

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

APPLICATION OF ARTEX ENERGY GROUP LLC FOR UNIT OPERATION

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Applicant

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APPLICATION

Pursuant to Ohio Revised Code Section 1509.28, Artex Energy Group LLC (“**Artex**”), hereby respectfully requests the Chief of the Division of Oil and Gas Resources Management (“**Division**”) to issue an order authorizing Artex to operate the Unitized Formation and applicable land area in Noble County, Ohio (hereinafter, the “**NSO Unit A**”) as a unit according to the Unit Plan attached hereto and as more fully described herein. Artex makes this request for, and unitization is necessary for, the purpose of increasing substantially 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

Artex is a limited liability company organized under the laws of the State of Delaware, with its principal office located at 2337 State Route 821, Marietta, Ohio 45750. Artex is registered in good standing as an “owner” with the Division.

Artex 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:

Chadrick R. Spence
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Applicant

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Attorney for Applicant,
Artex Energy Group LLC

II. PROJECT DESCRIPTION

The NSO Unit A is located in Noble County, Ohio, and consists of twenty-nine (29) separate tracts of land. See **Exhibits “A-1” and “A-2”** of the Unit Operating Agreement (showing the plat and tract participations, respectively). The total land area in the NSO Unit A is approximately 1,759.263910 acres and, at the time of this Application, Artex has the right to drill on and produce from eighty-eight and 29/10000 percent (88.0029%) of the proposed unit, well above the sixty-five percent (65%) threshold required by Ohio Revised Code § 1509.28).¹ Artex seeks this unit order for three reasons. First, there is a tract in the NSO Unit A that is not subject to an oil and gas lease. Second, several leases in the unit have non-conforming pooling provisions – i.e., they limit the amount of acreage that may be voluntarily consolidated by the lessee, i.e. Artex or otherwise, into a unit to something less than the approximately 1,759.263910 acres proposed for the NSO Unit A or they contain no pooling provision at all (the “**Non-Conforming Leases**”).² Third, there are several leased tracts in the unit whose lessee has not reached an agreement with Artex to approve this Application.

Overall, Artex seeks this unit order to allow it to develop the entirety of the NSO Unit A in accordance with the Unit Plan to protect the correlative rights of all of the interest owners in the unit and prevent the waste of natural resources that would otherwise occur. To effectively and efficiently develop the Unit Area, therefore, Artex seeks authorization from the Division, as more specifically described herein, to drill and complete four (4) horizontal wells in the Unitized Formation, defined to be fifty feet (50’) above the top of the Utica formation to fifty feet (50’) below the top of the Trenton formation, from a single well pad located on the southern portion of the NSO Unit A, to efficiently test, develop, operate and produce the Unitized Formation for oil, natural gas, and related liquids production.

Artex’s plan for unit operations (the “**Unit Plan**”) is attached to this Application as **Attachment 1**. Among other things, the Unit Plan allocates unit production and expenses based

¹ As indicated on **Exhibit “A-2”** and **Exhibit “A-3”** to the Unit Operating Agreement, the acreage in the NSO Unit A can be allocated as follows: leases with conforming pooling provisions – 1,202.706881 acres (approximately 68.3642% of the Unit Area); unleased tracts – 0.010935 acres (approximately 0.0006% of the Unit Area); Non-Conforming Leases – 556.546094 acres (approximately 31.6352% of the Unit Area); and uncommitted working interests – 211.049549 acres (approximately 11.9965% of the Unit Area). This acreage is set out more specifically in **Exhibits “A-2”, “A-3”, “A-4” and “A-5”** to the Unit Operating Agreement.

² The Non-Conforming Leases are set out more specifically on **Exhibit “A-4”** to the Unit Operating Agreement. Note that Artex is not seeking to modify the Non-Conforming Leases. Rather, Artex is seeking an order from the Division, pursuant to the Division’s statutory authority under Ohio Rev. Code § 1509.28, that would allow Artex to develop the NSO Unit A under the terms of the Unit Plan attached hereto.

upon each tract's surface acreage participation in the unit; includes a carry provision for those unit participants unable to meet their financial obligations, which determines reimbursement based upon the costs of and risks related to the project; and conforms to industry standards for the drilling and operating of horizontal wells.

III. THE CHIEF SHOULD GRANT THIS APPLICATION

A Contents of Application

Pursuant to the Division's *Unitization Application Procedural Guideline* (dated May 9, 2014), a unitization application must include the following:

1. A cover letter requesting unitization.
 - See the cover letter and this Application.
2. An affidavit attesting that the applicant is the owner (as defined in Ohio Rev. Code § 1509.01(K)) of at least 65% of the land overlying the pool that is the subject of the unitization request.
 - See **Exhibit 9**.³
3. A summary of the request for unitization that includes all of the following information:
 - a. A statement describing the reasons why unitization is necessary;
 - b. A description of the plan for development of the unit;
 - c. An identification of the geologic formation(s) to be developed;
 - d. An estimate of the value of the recovery of oil and gas for each well proposed to be drilled in the unit area;
 - e. An estimate of the cost to drill and operate each well in the proposed unit; and,
 - f. A designated contact person for the applicant for communication purposes with the Division, including legal counsel for the applicant (if applicable).
 - See entirety of this Application, and in particular Sections II and III(C).
4. A list identifying all unleased mineral owners that includes the name, valid address, parcel number, and respective acreage of each unleased owner. If an unleased mineral owner is a corporation or other business entity, the name of a contact person within that corporation or business.
 - See **Exhibit "A-3"** to the Unit Operating Agreement. Further, Artex notes that there are Non-Conforming Leases. See **Exhibit "A-4"** to the Unit Operating Agreement.
5. A list identifying all mineral owners in the unit, leased or unleased, that includes the name, valid address, parcel number, and respective acreage of each owner. If a

³ References to Exhibit 1 through Exhibit 10 refer to those exhibits in **Attachment 2**.

mineral owner is a corporation or other business entity, the name of a contact person within that corporation or business.

- See **Exhibit “A-2”** to the Unit Operating Agreement.
6. A list identifying all working interest owners, committed or uncommitted, in the unit that includes the name, valid address, parcel number, and respective acreage of each working interest owner. If the working interest owner is a corporation or other business entity, include the name of a contact person within that corporation or business.
 - See **Exhibit “A-2”** to the Unit Operating Agreement. See also **Exhibit “A-5”** to the Unit Operating Agreement, which sets out the interests of uncommitted working interest owners.
 7. A map on a scale of 1”=1000’ that shows all of the following:
 - a. The boundary of the proposed unit area;
 - b. The proposed location of the well pad and wells to be drilled;
 - c. The tracts of land within the unit area that are leased to the applicant, shown in yellow;
 - d. The tracts of land within the unit area that are unleased, shown in red;
 - e. The tracts of land within the unit area that are leased to other operators (i.e. uncommitted working interest owners), including an identification of the operators, shown in green;
 - f. A five hundred foot boundary around each property in the unit that is not leased by the applicant or that is not subject to an agreement with the applicant;
 - g. Identification of each tract within the unit area by parcel number of a size that is legible.
 - See **Exhibit 3**. Artex has identified the tracts of land within the unit subject to Non-Conforming Leases using orange shading. Further, there are tracts belonging to uncommitted working interest owners, which are also subject to Non-Conforming Leases, and are shown using green and orange cross-hatching. All of the foregoing tracts are shown with a five hundred foot boundary around them.
 8. An aerial photograph on a scale of 1”=1000’ that shows all of the following:
 - a. The boundary of the proposed unit area;
 - b. The proposed location of the well pad and wells to be drilled;
 - c. The tracts of land within the proposed unit area that are unleased;
 - d. Identification of each tract within the unit area by parcel number of a size that is legible.
 - See **Exhibit 4**.
 9. A gamma ray-density or gamma-ray resistivity geophysical type log identifying the proposed geological formations to be produced.

- See **Exhibit 1** and **Exhibit 2**.
10. A cross-section showing the applicable formations that the applicant is proposing to drill into and produce from in the unit area.
- See **Exhibit 1** and **Exhibit 2**.
11. A map showing all existing units adjacent to the unit proposed in the application with an identification of any permitted, drilled, and/or producing wells in the existing units.
- See **Exhibit 6**.
12. If reserve calculations are based upon other existing wells in the vicinity of the proposed unit, an exhibit showing the locations of the well(s) to the proposed unit area and an identification of the wells by name and permit number.
- See **Exhibit 10**.
13. A statement in the form of an affidavit that gives a detailed account of the attempts to lease the unleased properties. The statement must include:
- a. The dates of all attempts;
 - b. The person who was contacted, how contact was made, and by whom;
 - c. The address at which the contact was made or attempted;
 - d. The response given by the unleased mineral owner when contacted;
 - e. Any joint venture or farmout proposal to another operator, if applicable.
- See **Exhibit 7**. Further, Artex notes that there are Non-Conforming Leases and uncommitted working interest owners in the unit and has attached affidavits detailing its contacts with owners of those interests. See *Id.*
14. A copy of a joint operating agreement for working interest partners, if applicable.
- See **Attachment 1**.
15. An affidavit attesting to the fact that the applicant holds a valid lease agreement for all of the acreage that the applicant claims to have under lease.
- See **Exhibit 8**.
16. A copy of the executed working interest agreement for each committed working interest partner in the proposed unit.
- Artex owns approximately 88.0029% of the working interest in the NSO Unit A. The owners of the remaining working interest in the NSO Unit A have not approved this Application.
17. Any additional information that the applicant determines is beneficial for the Chief to consider in support of their request.
- See entirety of Application. Also, see attached pre-filed testimony.

Artex has submitted all of the required information.

B. 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 operations 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 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 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)(2).

C. Artex'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 **Exhibit "A-2"** to the Unit Operating Agreement) at an approximate depth of fifty feet (50') above the top of the Utica formation to fifty feet (50') below the top of the Trenton formation, within the NSO Unit A. The evidence presented with this Application and at the hearing will establish that the Unitized Formation is part of a pool and, thus, an appropriate subject of unit operation under Ohio Rev. Code § 1509.28.⁴ Additionally, that evidence will establish that the Unitized Formation is likely to be reasonably uniformly distributed throughout the Unit Area and thus, it is reasonable for the Unit Plan to allocate unit production and expenses to separately owned tracts on a surface acreage basis.⁵

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

The evidence presented in this Application and at the hearing will establish that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the lands making up the NSO Unit A. The Unit Plan contemplates the potential drilling of as many as four (4) horizontal wells from a single well pad, with laterals between 11,533 feet and 11,875 feet in length.⁶ Artex estimates that the ultimate recovery from this unit development, if all unit wells are drilled, would be approximately 19.498 billion cubic feet (Bcf) of natural gas, 2,936 thousand barrels (Mbbl) of condensate, and 1,903 thousand barrels (Mbbl) of natural gas liquids from the Unitized Formation.⁷ Absent unit operations, Artex would be prevented from developing the unit, given the location of the unleased acreage, Non-Conforming Leases and uncommitted working interests. As a result, there would be no recovery from the NSO Unit A without a unit order, thereby resulting in the waste of all of the resources that could be produced from the four proposed wells.⁸

⁴ 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).

⁵ See **Exhibit 3**.

⁶ See **Exhibit 5**.

⁷ *Id.* 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.

⁸ *Id.*

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

The evidence presented in this Application and at the hearing will establish that the estimated additional recovery from unit operations has a net present value in excess of \$45 million, meaning that the value of that additional resource recovery exceeds the estimated additional costs incident to conducting unit operations to obtain such additional recovery.⁹ See **Exhibit 5**, showing for each proposed well the estimated value of the well's production and the estimated drilling and operating costs (incorporated here as if fully rewritten herein).

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

The Unit Plan proposed by Artex meets the requirements set forth in Ohio Revised Code § 1509.28. The unit area is described in the Unit Plan at Article 1, as well as on **Exhibit "A-1"** and **Exhibit "A-2"** to the Unit Operating Agreement. The nature of the contemplated unit operations can be found generally in the Unit Plan at Article 3, with greater specificity throughout, including the Unit Operating Agreement. Unit production and unit expenses are allocated on a surface acreage basis as set forth in the Unit Plan at Articles 3 through 5 (generally), except where otherwise allocated by the Unit Operating Agreement. Payment of unit expenses is addressed generally in Article 3 of the Unit Plan. The Unit Plan provides for payment of costs by other working interest owners 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. Voting provisions related to the supervision and conduct of unit operations are set forth in Article 14 of the Unit Plan, with each person having a vote that has a value corresponding to the percentage of unit expenses chargeable against that person's interest. And the commencement and termination of operations are addressed in Articles 11 and 12 of the Unit Plan.

IV.
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. See **Exhibit 9**. Accordingly, Artex respectfully requests that the Division schedule a hearing at an available

⁹ *Id.*

hearing room located at the Division's Columbus complex on or before May 17, 2017 to consider the Application filed herein.

V.
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 estimated additional costs. Artex 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). Artex therefore asks the Chief to issue an order authorizing Artex to operate the NSO Unit A according to the Unit Plan attached hereto.

Respectfully submitted,



Chadrick R. Spence
Artex Energy Group LLC
2337 State Route 821
Marietta, Ohio 45750

ATTACHMENT 1

PLAN FOR UNIT OPERATIONS
THE NSO UNIT A
SHARON AND OLIVE TOWNSHIPS
NOBLE COUNTY, OHIO

The following shall constitute the Plan for Unit Operations applicable to the NSO Unit A in Sharon and Olive Townships, Noble County, Ohio, and having as its purpose the unitized management, operation, and development of the Unitized Formation as herein defined, to advance the public welfare and promote conservation, to increase the ultimate recovery of oil, natural gas, and other substances therefrom, and to avoid waste and protect the correlative rights of the owners of interests therein.

ARTICLE 1: DEFINITIONS

As used in this Plan for Unit Operations:

Division refers to the Ohio Department of Natural Resources' Division of Oil and Gas Resources Management.

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

Oil and Gas Rights are the rights to investigate, explore, prospect, drill, develop, produce, 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.

Plan means this Plan for Unit Operations for the NSO Unit A, Sharon and Olive Townships, Noble County, Ohio, including, unless otherwise expressly mentioned, any and all attachments and exhibits hereto.

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" to the Unit Operating Agreement.

Tract Participation means the fractional interest shown on Exhibit "A-2" 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" to the Unit Operating Agreement, including also areas to which this Plan 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 Plan for or on account of Unit Operations.

Unitized Formation means the subsurface portion of the Unit Area located from fifty feet (50') above the top of the Utica formation to fifty feet (50') below the top of the Trenton formation, believed to be approximately 7,170 feet subsurface to 7,500 feet subsurface TVD ("True Vertical Depth").

Unit Operating Agreement means the modified A.A.P.L. Form 610-1989 Model Form Operating Agreement that is attached hereto and incorporated herein by reference as if fully re-written herein and to which all Working Interest Owners are deemed to be parties; provided, however, that in the event two or more Working Interest Owners have agreed to a separate joint operating agreement relating to the supervision and conduct of unit operations contemplated herein, such operating agreement shall control. The 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. In the event of a conflict between the terms of the Unit Operating Agreement and the other terms of this Plan, excluding the Unit Operating Agreement, such other terms of this Plan shall govern.

Unit Operations are all operations conducted pursuant to this Plan.

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.

Unleased Mineral Owner is a Person who owns Oil and Gas Rights free of a lease or other instrument conveying all or any portion of the Working Interest in such rights to another.

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 87.5% thereof and a Royalty Interest to the extent of the remaining 12.5% thereof, such Royalty Interest to be subject to any post-production costs, taxes, assessments and other fees as may be set forth in the Unit Operating Agreement. A Royalty Interest created out of a Working Interest subsequent to the participation of, subscription to, ratification of, approval by, or consent to this Plan by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Plan.

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" and "A-2" 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 Plan.

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.

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 Plan 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. 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 Plan.

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 Plan, 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 Plan.

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 Plan.

Unit Expenses. All Unit Expenses shall be just and reasonable, and shall be charged as set out in the Unit Operating Agreement. Except as otherwise provided in the Unit Operating Agreement, Unit Expenses shall be allocated to each Tract based upon its Tract Participation, and shall be paid by the Tract's Working Interest Owners.

ARTICLE 4: TRACT PARTICIPATIONS

Tract Participations. The Tract Participation of each Tract is identified in Exhibit "A-2" to the Unit Operating Agreement and shall be determined solely upon an acreage basis as the proportion that the Tract surface acreage inside the Unit Area bears to the total surface acreage of the Unit Area. The Tract Participation of each Tract has been calculated as follows: TRACT SURFACE ACRES WITHIN THE UNIT AREA DIVIDED BY THE TOTAL SURFACE ACRES WITHIN THE UNIT AREA.

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 Plan 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, including without limitation the testing of the productivity of any wells drilled in the Unit Area. Royalty payments shall be made to Unleased Mineral Owners beginning with the initial distribution date for production of Unitized Substances from any well within the NSO Unit A.

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; provided, however, that nothing in this provision shall apply to Unleased Mineral Owners.

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: (i) 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 (ii) 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 Plan. 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. The following shall apply 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.

Unleased 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 NSO Unit A, 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 NSO Unit A, owned by a non-consenting Unleased Mineral Owner.

ARTICLE 9: CHANGE OF TITLE

Covenant Running with the Land. This Plan shall extend to, be binding upon, and inure to the benefit of the owners of the Royalty Interests and Working Interests in Oil and Gas Rights unitized hereby, and the respective heirs, devisees, legal representatives, successors, and assigns thereof, and shall constitute a covenant running with the lands, leases, and interests impacted hereby.

Waiver of Rights of Partition. No Person affected hereby shall 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.

ARTICLE 10: RELATIONSHIPS OF PERSONS

No Partnership. All duties, obligations, and liabilities arising hereunder shall be several and not joint or collective. This Plan 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 Plan 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 Plan shall become effective as of, and operations may commence hereunder as of, 7:00 A.M. on 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 Plan in the event of a material modification by the Division of all or any part of this Plan 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 Plan, 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.

ARTICLE 12: TERM

Term. This Plan, 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 one hundred and eighty (180) consecutive days, or so long as other Unit Operations are conducted without a cessation of more than one hundred and eighty (180) 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 Plan, 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 Plan 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 Plan, affecting the separate Tracts.

Certificate of Termination. Upon termination of this Plan, 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 Plan 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 Plan by signing the original, a counterpart thereof, or other instrument approving this Plan. 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 Plan 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. Each Working Interest Owner shall have a voting interest equal to its Unit Participation. All decisions, determinations, or approvals by Working Interest Owners hereunder shall be made by the affirmative vote of one or more parties having a combined voting interest of at least fifty one percent (51%). No vote, however, is required for such determinations if the Unit Operator owns or controls fifty one percent (51%) of more of the Working Interest in the Unit Area.

