?**

A7. My responsibilities as a Senior Landman is constructing the initial design of the horizontal units, interface with lease brokers, title attorneys, surveyors in my particular geographical assigned area. Implement strategies in developing Gulfport's position in the Utica Shale via lease purchase, or lease acquisition from

other industry parties, title research and review, the formation of unit plans, and any other tasks necessary in preparing Gulfport to successfully drill horizontal Utica/Point Pleasant wells.

**Q8. Are you a member of any professional associations?**

A8. I am a member of the American Association of Professional Landmen and the Oklahoma City Association of Professional Landmen. In 1998 I passed the comprehensive certification exam for the professional certification of Certified Professional Landman through the American Association of Professional Landmen. Since certification I have maintained all certification education requirements on a five year basis.

**Q9. Have you ever been involved in combining or pooling oil and gas interests for development in other states?**

A9. Yes, I have been accepted and testified as an expert witness by the Oklahoma Corporation Commission in regard to compulsory pooling matters in Oklahoma. I have worked for both Union Pacific Resources and Chesapeake Energy Corporation in the formation of voluntary pooling and unitization of Austin Chalk lateral units pursuant to the field rules of the Texas Railroad Commission.

**Q10. Were you involved in the preparation of Gulfport Energy Corporation's Application for unitization with respect to the Brown #9?**

A10. Yes, after our initial lease acquisition covering the relevant land, I have managed the formation of the Brown #9 Unit in its present configuration and have been involved with the preparation of this application for unitization.

**Q11. Can you generally describe the Brown #9 Unit?**

A11. Yes. The Brown #9 Unit consists of 16 distinct parcels of land totaling approximately 618.856 acres of land in Beaver and Somerset Townships, Belmont and Noble Counties, State of Ohio.

**EFFORTS MADE BY GULFPORT TO LEASE UNIT TRACTS.**

**Q12. The Application submitted by Gulfport indicates that it owns the oil and gas leasehold rights to 606.479 acres of the proposed 618.856 acre unit. Would you describe how Gulfport acquired its rights?**

A12. Gulfport Energy Corporation acquired a predominant amount its leasehold working

interest in this unit via a purchase and sale transaction from Columbus, Ohio based Northwood Energy Corporation, on or about June 20, 2012. Gulfport has also added additional interests through its own leasing efforts.

**Q13. What percentage of the total acreage of the Brown #9 Unit is represented by the oil and gas rights held by Gulfport?**

A13. Approximately 98.00001%

**Q14. Have other working interest owners in the Brown #9 Unit approved the Unit Plan prior to filing this application?**

A14. No. Gulfport is the only operator in this unit. A Working Interest Owner Approval form is attached to the Application as Exhibit 6.

**Q15. Why was Gulfport not able to acquire the oil and gas rights to all of the acreage in the proposed unit?**

A15. There are two (2) unleased parcels owned by twelve (12) mineral owners (Unit Tracts 11 and 16) in the Brown #9 Unit. An undivided 43.75% (20.8355 net acres – Unit Tract 11) were found to be unleased after we had purchased and paid for the acreage purported to be subject to an oil and gas lease. The second parcel – Unit Tract 16, containing 0.472 net acres, was found to be an orphan parcel that was excluded from a larger parcel in a conveyance and became separated in and unaccounted for in a 1931 conveyance recorded in the Official Land Records of Noble County, Ohio. According to the Noble County, Ohio Auditor. No Tax Identification Number has been assigned. This parcel is presently identified on the Beaver Township Map as Parcel No. 12. The leases Gulfport acquired in its lease acquisition from Northwood did not cover Unit Tract 16.

**Q16. Have you prepared a log detailing Gulfport's efforts to obtain a lease from the unleased mineral owners in the proposed unit?**

A16. Yes. Exhibits SA-1.1 through 1.2 depict leasing logs which describe contacts made by Gulfport employees or field brokers working on Gulfport's behalf.

**Q17. Can you describe the efforts that Gulfport has made to contact the land owners and/or their representatives?**

A17. Gulfport's representatives have attempted to contact mineral owners through numerous phone calls and mailings, internet research to determine the location of

potential heirs, and searches of all manner of public record. The purpose behind each attempt is to locate and offer terms to lease the mineral owners' respective properties.

**Q18. Do you believe that any circumstances necessitate newspaper notice?**

A18. Yes. We have been unable to acquire an address for John D. Brown, or his heirs thus far. Mr. John D. Brown and other parties are referenced on Exhibit A to the Unit Operating Agreement as "unitized parties", we would provide newspaper notice in Noble County as an additional means of notifying Mr. John D. Brown or any potential claimants to the mineral interest associated with this tract.

**Q19. If the unleased tract owner in the unit were to even now ask to lease with Gulfport under the terms extended by Gulfport, would Gulfport be likely to agree?**

A19. Yes.

**Q20. Could you describe the location of the leased and unleased tracts within the Brown #9 Unit?**

A20. Yes. Exhibit SA-2, which is attached hereto, is a plat showing each of the tracts in the Brown #9 Unit. Tracts 11 (partially leases), and 16 on the attached plat remain open and unleased for the purposes of this unit.

**Q21. Are there other operators that have an interest within the Brown #9 Unit?**

A21. No.

**UNIT PLAN PROVISIONS.**

**Q22. Would you describe generally the development plan for the Brown #9 Unit?**

A22. Gulfport plans to develop the Brown #9 Unit from a northwesterly pad site 525 feet off the unit boundary line, from which we intend to drill multiple horizontal wells with a southeasterly orientation in the Unit. The Unit is currently configured to include 3 horizontal wellbores, with projected lateral lengths ranging from 6,004 feet to 8,313 feet. Gulfport will drill the initial well as an exploratory well to further evaluate the reserve potential of the Utica formation, and subsequent wells would be drilled only upon positive production results.

**Q23. Can you describe the location of the proposed wellbores within the Brown #9 Unit?**

A23. Yes. I have attached as Exhibit SA-4 to my testimony a plat showing the configuration of the wellbores. It shows the pad site located on the northwesterly end of the Brown #9 Unit with three wellbores configured to be drilled parallel in a southeasterly direction spaced 1000 feet apart on an approximate 30 degree angle.

**Q24. Do you know where the drilling and completion equipment will be located on the pad?**

A24. Yes, we have been in contact with the surface owner of the parcel of our proposed pad site, who is also the mineral owner of same, and plan to develop our surface location pursuant to the terms of our lease. We have acquired a surface use agreement with the surface owner of said parcel.

**Q25. If the Division were to issue an order authorizing the proposed unit, and if Gulfport agreed with the terms and conditions of that order, how long thereafter would Gulfport drill the exploratory well contemplated by the petition?**

A25. We plan to drill the initial well in the second quarter or beginning of third quarter of 2014.

**Q26. Does Gulfport have a specific timeline for drilling additional wells in the Brown #9 Unit?**

A26. Subsequent wells will be drilled at some indeterminate time following the drilling of the initial well. The timeline on drilling subsequent wells can be impacted by numerous factors such as rig availability and the results of this application.

**Q27. What are the benefits to this type of unit development?**

A27. Developing the Brown #9 Unit in the manner previously described protects the correlative rights of the unit participants while also providing for substantial environmental and economic benefits. Drilling, completing and producing multiple horizontal wells from a single pad site significantly reduces the environmental impact by allowing Gulfport to build a single access road rather than many, reduce traffic, and allow for the development of acreage that might not otherwise be available for development due to various surface limitations (terrain, residences, etc.). Developing the Utica Shale via the drilling of vertical wells is not practicable, as this reservoir cannot be produced at economic flow rates or volumes

with vertical drilling, and due to the fact that even if economically feasible, surface limitations set out above would prevent the practical well spacing necessary too efficiently and effectively produce the reservoir. Horizontal drilling negates these issues by allowing for a central pad location to develop mineral acreage underlying otherwise inaccessible lands with a minimum of surface disturbance.

**Q28. So is it fair to say that the benefits of this type of development are substantial?**

A28. Yes, the type of development planned by Gulfport for the Brown #9 Unit offers significant benefits not only to the operator, but also to the landowners in the unit and the surrounding area.

**Q29. Are you familiar with the Unit Plan proposed by Gulfport for the Brown #9 Unit?**

A29. Yes. The Unit Plan proposed by Gulfport is set out in two documents attached to the Application. The first, the Unit Agreement, establishes the non-operating relationship between the parties in the unit. The second, the Unit Operating Agreement, establishes how the unit will be explored, developed, and produced.

**Q30. Let's turn first to the Unit Agreement, marked as Exhibit 1 to the Application. Would you describe briefly what it does?**

A30. Yes. The Unit Agreement in effect combines the oil and gas rights in the Brown #9 Unit so that they can be developed as if they were part of a single oil and gas lease.

**Q31. Are mineral rights to all geological formations combined under the Unit Agreement?**

A31. No. The Unit Agreement only unitizes the oil and gas rights located fifty feet above the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation, defined in the Agreement as the "Unitized Formation," to allow development of the Utica Shale formation.

**Q32. How will production proceeds from the Brown #9 Unit be allocated among royalty interest owners and working interest owners in the Unit?**

A32. On a surface-acreage basis. Under Article 4 of the Unit Agreement, every tract is assigned a tract participation percentage based on surface acreage and shown on Exhibits A-2 and A-3 to the Unit Operating Agreement. Article 5 of the Unit Agreement allocates production based on that tract participation.

**Q33. Why use a surface-acreage basis as the method of allocation?**

A33. Based on the testimony of Michael Buckner attached to the Application as Exhibit 3, a surface-acreage basis is an appropriate method of allocation because the formation thickness and reservoir quality of the Unitized Formation is expected to be consistent across the Brown #9 Unit.

**Q34. Would you go through an example from Exhibit A-2 to the Unit Operating Agreement to illustrate how a surface-acreage allocation would be applied to the Brown #9 Unit?**

A34. Yes. The fifth column on Exhibit A-2 to the Unit Operating Agreement, entitled "Surface Acres in Unit," shows the number of surface acres in each tract of land within the Brown #9 Unit. Column 6 on Exhibit A-2 shows the related tract participation of each tract, which is calculated by taking the total number of surface acres in the tract and dividing it by the total number of surface acres in the unit. So, for example, if you look at Tract Number 3 on Exhibit A-2, it shows that the John P. & Arlene Wehr tract comprises 8.389 surface acres in the 618.856 acre Brown #9 Unit, which equates to a tract participation of approximately 1.356% (8.389/ 618.856).

**Q35. What does that mean in terms of production allocated to that particular Wehr tract?**

A35. It would mean that roughly 1.356% of all production from the Brown #9 Unit would be allocated to the Wehr tract, and would be distributed based on the terms of the lease or other pertinent documents affecting the ownership to production proceeds from the tract.

**Q36. Does it work the same way for an unleased mineral interest, that is, for the tract of a person or entity which did not lease its property in the unit?**

A36. Yes. Exhibit A-3 to the Unit Operating Agreement lists the surface acreage, tract participation, and related working interest and unit participations of each unleased parcel in the proposed unit. In the 16-tract Brown #9 Unit, Tracts 11 (partially leased), 16, are unleased parcels. The minerals under these tracts are owned by multiple mineral owners, and comprise 12.377 acres. If the acreage from the unleased tracts is divided by the full surface acreage comprising the unit (618.856

acres), the result gives a tract participation of approximately 1.999998%. Under the Unit Agreement, because these parcels are unleased, the mineral owners would receive a working interest of seven-eighths (7/8) and a royalty interest of one-eighth (1/8) of that tract participation. Under the terms of the Unit Operating Agreement, should the unleased mineral owners remain as unleased interest, they would individually decide whether they wanted to participate in any proposed operations, or decline to participate and let the remaining parties proceed with the proposed operation.