Severability of Provisions. The provisions of this Plan 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 Plan.

Laws and Regulations. This Plan 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 Plan shall be in accordance with Ohio law.

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

**MODEL FORM OPERATING AGREEMENT
HORIZONTAL MODIFICATIONS**

OPERATING AGREEMENT

DATED

January 17 , 2017 ,
Year

OPERATOR Artex Energy Group LLC, by and through its Affiliate Operator, Artex Oil Company

CONTRACT AREA See Exhibit "A" for a description of the Contract Area.

NSO UNIT A

COUNTY OR PARISH OF NOBLE , STATE OF OHIO

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AMERICAN ASSOCIATION OF PROFESSIONAL
LANDMEN, 4100 FOSSIL CREEK BLVD. FORT
WORTH, TEXAS, 76137, APPROVED FORM.
A.A.P.L. NO. 610 - 1989 (Horz.)

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Artex Energy Group LLC, by and through its Affiliate Operator, Artex Oil Company ("Artex"), hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them, /: **as further supplemented in Article XVI.D.**

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder. An AFE is not a contractual commitment. Rather it is only an estimate, made in good faith.

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

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A" **and sub-Exhibits "A-1" through "A-5." See Article XVI.T. and Article XVI.U. for adjustments thereto.**

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. When used in connection with a Horizontal Well, the term "Deepen" shall mean an operation whereby a Lateral is drilled to a Displacement greater than (i) the Displacement contained in the proposal for such operation approved by the Consenting Parties, or (ii) to the Displacement to which the Lateral was drilled pursuant to a previous proposal.

E. The term "Displacement" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall otherwise mean the length of a Lateral.

F. 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.

G. The term "Drilling Unit" shall mean the area fixed for the drilling of one ~~well~~ **or more wells** by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the ~~pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties. See also Article XVI.U.~~ **Operator in its sole discretion so long as consistent with any restrictions in the Oil and Gas Leases or by applicable law.**

H. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located. When used in connection with a Horizontal Well, the term "Drillsite" shall mean (i) the surface hole location, and (ii) the Oil and Gas Leases or Oil and Gas Interests within the Drilling Unit on or under which the wellbore, including the Lateral, is located.

I. The term "Horizontal Rig Move-On Period" shall mean the number of days after the date of rig release of a Spudder Rig until the date a rig capable of drilling a Horizontal Well to its Total Measured Depth has moved on to location.

J. The term "Horizontal Well" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean a well containing ~~one or more Laterals which are drilled,~~ **a single Lateral which is** Completed or Recompleted in a manner in which the horizontal component of the Completion interval (1) extends at least one hundred feet (100') in the objective formation(s) and (2) ~~exceeds the vertical component of the Completion interval in the objective formation(s).~~ **deviates at an angle of at least eighty degrees (80°) from true vertical. See Article XVI.D.1 for supplemental definition.**

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

L. The term "Lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to Total Measured Depth.

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

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

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

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

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

R. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. When used in connection with a Horizontal Well, the term "Plug Back" shall mean an operation to test or Complete the well at ~~a stratigraphically shallower Zone in which the operation has been or is being Completed and which is not in an existing Lateral.~~ **(a) a stratigraphically shallower geological horizon in the same Zone, or (b)**

S. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

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

U. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties. When used in connection with a Horizontal Well, the term "Sidetrack" shall mean the directional control and deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral from the approved proposal unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

V. The term "Spudder Rig" shall mean a drilling rig utilized only for drilling all or part of the vertical component of a Horizontal Well; a rig used only for setting conductor pipe shall not be considered a Spudder Rig.

W. The term "Terminus" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction

1 over the Contract Area, in the absence of which the term shall mean the furthest point drilled in the Lateral.

2 X. The term "Total Measured Depth," when used in connection with a Horizontal Well, shall mean the distance from the surface of
 3 the ground to the Terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed
 4 operation(s) is the drilling of, or operation on, a Horizontal Well, the terms "depth" or "total depth" wherever used in this agreement shall be
 5 deemed to read "Total Measured Depth" insofar as it applies to such well. **See Article XVI.D.6. for supplemental definition.**

6 Y. The term "Vertical Well" shall mean a well drilled, Completed or Recompleted other than a Horizontal Well.

7 Z. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas
 8 separately producible from any other common accumulation of Oil and Gas.

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

11 **ARTICLE II.**
 12 **EXHIBITS**

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

- 14 X A. Exhibit "A," ~~shall include the following information:~~ **including its sub-Exhibits "A-1" through "A-5"**
 15 (1) Description of lands subject to this agreement, **(a plat of the Contract Area is included on Exhibit "A-1")**
 16 (2) Restrictions, if any, as to depths, formations, or substances,
 17 (3) Parties to agreement with addresses and telephone numbers for notice purposes,
 18 (4) Percentages or fractional interests of parties to this agreement,
 19 (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement, **(included on Exhibit "A-2" and Exhibit "A-3")**
 20 (6) Burdens on production.

21 X B. Exhibit "B," Form of Lease.

22 X C. Exhibit "C," Accounting Procedure.

23 X D. Exhibit "D," Insurance.

24 X E. Exhibit "E," Gas Balancing Agreement.

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

26 ~~_____ G. Exhibit "G," Tax Partnership.~~

27 X H. Other: Memorandum of Operating Agreement and Financing Statement **Articles I through XVI.**

28 If any provision of any exhibit, except Exhibits "E," "F" and "G," is inconsistent with any provision contained in / ~~the body of this~~
 29 agreement, the provisions in / ~~the body of this agreement shall prevail.~~ **Articles I through XVI.**

30 **ARTICLE III.**
 31 **INTERESTS OF PARTIES**

32 **A. Oil and Gas Interests:**

33 If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement
 34 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
 35 thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

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

37 Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid,
 38 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
 39 Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the
 40 payment of royalties and other burdens on production as described hereafter. **See Article XVI.D.5. for supplemental definition of "burdens."**

41 ~~Regardless of which party has contributed / any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may~~
 42 ~~be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered,~~
 43 ~~all / burdens on its share of the production from / the Contract Area up to, but not in excess of, _____ and~~
 44 ~~shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement,~~
 45 ~~if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or~~
 46 ~~other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess~~
 47 ~~obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden.~~
 48 ~~However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause~~
 49 ~~to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party~~
 50 ~~has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.~~

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

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

57 **C. Subsequently Created Interests:**

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

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

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, ^{thereafter} if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. ~~Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys / for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A."~~ **Except for any Unleased Mineral Owner(s), each** party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys, **field landmen and title specialists**. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys / for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." **See Article XVI.C.C. for supplemental provision concerning use of staff landmen and attorneys.** Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions. **Except for any Unleased Mineral Owner(s), each** party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements **and shall have the right to execute such instruments on behalf of the parties,** as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions, **except as provided herein.**

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

B. Loss or Failure of Title:

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

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

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

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

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

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

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

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

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

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

1 acreage basis, up to the amount of unrecovered costs;

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

8 (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
 9 Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

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

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

21 **ARTICLE V.**
 22 **OPERATOR**

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

24 Artex shall be the Operator of the Contract Area, and shall conduct and direct
 25 and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its
 26 performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction
 27 of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this
 28 agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or
 29 liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonably
 30 prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in
 31 compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties ~~for losses sustained or~~
 32 ~~liabilities incurred~~ except such as may result from gross negligence or willful misconduct. **See Article XVI.Q. for Operator Affiliates.**

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

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

44 Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the
 45 calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-
 46 Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator,
 47 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
 48 structure of Operator or transfer of Operator's interest to any single / subsidiary, parent or successor / ~~entity~~ ~~corporation~~ shall not be the basis for
 49 removal of Operator.

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

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

70 **C. Employees and Contractors:**

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

D. Rights and Duties of Operator:

1 **operations conducted** **conducted**
2 1. ~~Competitive Rates and Use of Affiliates:~~ All wells drilled on the Contract Area shall be / drilled on a competitive contract basis
3 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
4 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
5 before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are
6 customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or
7 materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written
8 agreement, and in accordance with customs and standards prevailing in the industry.

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

13 3. **Protection from Liens:** Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of
14 contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the
15 Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting
16 therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

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

24 5. **Access to Contract Area and Records:** Operator shall, except as otherwise provided herein, permit each / **Consenting Party**
25 or its duly authorized representative, at the / **Consenting Party's** sole risk and cost / **and further subject to Articles XVI.V. and XVI.AA.**
26 every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or
27 production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner
28 interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an
29 interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each / **Consenting Party**
30 ~~Operator~~ upon request copies of any and all reports and information obtained by Operator in connection with production and related items,
31 including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding
32 purchase contracts and pricing information to the extent not applicable to the production of the / **Consenting Party**
33 audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with
34 the audit protocol specified in Exhibit "C."

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

39 7. **Drilling and Testing Operations:** The following provisions shall apply to each well drilled, / **Sidetracked, Deepened, Completed, Recompleted or Plugged Back**
40 limited to the Initial Well:

41 (a) Operator will promptly advise / **Consenting Parties** of the date on which the well is spudded, or the date on which
42 drilling operations are commenced.

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

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

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

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

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

**ARTICLE VI.
DRILLING AND DEVELOPMENT**

A. Initial Well:

61 On or before the _____ day of _____, _____, Operator shall commence the drilling of the Initial Well
62 at the following location (if a Horizontal Well, surface and Terminus/Termini of the Lateral(s)):

63
64 **Operator anticipates commencing the drilling of the Initial Well within one (1) year of the effective date of a final non-**
65 **appealable unitization order,**

66
67
68 and shall thereafter continue the drilling of the well (horizontally if a Horizontal Well) with due diligence to **test and produce the Unitized**
69 **Formation, or the targeted portion thereof identified in the proposal for such Initial Well, in Operator's reasonable opinion.**

1
2 **Article XVI.G., as to non-consenting,**
3 The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to / Article VI.C.1. as to participation in
4 Completion operations **and Articles XVI.H., XVI.I. and XVI.K.,** and Article VI.F. / as to termination of operations and Article XI as to occurrence of force majeure.

5 **B. Subsequent Operations: Other than an Unleased Mineral Owner, if**

6 1. ~~Proposed Operations:~~ **Other than an Unleased Mineral Owner, if** any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if
7 any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying
8 paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the
9 party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to
10 the parties who have not otherwise relinquished their interest in such objective Zone under this agreement (and to all other parties in the
11 case of a proposal for Sidetracking or Deepening as to a Vertical Well), specifying the work to be performed, the location, proposed depth,
12 objective Zone and the estimated cost of the operation as outlined in an AFE. A proposal for the drilling of or other operations for a
13 Horizontal Well shall: (1) state that the proposed operation is a Horizontal Well operation; (2) include drilling and Completion plans
14 specifying the proposed: (i) Total Measured Depth(s), (ii) surface hole location(s), (iii) Terminus/Termini, (iv) Displacement(s),
15 (v) utilization and scheduling of rig(s) (Spudder Rig, drilling and Completion), and (vi) stimulation operations, staging and sizing; and (3)
16 include estimated drilling and Completion costs as set forth in an AFE. The parties to whom such a notice is delivered shall have thirty (30)
17 days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the
18 proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be
19 given by telephone and the response period shall be limited to forty-eight (48) hours, ~~exclusive~~ **inclusive** of Saturday, Sunday and legal holidays.
20 Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to
21 participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially
22 proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

23 If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually
24 committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no
25 later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the
26 forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter
27 complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may
28 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
29 opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including
30 rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or
31 acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically
32 permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written
33 notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties
34 that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to
35 participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the
36 event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

37 2. Operations by Less Than All Parties:

38 (a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1.
39 (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
40 parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ~~ninety (90) days~~ **one hundred eighty (180)**
41 after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when
42 a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator
43 shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and
44 if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator, ~~to perform the work required by such~~ **which may decline,**
45 proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such
46 work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party
47 designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting
48 operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

49 If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable
50 notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the
51 Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of
52 Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to
53 such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the
54 Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its
55 proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate
56 part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is
57 not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its
58 proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is
59 on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours
60 (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than
61 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on
62 location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing
63 party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall
64 commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

65 (b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by
66 the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties
67 shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising
68 from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the
69 Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however,
70 that those Non Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall
71 pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs
72 were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened,
73 Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying

1 quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned
 2 over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the
 3 Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging
 4 Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed
 5 to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective
 6 interests, all of such Non-Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking,
 7 Sidetracking, Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-
 8 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate.
 9 Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such
 10 share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other
 11 interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest
 12 until it reverts), shall equal the total of the following:

13 (i) 500 % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the
 14 wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus ~~100%~~ ^{500%} of each
 15 such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such
 16 Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-
 17 Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party
 18 had it participated in the well from the beginning of the operations; and

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

23 Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone described in
 24 the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in
 25 the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party who submitted or
 26 voted for an alternative proposal under Article VI.B.6. to drill the well to a shallower Zone than the deepest objective Zone proposed in the
 27 notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed
 28 Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article
 29 VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the
 30 relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

31 (c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a
 32 well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion
 33 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
 34 Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be
 35 deemed an election not to participate in any Reworking operation proposed in such a well, or portion thereof, to which the initial non-
 36 consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's
 37 recoupment amount. Any such Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be
 38 deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 500 %
 39 of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-
 40 Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is proposed during such
 41 recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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

46 In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening operation, the Consenting Parties shall
 47 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
 48 unchanged; and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back, Recompleting or Deepening, the
 49 Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in
 50 value, less cost of salvage.

51 Within ~~ninety (90)~~ ^{one hundred eighty (180)} days after the completion of any operation under this Article, the party conducting the operations for the
 52 Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an
 53 itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the
 54 well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed
 55 statement of monthly billings. ~~Each month~~ ^{At least quarterly} thereafter, during the time the Consenting Parties are being reimbursed as provided above, the
 56 party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs
 57 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
 58 amount of proceeds realized from the sale of the well's working interest production during the preceding ~~month~~ ^{quarter}. In determining the quantity
 59 of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or
 60 periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such
 61 operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned
 62 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
 63 above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

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

71 3. Stand-By Costs: When a well which has been drilled or Deepened has reached its authorized depth and all tests have been
 72 completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to

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

9 In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party
 10 may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1.
 11 within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require
 12 such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take
 13 such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day
 14 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
 15 the electing parties.

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

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

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

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

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

47 This Article VI.B.4 shall not apply to Deepening operations within an existing Lateral of a Horizontal Well.

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

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

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

58 This Article VI.B.5, "Sidetracking," shall not apply to operations in an existing Lateral of a Horizontal Well. **Drilling operations
 59 Conducted in a Horizontal Well that are intended to recover penetration of the objection Zone or deviate the Lateral before it reached
 60 the object Total Measured Depth shall be included in the original proposed drilling operations.**

61 6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement, if any party / desires to propose
 62 the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen
 63 (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling
 64 rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a
 65 drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed
 66 operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial
 67 proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal
 68 period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is
 69 the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed
 70 not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have
 71 priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such
 72 result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24)
 hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty
 four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or
 to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period

shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing / ~~pattern~~ ^{regulation} for such Zone **or such well has been approved or is reasonably expected to be approved as an exception to the then-existing spacing regulation for such Zone by the appropriate regulatory agency.**

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of ~~all~~ ^{one (1) or more} parties **owning at least 51% interest** / that have not relinquished interests in the well at the time of such operation.

9. Spudder Rigs.

(a) Within Approved Horizontal Well proposals (*i.e.* proposals which include an approved AFE). If an approved Horizontal Well proposal provides that a Spudder Rig shall be utilized, and Operator desires to extend the proposed Horizontal Rig Move-On Period, Operator may obtain one or more extensions, each for a period of time not to exceed 30 days only upon notice and the affirmative vote of not less than 51 % in interest of the Consenting Parties to the drilling of the proposed well.

(b) Not Within Approved Horizontal Well proposals. If an approved Horizontal Well proposal does not provide that a Spudder Rig may be utilized, and Operator subsequently desires to utilize a Spudder Rig, Operator may utilize a Spudder Rig upon notice to the Drilling Parties (which notice shall include a Horizontal Rig Move-On Period) and the affirmative vote of not less than 51 % in interest of the Consenting Parties. Extension(s) of the Horizontal Rig Move-On Period may be requested by Operator in the same manner as provided in Article VI.B.9.(a) immediately above.

(c) Failure to meet Horizontal Rig Move-On Period. If a rig capable of drilling a Horizontal Well to its Total Measured Depth has not commenced operations within the Horizontal Rig Move-On Period, or any approved extension(s) thereof, unless 51 % in interest of the Consenting Parties agree to abandon the operation, Operator shall re-propose the well in the manner provided in Article VI.B of this agreement. Any party who was a Non-Consenting Party to the original drilling proposal shall be entitled to a new election. Costs of the operation, incurred both before and after such re-proposal, shall be borne as follows:

(1) Operator shall promptly reimburse all unused funds previously advanced for the drilling of the well to each party who advanced such unused funds;

(2) If the well's drilling operations are subsequently resumed, all costs, whether incurred before or after the re-proposal, shall be borne by the Consenting Parties to the re-proposed well; and, the Consenting Parties shall proportionately reimburse each party who consented to the original proposal but did not consent to the re-proposal such party's share of costs incurred prior to the re-proposal.

(3) If the well's drilling operations are not subsequently resumed pursuant to a re-proposal as herein provided, all costs incurred prior to the re-proposal, and all costs of abandonment, shall be borne and paid by the original Consenting Parties.

(d) Commencement of Operations. For purposes of Article VI.B., and subject to the provisions of this sub-section 9, the date a Spudder Rig commences actual drilling operations shall be considered the commencement of drilling operations of the proposed well.

10. Multi-well Pads. ~~If multiple Horizontal Wells are drilled or proposed to be drilled from a single pad or location, the costs of such pad or location shall be allocated, and/or reallocated as necessary, to the Consenting Parties of each of the wells thereon.~~ ^{See Article XVI.L. for Multi-Well Pads | Re-Allocation of Shared Facility Costs.}

C. Completion of Wells; Reworking and Plugging Back:

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

Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completion and equipping of the Well, including tankage and/or surface facilities.

Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of a Vertical Well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provisions of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or ~~Recompletions have recouped their costs pursuant to Article VI.B.2. / ; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made.~~ ^{or Article XVI.G., for the Initial Well, as the case may be} Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

Notwithstanding anything to the contrary, including the selection of Option 2 above, or anything else in this agreement, Option 1 shall apply to all Horizontal Wells.