**Q37. In your experience, is that a customary way to allocate production in a unit?**

A37. In my experience, surface-acreage allocation is both fair and customary for horizontal shale development.

**Q38. How are unit expenses allocated?**

A38. Similarly to production, unit expenses are allocated on a surface-acreage basis. Article 3 of the Unit Agreement provides that expenses, unless otherwise allocated in the Unit Operating Agreement, will be allocated to each tract of land within the unit based on the proportion that the surface acres of each particular tract bears to the surface acres in the entire unit.

**Q39. Who pays the unit expenses?**

A39. Working interest owners.

**Q40. Do the royalty owners pay any part of the unit expenses?**

A40. No. Royalty interest owners are responsible only for their proportionate share of taxes and post-production costs, which are deducted from their share of the proceeds from sales of production of hydrocarbons from the unit area.

**Q41. Let's turn to the Unit Operating Agreement, marked as Exhibit 2 to the Application. It appears to be based upon a form document. Could you please identify that form document?**

A41. Yes. The Unit Operating Agreement is based upon *A.A.P.L. Form 610 – Model Form Operating Agreement – 1982*, which we typically use when we enter into joint operating agreements with other parties.

**Q42. Are you familiar with the custom and usage of the Form 610 and other similar agreements in the industry?**

A42. Yes. The Form 610, together with its exhibits, is commonly used in the industry and is frequently modified to address the development objectives of the parties. As a landman, I have been involved in negotiating and modifying versions of A.A.P.L. operating agreements.

**Q43. Turning to the Unit Operating Agreement in particular, does it address how unit expenses are determined and paid?**

A43. Yes. Article III of the Unit Operating Agreement provides that all costs and liabilities incurred in operations shall be borne and paid by the working interest owners, in accordance with their Unit Participation percentages. Those percentages can be found in Exhibits A-2 and A-3 to the Unit Operating Agreement. Also, the Unit Operating Agreement has attached to it an accounting procedure identified as Exhibit C.

**Q44. What is the purpose of the document marked as Exhibit C in connection with the Brown #9 Unit Operating Agreement?**

A44. The document presents information concerning how unit expenses are determined and paid.

**Q45. At the top of each page of Exhibit C, there appears a label that reads: "COPAS 2005 Accounting Procedure, Recommended by COPAS, Inc." Are you familiar with this society?**

A45. Yes, COPAS stands for the Council of Petroleum Accountants Societies.

**Q46. Is this COPAS document used in oil and gas operations across the country?**

A46. Yes. It is commonly used in the industry.

**Q47. In your opinion, is this COPAS document generally accepted in the industry?**

A47. Yes. This was drafted by an organization whose membership encompasses various companies and sectors across the industry, and, as a result, is designed to be fair.

**Q48. Will there be in-kind contributions made by owners in the unit area for unit operations, such as contributions of equipment?**

A48. No, Gulfport Energy does not anticipate in-kind contributions for the Unit Operations.

**Q49. Are there times when a working interest owner in the unit chooses not to – or cannot – pay their allocated share of the unit expenses?**

A49. Yes. Joint Operating Agreements account for such occurrences, which are not uncommon. The agreements allow working interest owners the flexibility to decline to participate in an operation that they may not believe will be a profitable venture or that they cannot afford. The remaining parties can then proceed at their own risk and expense.

**Q50. Generally, how is the working interest accounted for when an owner chooses not to participate in an operation?**

A50. A working interest owner who cannot or chooses not to participate in an operation is considered a non-consenting party. If the remaining working interest owners decide to proceed with the operation, the consenting parties bear the full cost and expense of the operation. A non-consenting party is deemed to have relinquished its interest in that operation until the well revenues pay out the costs that would have been attributed to that party, plus a prescribed risk penalty or non-consent penalty.

**Q51. What is a risk penalty or non-consent penalty, and why are they included in the agreement?**

A51. A risk penalty or non-consent penalty is a means to compensate consenting parties for the financial risks of proceeding with a well that may be a non-producer when one or more working interest owners do not consent to pay their share of the costs of drilling said well. A non-consent penalty can also serve as a means to allow a working interest owner to finance participation in a well when unable to advance its share of drilling costs.

**Q52. Can a working interest owner choose to go non-consent in the initial well in the Brown #9 Unit?**

A52. Yes. If a working interest owner chooses not to participate in the unit's initial well, Article VI.A of the Unit Operating Agreement provides that the working interest owner shall be deemed to have relinquished to the other parties its working interest in the unit with a back-in provision with a risk factor of 300%.

**Q53. Does the Unit Operating Agreement treat the initial well and subsequent operations differently in terms of going non-consent, and if so, why?**

A53. Yes. Subsequent operations have a smaller risk factor of 200%. A lack of

information as to whether the well will be economic makes participation in the initial well a riskier endeavor than subsequent operations, when information gained from the initial well reduces the risk factor going forward. Therefore, it is common for joint operating agreements to distinguish risk factors between initial and subsequent operations.

**Q54. But if the working interest owner still has a royalty interest in the unit, that royalty interest would remain in place and be paid?**

A54. Yes. The royalty interest would still be paid even if the working interest is being used to pay off a risk factor.

**Q55. What is the risk factor for subsequent operations set out in the Unit Operating Agreement?**

A55. 200%, as set out in Article VI.B of the Unit Operating Agreement.

**Q56. Are the percentages included in the Unit Operating Agreement unusual?**

A56. No, not for joint operating agreements used in horizontal drilling programs. Because of the significant costs associated with drilling horizontally to the Utica Shale (often in excess of $10,000,000 to plan, drill, and complete) and because the Utica Shale is an unconventional play (where uneven geological performance is likely), it is common for companies to incorporate into their joint operating agreements a risk factor proportionate to the substantial financial commitment.

**Q57. Have you seen risk factor levels of 200% to 300% in other parts of the country that you've worked in and are familiar with?**

A57. Yes. Those numbers are not unusual, and in fact higher numbers are sometimes seen in the early stages of a play's development due to the relative lack of information and the corresponding risk.

**Q58. How are decisions made regarding unit operations?**

A58. Article V of the Unit Operating Agreement designates Gulfport Energy Corporation as the Unit Operator, with full operational authority for the supervision and conduct of operations of the unit. Additionally, except where otherwise provided, Article XV of the Unit Operating agreement sets forth a voting procedure for any decision, determination or action to be taken by the unit participants. Under the voting procedure, each unit participant has a vote that corresponds in

value to that participant's allocated responsibility for the payment of unit expenses.

**Q59. I believe you've already described generally the documents in Exhibits A and C to the Unit Operating Agreement. Let's turn therefore to Exhibit B of the Unit Operating Agreement. What is it?**

A59. Exhibit B is Gulfport's standard oil and gas lease form, which we attached to the joint operating agreement to govern any unleased interests owned by the parties. Article III.A of the Unit Operating Agreement provides that if any party owns or acquires an oil and gas interest in the Contract Area, then that interest shall be treated for all purposes of the Unit Operating Agreement as if it were covered by the form of lease attached as Exhibit B.

**Q60. Does this oil and gas lease contain standard provisions that Gulfport uses in connection with its drilling operations in Ohio and elsewhere?**

A60. Yes.

**Q61. Moving on to Exhibit D of the Unit Operating Agreement, would you describe what it is?**

A61. Exhibit D is the insurance exhibit to the joint operating agreement. It outlines coverage amounts and limitations, and the insurance terms for operations conducted under the Unit Operating Agreement.

**Q62. Are the terms of insurance contained in Exhibit D substantially similar to those employed in connection with Gulfport's other unitized projects in the State of Ohio?**

A62. Yes.

**Q63. Based upon your education and professional experience, do you view the terms of Exhibit D as reasonable?**

A63. Yes.

**Q64. Would you next describe Exhibit E of the Unit Operating Agreement?**

A64. Exhibit E is the Gas Balancing Agreement, which sets out the rights and obligations of the parties with respect to marketing and selling any production from the Contract Area.

**Q65. Would you give me an example of how Exhibit E might come into play?**

A65. Yes. Assuming that Company A is the operator of a well, and Company B is the

non-operator, the fact that Company A will drill, complete, and secure pipeline to the well, does not preclude Company B from negotiating its own marketing agreements. In the event that Company B wishes to do so, the Gas Balancing Agreement would provide protection for both companies on volumes, underproduction, failure to take production, maintaining the leases, etc.

**Q66. Are the terms contained in Exhibit E substantially similar to those employed in connection with Gulfport's other unitized projects in the State of Ohio?**

A66. Yes.

**Q67. Has Gulfport documented which of the working interest owners included within the Brown #9 Unit have given their consent to the proposed unitization?**

A67. Yes. Exhibit 6.1 to the application documents the approvals for the Unit Plan received from working interest owners included with the Brown #9 Unit up to the time the Application was filed.

**Q68. Does the Application contain a list of those mineral owners who have not previously agreed to enter into any oil and gas lease with respect to the tracts they own within the Brown #9 Unit?**

A68. Yes, Exhibit A-3 to the Unit Operating Agreement lists the "unitized parties," being the fee mineral owners who remain unleased.

**Q69. In your professional opinion, given your education and experience, are unit operations for the proposed Brown #9 Unit reasonably necessary to increase substantially the ultimate recovery of oil and gas?**

A69. Yes. Unit operations for the Brown #9 Unit will minimize waste and allow for the most efficient recovery of oil and gas. By drilling horizontally, Gulfport can develop a larger area with a much smaller surface disturbance than through the drilling of vertical wells. Without unit operations, we would not be able to develop the unit area, so it's fair to say that unit operations are necessary to increase substantially the recovery of oil and gas. I believe that the Brown #9 Unit represents a reasonable and efficient means to develop the Utica Shale.

**Q70. Does this conclude your testimony?**

A70. Yes.

**Exhibit "SA-1.1"**

**AFFIDAVIT OF EFFORTS TO LEASE THE HEIRS AND/OR ASSIGNS OF MARY GENEVA GARRETT, DECEASED.**

STATE OF OHIO )
) SS
COUNTY OF NOBLE )

Tax Parcel # 01-0021132.000

Townships of Beaver

The undersigned, being first duly sworn according to the law, makes this Affidavit and deposes and says that:

1. Affiant, Samuel D. Allen CPL, is employed by Gulfport Energy Corporation ("Gulfport") as a Senior Landman. Affiant's job responsibilities include the acquisition of leases or overseeing lease acquisition in certain areas of Ohio, including Noble County, Ohio. Affiant has personal knowledge of the matters set forth in this affidavit, and the following information is true to the best of Affiant's knowledge and belief.

2. The oil and gas interest in the above-referenced parcel of land is owned by the heirs and/or assigns of Mary Geneva Garrett, deceased, as to an undivided one-half interest (1/2) in and under the above referenced Tax Parcel ( unit surveyed – 47.624 acres).

3. In regards to Gulfport's lease acquisition from Northwood Energy Corporation, the Garrett interest was asserted to be subject to an oil and gas lease in its secondary term (producing).

4. The Affiant ordered a title opinion covering the subject parcel. In accordance to an original title opinion rendered dated September 10, 2013, an undivided one-half (1/2) mineral interest was shown to be unleased and owned by Mary Geneva Garrett, as Executrix of the Estate of Herbert Wesley Garrett, deceased, pursuant to the decedents Last Will and Testament.