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

1 **D. Other Operations:**

2 Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of _____
 3 Fifty Thousand U.S. Dollars (\$ 50,000.00 U.S.) except in connection with the drilling, Sidetracking, Reworking, Deepening,
 4 Completing, Re-completing or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided,
 5 however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such
 6 steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as
 7 promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish
 8 any Non-Operator so requesting an information copy thereof for any single project costing in excess of _____

9 Fifty Thousand U.S. Dollars (\$ 50,000.00 U.S.). Any party who has not relinquished its interest in
 10 a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary
 11 production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar
 12 project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be
 13 governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth
 14 above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2,
 15 which shall be governed exclusively by those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If
 16 within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 51 % of the interests
 17 of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms
 18 of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such
 19 project pursuant to the terms of the proposal.

20 **E. Abandonment of Wells:**

21 **1. Abandonment of Dry Holes:** Except for any well drilled, ~~/ or Deepened~~ ^{Sidetracked} pursuant to Article VI.B.2., any well which has been
 22 drilled, ~~/ or Deepened~~ ^{Sidetracked} under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned
 23 without the consent of ~~all parties~~ ^{one (1) or more parties owning at least 51% of the interests of the Consenting Parties for such operation} /. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within
 24 forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such
 25 well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in
 26 accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling, ~~/ or Deepening~~ ^{Sidetracking}
 27 such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours
 28 (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of
 29 such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.;
 30 failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over
 31 the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or
 32 take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an
 33 abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of
 34 plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable.

35 **2. Abandonment of Wells That Have Produced:** Except for any well in which a Non-Consent operation has been
 36 conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed
 37 as a producer shall not be plugged and abandoned without the consent of all parties ~~/. If all parties consent to such abandonment, the well shall~~ ^{then owning an interest in such well}
 38 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a
 39 party to reply within ~~sixty (60)~~ ^{thirty (30)} days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If,
 40 within ~~sixty (60)~~ ^{thirty (30)} days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such
 41 well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration
 42 of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against
 43 liability for any further operations ~~on the well conducted by such parties~~ ^{with respect to the well, including the costs of plugging and abandoning the well and restoring the surface}. Failure of such party or parties to provide proof reasonably
 44 satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter
 45 to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

46 Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of
 47 the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging
 48 and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and
 49 abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and
 50 equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess
 51 cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or
 52 fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in
 53 the Leasehold insofar and only insofar as such Leasehold covers ~~the right to obtain production from that wellbore in the Zone then open to~~ ^{an}
 54 production. If the interest of the abandoning party is or includes ~~an~~ ^{an} Oil and Gas Interest, such party shall execute and deliver to the non-
 55 abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and
 56 so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B." The
 57 assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or
 58 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
 59 aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining
 60 portions of the Contract Area.

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

67 **3. Abandonment of Non-Consent Operations:** The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as
 68 between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well
 69 shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been
 70 notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this
 71 Article VI.E.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate
 72 shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b).

1 **F. Termination of Operations:**

2 Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing,
3 Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of
4 parties bearing 51 % of the costs of such operation; provided, however, that in the event granite or other practically impenetrable
5 substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and
6 give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to
7 such operation, as appropriate. **See Article XVI.H. for additional provisions.**

8 **G. Taking Production in Kind:**

9 **Option No. 1: Gas Balancing Agreement Attached**
10 **other than an Unleased Mineral Owner,**

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

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

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

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

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

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

43 **Option No. 2: No Gas Balancing Agreement:**

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

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

52 If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil
53 and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it,
54 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
55 non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice
56 to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days
57 written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously
58 delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election
59 for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term
60 extending beyond such ten (10) day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be
61 only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular
62 circumstances, but in no event for a period in excess of one (1) year.

63 Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no
64 duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received
65 under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of
66 production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-
67 taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving
68 the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be
69 used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.

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

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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

B. Liens and Security Interests:

Notwithstanding anything to the contrary in this agreement, Article VII.B. shall not apply to Unleased Mineral Owners.

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

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

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

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

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

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

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

C. Advances: See Article XVI.J. for Advance Costs of Drilling, Completing and Other Operations.

~~Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate~~

1 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
2 amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual
3 expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

4 **D. Defaults and Remedies:**

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

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

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

28 3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting
29 party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is
30 for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a
31 dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to
32 participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the
33 extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under
34 this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

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

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

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

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

54 Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease / shall be paid by the
55 party or parties who ~~subjected~~ ^{contributed or is deemed to have contributed} such lease to this agreement at its or their expense. In the event two or more parties own and have
56 contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on
57 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
58 failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment
59 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
60 Article IV.B.2.

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

66 **F. Taxes:**

67 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property
68 subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they
69 become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be
70 limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator.
71 If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or
72 production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease,

1 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
 2 in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges
 3 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.
 4 Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

5 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner
 6 prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final
 7 determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and
 8 any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint
 9 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
 10 provided in Exhibit "C."

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

13 **ARTICLE VIII.**

14 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

15 **A. Surrender of Leases:**

16 The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole
 17 ~~or in part unless all parties, / consent thereto /~~ **other than an Unleased Mineral Owner, ; provided, however, no consent shall be necessary to file a release of a Lease that has**
 18 **otherwise expired or terminated in accordance with its terms.**

19 However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written
 20 notice of the proposed surrender to all parties, /, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of
 21 the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such
 22 notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all
 23 parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its
 24 interest in such Lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production
 25 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,
 26 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
 27 and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to
 28 be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations
 29 thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable
 30 thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than
 31 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
 32 the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased
 33 acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the
 34 estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such
 35 costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in
 36 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
 37 of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned
 38 shall similarly reflect such variances.

39 Any assignment, lease or surrender made under this provision shall ~~not reduce or change the assignor's, lessor's or surrendering~~
 40 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area /; and the acreage
 41 assigned, leased or surrendered, and subsequent operations thereon, shall ~~not~~ thereafter be subject to the terms and provisions of this
 42 agreement ~~but shall be deemed subject to an Operating Agreement in the form of this agreement.~~ **pursuant to Article XVI.T.**

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

44 If any party, / secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties
 45 shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease,
 46 promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery
 47 of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands
 48 within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of
 49 such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each
 50 party who participates in the purchase of a renewal or replacement Lease shall be given an assignment ^{with limited warranty covenants} / of its proportionate interest therein
 51 by the acquiring party.

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

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

61 The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by
 62 the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of
 63 its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall
 64 be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement
 65 Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not
 66 be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

67 The provisions in this Article shall ^{not} / also be applicable to extensions of Oil and Gas Leases.

68 **C. Acreage or Cash Contributions:**

69 While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other
 70 operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be
 71 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
 72 contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions
 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be

governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of ^a well drilled inside 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- Assignment; Maintenance of Uniform Interest: For Assignment and Transfer see Articles XVI.O. and XVI.P.

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

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

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

If, at any time the interest of any party is divided among and owned by four 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.

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:

(Optional: Check if applicable)

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 disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, 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 notice is delivered, to purchase for the stated consideration 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 transfer title to its interest to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.

ARTICLE IX.

INTERNAL REVENUE CODE ELECTION

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

ARTICLE X.

CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty Thousand U.S. Dollars (\$ 50,000.00 U.S.) 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, **by the affirmative vote of not less than 51% in interest of the Consenting Parties** 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

1 shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

2 **ARTICLE XI.**
3 **FORCE MAJEURE**

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

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

16 **ARTICLE XII.**
17 **NOTICES**

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

33 **ARTICLE XIII.**
34 **TERM OF AGREEMENT**

35 ~~See Article XVI.Z. for Term of this agreement.~~
36 ~~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~~
37 ~~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~~
38 ~~any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.~~

- 39 ~~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~~
40 ~~of the Contract Area, whether by production, extension, renewal or otherwise~~
- 41 ~~Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this~~
42 ~~agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this~~
43 ~~agreement shall continue in force so long as any such well is capable of production, and for an additional period of _____~~
44 ~~days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are~~
45 ~~engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a~~
46 ~~well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production~~
47 ~~results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or~~
48 ~~any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the~~
49 ~~Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging~~
50 ~~Back or Reworking operations are commenced within _____ days from the date of abandonment of said well. "Abandonment"~~
51 ~~for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the~~
52 ~~elapse of 180 days from the conduct of any operations on the well, whichever first occurs.~~

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

55 ~~_____ Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this~~
56 ~~Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of~~
57 ~~termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if~~
58 ~~Operator has satisfied all its financial obligations.~~

59 **ARTICLE XIV.**
60 **COMPLIANCE WITH LAWS AND REGULATIONS**

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

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

65 **B. Governing Law:**

66 **This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-**
67 **performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by**
68 **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**
69 **_____ shall govern.**

70 **C. Regulatory Agencies:**

71 Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights,
72 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

1 or adjacent to the Contract Area.

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

9 **ARTICLE XV.**
10 **MISCELLANEOUS**

11 **A. Execution:**

12 This agreement shall be binding upon each Non-Operator / **upon the earlier of the following: (i)** when this agreement or a counterpart thereof has been executed by
13 such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is
14 tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract
15 Area / **; and when a related unit order issued by a governmental agency having jurisdiction becomes effective** . Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any
16 time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for
17 commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient
18 participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the
19 parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other
20 costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. Except as otherwise provided in Article
21 IV.B, in the event operations on a well shall be commenced without execution of this agreement by all persons listed on Exhibit "A" as
22 having a current interest in such well, or in the event that subsequent to the commencement of operations on the well previously unknown
23 or undisclosed persons owning working interests in a well are discovered, or both, the parties executing this agreement agree to one of the
24 following:

25 ~~Option No. 1: Operator shall indemnify executing Non-Operators with respect to all costs incurred for the well which would~~
26 ~~have been charged to each such person under this agreement as if such person had executed the same and Operator shall receive~~
27 ~~all revenues which would have been received by each such person under this agreement as if such person had executed the same.~~

28 **Option No. 2:** The Operator shall advise all parties of the total interest of the parties that have executed this agreement. Each
29 party executing this agreement, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery
30 of such notice, shall advise the Operator of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or
31 (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interest of all
32 parties executing this agreement) of non-executing persons' interests, or (iii) carry its proportionate part (determined as provided
33 in (ii) of non-executing persons' interests together with all or a portion of its proportionate part of any non-executing persons
34 interests that any executing party did not elect to take. Any interest of non-executing persons that is not carried by an executing
35 party shall be deemed to be carried by the Operator. Failure to advise the Operator within the time required shall be deemed an
36 election under (i).

37 **B. Successors and Assigns:**

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

41 **C. Counterparts:**

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

43 **D. Severability:**

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

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ARTICLE XVI.
OTHER PROVISIONS

A. CONFLICT OF TERMS:

Notwithstanding anything in this agreement to the contrary, in the event of any conflict between the provisions of Article I through XV of this agreement and the provisions of this Article XVI, the provisions of this Article XVI shall govern.

This agreement is subject to all the terms and provisions of that certain Plan for Unit Operations for the development of the NSO Unit A dated January 17, 2017, to which a copy of this agreement is attached (the "Unit Plan"). In the event of a conflict between the provisions of this agreement, including this Article XVI, and the Unit Plan, the provisions of this agreement, including this Article XVI, shall prevail and control.

This agreement is intended to cover the parties' respective interests in the Unitized Formation.

B. OPERATOR'S DUTY:

Unless drilling operations are terminated pursuant to Article VLB.6 and specifically subject to Section H. below, Operator shall drill a Horizontal Well to the objective Zone(s) and drill the Lateral in the Zone(s) at least to a Displacement to which a reasonably prudent operator would deem further drilling is neither justified nor required.

C. PRIORITY OF OPERATIONS – HORIZONTAL WELLS:

Notwithstanding Article VLB.6 or anything else in this agreement to the contrary, it is agreed that where a Horizontal Well subject to this agreement has been drilled to the objective Displacement and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such Horizontal Well, the following elections shall control the order of priority enumerated hereafter:

- First: Testing, coring or logging;
- Second: Complete drilling operations of all proposed Laterals;
- Third: Extend or Deepen a Lateral;
- Fourth: Kick out and drill an additional Lateral in the same Zone;
- Fifth: Plug Back the well to a Zone above the Zone in which a Lateral was drilled; if there is more than one proposal to Plug Back, the proposal to Plug Back to the next deepest prospective Zone shall have priority over a proposal to Plug Back to a shallower prospective Zone;
- Sixth: Sidetrack; and
- Seventh: Plug and abandon as provided for in Article VLE

Provided, however, that if, at the time the Consenting Parties are considering any of the above, the hole is in such a condition that a reasonably prudent operator would not conduct the particular contemplated operation involved for fear of placing the hole in jeopardy or losing the hole prior to Completing the Horizontal Well in the objective Zone, such operation shall be eliminated from the priorities set forth above.

D. SUPPLEMENTAL DEFINITIONS:

1. In supplement to Article I.J., the term "Horizontal Well" wherever used in this agreement shall be deemed to read "Horizontal Well or Multi-Lateral Well."

2. The term "Multi-Lateral Well" shall mean a well that contains more than one (1) Lateral that is drilled, Completed or Recompleted in a manner in which the horizontal component of the completion interval of each Lateral (a) extends at least one hundred feet (100') in the objective Zone(s) and (b) deviates at an angle of at least eighty degrees (80°) from true vertical.

3. The term "Non-Operator's Group" shall mean each Non-Operator and its respective officers, members, employees, invitees and/or agents.

4. The term "Operator's Group" shall mean the Operator, it's respective officers, members, affiliates, subsidiaries, successors and assigns, and the officers and members of its affiliates, subsidiaries, successors and assigns.

5. The term "Production Burdens" shall mean all royalties, overriding royalties, production payments, net profits interests and similar non-cost bearing interests or rights in, carved from, burdening or attributable to any Lease or Oil and Gas Interest. The terms "burden" or "burden on production" wherever used in this agreement shall be deemed to read "Production Burdens".

6. In supplement to Article I.X., each Lateral taken together with the common portion of the vertical wellbore shall be considered a single wellbore and shall have a corresponding Total Measured Depth.

7. The term "well" shall mean and include all wells, however drilled, whether vertically, horizontally, directionally or otherwise, in an endeavor to obtain the production of Oil and Gas.

8. The term "Well Pad" shall mean the surface location constructed for the drilling of a well, regardless of whether such location is included within the Drilling Unit for such well or the Contract Area covered by this agreement.

9. The term "affiliate" shall mean for a Person, another Person that Controls, is Controlled by, or is under common Control with that Person.

10. The term "Control" and its derivatives with respect to any Person shall mean the ownership of one Person, directly or indirectly, of more than fifty percent (50%) of the voting securities of a corporation or, for other Persons, the equivalent ownership interest (such as a partnership interest or membership interest).

11. The term "Person" shall mean any individual, corporation, limited liability company, partnership, limited partnership, trust, estate, unincorporated organization, governmental authority or any other legal entity.

12. In addition to those set out in this agreement, the definitions set forth in the Unit Plan for the NSO Unit A are hereby adopted and incorporated by reference as if fully re-written herein.

E. PROPOSING AND PARTICIPATING IN OPERATIONS:

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

2. Notwithstanding anything in this agreement to the contrary, in the event a party elects to participate in a proposed operation, such party must participate in such operation with all (100%) of the interest in the Drilling Unit owned by such party, or its affiliates, at the time of receipt of the written proposal for such operation.

F. [Intentionally Deleted]

1 **G. NON-CONSENTING OF INITIAL WELL:**

2 If a party elects or is deemed to have elected not to participate (Non-Consenting Party) in the drilling of the Initial Well
3 proposed in the Contract Area pursuant to Article VI.A., upon the timely commencement of actual drilling operations on such Initial
4 Well, such Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall own
5 and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the Initial Well and
6 share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share
7 is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D.
8 payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total
9 of the following: (a) 500% of such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the
10 wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 500% of
11 such Non-Consenting Party's share of the cost of operation of such well commencing with first production and continuing until such
12 Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that such Non-
13 Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting
14 Party had it participated in the Initial Well from the beginning of operations; and (b) 500% of that portion of the costs and expenses of
15 drilling, testing and Completing, after deducting any cash contributions received under Article III.C., and 500% of that portion of the
16 cost of newly acquired equipment in such well (to and including wellhead connections) which would have been chargeable to such Non-
17 Consenting Party if it had participated therein.

18
19 **H. OBJECTIVE DISPLACEMENT OF HORIZONTAL WELL:**

20 Notwithstanding anything in this agreement to the contrary, Operator shall have the right to cease drilling a Horizontal Well
21 at any time, for any reason, and such Horizontal Well shall be deemed to have reached its objective Displacement so long as Operator
22 has drilled such Horizontal Well to the objective Zone(s) and has drilled horizontally in the objective Zone(s) for a distance which is at
23 least equal to fifty percent (50%) of the Displacement proposed for the operation. Further notwithstanding anything in this agreement
24 to the contrary, Operator shall have the right to continue drilling a proposed Lateral in a Horizontal Well up to ten percent (10%)
25 longer than the Displacement proposed in the associated AFE if in Operator's sole judgment, it would be reasonably prudent to do so.
26

27 **I. DISPUTE CONCERNING OBJECTIVE DEPTHS:**

28 If, during the drilling of any well being drilled hereunder, a bona fide dispute shall exist as to whether the proposed depth
29 has been reached in such well (as for example, whether a well has been drilled to a depth sufficient to test a particular sand or formation
30 or if the well has reached the stratigraphic equivalent of a particular depth), the opinion of a majority in interest, and not in numbers,
31 of the parties participating in the drilling of such well shall control and be binding upon all parties. If the parties are equally divided,
32 the opinion of the Operator will control.
33

34 **J. ADVANCE OF COSTS OF DRILLING, COMPLETING AND OTHER OPERATIONS:**

35 Any party, other than an Unleased Mineral Owner, electing to participate in any drilling or completion operation, or any
36 other operation requiring the advance written approval of the parties participating in such operation shall, if invoiced by Operator, be
37 obligated to advance its proportionate share of the total estimated cost shown on the AFE for such operation. Operator shall have the
38 right to invoice each Consenting Party for its proportionate share of such costs of an operation within thirty (30) days prior to actually
39 incurring the cost of such operation (or promptly following the commencement of operations after the expiration of the election period
40 stated in Article VI.C.1 with respect to a completion operation). Thereafter, the provisions of Article VI.B.2(a), shall apply with respect
41 to treatment of the proposal and any Non-Consenting Parties' interests. Any Consenting Party electing to carry a portion of the interest
42 of the Non-Consenting Party shall advance its additional share of costs within thirty (30) days following receipt of Operator's invoice
43 therefor. In the event Operator invoices the Non-Operators as provided herein (and such amount is actually paid by such Non-
44 Operators), but Operator does not actually commence the operation for which the invoice was submitted within sixty (60) days of the
45 stated commencement date, then Operator shall return said advanced payment amount to the Non-Operators. Any Consenting Party
46 who fails to pay the full amount of its invoice to Operator within thirty (30) days following receipt of such invoice shall be deemed in
47 default. Operator shall provide written notice of default. Non-Operator shall have fifteen (15) days from receipt of written notice to
48 make its payment. Failure to make timely payment to cure the default shall deem the non-paying Consenting Party as a Non-Consenting
49 Party with respect to such operation.
50

51 **K. COST ESTIMATES | OVERRUNS:**

52 Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the
53 joint account at reasonable intervals during the conduct of well operations. Operator shall not be held liable for errors in such estimates
54 so long as the estimates are made in good faith. Any additional cost to the Operator in preparing such estimates shall be charged as a
55 direct charge under the Accounting Procedures in Exhibit "C".

56 When Operator reasonably believes that the actual costs for any drilling, Reworking, Sidetracking, Deeping or Plugging
57 Back operation conducted under this agreement will exceed one hundred twenty-five percent (125%) of the costs estimated for such
58 operation on the approved AFE, Operator will give prompt notice by telephone or Email to the parties participating in such operation
59 and will deliver by mail or Email a supplemental AFE estimating the costs necessary to complete such operation and stating Operator's
60 recommendation as to continuation of the operation or conducting a different operation on the well. Each party receiving such
61 supplemental AFE shall have twenty-four (24) hours from receipt to elect by telephone or Email to terminate its participation in the
62 operation or propose an alternative operation; failure by a party to respond within such period shall be deemed an election to continue
63 the operation as originally approved. If any party proposes an alternative operation, it shall deliver notice of such alternative to all
64 other parties participating in such well, and the other parties shall have twenty-four (24) hours to notify Operator if they elect to
65 participate in such alternative proposal. If there is not agreement for bearing the cost of one hundred percent (100%) of continuing the
66 original operation or conducting an alternative operation, Operator shall terminate the operation and plug and abandon the well as
67 quickly and inexpensively as practicable under the circumstances, and the participating parties shall pay their proportionate shares of
68 the remaining costs incurred by Operator. If there is agreement for bearing one hundred percent (100%) of the cost of either continuing
69 the original operation or conducting an alternative operation, the provisions of Articles VI.B.2. and VI.C.1. of this agreement shall
70 apply so that the parties continuing operations on such well (the "Consenting Parties") shall own all the interest in the well of the parties
71 electing to terminate their participation (the "Non-Consenting Parties") until the Consenting Parties have recouped the percentage of
72 costs specified in Article VI.B.2. or Article XVI.G. for the Initial Well, as the case may be, of continuing the operation beyond the end

1 of the election period. The operation conducted by the Consenting Parties shall be conducted pursuant to a supplemental AFE prepared
2 by the Operator. Thereafter, if Operator reasonably believes that the actual costs of the operation will exceed the costs estimated in the
3 supplemental AFE, Operator shall give notices to the parties still participating in such operation in like manner and with like effect as
4 provided above for the first notice of cost overrun.

5 Nothing in this provision shall be construed to permit any party to withdraw from its liability for its share of costs incurred
6 pursuant to a blowout or other emergency or unforeseeable or unpreventable occurrence that causes costs to exceed one hundred
7 twenty-five percent (125%) of the approved AFE.
8

9 **L. MULTI-WELL PADS | RE-ALLOCATION OF SHARED FACILITY COSTS:**

10 All wells drilled from a common drilling location or Well Pad, whether in the same Drilling Unit or Contract Area or not in
11 the same Drilling Unit or Contract Area, will share proportionately all common expenditures for items including, but not limited to,
12 pad construction, joint production facilities, road construction and maintenance costs, pipeline construction and maintenance costs,
13 and all other common or shared facility costs. As subsequent wells are drilled, the Operator shall re-allocate the costs as described
14 above to each well and to the account of the working interest owners thereof.
15

16 **M. FAILURE TO TAKE IN KIND:**

17 Notwithstanding the provisions of Article VI.G. and the provisions of Exhibit "E", in the event any party shall fail to make
18 the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and Gas produced from the
19 Contract Area (the "Non-Taking Party"), Operator shall purchase such Oil and Gas or sell it to others for the account of the Non-
20 Taking Party, and Operator will market that Oil and Gas on the same terms that Operator markets its own share of such production.
21 In so doing, Operator shall not enter into any agreement to sell the Non-Taking Party's share of Oil and Gas for a period in excess of
22 one (1) year without the prior written consent of such party. Except to the extent that such Oil and Gas has been committed to a sales
23 agreement with a term of longer than sixty (60) days, in accordance with this Article XVI.M., any such purchase or sale by Operator
24 of the Non-Taking Party's share of Oil and Gas shall be subject to the right of the owner of the production to exercise at any time its
25 right to take in kind, or separately dispose of, its share of Oil and Gas not previously delivered to a purchaser by the giving of written
26 notice thereof to Operator at least sixty (60) days prior to its requested taking (the "Taking Date"); such notice shall be deemed effective
27 on the first day of the next applicable production period following the Taking Date. Notwithstanding anything herein to the contrary,
28 the Operator is expressly responsible for paying all distributions to the net revenue interest owners of record for all oil, gas, or liquids
29 that Operator markets on behalf of itself or the Non-Taking Party within the unit or Contract Area. Should Non-Operator choose to
30 take production in kind, then Non-Operator is expressly responsible for paying all distributions of the net revenue interest owners of
31 record for all oil, gas, or liquids that Non-Operator markets.
32

33 **N. NON-CONSENTING PARTY SALES CONTRACTS:**

34 Non-Consenting Parties will not enter into oil, gas, or liquids sales contracts until the Consenting Parties have
35 recouped the percentage of costs specified in Article VI.B.2. or Article XVI.G. for the Initial Well, as the case may be.
36

37 **O. ASSIGNMENTS AND TRANSFERS:**

38 1. Any party may assign, transfer or otherwise dispose of all or a portion of such party's interest covered by this agreement
39 in all or any portion of the Contract Area and as to any or all depths. Any party may mortgage, pledge, hypothecation or grant a lien
40 or security interest in all or a portion of its interest in the Leases, Oil and Gas Interests, any equipment or facilities, or its share of Oil
41 and Gas production from the Contract Area; provided, however, that any mortgage, pledge, lien, security interest and other
42 encumbrance arising from such financing transaction shall be expressly subordinated to the rights of the other parties to this agreement,
43 and the assigning party shall ensure that any lien, security interest or other encumbrance shall be without prejudice to the terms of this
44 agreement.

45 2. Except as otherwise provided in this agreement, no assignment or other transfer of an interest in this agreement shall be
46 binding and effective with respect to Operator or any other party until (i) the assignor provides Operator with a photocopy of a
47 recorded, fully executed assignment instrument; (ii) the assignor provides Operator with written notice of the percentage of the entire
48 interest credited to assignor on Exhibit "A" hereto assigned to such assignee; and (iii) the assignee provides Operator with a fully
49 executed counterpart of this Operating Agreement or another instrument in which assignee agrees to assume and become liable for the
50 obligations of the assignor hereunder with respect to the interest assigned. Except with respect to any interest assigned or transferred
51 by an Unleased Mineral Owner, any out-of-pocket costs incurred by Operator attributable to any such assignment or transfer shall be
52 the obligation of the assignor or transferor, who shall promptly reimburse Operator for those costs.

53 3. Any party who fails to comply with any of the provisions of this Article XVI.O. shall indemnify, defend and hold the other
54 parties harmless from and against any and all claims or causes of action asserted by any person or entity whomsoever, and for any
55 expenses and losses sustained by those other parties, as a result of the failure of such party to comply with the provisions of this Article
56 XVI.O.

57 4. Any party who assigns, transfers, or otherwise disposes of all or a portion of its interest in the Contract Area, so long as
58 such assignment, transfer or other disposition fully satisfies the requirements of this Article XVI.O. and Article XVI.P.,
59 shall be relieved of all costs and liabilities associated with the plugging, abandonment, and remediation of any wells then existing or
60 thereafter drilled on the assigned Lease or Oil and Gas Interests.

61 5. Notwithstanding the parties' differing ownership, if any, in any wells covered hereby, there shall be only one designated
62 Operator of the Contract Area at any given time.
63

64 **P. DESIGNATED CO-OWNER:**

65 1. Notwithstanding anything in this agreement to the contrary, including the accounting procedure attached hereto as Exhibit
66 "C", if at any time the interest of any party (the "Selling Party") is divided among and owned by two or more co-owners (each a "Co-
67 Owner"), then Operator may, in Operator's sole discretion, continue to issue all notices, statements and billings to the Selling Party for
68 the entire interest credited to Selling Party on Exhibit "A" (the "Original Interest"), until such time as Selling Party has designated a
69 single qualified Co-Owner (a "Designated Co-Owner") to receive all such notices, statements, and billings relating to the Original
70 Interest in accordance with the provisions of this Article XVI. Selling Party or (upon valid designation) the Designated Co-Owner,
71 must:

- 72 (i) have full authority to receive notices (including but not limited to notices of elections concerning proposed

1 operations), approve expenditures, receive billings, and approve and pay joint expenses with respect to the Original Interest
2 on behalf of all Co-Owners;

3 (ii) have the power to bind all Co-Owner's in its dealings and correspondence with Operator regarding the Original
4 Interest;

5 (iii) distribute to the other Co-Owners in a timely manner all notices, statements, and billings received from Operator;

6 (iv) make prompt payment to Operator for all billings and advanced payments relating to the Original Interest; and

7 (v) be responsible for any sub-billings to other Co-Owners regarding the Original Interest.

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

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

13 (ii) The documents required for a transfer pursuant to Article XVI.O.2.

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

18 4. Subject to Section N. above, all Co-Owners shall have the right to enter into and execute all contracts or agreements for
19 the disposition of their respective shares of the Oil and Gas produced from the Contract Area and that shall have the right to receive,
20 separately, payment of the sale proceeds therefrom.

21
22 **Q. OPERATOR AFFILIATES:**

23 Notwithstanding the provisions of Article V. herein to the contrary, a party to this agreement ("Party") may employ a
24 subsidiary or affiliate to serve as Operator ("Affiliate Operator") so long as the Party owns an interest in the Contract Area and is
25 otherwise in compliance with the provisions of this agreement; provided, however, at such time as the Party sells its interest or no longer
26 owns an interest in the Contract Area, the Affiliate Operator shall be deemed to have resigned just as if the Party had been serving as
27 Operator. Furthermore, the Affiliate Operator's failure to observe or comply with the provisions of this agreement may be applied and
28 enforced against the Party just as if the Party was serving as Operator. Therefore, the provisions of this agreement may be enforced
29 interchangeably between the Affiliate Operator and the Party just as if they are one entity.

30
31 **R. JOINT LOSS:**

32 1. If a Lease is not jointly owned by any of the parties, then any loss of a Lease or Interest for failure to perpetuate such Lease
33 or Interest by production in paying quantities shall be deemed as a loss through failure of title, not a joint loss.

34 2. If a Lease is jointly owned by any of the parties, then any loss of a Lease or Interest for failure to perpetuate such Lease or
35 Interest by production in paying quantities shall be deemed a joint loss, with respect to the parties to that Lease.

36 3. Notwithstanding the provisions of Article IV.B.3. herein to the contrary, should any Lease contain a Pugh Clause, the party
37 or parties contributing said Lease shall alone bear the loss of those portions of the Lease, whether on a surface basis or on a depth basis,
38 that expire or terminate as a result of the terms of the Pugh Clause, and the interests of the parties shown on Exhibit "A" shall be
39 revised on surface basis or depth basis, whichever is applicable, pursuant to Article XVI.T.

40
41 **S. PAYMENT OF RENTALS:**

42 Except as expressly provided in this agreement or otherwise agreed upon in writing by Operator, Operator does not have
43 any obligation to make any payments of delay rentals or shut-in royalties, or any similar payment with respect to any other party's
44 interest in any Lease.

45
46 **T. WORKING INTEREST ADJUSTMENT:**

47 Subject to approval by the Division, any recalculation or adjustment of the Parties' Exhibit "A" working interests pursuant
48 to Articles VIII.A, VIII.B, OR XVI.U of this agreement shall be recalculated or adjusted after written notice is provided to the affected
49 party(ies) of such recalculation or adjustment of working interests. Such recalculation or adjustment shall be made effective as of the
50 date of the lease surrender, renewal, acquisition and/or Contract Area / Drilling Unit Adjustment, or as otherwise applicable; provided,
51 however, any such recalculation or adjustment to the parties' working interests prior to the date of the first sale of production from
52 such Drilling Unit shall be made effective as of the date first costs were incurred on and for such Drilling Unit. This Article XVI.T. shall
53 not apply to loss or failure of title pursuant to Article IV.B. of this agreement.

54
55 **U. CONTRACT AREA / DRILLING UNIT ADJUSTMENT:**

56 Subject to approval by the Division, it is recognized by the parties consenting to unit operations that it may be prudent and/or
57 necessary to enlarge or reduce the size of an existing Contract Area / Drilling Unit and/or include within an existing Contract Area /
58 Drilling Unit acreage which was not initially included therein. Without the consent of the parties consenting to unit operations, an exist-
59 ing Contract Area / Drilling Unit may not be enlarged or reduced in size. Such consent shall not be unreasonably withheld, conditioned
60 or delayed. The party proposing such enlargement or reduction to an existing Contract Area / Drilling Unit shall notify the other par-
61 ty(ies) consenting to unit operations in writing, providing an explanation for the Contract Area / Drilling Unit modification proposal.
62 To the extent a Contract Area / Drilling Unit is modified pursuant to this agreement, the working interests of the party(ies) consenting
63 to unit operations shall be recalculated and a modified declaration of pooled unit shall be prepared and filed of record in the appro-
64 priate county(ies). Any such modification shall not apply retroactively to royalties or other distributions resulting from production
65 of Oil and Gas from the Contract Area / Drilling Unit prior to such modification.

66 To the extent the Contract Area is modified pursuant to this agreement, Operator is hereby granted the right to revise Exhi-
67 bits "A", "A-1", "A-2", "A-3", "A-4" and "A-5" as appropriate, and may make any necessary recordings or filings of such revised Exhi-
68 bits.

69
70 **V. INDEMNIFICATION FOR SITE ACCESS:**

71 Each Non-Operator shall indemnify, defend and hold harmless Operator's Group from and against any and all liability,
72 losses, damages, claims, demands, judgments or suits in excess of insurance coverage carried for the joint account in favor of such Non-

1 Operator's Group, resulting from or in any way relating to the presence of any of Non-Operator's Group at or in the vicinity of any
2 surface location or production facility related to a well or wells on which operations are or have been conducted under this agreement.
3

4 **W. NETTING AND SETOFF:**

5 Except for payments related to charges on any joint interest billing that a Non-Operator has disputed in good faith, in the
6 event that Non-Operator does not remit payment for any operating costs or charges assessable to Non-Operators and permitted under
7 this agreement within forty-five (45) days after the date payment is due, Operator is authorized to deduct such costs or charges, and to
8 remit to such Non-Operators their respective net share of any proceeds attributable to the interest of such Non-Operators being received
9 directly from any purchasers of production from the Contract Area. This provision shall not diminish Operator's lien rights contained
10 within this agreement.
11

12 **X. VOTING BY THE PARTIES:**

13 Unless otherwise provided herein, each party to this agreement shall have a voting interest equal to its Unit Participation.
14 All decisions, determinations, consents or approvals of the parties, unless otherwise provided for herein or in the Unit Plan, shall
15 be made by the affirmative vote of one or more parties having a combined voting interest of at least fifty-one percent (51%).
16

17 **Y. CARRIED INTERESTS:**

18 In the event a unit is formed as a result of an order by the Division granting a mandatory pool or a unitization, and as a result
19 of such order, the Oil and Gas Interests and/or Oil and Gas Leases of third parties will be included in the Drilling Unit whose well costs
20 are to be carried by the Joint Account during a payout recoupment period, the Consenting Parties shall have the option to share, in
21 proportion to their respective interest in the Drilling Unit, in the mandatory pooling or unitization expenses associated with pursuing
22 the order, as well as the related production and well cost obligations and any non-consent interest charge prescribed by the Division of
23 such carried third-party Oil and Gas Interests and/or Oil and Gas Leases during such payout period. An election to acquire and
24 participate with a proportionate share of mandatorily pooled or unitized acreage shall be made in writing to the Operator within thirty
25 (30) days from the date of such pooling or unitization order.
26

27 **Z. TERM:**

28 Unless earlier terminated by the affirmative vote of one (1) or more parties having a combined voting interest of at least fifty-
29 one percent (51%), this agreement shall continue in effect so long as the Unit Plan remains in effect, and thereafter until (a) all wells in
30 the Unit Area have been plugged and abandoned or turned over to the Working Interest Owners; (b) all Unit Equipment and real
31 property acquired for the joint account have been disposed of by Unit Operator in accordance with the instructions of the Working
32 Interest Owners; and (c) there has been a final accounting; provided, however, no party hereto shall ever be construed as having any
33 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.
34

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

37 Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this
38 agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination,
39 and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator
40 has satisfied all its financial obligations.

41 **AA. CONFIDENTIALITY:**

42 1. All proprietary, non-public geological, geophysical, technical information, completion data, flow rates, well tests or similar
43 information (other than data routinely publicly disclosed by other Oil and Gas producers) acquired by Operator or a Non-Operator
44 under this agreement as a result of joint operations conducted hereunder or furnished by Operator to Non-Operator under Articles
45 V.D.5., V.D.6. and V.D.7 shall be kept confidential from parties other than the parties to this agreement by such Operator
46 or Non-Operator unless the release of such information to a third party (i) is agreed upon by the parties, (ii) is subject to a confidentiality
47 agreement that restricts the use and further disclosure of such information, the form of which is agreed upon by the parties or (iii) is
48 required by law. Any permitted release of information to a third party must have the prior written consent of all parties hereto, except
49 Unleased Mineral Owners and Uncommitted Working Interest Owners, and said third party must agree in writing to be bound by the
50 provisions of this paragraph.