5. The Affiant further states, that our field landman representing Gulfport have researched all the available county records, and have used the Internet and Search Engines to locate the heirs of the above named deceased owner. From our interviews and meetings with family members and our title research, there are now 16 fractional known owners that account for the Garrett mineral interest. On or about November 14, 2013, negotiation of lease terms started with the Garrett heirs we contacted.

6. The Affiant further states, that on or about December 10, 2013 to the present, Gulfport has successfully leased 8.927 net acres representing 6 out of 16 fractional owners we have located.

7. The Affiant states that Gulfport will continue to make every effort locate and offer lease terms to each unleased fractional severed owner under the subject unit parcel.

Further Affiant sayeth naught.

Dated this 27th day of March, 2014.

Samuel D. Allen, Affiant
Senior Landman, CPL
Gulfport Energy Corporation

## ACKNOWLEDGEMENT

STATE OF OKLAHOMA )
) SS
COUNTY OF Oklahoma )

The foregoing instrument was sworn to before me, a Notary Public in and for the State of Ohio, and subscribed in my presence this 27th day of March, 2014, by Samuel D. Allen, known to me or satisfactorily proven to be the Affiant in the foregoing instrument, who acknowledged the above statements to be true as Affiant verily believes.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

1/27/18

Erin Lennart
Notary Public

Erin Lennart
Printed Name of Notary

(S E A L)

**Exhibit "SA-1.2"**

**AFFIDAVIT OF EFFORTS TO LEASE THE HEIRS AND/OR ASSIGNS OF JOHN D. BROWN, DECEASED.**

STATE OF OHIO )
) SS
COUNTY OF NOBLE )

Township Map Parcel #12

Townships of Beaver

The undersigned, being first duly sworn according to the law, makes this Affidavit and deposes and says that:

1. Affiant, Samuel D. Allen CPL, is employed by Gulfport Energy Corporation ("Gulfport") as a Senior Landman. Affiant's job responsibilities include the acquisition of leases or overseeing lease acquisition in certain areas of Ohio, including Noble County, Ohio. Affiant has personal knowledge of the matters set forth in this affidavit, and the following information is true to the best of Affiant's knowledge and belief.

2. The above referenced land is owned by the heirs and/or assigns of John D. Brown, deceased, being tract or parcel land containing 0.50 of an acre located in the Southwest Quarter of Section 9, Township 8, Range 7, Beaver Township, Noble County, Ohio. This parcel was discovered on a routine survey of our leased premises in our process to design and construct our unit. It further appears this parcel of land was not assigned a Parcel Number according to the Noble County Auditor. The parcel is only noted on Township Map, as Parcel No. 12. No real property taxes pertaining to this parcel are being assessed. It appears this parcel is an orphan parcel owned by the last owner of record, John D. Brown.

3. The Affiant ordered a title opinion covering the subject parcel. In accordance to an original title opinion rendered dated November 4 , 2013, the surface and the oil and gas estate was shown to be unleased, and owned 100% by the heirs and/or assigns of John D. Brown, deceased. John D. Brown died on October 4, 1944, and per recorded documents, the subject 0.50 acre parcel passed to his wife, Lillian Brown, and children, Hazel Williams, Richard Brown, Clarence Brown, Franklin Brown, and Mary Goodhart.

4. The Affiant further states, that our field title landman representing Gulfport have been researching all available public records (Probate and Deed) so far in Noble, Monroe, Belmont, and Guernsey, Ohio. Internet research has been made, such as Ancestry.Com.

5. Affiant states, the present historical research reveals, most, if not all of the immediate heirs have died, passing any property rights to their lineal descendants.

6. The Affiant states that Gulfport will continue to locate and offer lease terms to the each unleased fractional owner under the subject unit parcel.

Further Affiant sayeth naught.

Dated this 27th day of March, 2014.

Samuel D. Allen, Affiant
Senior Landman, CPL
Gulfport Energy Corporation

## ACKNOWLEDGEMENT

STATE OF OKLAHOMA )
) SS
COUNTY OF Oklahoma )

The foregoing instrument was sworn to before me, a Notary Public in and for the State of Ohio, and subscribed in my presence this 27th day of March, 2014, by Samuel D. Allen, known to me or satisfactorily proven to be the Affiant in the foregoing instrument, who acknowledged the above statements to be true as Affiant verily believes.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

1/27/18

Erin Lennart
Notary Public

Erin Lennart
Printed Name of Notary

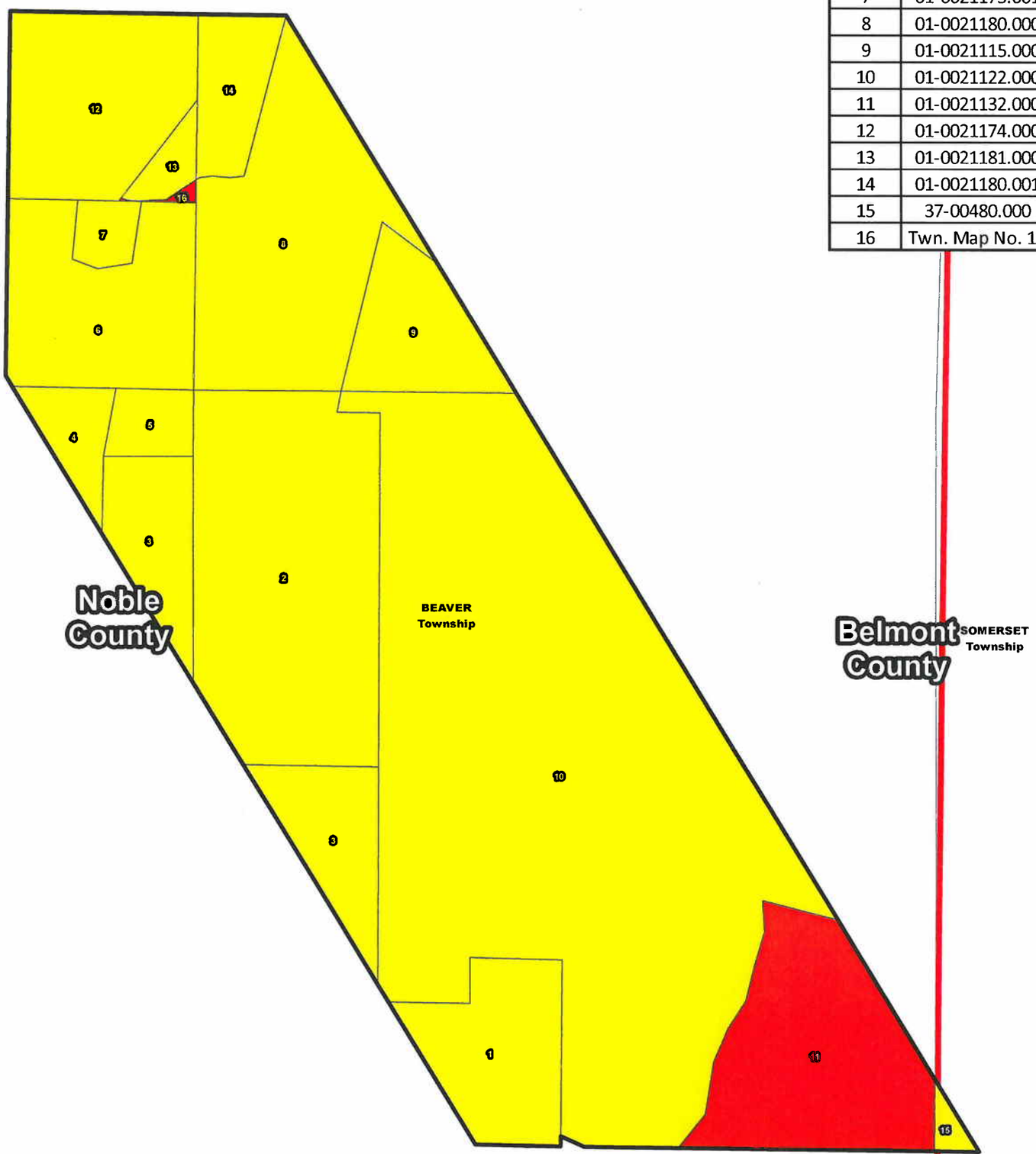
**(S E A L)**

ERIN LENNART NOTARY # 14000718 EXP. 01/27/18 PUBLIC STATE OF OKLAHOMA

# EXHIBIT "SA-2"

## GULFPORT ENERGY CORPORATION
## BROWN #9 UNIT
## NOBLE COUNTY, OHIO
## 618.856 ACRES

| MAP ID | PARCEL NUMBER |
|---|---|
| 1 | 01-0021148.000 |
| 2 | 01-0021162.000 |
| 3 | 01-0021161.000 |
| 4 | 01-0021178.000 |
| 5 | 01-0021176.000 |
| 6 | 01-0021175.000 |
| 7 | 01-0021175.001 |
| 8 | 01-0021180.000 |
| 9 | 01-0021115.000 |
| 10 | 01-0021122.000 |
| 11 | 01-0021132.000 |
| 12 | 01-0021174.000 |
| 13 | 01-0021181.000 |
| 14 | 01-0021180.001 |
| 15 | 37-00480.000 |
| 16 | Twn. Map No. 12 |