51 2. Nothing herein shall prohibit any party from disclosing whatever information in such manner as may be required by
52 statute, rule or regulation, including the rules or regulations of any stock exchange on which any securities of such party or any affiliates
53 are traded; nor shall any party be prohibited by the terms hereof from disclosing information acquired under this agreement to any
54 financial institution or investors providing or proposing financing to the disclosing party.
55

56 **BB. NOTICES BY ELECTRONIC MAIL:**

57 1. The originating notice given under any provision hereof by Email shall be deemed "delivered" when both:

58 (i) the information is addressed properly or otherwise directed properly to the Email address(es) set forth on Exhibit
59 "A" for the party to whom such notice is being sent; and

60 (ii) the information is in a form capable of being processed by the information processing system that the receiving
61 party uses for the purpose of receiving Email (the "Recipient Server").

62 2. Any written notice given by Email shall be deemed "received" when both:

63 (i) the information enters the Recipient Server; and

64 (ii) the information is in a form capable of being processed by the Recipient Server.

65 3. For the avoidance of doubt, except for an automated Email evidencing an error in transmission or that the information
66 was not received by the Recipient Server, any Email or other communication in reply from the recipient or from the Recipient Server
67 including, but not limited to "Read Receipt", "Out of Office" or other similar automated Email replies, shall be conclusive evidence of
68 receipt of such notice.
69

70 **CC. USE OF STAFF LANDMEN AND ATTORNEYS:**

71 The following provision shall be deemed inserted at the end of the first paragraph of Article IV.A as if fully rewritten therein:
72 Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above

1 functions that exceeds prevailing rates in the state in which the services are rendered. Operator may use staff landmen and title
2 specialists for abstracting and preliminary title review, and staff attorneys for title examination if such personnel are billed at rates no
3 higher than third-party rates billed for similar services in the state where the services are rendered. Operator may also charge a
4 reasonable digital abstracting fee per tract if Operator has imaged and indexed the county records in which the Contract Area is located.
5

6 **DD. BANKRUPTCY:**

7 If, following the granting of relief under the Bankruptcy Code to any party hereto as debtor thereunder, this agreement
8 should be held to be an executory contract under the Bankruptcy Code, then any remaining party shall be entitled to a determination
9 by debtor or any trustee for debtor within thirty (30) days from the date an order for relief is entered under the Bankruptcy Code as to
10 the rejection or assumption of this agreement. If the debtor or trustee determines to assume this agreement, the party seeking
11 determination shall be entitled to adequate assurances as to the future performance of debtor's obligations hereunder and the protection
12 of the interests of all parties. The debtor shall satisfy its obligation to provide adequate assurances by either advancing payments or
13 depositing the debtor's proportionate share of expenses in escrow.
14

15 **EE. FURTHER ASSURANCES:**

16 In connection with this agreement, the parties agree to execute and deliver such additional documents and instruments, and
17 to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all the terms, provisions and
18 conditions of this agreement.
19

20 **FF. [Intentionally Deleted]**

21
22 **GG. JOA PREPARATION:**

23 Each party further acknowledges and agrees that such party has been represented or had the opportunity to be represented
24 by attorneys of its own choosing and therefore, for the purposes of construing this agreement, each party shall be deemed to have
25 participated equally in the preparation and drafting of this agreement. If any ambiguity is contained in this agreement, no weight shall
26 be given in favor or against any party in resolving that ambiguity on account of that party's drafting of this agreement.
27

28 **HH. HEADINGS:**

29 The headings and titles in this agreement are for guidance and convenience of reference only and do not limit or otherwise
30 affect or interpret the provisions of this agreement.
31

32 **II. REFERENCES:**

33 Each reference made in this agreement to an article refers to the applicable Article in this agreement, unless the context
34 clearly indicates otherwise. The words "this Article", refers only to the Article in which those words occur. The words "this Section"
35 refers only to the subsection of the Article in which those words occur. Each reference made in this agreement to an Exhibit or Schedule
36 refers to the applicable Exhibit or Schedule attached hereto, unless the context clearly indicates otherwise. Each Exhibit and Schedule
37 attached hereto is made a part hereof.
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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989 (Horz.)

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

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

ATTEST OR WITNESS:

OPERATOR

Artex Energy Group LLC

By Artex Oil Company, Its Manager

By _____

Joseph M. Brooker

Type or print name

Title **Agent and Attorney-in-Fact**

Date _____

Tax ID or S.S. No. _____

NON-OPERATORS

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

EXHIBIT "A"

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

1. Description of lands subject to this agreement:

The Contract Area is the Unit shown on **Exhibit "A-1"**, attached hereto, made a part hereof and incorporated herein.

The Contract Area may be adjusted, from time-to-time, pursuant to **Article XVI.U** of the Unit Operating Agreement to which this Exhibit "A" is attached.

2. Restrictions as to depths and formations:

This agreement shall be limited to the Unitized Formation, described as that portion of the Unit Area located between fifty feet (50') above the top of the Utica formation to fifty feet (50') below the top of the Trenton formation.

3. Parties to agreement with addresses, telephone numbers and email addresses for notice purposes:

ARTEX ENERGY GROUP LLC
2337 State Route 821
Marietta, Ohio 45750
Phone: 740-373-3313
Fax: 740-373-2750
Attn: Mr. Chad Spence
Email: cspence@artexoil.com

The remaining parties to this agreement and their respective addresses for notice purposes are set forth on **Exhibit "A-3"**, **Exhibit "A-4"**, and **Exhibit "A-5"** attached hereto, made a part hereof and incorporated herein.

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

The owners and their respective interests are set forth on **Exhibit "A-2"**, attached hereto, made a part hereof and incorporated herein.

It is understood by the parties that the working interests listed in **Exhibit "A-2"** 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, from time-to-time, to reflect the actual interest owned by the parties in the Contract Area, and the Operator may make such adjustments pursuant to **Article XVI.T** of the Unit Operating Agreement to which this Exhibit "A" is attached.

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





The leases subject to this Agreement are those certain oil and gas leases identified on **Exhibit "A-2"**, attached hereto, made a part hereof, and incorporated herein.

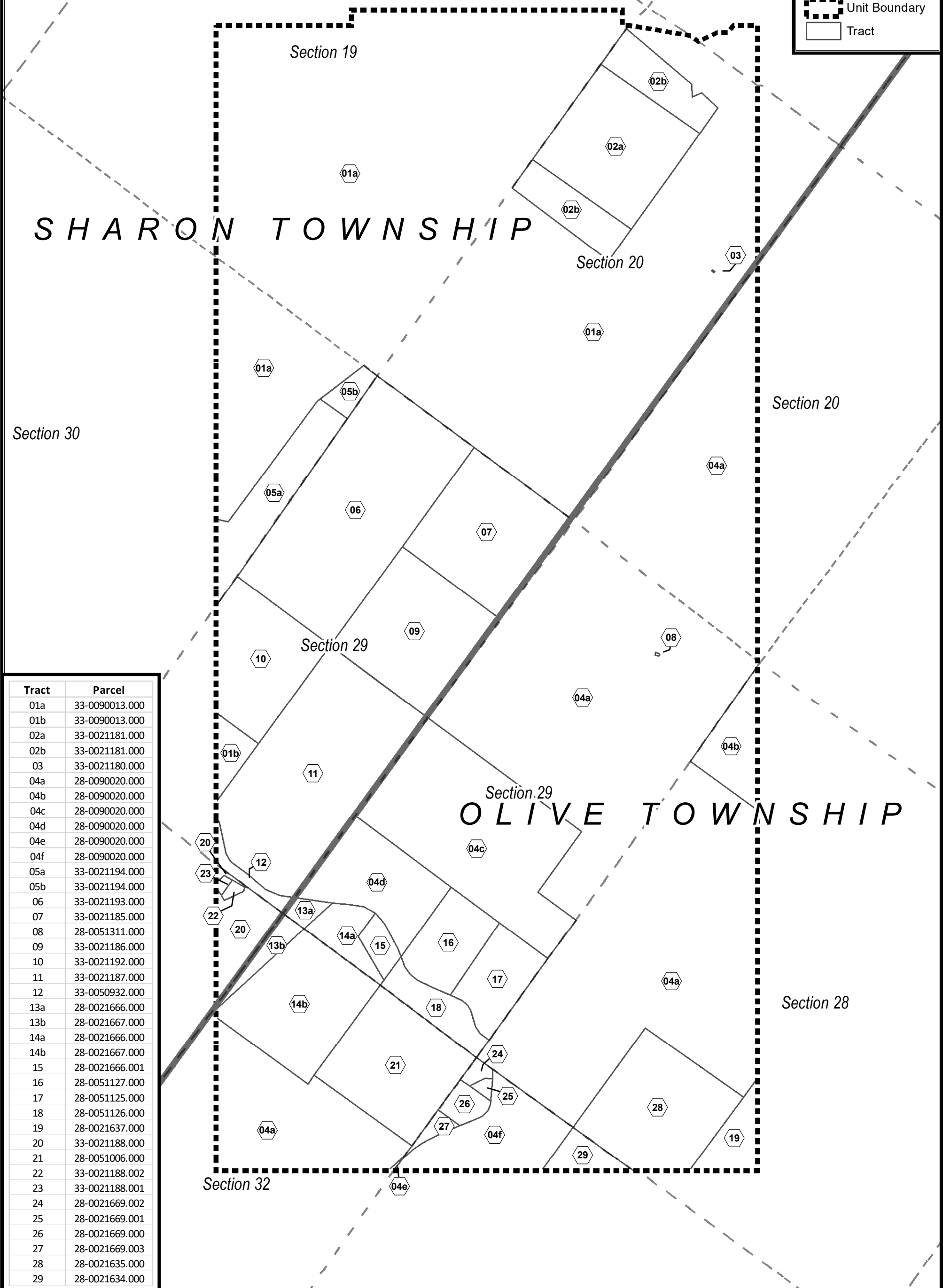
Exhibit "A-1"

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

NOBLE COUNTY

Legend

-  Section Line
-  Township Line
-  Unit Boundary
-  Tract



Tract	Parcel
01a	33-0090013.000
01b	33-0090013.000
02a	33-0021181.000
02b	33-0021181.000
03	33-0021180.000
04a	28-0090020.000
04b	28-0090020.000
04c	28-0090020.000
04d	28-0090020.000
04e	28-0090020.000
04f	28-0090020.000
05a	33-0021194.000
05b	33-0021194.000
06	33-0021193.000
07	33-0021185.000
08	28-0051311.000
09	33-0021186.000
10	33-0021192.000
11	33-0021187.000
12	33-0050932.000
13a	28-0021666.000
13b	28-0021667.000
14a	28-0021666.000
14b	28-0021667.000
15	28-0021666.001
16	28-0051127.000
17	28-0051125.000
18	28-0051126.000
19	28-0021637.000
20	33-0021188.000
21	28-0051006.000
22	33-0021188.002
23	33-0021188.001
24	28-0021669.002
25	28-0021669.001
26	28-0021669.000
27	28-0021669.003
28	28-0021635.000
29	28-0021634.000

EXHIBIT "A-2"

Tracts Within NSO Unit A Contract Area

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION
01a	7000	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	553.092827	0.314389	33-0090013.000	SHARON	NOBLE	OHIO	100.0000%	31.4389%										
01b	7000	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	5.359018	0.003046	33-0090013.000	SHARON	NOBLE	OHIO	100.0000%	0.3046%										
02a	4343	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012 430 WHITE POND DRIVE, AKRON, OH 44230	Y	40.000000	0.022737	33-0021181.000	SHARON	NOBLE	OHIO	25.0000%	0.5684%			75.0000%	1.7053%						
02b	4343	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012 430 WHITE POND DRIVE, AKRON, OH 44230	Y	25.297634	0.014380	33-0021181.000	SHARON	NOBLE	OHIO	100.0000%	1.4380%										
03	-	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012 430 WHITE POND DRIVE, AKRON, OH 44230	N	0.010935	0.000006	33-0021180.000	SHARON	NOBLE	OHIO												
04a	7000	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	484.992434	0.275679	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	27.5679%										
04b	-	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	13.668179	0.007769	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	0.7769%										
04c	5707	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	72.711252	0.041330	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	4.1330%										
04d	7000	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	26.633986	0.015139	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	1.5139%										
04e	-	FRANKLIN REAL ESTATE COMPANY ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	0.114238	0.000065	28-0090020.000	OLIVE	NOBLE	OHIO									100.0000%	0.0065%		

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION	
04f	5710	JOY CUNNINGHAM (4/33) 3711 LAKE BAYSHORE DRIVE, BRADENTON, FL 34205 JEWELL DOVENBARGER (4/33) 2471 MILLSBORO ROAD E, MANSFIELD, OH 44906 DON WILLEY (4/33) 3148 STATE ROUTE 13 S, MANSFIELD, OH 44904 DAVID WILLEY (4/33) 44051 BOYD ROAD, CALDWELL, OH 43724 DARWIN WILLEY (4/33) 795 RICHEY ROAD, ZANESVILLE, OH 43701 JUNE HAYES (4/33) 41088 DAY SPRING DRIVE, CALDWELL, OH 43724 JENNIFER JORDAN (2/33) 1201 MCCLEARY COURT, COLUMBUS, OH 43235 JESSICA SCHWENDEMAN (2/33) 8610 CLOVER GLADE DRIVE, LEWIS CENTER, OH 43035 TINA BRIGGS (5/132) 3068 CROWNE POINT DRIVE, STOW, OH 44224 NATHAN STOBBS (5/132) 8275 CRETE LANE, BLACKLICK, OH 43004 JUSTIN STOBBS (5/132) 43 LYNETTE PLACE SOUTH, WESTERVILLE, OH 43081 RYAN STOBBS (5/132) 1715 ARIZONA DRIVE, FINDLAY, OH 45840	Y	24.811987	0.014104	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	1.4104%											
05a	-	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER (1/3) 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE (1/3) 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	21.462932	0.012200	33-0021194.000	SHARON	NOBLE	OHIO			100.0000%	1.2200%									
05b	742	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER (1/3) 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE (1/3) 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	3.680000	0.002092	33-0021194.000	SHARON	NOBLE	OHIO	100.0000%	0.2092%											
06	742	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER (1/3) 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE (1/3) 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	81.586999	0.046376	33-0021193.000	SHARON	NOBLE	OHIO	100.0000%	4.6376%											
07	741	W. ROGER IAMS 2302 BEECHWOOD DRIVE, FAIRFIELD, OH 45014	Y	41.470263	0.023573	33-0021185.000	SHARON	NOBLE	OHIO	100.0000%	2.3573%											
08	6842	TRUSTEES OF OLIVE TOWNSHIP 42416 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	0.028518	0.000016	28-0051311.000	OLIVE	NOBLE	OHIO	100.0000%	0.0016%											
09	741	W. ROGER IAMS 2302 BEECHWOOD DRIVE, FAIRFIELD, OH 45014	Y	41.527859	0.023605	33-0021186.000	SHARON	NOBLE	OHIO	100.0000%	2.3605%											

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION
10	-	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER (1/3) 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE (1/3) 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	32.125749	0.018261	33-0021192.000	SHARON	NOBLE	OHIO			100.0000%	1.8261%								
11	757	DONALD A. & VICTORINE A. HOWE, AS TRUSTEES UNDER THE AGREEMENT OF TRUST OF DON AND VICKIE HOWE DATED JANUARY 27, 2012 40554 SHEPHERD ROAD, CALDWELL, OH 43724	Y	76.544961	0.043510	33-0021187.000	SHARON	NOBLE	OHIO	100.0000%	4.3510%										
12	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	3.473555	0.001974	33-0050932.000	SHARON	NOBLE	OHIO									100.0000%	0.1974%		
13a	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	2.289660	0.001301	28-0021666.000	OLIVE	NOBLE	OHIO											100.0000%	0.1301%
13b	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	4.387751	0.002494	28-0021667.000	OLIVE	NOBLE	OHIO											100.0000%	0.2494%
14a	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	8.133857	0.004623	28-0021666.000	OLIVE	NOBLE	OHIO											100.0000%	0.4623%
14b	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	37.094097	0.021085	28-0021667.000	OLIVE	NOBLE	OHIO											100.0000%	2.1085%
15	-	CHARLES E. POLING, JR. 15715 POLING ROAD, CALDWELL, OH 43724	Y	4.006277	0.002277	28-0021666.001	OLIVE	NOBLE	OHIO											100.0000%	0.2277%
16	5708	DARWIN D. GARVIN (1/2) 40085 KEITHTOWN ROAD, CALDWELL, OH 43724 GEORGIANNA GARVIN (1/2) 13400 ARCTIC RIDGE LANE SE, OLDTOWN, MD 21555	Y	15.790360	0.008976	28-0051127.000	OLIVE	NOBLE	OHIO	100.0000%	0.8976%										
17	5708	DARWIN D. GARVIN (1/2) 40085 KEITHTOWN ROAD, CALDWELL, OH 43724 GEORGIANNA GARVIN (1/2) 13400 ARCTIC RIDGE LANE SE, OLDTOWN, MD 21555	Y	15.337202	0.008718	28-0051125.000	OLIVE	NOBLE	OHIO	100.0000%	0.8718%										
18	5708	BETH E. SCHWENNING (1/3) 1504 HAGEY DRIVE, BARBERTON, OH 44203 MARK DOUGLAS MERROW (1/3) 5282 KAYLIN DRIVE, AKRON, OH 44319 DENNIS G. MERROW (1/3) 1071 CHALKER STREET, AKRON, OH 44310	Y	10.066028	0.005722	28-0051126.000	OLIVE	NOBLE	OHIO	100.0000%	0.5722%										
19	-	DONALD MORRIS, TRUSTEE OF THE DONALD MORRIS REVOCABLE TRUST DATED JUNE 3, 2010 278 GREENLAWN LANE, LOWELL, OH 45744	Y	8.987129	0.005108	28-0021637.000	OLIVE	NOBLE	OHIO							100.0000%	0.5108%				
20	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	12.456107	0.007080	33-0021188.000	SHARON	NOBLE	OHIO									100.0000%	0.7080%		
21	5708	BETH E. SCHWENNING (1/3) 1504 HAGEY DRIVE, BARBERTON, OH 44203 MARK DOUGLAS MERROW (1/3) 5282 KAYLIN DRIVE, AKRON, OH 44319 DENNIS G. MERROW (1/3) 1071 CHALKER STREET, AKRON, OH 44310	Y	37.646238	0.021399	28-0051006.000	OLIVE	NOBLE	OHIO	100.0000%	2.1399%										
22	-	CHARLES E. AND JUDITH L. POLING 44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	0.667597	0.000379	33-0021188.002	SHARON	NOBLE	OHIO									100.0000%	0.0379%		
23	-	EDWARD MALLETT 39968 PETE WILLEY ROAD, CALDWELL, OH 43724	Y	0.484388	0.000275	33-0021188.001	SHARON	NOBLE	OHIO									100.0000%	0.0275%		

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION
24	4532	W. P. BROWN ENTERPRISES, INC. ATTN: TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	1.416617	0.000805	28-0021669.002	OLIVE	NOBLE	OHIO	100.0000%	0.0805%										
25	4532	W. P. BROWN ENTERPRISES, INC. ATTN: TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	0.824015	0.000468	28-0021669.001	OLIVE	NOBLE	OHIO	100.0000%	0.0468%										
26	4532	W. P. BROWN ENTERPRISES, INC. ATTN: TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	3.827339	0.002176	28-0021669.000	OLIVE	NOBLE	OHIO	100.0000%	0.2176%										
27	5711	ADAM PORTER 39820 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	1.889710	0.001074	28-0021669.003	OLIVE	NOBLE	OHIO	100.0000%	0.1074%										
28	-	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	39.675464	0.022552	28-0021635.000	OLIVE	NOBLE	OHIO							100.0000%	2.2552%				
29	-	OHIO FRANKLIN REALTY, LLC ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	5.690748	0.003235	28-0021634.000	OLIVE	NOBLE	OHIO							100.0000%	0.3235%				
TOTALS:				1759.263910	1.000000						88.0029%		3.0461%		1.7053%		3.0896%		0.9774%		3.1781%

WORKING INTEREST OWNER	UNIT ACRES	UNIT PARTICIPATION
ARTEX ENERGY GROUP LLC	1202.706881	0.683642
ARTEX ENERGY GROUP LLC (NON-CONFORMING LEASES)	345.496545	0.196387
ASCENT RESOURCES - UTICA, LLC	53.588681	0.030461
BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2	30.000000	0.017053
CNX GAS COMPANY LLC	54.353341	0.030896
THE EAST OHIO GAS COMPANY	17.195885	0.009774
JOHN E. MURPHY	55.911642	0.031781
UNLEASED	0.010935	0.000006
TOTALS:	1759.263910	1.000000

SCHEDULE COLOR KEY	
	ARTEX ENERGY GROUP LLC
	ARTEX ENERGY GROUP LLC (NON-CONFORMING LEASES - POOLING LIMITATIONS)
	UNLEASED TRACT
	TRACTS WITH UNCOMMITTED WORKING INTEREST OWNERS & NON-CONFORMING LEASES

NOTE TO TRACT 01a: 23.561 acres of Tract 01a located in the northwestern-most corner of the NSO Unit A and being a part of the NE/4 of the SW/4 of Section 19-T6N-R9W, Sharon Township, Noble County, Ohio, was previously subject to an oil and gas lease dated October 5, 1982, and recorded in Volume 94, Page 525, of the Lease Records of said county that has expired upon its own terms. The working interest in said lease was vested in **JAMES. R. SMAIL and/or J. R. SMAIL, INC.** whose mailing address is Attn: Mr. James R. Smail, 2285 Eagle Pass, Wooster, OH 44691. Alternatively, the working interest in said lease may be claimed by **DOG LTD.** whose mailing address is Attn: Mr. Ian R. Frakes, 24798 Lakeland Road, Senecaville, OH 43780 by virtue of an unrecorded assignment. In the abundance of caution of a later asserted claim that the prior lease is valid, Applicant hereby requests notice of the proceedings hereunder be served upon said J. R. Smail, Inc. and Dog Ltd. at the addresses listed.

NOTE TO TRACT 04f: As of the date of this Application, Artex has secured pooling amendments for 117/132 (88.636364%) of the tract.

NOTE TO TRACTS 24, 25 AND 26: As of the date of this Application, these tracts are covered by an existing, non-conforming lease that is continued in its secondary term by virtue of production from the FREC Nobl Olive A-1H well (API No. 34-121-2-4349-01-00)(the "**Olive Well**"). Prior to the hearing requested in this Application, Applicant intends to amend the drilling unit for the Olive Well, and at such time, the current lease will expire upon its own terms. Artex has secured a conforming top lease / protection lease that will become the valid and subsisting lease upon termination of the existing lease.

NOTE TO TRACTS 28 AND 29: At the time of this Application, the validity of the lease covering said tracts as claimed by CNX Gas Company LLC ("**CNX**") is uncertain due to a significant 6-year gap in production from the lease. In the event such lease is determined invalid, Applicant would hold the valid and subsisting lease (i.e., a protection lease) on such tracts. The parties continue to research the facts surrounding the validity of the CNX lease and will attempt to negotiate a reasonable resolution to this matter.

EXHIBIT "A-3"
Unleased Mineral Owners

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

TRACT NO.	MINERAL OWNER	ADDRESS	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	WORKING INTEREST	UNIT PARTICIPATION
03	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012	430 WHITE POND DRIVE, AKRON, OH 44320	N	0.010935	0.000006	33-0021180.000	SHARON	NOBLE	OHIO	0.0000%	0.0000%
TOTAL UNITIZED ACRES:				0.010935	0.000006						
TOTAL UNIT ACRES:				1759.263910							

EXHIBIT "A-4"
Non-Conforming Leases

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	ADDRESS	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION	
02a	4343	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012	430 WHITE POND DRIVE, AKRON, OH 44320	Y	40.000000	0.022737	33-0021181.000	SHARON	NOBLE	OHIO	25.0000%	0.5684%			75.0000%	1.7053%							
02b	4343	THOMAS F. HASKINS, JR., TRUSTEE OF THE BRENDA L. HALCOMB TRUST DATED MAY 22, 2012	430 WHITE POND DRIVE, AKRON, OH 44320	Y	25.297634	0.014380	33-0021181.000	SHARON	NOBLE	OHIO	100.0000%	1.4380%											
04b	-	OHIO FRANKLIN REALTY, LLC	ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	13.668179	0.007769	28-0090020.000	OLIVE	NOBLE	OHIO	1.0000%	0.7769%											
04c	5707	OHIO FRANKLIN REALTY, LLC	ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	72.711252	0.041330	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	4.1330%											
04e	-	OHIO FRANKLIN REALTY, LLC	ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	0.114238	0.000065	28-0090020.000	OLIVE	NOBLE	OHIO									100.0000%	0.0065%			
04f	5710	JOY CUNNINGHAM (4/33) JEWELL DOVENBARGER (4/33) DON WILLEY (4/33) DAVID WILLEY (4/33) DARWIN WILLEY (4/33) JUNE HAYES (4/33) JENNIFER JORDAN (2/33) JESSICA SCHWENDEMAN (2/33) TINA BRIGGS (5/132) NATHAN STOBBS (5/132) JUSTIN STOBBS (5/132) RYAN STOBBS (5/132)	JOY CUNNINGHAM 3711 LAKE BAYSHORE DRIVE, BRADENTON, FL 34205 JEWELL DOVENBARGER 2471 MILLSBORO ROAD E, MANSFIELD, OH 44906 DON WILLEY 3148 STATE ROUTE 13 S, MANSFIELD, OH 44904 DAVID WILLEY 44051 BOYD ROAD, CALDWELL, OH 43724 DARWIN WILLEY 795 RICHEY ROAD, ZANESVILLE, OH 43701 JUNE HAYES 41088 DAY SPRING DRIVE, CALDWELL, OH 43724 JENNIFER JORDAN 1201 MCCLEARY COURT, COLUMBUS, OH 43235 JESSICA SCHWENDEMAN 8610 CLOVER GLADE DRIVE, LEWIS CENTER, OH 43035 TINA BRIGGS 3068 CROWNE POINT DRIVE, STOW, OH 44224 NATHAN STOBBS 8275 CRETE LANE, BLACKLICK, OH 43004 JUSTIN STOBBS 43 LYNETTE PLACE SOUTH, WESTERVILLE, OH 43081 RYAN STOBBS 1715 ARIZONA DRIVE, FINDLAY, OH 45840	Y	24.811987	0.014104	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	1.4104%											
05a	-	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) ELIZABETH CHANDLER (1/3) DAVID LAWRENCE (1/3)	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	21.462932	0.012200	33-0021194.000	SHARON	NOBLE	OHIO			100.0000%	1.2200%									
05b	742	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) ELIZABETH CHANDLER (1/3) DAVID LAWRENCE (1/3)	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	3.680000	0.002092	33-0021194.000	SHARON	NOBLE	OHIO	100.0000%	0.2092%											
06	742	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) ELIZABETH CHANDLER (1/3) DAVID LAWRENCE (1/3)	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	81.586999	0.046376	33-0021193.000	SHARON	NOBLE	OHIO	100.0000%	4.6376%											
10	-	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST (1/3) ELIZABETH CHANDLER (1/3) DAVID LAWRENCE (1/3)	JEAN KRUSINSKI AND RAYMOND A. KRUSINSKI, CO-TRUSTEES OF THE JEAN KRUSINSKI LIVING TRUST 631 RIDGELINE DRIVE, CUYAHOGA FALLS, OH 44223 ELIZABETH CHANDLER 42186 RICH VALLEY ROAD, CALDWELL, OH 43724 DAVID LAWRENCE 42296 KEITHTOWN ROAD, CALDWELL, OH 43724	Y	32.125749	0.018261	33-0021192.000	SHARON	NOBLE	OHIO			100.0000%	1.8261%									
11	757	DONALD A. & VICTORINE A. HOWE, AS TRUSTEES UNDER THE AGREEMENT OF TRUST OF DON AND VICKIE HOWE DATED JANUARY 27, 2012	40554 SHEPHERD ROAD, CALDWELL, OH 43724	Y	76.544961	0.043510	33-0021187.000	SHARON	NOBLE	OHIO	100.0000%	4.3510%											
12	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	3.473555	0.001974	33-0050932.000	SHARON	NOBLE	OHIO									100.0000%	0.1974%			
13a	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	2.289660	0.001301	28-0021666.000	OLIVE	NOBLE	OHIO											100.0000%	0.1301%	
13b	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	4.387751	0.002494	28-0021667.000	OLIVE	NOBLE	OHIO											100.0000%	0.2494%	
14a	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	8.133857	0.004623	28-0021666.000	OLIVE	NOBLE	OHIO											100.0000%	0.4623%	
14b	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	37.094097	0.021085	28-0021667.000	OLIVE	NOBLE	OHIO											100.0000%	2.1085%	
15	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	4.006277	0.002277	28-0021666.001	OLIVE	NOBLE	OHIO											100.0000%	0.2277%	
16	5708	DARWIN D. GARVIN (1/2) GEORGIANNA GARVIN (1/2)	DARWIN D. GARVIN 40085 KEITHTOWN ROAD, CALDWELL, OH 43724 GEORGIANNA GARVIN 13400 ARCTIC RIDGE LANE SE, OLDTOWN, MD 21555	Y	15.790360	0.008976	28-0051127.000	OLIVE	NOBLE	OHIO	100.0000%	0.8976%											

TRACT NO.	AEG LEASE NO.	MINERAL OWNER	ADDRESS	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	ARTEX ENERGY GROUP LLC WI	ARTEX ENERGY GROUP LLC UNIT PARTICIPATION	ASCENT RESOURCES – UTICA, LLC WI	ASCENT RESOURCES – UTICA, LLC UNIT PARTICIPATION	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 WI	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2 UNIT PARTICIPATION	CNX GAS COMPANY LLC WI	CNX GAS COMPANY LLC UNIT PARTICIPATION	THE EAST OHIO GAS COMPANY WI	THE EAST OHIO GAS COMPANY UNIT PARTICIPATION	JOHN E. MURPHY WI	JOHN E. MURPHY UNIT PARTICIPATION
17	5708	DARWIN D. GARVIN (1/2) GEORGIANNA GARVIN (1/2)	DARWIN D. GARVIN 40085 KEIHTOWN ROAD, CALDWELL, OH 43724 GEORGIANNA GARVIN 13400 ARCTIC RIDGE LANE SE, OLDTOWN, MD 21555	Y	15.337202	0.008718	28-0051125.000	OLIVE	NOBLE	OHIO	100.0000%	0.8718%										
19	-	DONALD MORRIS, TRUSTEE OF THE DONALD MORRIS REVOCABLE TRUST DATED JUNE 3, 2010	278 GREENLAWN LANE, LOWELL, OH 45744	Y	8.987129	0.005108	28-0021637.000	OLIVE	NOBLE	OHIO							100.0000%	0.5108%				
20	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	12.456107	0.007080	33-0021188.000	SHARON	NOBLE	OHIO									100.0000%	0.7080%		
22	-	CHARLES E. AND JUDITH L. POLING	44475 MARIETTA ROAD, CALDWELL, OH 43724	Y	0.667597	0.000379	33-0021188.002	SHARON	NOBLE	OHIO									100.0000%	0.0379%		
23	-	EDWARD MALLET	39968 PETE WILLEY ROAD, CALDWELL, OH 43724	Y	0.484388	0.000275	33-0021188.001	SHARON	NOBLE	OHIO									100.0000%	0.0275%		
24	4532	W. P. BROWN ENTERPRISES, INC.	ATTN: MR. TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	1.416617	0.000805	28-0021669.002	OLIVE	NOBLE	OHIO	100.0000%	0.0805%										
25	4532	W. P. BROWN ENTERPRISES, INC.	ATTN: MR. TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	0.824015	0.000468	28-0021669.001	OLIVE	NOBLE	OHIO	100.0000%	0.0468%										
26	4532	W. P. BROWN ENTERPRISES, INC.	ATTN: MR. TIM BROWN 57051 MARIETTA ROAD, BYESVILLE, OH 43723	Y	3.827339	0.002176	28-0021669.000	OLIVE	NOBLE	OHIO	100.0000%	0.2176%										
28	-	OHIO FRANKLIN REALTY, LLC	ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	39.675464	0.022552	28-0021635.000	OLIVE	NOBLE	OHIO							100.0000%	2.2552%				
29	-	OHIO FRANKLIN REALTY, LLC	ATTN: MR. MIKE WILLIAMS 1 RIVERSIDE PLAZA, COLUMBUS, OH 43215	Y	5.690748	0.003235	28-0021634.000	OLIVE	NOBLE	OHIO							100.0000%	0.3235%				
					TOTAL NON-CONFORMING LEASEHOLD ACRES:	556.546094	0.316352						19.6387%	3.0461%	1.7053%	3.0896%	0.9774%	3.1781%				
					TOTAL UNIT ACRES:	1759.263910																

EXHIBIT "A-5"

Uncommitted Working Interest Owners

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

TRACT NO.	UNCOMMITTED WORKING INTEREST OWNER	ADDRESS	LEASED Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBER	TOWNSHIP	COUNTY	STATE	WORKING INTEREST	UNIT PARTICIPATION
02a	BUCKEYE STATE OIL & GAS PROGRAM 1978 - NO. 2	ATTN: MR. JOHN J. CARNEY, GENERAL PARTNER 2001 CROCKER ROAD, SUITE 420, WESTLAKE, OH 44145	Y	40.000000	0.022737	33-0021181.000	SHARON	NOBLE	OHIO	75.0000%	1.7053%
04e	THE EAST OHIO GAS COMPANY	ATTN: MR. BRIAN D. MORLEY 7015 FREEDOM AVENUE, NORTH CANTON, OH 44720	Y	0.114238	0.000065	28-0090020.000	OLIVE	NOBLE	OHIO	100.0000%	0.0065%
05a	ASCENT RESOURCES – UTICA, LLC	ATTN: MS. DEANNE BROOKS 3501 NW 63RD STREET, OKLAHOMA CITY, OK 73116	Y	21.462932	0.012200	33-0021194.000	SHARON	NOBLE	OHIO	100.0000%	1.2200%
10	ASCENT RESOURCES – UTICA, LLC	ATTN: MS. DEANNE BROOKS 3501 NW 63RD STREET, OKLAHOMA CITY, OK 73116	Y	32.125749	0.018261	33-0021192.000	SHARON	NOBLE	OHIO	100.0000%	1.8261%
12	THE EAST OHIO GAS COMPANY	ATTN: MR. BRIAN D. MORLEY 7015 FREEDOM AVENUE, NORTH CANTON, OH 44720	Y	3.473555	0.001974	33-0050932.000	SHARON	NOBLE	OHIO	100.0000%	0.1974%
13a	JOHN E. MURPHY	1691 LYNN DRIVE, LANCASTER, OH 43130	Y	2.289660	0.001301	28-0021666.000	OLIVE	NOBLE	OHIO	100.0000%	0.1301%
13b	JOHN E. MURPHY	1691 LYNN DRIVE, LANCASTER, OH 43130	Y	4.387751	0.002494	28-0021667.000	OLIVE	NOBLE	OHIO	100.0000%	0.2494%
14a	JOHN E. MURPHY	1691 LYNN DRIVE, LANCASTER, OH 43130	Y	8.133857	0.004623	28-0021666.000	OLIVE	NOBLE	OHIO	100.0000%	0.4623%
14b	JOHN E. MURPHY	1691 LYNN DRIVE, LANCASTER, OH 43130	Y	37.094097	0.021085	28-0021667.000	OLIVE	NOBLE	OHIO	100.0000%	2.1085%
15	JOHN E. MURPHY	1691 LYNN DRIVE, LANCASTER, OH 43130	Y	4.006277	0.002277	28-0021666.001	OLIVE	NOBLE	OHIO	100.0000%	0.2277%
19	CNX GAS COMPANY LLC	ATTN.: MR. DEREK FITZWATER 1000 CONSOL ENERGY DRIVE, CANONSBURG, PA 15317	Y	8.987129	0.005108	28-0021637.000	OLIVE	NOBLE	OHIO	100.0000%	0.5108%
20	THE EAST OHIO GAS COMPANY	ATTN: MR. BRIAN D. MORLEY 7015 FREEDOM AVENUE, NORTH CANTON, OH 44720	Y	12.456107	0.007080	33-0021188.000	SHARON	NOBLE	OHIO	100.0000%	0.7080%
22	THE EAST OHIO GAS COMPANY	ATTN: MR. BRIAN D. MORLEY 7015 FREEDOM AVENUE, NORTH CANTON, OH 44720	Y	0.667597	0.000379	33-0021188.002	SHARON	NOBLE	OHIO	100.0000%	0.0379%
23	THE EAST OHIO GAS COMPANY	ATTN: MR. BRIAN D. MORLEY 7015 FREEDOM AVENUE, NORTH CANTON, OH 44720	Y	0.484388	0.000275	33-0021188.001	SHARON	NOBLE	OHIO	100.0000%	0.0275%
28	CNX GAS COMPANY LLC	ATTN.: MR. DEREK FITZWATER 1000 CONSOL ENERGY DRIVE, CANONSBURG, PA 15317	Y	39.675464	0.022552	28-0021635.000	OLIVE	NOBLE	OHIO	100.0000%	2.2552%
29	CNX GAS COMPANY LLC	ATTN.: MR. DEREK FITZWATER 1000 CONSOL ENERGY DRIVE, CANONSBURG, PA 15317	Y	5.690748	0.003235	28-0021634.000	OLIVE	NOBLE	OHIO	100.0000%	0.3235%
TOTAL UNCOMMITTED LEASEHOLD ACRES:				211.049549	0.119965						
TOTAL UNIT ACRES:				1759.263910							

EXHIBIT "B"

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

PAID-UP OIL AND GAS LEASE

This Paid-Up Oil and Gas Lease (the "**Lease**") is made effective the _____ day of _____, 20____ (the "**Effective Date**"), and entered into by and between:

hereinafter called "**Lessor**" (whether one or more), and **ARTEX ENERGY GROUP LLC**, a Delaware limited liability company, of 2337 State Route 821, Marietta, Ohio 45750, hereinafter called "**Lessee**":

1. **Grant.** For and in consideration of annual delay rentals paid in advance and in the aggregate as a signing cash bonus of _____ (\$ _____) for each net mineral acre covered by this Lease (the "**Bonus Payment**"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor hereby grants, demises, leases and lets exclusively unto Lessee all the oil, natural gas, natural gas liquids, coalbed methane gas and any other associated hydrocarbons and their constituents (individually and collectively "**Hydrocarbons**") in and underlying the Leased Premises (defined below in **Paragraph 2**), together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to investigate, explore, prospect, drill for, develop, store, gather, transport, process, market, measure, own, handle and produce Hydrocarbons from the Leased Premises or other lands using methods and technology which are currently available or may be employed or developed hereafter, including, but not limited to, the right to conduct exploration, geologic, and geophysical tests and surveys; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to inject air, water, Hydrocarbons, completion or production fluids or other substances; to use or install roads, electric power and telephone (or other communication media) facilities, and to construct pipelines with appurtenant facilities, including, but not limited to, data acquisition, compression, treatment and collection facilities for use in the production, saving, storing, separating, treating, handling and transporting of Hydrocarbons on, over, across, under and through the Leased Premises; to protect stored gas; to operate, maintain, repair, and remove material and equipment; to use and occupy the subsurface for a wellbore or wellbores to drill across, through and under the Leased Premises.