UNIT BOUNDARY - 618.856 ACRES
LEASED
UNLEASED

BROWN #9
BEAVER TOWNSHIP NOBLE COUNTY, OHIO
SOMERSET TOWNSHIP BELMONT COUNTY, OHIO

GULFPORT ENERGY CORPORATION

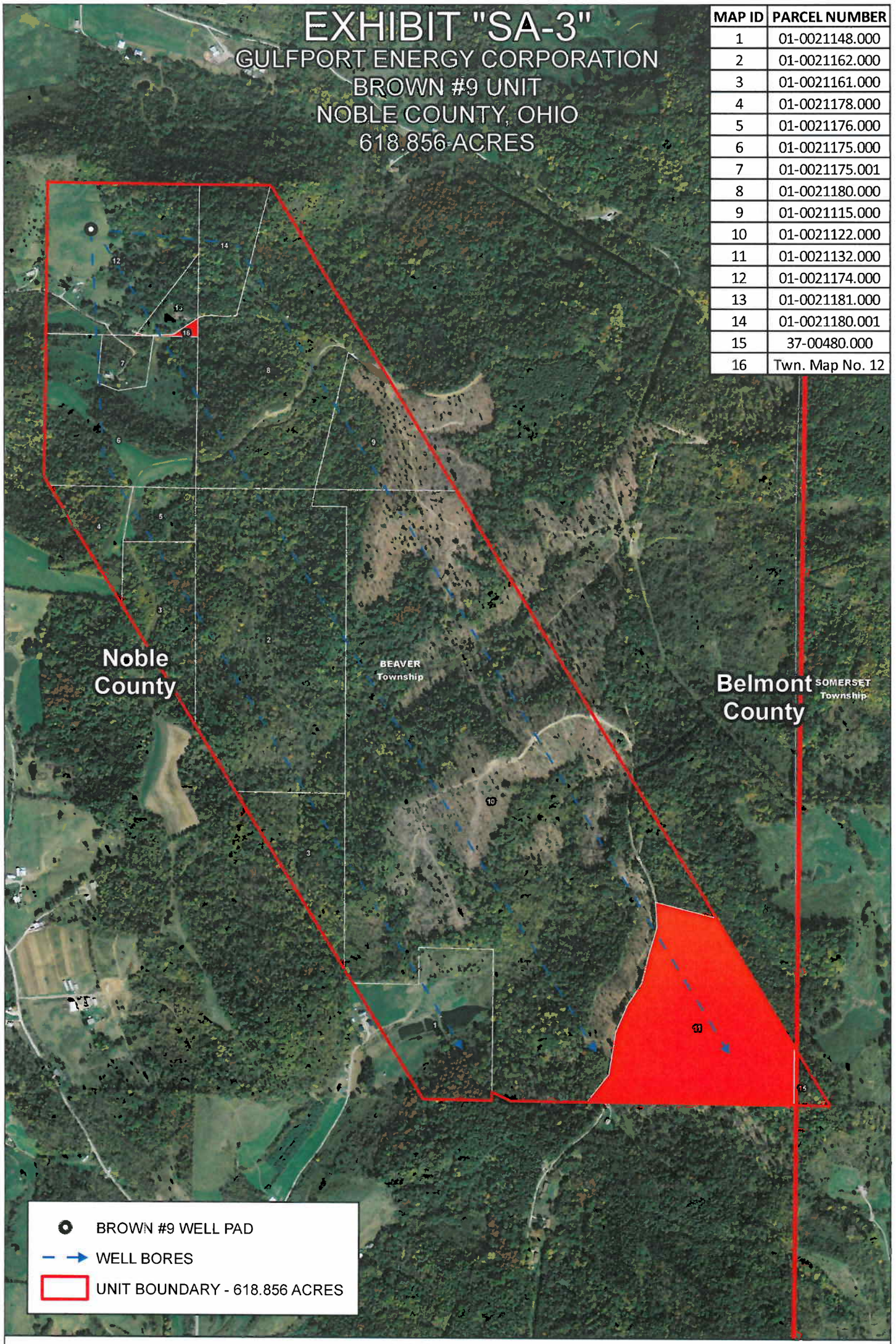
N

0 2,160
Feet

# EXHIBIT "SA-3"

## GULFPORT ENERGY CORPORATION
## BROWN #9 UNIT
## NOBLE COUNTY, OHIO
## 618.856 ACRES

| MAP ID | PARCEL NUMBER |
|---|---|
| 1 | 01-0021148.000 |
| 2 | 01-0021162.000 |
| 3 | 01-0021161.000 |
| 4 | 01-0021178.000 |
| 5 | 01-0021176.000 |
| 6 | 01-0021175.000 |
| 7 | 01-0021175.001 |
| 8 | 01-0021180.000 |
| 9 | 01-0021115.000 |
| 10 | 01-0021122.000 |
| 11 | 01-0021132.000 |
| 12 | 01-0021174.000 |
| 13 | 01-0021181.000 |
| 14 | 01-0021180.001 |
| 15 | 37-00480.000 |
| 16 | Twn. Map No. 12 |




BROWN #9
BEAVER TOWNSHIP NOBLE COUNTY, OHIO
SOMERSET TOWNSHIP BELMONT COUNTY, OHIO

GULFPORT ENERGY CORPORATION

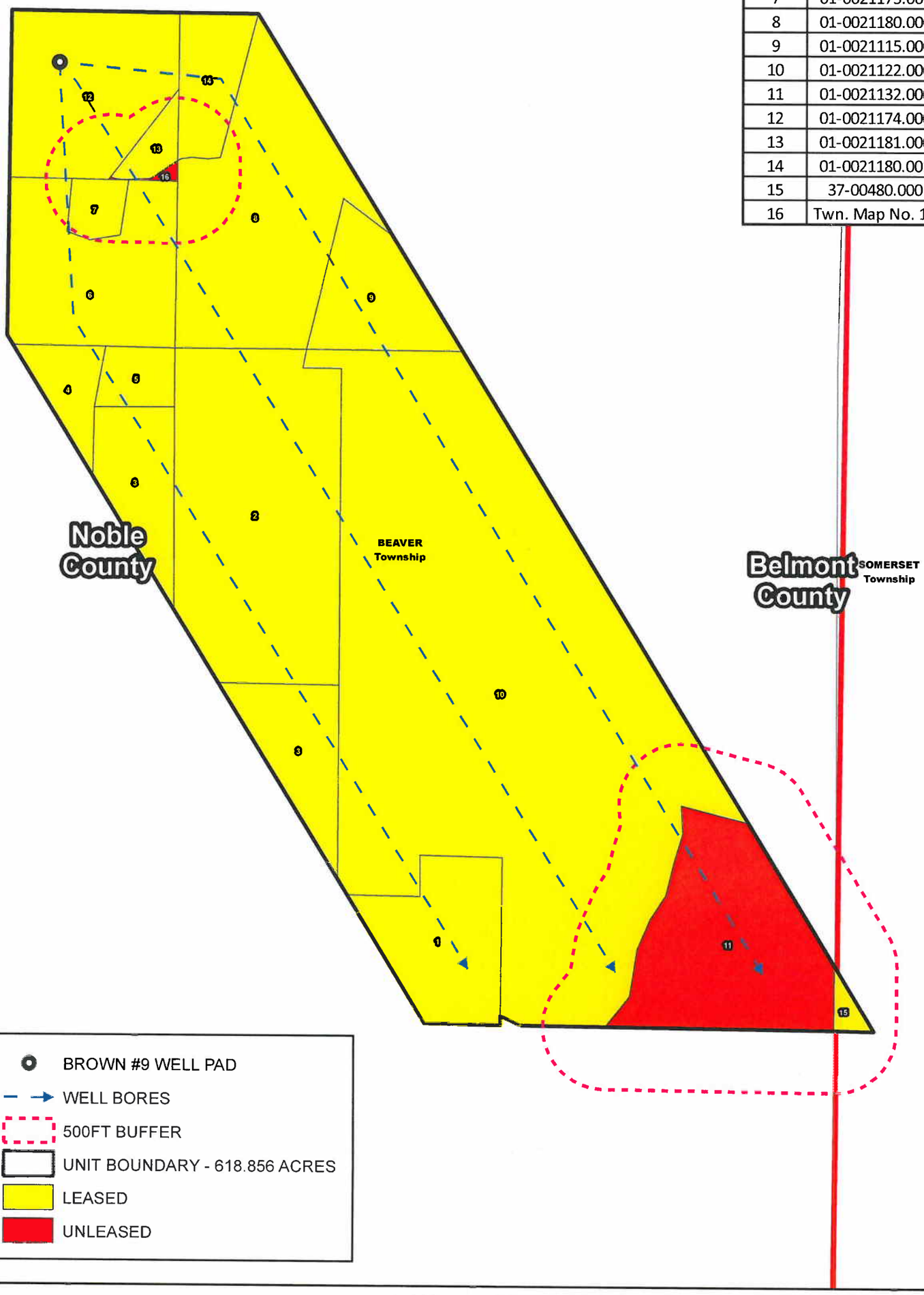
N

0 2,160
Feet

# EXHIBIT "SA-4"

## GULFPORT ENERGY CORPORATION
## BROWN #9 UNIT
## NOBLE COUNTY, OHIO
## 618.856 ACRES

| MAP ID | PARCEL NUMBER |
|---|---|
| 1 | 01-0021148.000 |
| 2 | 01-0021162.000 |
| 3 | 01-0021161.000 |
| 4 | 01-0021178.000 |
| 5 | 01-0021176.000 |
| 6 | 01-0021175.000 |
| 7 | 01-0021175.001 |
| 8 | 01-0021180.000 |
| 9 | 01-0021115.000 |
| 10 | 01-0021122.000 |
| 11 | 01-0021132.000 |
| 12 | 01-0021174.000 |
| 13 | 01-0021181.000 |
| 14 | 01-0021180.001 |
| 15 | 37-00480.000 |
| 16 | Twn. Map No. 12 |




BROWN #9
BEAVER TOWNSHIP NOBLE COUNTY, OHIO
SOMERSET TOWNSHIP BELMONT COUNTY, OHIO

GULFPORT ENERGY CORPORATION

N

0 2,160
Feet

WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

BROWN #9 UNIT

BEAVER AND SOMERSET TOWNSHIPS

BELMONT AND NOBLE COUNTIES, OHIO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, a Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Brown #9 Unit, Beaver and Somerset Townships, Belmont and Noble Counties, Ohio" (the "Unit Agreement"); and an agreement entitled "A.A.P.L. Form 610-1982 Model Form Operating Agreement," also regarding the Brown #9 Unit (the "Unit Operating Agreement"); and,

WHEREAS, the undersigned is the owner of a Working Interest in and to one or more of the Tracts identified in said Unit Plan, namely, the Tracts identified below (hereinafter, the "Owner").

NOW, THEREFORE, the Owner hereby approves the Unit Plan and acknowledges receipt of full and true copies of both the Unit Agreement and Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

WORKING INTEREST OWNER

TRACT NO. (see attached)

TRACT ACREAGE: 606.479

RELATED WORKING INTEREST PERCENTAGE 98.00001%

GULFPORT ENERGY CORPORATION

By: _____ Date: 3/27/14

Samuel D. Allen, CPL – Senior Landman

Exhibit 6.1

Working Interest Owners

Attached to and made a part of that certain Unit Operating Agreement dated March 1, 2014 as approved by the Ohio Department of Natural Resources for the Brown #9 Unit

| TRACT NUMBER | LESSOR | SURFACE ACRES IN UNIT | TAX MAP PARCEL ID NUMBERS |
|---|---|---|---|
| 1 | Meno A. & Marie A. Byler | 26.455 | 01-0021148.000 |
| 2 | Ralph W. Talmage, Trustee of the Ralph W. Talmage Trust dated January 24, 2003 | 58.913 | 01-0021162.000 |
| | David E. Haid, Trustees of the David E. Haid Trust dated December 19, 2011 | 19.638 | 01-0021162.000 |
| 3 | Billy A. & Martha R. Miller | 22.375 | 01-0021161.000 |
| | LL&B Headwater I, LP | 11.188 | 01-0021161.000 |
| 4 | John P. & Arlene Wehr | 8.389 | 01-0021178.000 |
| 5 | John P. & Arlene Wehr | 6.580 | 01-0021176.000 |
| 6 | John P. & Arlene Wehr | 36.587 | 01-0021175.000 |
| 7 | Susan L. Miller | 4.699 | 01-0021175.001 |
| 8 | James R. & Barbara E. Burr | 57.858 | 01-0021180.000 |
| 9 | Donald Morris | 19.728 | 01-0021115.000 |
| 10 | Donald Morris | 242.625 | 01-0021122.000 |
| 11 | Gerald J. Tomechko & Denise M. Tomechko | 26.789 | 01-0021132.000 |
| 11 | Dorothy Johnson | 2.977 | 01-0021132.000 |
| 11 | Homer & Ruth Garrett | 2.977 | 01-0021132.000 |
| 11 | Cindy & William Leininger | 0.992 | 01-0021132.000 |
| 11 | Susan & Lloyd Spotts | 0.992 | 01-0021132.000 |
| 11 | Patt L. Leasure | 0.992 | 01-0021132.000 |
| 12 | Noel M. & Evelen Brown | 36.720 | 01-0021174.000 |
| 13 | Joseph M. Brown | 4.215 | 01-0021181.000 |
| 14 | Joseph M. Brown | 12.907 | 01-0021180.001 |
| 15 | Francis J. & Patrick McCort | 1.883 | 37-00480.000 |
| | | **606.479** | |