2. **Description of Leased Premises.** The lands included in and covered by this Lease are more particularly described on **Exhibit "A"** attached hereto, made a part hereof, and incorporated herein by reference, and are referred to herein as the "**Leased Premises**". This Lease also covers, and the Leased Premises includes, in addition to those lands described on Exhibit "A", all land, if any, contiguous, adjacent to or adjoining said lands and (a) owned or claimed by Lessor, by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preferential right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of the Leased Premises.

3. **Term.** This Lease shall remain in force for a primary term of **five (5)** years from the Effective Date (the "**Primary Term**") and for as long thereafter as (a) any Hydrocarbons are produced or are capable of being produced from the Leased Premises or from lands pooled, unitized or otherwise combined therewith in Paying Quantities (defined in **Paragraph 17.a.** below); or (b) Lessee is engaged in Operations (defined in **Paragraph 17.b.** below) to explore for, develop, and/or produce Hydrocarbons from the Leased Premises or from lands pooled, unitized or otherwise combined therewith; or (c) otherwise might be provided for in this Lease.

4. **Extension of Primary Term.** Lessee shall have the exclusive option to extend the Primary Term of this Lease for an additional five (5) years, thus making the Primary Term a total of ten (10) years from the Effective Date. Lessee may exercise this exclusive option, and shall be deemed to have exercised this option, if, on or before 5:00 p.m. EDT on the original expiration date of the Primary Term, Lessee pays or tenders to Lessor or to the Lessor's credit an amount equal to the initial Bonus Payment given for the execution hereof.

5. **Dry Hole; Cessation of Production.** If, after the Primary Term, Operations hereunder shall result in a dry hole on the Leased Premises or lands pooled, unitized or otherwise combined therewith, or a well ceases production from any cause, including a revision of unit boundaries pursuant to the terms of this Lease or the action of any governmental authority, then in the event this Lease is not otherwise being maintained in full force and effect, it shall nevertheless remain in full force and effect provided that Lessee shall again commence Operations within one hundred eighty (180) days from the completion of such well as a dry hole or such cessation of production. If Lessee commences Operations within the periods set forth in this **Paragraph 5**, then this Lease shall remain in full force and effect for so long thereafter as any one or more Operations are being prosecuted with no interruption of more than one hundred eighty (180) consecutive calendar days. If any such Operations result in the production of Hydrocarbons or in a well capable of producing Hydrocarbons, this Lease shall remain in full force and effect for as long thereafter as provided for in **Paragraphs 3(a) through 3(c)**.

6. **Royalty.**

a. **Sale of Hydrocarbons.** Lessee shall pay Lessor twelve and one-half percent (12.5%) of the actual proceeds received by Lessee at the first point of sale of Hydrocarbons produced and marketed from the Leased Premises, payable monthly, net of post-production costs that may be charged by non-affiliated third parties (and affiliated third parties to the extent such costs are equal to or less than prevailing market rates) to Lessee to enhance

the value of the Hydrocarbons, including, but not limited to, costs related to gathering, compression, transportation, line loss, marketing, metering, fractionation, treating and processing.

b. Minimum Distributions. Notwithstanding anything to the contrary herein, Lessee shall have the option to allow such royalties to accumulate until such time as the net royalty payment due to Lessor is at least \$50.00; provided, however, Lessee shall make payment of any accumulated royalties on or before December 31 of each year regardless of amount.

c. Shut-In Payments. After the Primary Term, in the event all wells on the Leased Premises or on lands pooled, unitized or otherwise combined therewith are shut in for any reason for a continuous period of six (6) months and this Lease is not otherwise being perpetuated, this Lease shall not terminate, but Lessee shall be obligated to pay or tender to Lessor a shut-in payment in an amount equal to \$25.00 per net mineral acre then covered by this Lease for constructive production. Payment shall be made to Lessor on or before the end of each calendar year during which all such wells are shut in. Lessee's failure to properly pay shut-in payments due hereunder shall only render Lessee liable for the amount due, and shall not operate to terminate this Lease. In the event this Lease is maintained in full force and effect solely by the provisions of this **Paragraph 6.c.** for any continuous period of thirty-six (36) months or a cumulative period of forty-eight (48) months, then the Lessor shall have the right to terminate the Lease upon ninety (90) days' written notice to the Lessee of Lessor's intention to so terminate the Lease, which termination shall only become effective if Lessee does not commence Operations within said ninety (90)-day period to otherwise extend the term of the Lease.

7. Taxes. Lessor agrees to pay its proportionate share of all taxes levied or assessed upon the production of Hydrocarbons from the Leased Premises, or from lands pooled, unitized or otherwise combined herewith, and Lessee is hereby authorized to pay such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties due and payable to Lessor.

8. Operations on Leased Premises.

a. Use of Hydrocarbons. Lessee shall have the right to use, free of cost, Hydrocarbons produced from the Leased Premises or lands pooled, unitized or otherwise combined therewith for Lessee's operations.

b. Use of Water Upon Lessor Consent. Lessee shall not use water from Lessor's surface, subsurface, wells, ponds, lakes, springs, creeks or reservoirs ("Water") located on the Leased Premises without first obtaining the prior written consent of Lessor. Lessor and Lessee contemplate negotiations and agreement for the cost for on-site water usage, but neither party is bound to offer to pay, or accept any such offer, for any reason.

c. Set-Back. Without written consent of Lessor, no well shall have a surface location nearer than two hundred (200) feet to any house or barn now existing on the Leased Premises.

d. Pipelines. The top of any pipeline laid, installed or constructed hereunder shall be a minimum of twenty-four (24) inches below the surface or such minimum depth as may be required by any applicable regulation, whichever is greater; provided, however, Lessee shall not be required to bury any portion of the pipeline where rock is encountered at a shallower depth.

e. Damages. Lessee shall pay for damages caused by Lessee's Operations to growing crops and improvements on the Leased Premises.

f. Removal of Personal Property; Fixtures. Lessee shall have the right at any time to remove any and all personal property and/or fixtures placed by Lessee on the Leased Premises. In the event of any surrender, release or other termination of this Lease (i) as to the entire Leased Premises, Lessee is hereby granted an easement and right of way to enter the Leased Premises to remove any and all of its personal property and/or fixtures, and to conduct any operations necessary with respect to any wells situated thereon including, but not limited to, the right to draw and remove casing; and (ii) as to any portion of the Leased Premises, Lessee is hereby granted an easement and right of way upon any such surrendered, released or terminated portion of the Leased Premises to continue the use of any access road(s), production facility(ies), and pipeline(s) then existing upon the Leased Premises at the time of such surrender, release or termination. This provision shall survive any surrender, release or other termination of this Lease.

9. Pooling; Unit Operations.

a. Pooling. Lessee is granted the right at any time, and from time to time, to pool or otherwise combine the Leased Premises or any portion thereof, as to any or all strata or stratum covered by this Lease, with any other lands or interests, whether contiguous or noncontiguous and whether owned by Lessee or others, for the exploration and production of Hydrocarbons. Any such pooled or otherwise combined area is hereinafter referred to as a "Pooled Unit". No such Pooled Unit shall embrace more than One Hundred Sixty (160) acres plus a ten percent (10%) tolerance for a vertical well and Six Hundred Forty (640) acres plus a ten percent (10%) tolerance for a horizontal well, except that larger Pooled Units may be created to conform to any spacing or well unit pattern that may be prescribed or permitted by governmental authorities having jurisdiction. Operations upon or production of Hydrocarbons from the Pooled Unit shall be considered for all purposes of this Lease as Operations upon or production of Hydrocarbons from the Leased Premises whether or not the well or wells are located thereon; provided, however, that Lessor shall receive, in lieu of other royalties, only such proportion of the royalties specified above in **Paragraph 6** as the amount of Leased Premises acreage (determined on a surface acreage basis) placed in the Pooled Unit bears to the total acreage (determined on a surface acreage basis) in the Pooled Unit. Notwithstanding anything to the contrary contained in this Lease, or except as may be otherwise provided in an order issued by the governmental authority having jurisdiction, should the Leased Premises or any portion thereof be pooled or otherwise combined as set forth herein, it is agreed that royalties and/or shut-in payments shall be apportioned only among the respective owners of the Hydrocarbons located within the boundaries of such Pooled Unit(s); however, the entire Leased Premises will continue to be held as producing Hydrocarbons as described in **Paragraph 3** above. The Lessee shall reflect such pooling by executing and duly filing for record in the county or counties where the Pooled Unit is situated a Declaration of Pooling on or before the first sale of Hydrocarbons from the Pooled Unit. The Declaration of Pooling shall set forth (x) the leases or portions thereof so pooled; (y) the respective royalty distribution allocated to each lease

or portion thereof within the Pooled Unit; and (z) a plat of the Pooled Unit. Notwithstanding the foregoing, Lessee's failure to file for record such Declaration of Pooling shall not void or otherwise affect the validity of the Pooled Unit; Lessor's sole remedy for Lessee's failure to so file is limited to specific performance only. Lessee's exercise of such right to so pool or otherwise combine the Leased Premises with other lands or interests in one or more instances shall not exhaust Lessee's rights hereunder, and Lessee shall have the recurring right, from time to time, and at any time, to amend, alter, change, correct, or cancel in any manner the existence, size (subject to the limitations set forth above), shape, and conditions of operation or payment of any and all Pooled Units created hereunder; provided, however, any such amendment, alteration, change, correction or cancellation resulting in an increase or decrease of Lessor's royalty shall not be retroactive.

b. **Unit Operations.** Lessee is granted the right at any time, and from time to time, to unitize the Leased Premises or any portion thereof, as to any or all strata or stratum covered by this Lease, with any other lands or interests, whether contiguous or noncontiguous and whether owned by Lessee or others, including, without limitation, the right to apply for and approve on behalf of Lessor a plan of unit operations that may be authorized by law or established by any governmental authority having jurisdiction so as to constitute a unit or units whenever, in Lessee's judgment, such unitization is reasonably necessary to increase substantially the ultimate recovery of Hydrocarbons by any such cooperative or unit plan of development or operation; or by a cycling, pressure-maintenance, re-pressuring or secondary and/or tertiary recovery program. Any such unitized area is hereinafter referred to as a "**Field Unit**". Any Field Unit formed shall comply with applicable laws and with the orders, rules, and regulations of the governmental authority having jurisdiction. The size of any Field Unit may be increased by including acreage believed to be productive, and decreased by excluding acreage believed to be unproductive or where the owners of which do not join the Field Unit; provided, however, any such change resulting in an increase or decrease of Lessor's royalty shall not be retroactive. Any Field Unit may be established, enlarged or diminished and, in the absence of production from the unit area, may be abolished and dissolved by filing of record an instrument so declaring, and mailing or tendering to Lessor a copy of such instrument. Operations or production of Hydrocarbons from any part of a Field Unit shall be considered for all purposes of this Lease as Operations upon or production of Hydrocarbons from the Leased Premises. Lessee shall allocate to the portion of the Leased Premises included in any such Field Unit a fractional part of production from such unit, and upon which Lessor's royalty shall be calculated, on such bases approved by any governmental authority having jurisdiction.

10. **Transfer; Division; Assignment.**

a. **Lessor's Interest.** Notwithstanding any other actual or constructive knowledge or notice thereof to Lessee, no change or division in the ownership of the Leased Premises or the royalties or other payments that may be due and payable hereunder, or the right to receive the same, howsoever affected, shall be binding upon Lessee until thirty (30) calendar days after Lessee has been given notice of such change or division, supported by either originals or copies of the instruments which have been properly filed of record in the county or counties where the Leased Premises are situated evidencing such change or division, and of such court records and proceedings, transcript, or other documents as shall be necessary in the opinion of Lessee to establish the validity of such change or division. If any such change or division occurs by reason of the death of Lessor, Lessee may nevertheless pay or tender such royalties or other payments, or part thereof, to Lessor until such time as Lessee is provided notice as stated above. Lessee shall not be bound by any change of address of Lessor until given notice thereof, along with such documentation from Lessor as Lessee may reasonably require.

b. **Entireties.** If the Leased Premises are now or shall hereafter be owned in separate tracts, it, nevertheless, shall be developed and operated as one (1) lease and all payments accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners of the Hydrocarbons in the proportion that the acreage owned by each separate owner bears to the entire Leased Premises' acreage. There shall be no obligation on the part of the Lessee to drill offset wells on separate tracts into which the Leased Premises may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

c. **Assignment.** Lessee shall have the right to assign or otherwise convey this Lease in whole or in part. Lessor agrees that when and if, and to the extent that, this Lease is so assigned or conveyed, in whole or in part, Lessee shall have no further obligation, liability or responsibility hereunder.

d. **Binding of Successors and Assigns.** This Lease and all of its rights, terms, conditions, covenants and stipulations shall extend to and be binding on the parties' respective heirs, personal representatives, successors or assigns.

11. **Lessor Title Matters.**

a. **Title.** Lessor hereby warrants generally and agrees to defend title to the Hydrocarbons in and underlying the Leased Premises and covenants that Lessee shall have quiet enjoyment hereunder and shall have the benefit of the doctrine of after-acquired title. Should any person having title to the Hydrocarbons in and underlying the Leased Premises fail to execute this Lease, or a counterpart hereto, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

b. **Lesser Interest.** If Lessor owns a lesser interest in the Hydrocarbons in and underlying the Leased Premises than the entire undivided fee simple estate therein, then any payment provided for herein shall be paid to the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee simple estate of such Hydrocarbons.

c. **Subordination.** Lessor agrees and acknowledges that any unsubordinated pre-existing mortgage on the Leased Premises that covers Lessor's interest in all or any part of the Leased Premises may constitute a title defect, except to the extent cured by Ohio's Revised Code; if there does exist said title defect and the well or wellbore is on or directly under the Leased Premises, or any lands pooled, unitized or otherwise combined therewith, the title defect must be cured at Lessor's expense by Lessor obtaining a subordination of that mortgage.

d. **Future Mortgages and Encumbrances.** Lessor may at any time, without providing notice to Lessee, mortgage Lessor's interest in all or any part of the Leased Premises, or grant any easement or other servitude, including,

but not limited to other leases, as Lessor deems necessary and appropriate, and which do not interfere with Lessee's rights herein; provided, however, any such mortgage or other encumbrance shall be subordinate to this Lease.

e. **Redemption; Subrogation.** In the event of default of payment by Lessor on any mortgage, taxes or other liens encumbering the Leased Premises, Lessee shall have the right at any time to redeem or bring current for Lessor any such mortgage, taxes or other liens, and shall thereafter be subrogated to the rights of the holder thereof; and Lessee shall have the right to deduct amounts so paid from all royalties and other payments payable or which may become payable to Lessor hereunder.

f. **Dower.** Lessor hereby surrenders and releases all rights and expectancy of dower in the Leased Premises.

g. **Additional Documents.** Lessor shall execute such additional documents as may be reasonably requested by Lessee to perfect Lessee's title to the Hydrocarbons leased herein and such other documents relating to the sale of production as may be required by Lessee or others; said obligation includes, but is not limited to, modifying or amending any legal descriptions to release acreage which does not have marketable title, correcting any inaccurate legal descriptions, and/or division orders.

12. **Surrender; Release.** Lessee may, from time to time, and at any time, surrender and release this Lease as to all or any part of the Leased Premises, and shall be relieved of all obligations arising thereafter with respect to the interest so surrendered and released, by delivering or mailing a release thereof to the Lessor or by placing a release thereof of record in the county or counties in which the Leased Premises are situated; provided, however, Lessee may not surrender or release any portion of this Lease included within a Pooled Unit or Field Unit so long as Operations are being conducted on such unit; and if surrendered or released only as to a part of the Leased Premises, any payments which may thereafter be payable hereunder that are based upon the number of acres contained within the Leased Premises shall be reduced proportionately.

13. **Non-Compliance.** In the event Lessor considers that Lessee has not complied with all of its obligations under this Lease, Lessor shall notify Lessee in writing setting out specifically in what respects Lessee has breached or failed to comply with this Lease. Lessee shall then have sixty (60) days after receipt of said notice (the "**Cure Period**") within which to meet or commence to meet all or any part of the breach or failure to comply alleged by Lessor. The service of said notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for any cause, and no such action shall be brought until the lapse of the Cure Period. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breach or failure to comply shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations under this Lease. This provision shall specifically apply to, but shall not be limited to, an alleged failure by Lessee to properly or timely make any payments contemplated hereunder, including royalty payments, the Bonus Payment and shut-in payments, and this Lease shall not terminate by reason thereof unless and until Lessee shall have failed to tender any undisputed amount of such payment during the Cure Period, together with a late payment of \$50.00.

14. **Force Majeure.** Should the Lessee be interrupted, prevented or delayed by reason of Force Majeure (i) from complying with any covenant of this Lease (other than a requirement to pay money), (ii) from conducting Operations on the Leased Premises or on lands pooled, unitized or otherwise combined therewith, or (iii) from producing or marketing Hydrocarbons from the Leased Premises or from lands pooled, unitized or otherwise combined therewith, then while so interrupted, prevented or delayed, (a) any obligation by Lessee to comply with that covenant will be suspended; (b) Lessee will not be liable for damages for failure to comply therewith; (c) this Lease will not terminate but will be extended so long as the Lessee is interrupted, prevented or delayed from conducting Operations on, or from producing or marketing Hydrocarbons from, the Leased Premises or lands pooled, unitized or otherwise combined therewith; and (d) the time while the Lessee is so interrupted, prevented or delayed will not be considered a breach or failure of the applicable covenant or provision of this Lease, and any applicable time limitation shall be extended for the period of such Force Majeure. The term "**Force Majeure**" as used in this Lease shall mean any cause that is not within the control of Lessee, and which, even with the exercise of reasonable due diligence, Lessee could not have avoided. Examples of Force Majeure include, but are not limited to: acts of God, federal or state laws, rules or regulations of governmental authority, any interruption, delay or inability to obtain permits or other approvals sought by Lessee provided that due diligence is employed in requesting and obtaining such permits or other approvals, unavailability of materials or suitable drilling rigs or other similar cause (other than financial reasons).

15. **Existing Wells.** This Lease hereby excludes and Lessee assumes no rights, responsibility, nor liability for any and all pre-existing oil and gas wells that are located on the Leased Premises, whether producing, abandoned, plugged or unplugged. Lessee shall give due regard to pre-existing oil and gas wells, the well operations, tanks, lines and equipment on the Leased Premises, regardless of the drilling date, and Lessee, in conducting its Operations hereunder, shall take such commercially reasonable precautions necessary to protect the use and operation of such oil and gas wells by Lessor or others having the right to operate the same. Lessor reserves all rights to any production from any existing oil and gas well.

16. **Indemnification; Insurance.**

a. **Indemnity.** Lessee and its successors and assigns shall indemnify, protect, save harmless and defend Lessor from and against any loss, claim or expense made by a third party, including, without limitation, claims for injury or death to persons or damage to property occurring as a result of Lessee's use of the Leased Premises, or as a result of loss, expense, injury, death or damage, which would not have occurred but for Lessee's use of the Leased Premises, except to the extent any such damage or injury is caused by Lessor's negligence. Each assignee of the Lessee, or any interest therein, agrees to indemnify and hold harmless Lessor as if said assignee were party to this Lease when executed. The provisions of this **Paragraph 16.a.** shall survive the surrender, release or other termination of this Lease.

b. **Insurance.** Lessee shall maintain insurance at the following levels at any and all times Lessee, its agents and/or employees, are on or about the Leased Premises or acting pursuant to this Lease:

i. Worker's Compensation and Employer's Liability Insurance with statutory limits as required in the jurisdiction in which the Operations hereunder are performed;

ii. Comprehensive General Liability Insurance, covering property damage, bodily injury, personal injury and death, with limits of not less than One Million Dollars (\$1,000,000.00) each occurrence, Two Million Dollars (\$2,000,000.00) aggregate;

iii. Comprehensive Umbrella Liability Insurance, including property damage, bodily injury, personal injury and death, with limits of not less than One Million Dollars (\$1,000,000.00) per occurrence and aggregate, excess of One Million Dollars (\$1,000,000.00) primary coverage (see ii. above); and

iv. Comprehensive Automobile Public Liability Insurance with limits of not less than One Million Dollars (\$1,000,000.00) combined single limits, each occurrence, with such insurance to cover all automotive equipment owned or used by Lessee.

17. **Other Definitions.**

a. **Paying Quantities.** The term "**Paying Quantities**" as used in this Lease shall be determined by whether, under all the relevant circumstances, a reasonably prudent operator would, for the purpose of making a profit and not merely for speculation, continue to operate a well, taking into consideration all matters which would influence a reasonable and prudent operator.

b. **Operations; Commenced.** The term "**Operations**" as used in this Lease shall mean (a) the operations associated with producing Hydrocarbons subsequent to drilling or (b) the constructing of a well site, drilling, fracturing, completing, reworking, recompleting, deepening, plugging back and/or repairing of a well to obtain or re-establish production of Hydrocarbons, conducted in good faith and with due diligence, whether on the Leased Premises or on lands pooled, unitized or otherwise combined therewith. The term "**Operations**" shall not include conducting geologic or geophysical testing or surveys, or the laying of pipeline on, under or across the Leased Premises. Operations shall be deemed "**commenced**" when Lessee enters upon the Leased Premises or lands pooled, unitized or otherwise combined therewith with equipment necessary to conduct one or more of the Operations.

18. **Notice; Payments.**

a. **Notice.** Any notice required under this Lease shall be (i) in writing signed by the party sending such notice; (ii) sent by nationally recognized overnight courier or by register or certified mail, return receipt requested, with postage and other charges prepaid; and (iii) addressed to the parties' respective addresses set forth in the initial paragraph of this Lease, or to such other address as either party may have furnished to the other in writing as a place for service of notice. Any notice shall be deemed given/sent when actually received by the party to which notice is being given/sent.

b. **Payments.**

i. **Delay Rentals.** Lessor shall not receive any additional annual delay rentals since this is a paid-up in advance lease. Notwithstanding anything else in this Lease that may be to the contrary, no production, operations, or rental, shut-in or royalty payments of any kind are necessary to maintain this Lease in full force and effect during the Primary Term or any extension thereof.

ii. **Characterization of Payments.** Payments set forth herein are covenants, not special limitations, regardless of the manner in which these payments may be invoked. Lessor hereby agrees that the payment terms, as set forth in this Lease, and the Bonus Payment constitute full monetary consideration for the Lease. Lessor further agrees that such payment terms and Bonus Payment are final and that Lessor shall not seek to amend or modify the payments, or seek additional monetary consideration based upon any differing monetary terms which Lessee has or negotiates with any other oil and/or gas owner. It is agreed that the payments provided for herein, including the Bonus Payment, are and will be accepted by Lessor as adequate and full consideration such that Lessee shall have the option, but not the obligation, to drill any or no well or wells on the Leased Premises as Lessee may deem desirable, in its sole and absolute judgment, during the term hereof.

iii. **Acreage Discrepancies.** If there is a discrepancy between the number of acres in the legal description in conveyance instrument(s) whereby Lessor claims title to the Leased Premises and the number of acres represented on the Auditor's tax duplicates for the county or counties in which the Leased Premises is located, any payment due and payable hereunder, the amount of which is calculated based on the number of acres of the Leased Premises, or any part thereof, shall be calculated based on the number of acres contained in the legal description in the conveyance instrument(s).

iv. **Payment Increases.** In the event it is confirmed, in Lessee's sole judgment, that the Leased Premises includes any land contiguous, adjacent to or adjoining the lands described on Exhibit "A", whether (a) owned or claimed by Lessor, by limitation, prescription, possession, reversion or unrecorded instrument, (b) Lessor has a preferential right of acquisition and has exercised such right, or (c) as may be determined by new survey, then any payments which may thereafter be payable hereunder that are based upon the number of acres contained within the Leased Premises shall be increased proportionately based upon the additional confirmed acreage; **provided, however,** any such change resulting in an increase of Lessor's **royalty** shall not be retroactive.

v. **Payment Reductions.** See **Paragraph 11.b.** and **Paragraph 12.**

vi. **Manner of Payment.** At the sole option of the Lessee, any payment that may be due and payable to Lessor under this Lease may be made in currency, draft, check or electronic transfer to a depository account provided by Lessor (i.e., ACH, wire, etc.) and the depositing of such payment in any post office, with sufficient postage prepaid and properly addressed to the Lessor at the Lessor's address set forth in the initial paragraph of this Lease, or to such other address as Lessor may have furnished to Lessee in writing as a place for tender of payment, on or before 5:00 p.m. EDT of the date such payment is due, or confirmation

of such electronic transfer, shall be deemed timely payment as herein provided. In the event such payment is not actually received by Lessor, Lessee agrees to re-issue such payment within ten (10) days after receipt of written notice from Lessor that payment was not received. Lessee may suspend any payment that may be due and payable to Lessor, without the accrual of interest, in the event a bona fide dispute or good faith question of entitlement (either as to ownership or as to amount) arises until such dispute or good faith question is fully resolved. Any time limitations provided under this Lease shall be tolled until such time as the dispute or good faith question is fully resolved.

19. **Restriction on Recording; Memorandum of Lease.** This Lease shall not be recorded by any party hereto. Lessor and Lessee shall execute a Memorandum of Lease for recording which shall set forth (a) the names and addresses of the parties hereto; (b) a description of the Leased Premises; (c) the term of this Lease; (d) Lessee's option to extend the Primary Term; and (e) that the remainder of the provisions hereof shall be incorporated by reference. Lessee shall be entitled to immediately record the Memorandum of Lease in the county or counties where the Leased Premises are situated. If Lessee determines to its reasonable satisfaction after its title due diligence review that Lessor does not have marketable title to the Leased Premises, and upon Lessor's written request, then Lessee shall promptly record a release of any such recorded Memorandum of Lease it may have filed. In the event Lessee exercises its right to extend the Primary Term pursuant to **Paragraph 4** above, the parties shall execute and duly file for record a Memorandum of Lease Extension evidencing the same.

20. **Severability.** If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Lease shall remain in full force and effect. Any provision of this Lease held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

21. **Governing Law.** This Lease shall be governed and construed in accordance with the laws of the State of Ohio, without regard to its conflict of laws provisions.

22. **Authorship; Construction.** For the purpose of construction, interpretation and/or adjudication, it shall be deemed that Lessor and Lessee contributed equally to the drafting of this instrument and any ambiguities that may exist shall not be construed against either party. Additionally, the grant contained in **Paragraph 1** of this Lease is intended, and shall be construed, as a grant of a determinable fee interest in favor of the Lessee with Lessor retaining a possibility of reverter.

23. **Waiver.** The failure of either party to enforce or exercise any provision of this Lease shall not constitute or be considered a waiver of such provision in the future unless the same is expressed in writing and executed by the party having the right to enforce or exercise such provision.

24. **Headings.** Headings used herein, or in any exhibit or schedule that may be attached hereto, are for convenience purposes only, are not a part of this Lease, and shall not affect the terms hereof.

25. **Entire Agreement.** This Lease contains all of the agreements and understandings of the Lessor and the Lessee respecting the subject matter hereof and no implied covenants or obligations are contained herein and no verbal representations or promises have been made or relied upon by Lessor or Lessee supplementing or modifying this Lease or as an inducement thereto.

LESSOR(S):

ACKNOWLEDGMENT(S)

STATE OF _____

COUNTY OF _____, SS:

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by _____.

Notary Public
My commission expires: _____

This instrument prepared by:
Artex Energy Group LLC
2337 State Route 821
Marietta, Ohio 45750
740.373.3313

EXHIBIT "A"

Attached to and made a part of a certain Oil and Gas Lease effective the ____ day of _____, 20____, by and between _____, as Lessor, and **ARTEX ENERGY GROUP LLC**, as Lessee.

DESCRIPTION OF LEASED PREMISES

The Leased Premises is located in the Township of _____, in the County of _____, in the State of Ohio, and described as follows:

Township ____, Range ____, Section ____,

and containing _____ (_____) acres, more or less,

as more particularly described in that prior instrument, as referenced below, filed of record in the aforesaid county, and including all lands and interest therein, contiguous or appurtenant to said described lands and owned or claimed by Lessor, whether or not specifically described therein,

PRIOR INSTRUMENT REFERENCE: _____

AUDITOR'S TAX PARCEL NO(S): _____

Exhibit “ C ”

ACCOUNTING PROCEDURE JOINT OPERATIONS

1 Attached to and made part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

I. GENERAL PROVISIONS

2
3
4
5
6
7
8 **IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING “ALTERNATIVE” PROVISIONS, OR SELECT ALL THE**
9 **COMPETING “ALTERNATIVE” PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE**
10 **BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.**

11
12 **IN THE EVENT THAT ANY “OPTIONAL” PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE**
13 **PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT**
14 **FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT**
15 **OF THE PARTIES IN SUCH EVENT.**

16 17 **1. DEFINITIONS**

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

19
20
21 **“Affiliate”** means for a person, another person that controls, is controlled by, or is under common control with that person. In this
22 definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities
23 of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) “person” means an
24 individual, corporation, partnership, trust, estate, unincorporated organization, association, or other legal entity.

25
26 **“Agreement”** means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting
27 Procedure is attached.

28
29 **“Controllable Material”** means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified
30 in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

31
32 **“Equalized Freight”** means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest
33 Railway Receiving Point to the property.

34
35 **“Excluded Amount”** means a specified excluded trucking amount most recently recommended by COPAS.

36
37 **“Field Office”** means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is
38 to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable
39 field personnel.

40
41 **“First Level Supervision”** means those employees whose primary function in Joint Operations is the direct oversight of the Operator’s
42 field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may
43 include, but are not limited to:

- 44
- 45 • Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance,
 - 46 construction, well remedial work, equipment movement and drilling
 - 47 • Responsibility for day-to-day direct oversight of rig operations
 - 48 • Responsibility for day-to-day direct oversight of construction operations
 - 49 • Coordination of job priorities and approval of work procedures
 - 50 • Responsibility for optimal resource utilization (equipment, Materials, personnel)
 - 51 • Responsibility for meeting production and field operating expense targets
 - 52 • Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental
 - 53 part of the supervisor’s operating responsibilities
 - 54 • Responsibility for all emergency responses with field staff
 - 55 • Responsibility for implementing safety and environmental practices
 - 56 • Responsibility for field adherence to company policy
 - 57 • Responsibility for employment decisions and performance appraisals for field personnel
 - 58 • Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group
 - 59 or team leaders.

60
61 **“Joint Account”** means the account showing the charges paid / **or incurred** and credits received in the conduct of the Joint Operations that are to be
62 shared by the Parties, but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

63
64 **“Joint Operations”** means all operations **authorized under the Agreement** ~~necessary or proper~~ / for the exploration, appraisal, development, production, protection,
65 maintenance, repair, abandonment, and restoration of the Joint Property.

1 **“Joint Property”** means the real and personal property subject to the Agreement.

2
3 **“Laws”** means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other
4 governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions
5 contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted,
6 promulgated or issued.

7
8 **“Material”** means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

9
10 **“Non-Operators”** means the Parties to the Agreement other than the Operator.

11
12 **“Offshore Facilities”** means ~~platforms, surface and subsea development and production systems, and other support systems such as oil and~~
13 ~~gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping,~~
14 ~~heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of~~
15 ~~offshore operations, all of which are located offshore.~~

16
17 **“Off-site”** means any location that is not considered On-site as defined in this Accounting Procedure.

18
19 **“On-site”** means on the Joint Property when in direct conduct of Joint Operations. The term “On-site” shall also include that portion of
20 ~~Offshore Facilities, Shore Base Facilities,~~ fabrication yards, and staging areas from which Joint Operations are conducted, or other
21 facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

22
23 **“Operator”** means the Party designated pursuant to the Agreement to conduct the Joint Operations.

24
25 **“Parties”** means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as
26 “Party.”

27
28 **“Participating Interest”** means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees,
29 or is otherwise obligated, to pay and bear.

30
31 **“Participating Party”** means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of
32 the costs and risks of conducting an operation under the Agreement.

33
34 **“Personal Expenses”** means reimbursed costs for travel and temporary living expenses.

35
36 **“Railway Receiving Point”** means the railhead nearest the Joint Property for which freight rates are published, even though an actual
37 railhead may not exist.

38
39 **“Shore Base Facilities”** means ~~onshore support facilities that during Joint Operations provide such services to the Joint Property as a~~
40 ~~receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication,~~
41 ~~scheduling and dispatching center; and other associated functions serving the Joint Property.~~

42
43 **“Supply Store”** means a recognized source or common stock point for a given Material item.

44
45 **“Technical Services”** means services providing specific engineering, geoscience, or other professional skills, such as those performed by
46 engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint
47 Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second
48 paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator’s Affiliate, Non-
49 Operator, Non-Operator Affiliates, and/or third parties.

50 51 2. STATEMENTS AND BILLINGS

52
53 The Operator shall bill Non-Operators ~~on or before the last day of the month~~ ^{monthly} for their proportionate share of the Joint Account for the
54 preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all
55 charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified
56 and fully described in detail, or at the Operator’s option, Controllable Material may be summarized by major Material classifications.
57 Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

58
59 The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances*
60 *and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper
61 copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and
62 bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of
63 weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via
64 email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings
65 electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written
66 notice to the Operator.

1 **3. ADVANCES AND PAYMENTS BY THE PARTIES**

2
3 A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated
4 cash outlay for the succeeding month's operations within ~~fifteen (15)~~ ^{thirty (30)} days after receipt of the advance request or by the first day of
5 the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances
6 received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the
7 subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator
8 shall remit the refund to the Non-Operator within ~~fifteen (15)~~ ^{thirty (30)} days of receipt of such written request.

9
10 B. Except as provided below, each Party shall pay its proportionate share of all bills in full within ~~fifteen (15)~~ ^{thirty (30)} days of receipt date. If
11 payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the
12 *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum
13 contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court
14 costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or
15 discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the
16 Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment
17 was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed.
18 Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the
19 Operator at the time payment is made, to the extent such reduction is caused by:

- 20
21 (1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working
22 interest or Participating Interest, as applicable; or
23 (2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved
24 or is not otherwise obligated to pay under the Agreement; or
25 (3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has
26 furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator
27 shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty
28 (30) day period following the Operator's receipt of such written notice; or
29 (4) charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

30
31 **4. ADJUSTMENTS**

32
33 A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills
34 and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct,
35 with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said
36 period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response
37 to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure*
38 *Audits*).

39
40 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
41 twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared
42 on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month
43 period are limited to adjustments resulting from the following:

- 44
45 (1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or
46 (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
47 Operator relating to another property, or
48 (3) a government/regulatory audit, or
49 (4) a working interest ownership or Participating Interest adjustment.

50
51 **5. EXPENDITURE AUDITS**

52
53 A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's
54 accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in
55 which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the
56 adjustment of accounts as provided for in Section I.4 (*Adjustments*). Any Party that is subject to payout accounting under the
57 Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of
58 the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the
59 volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting
60 required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the
61 twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered. **Upon Non-**
62 **Operator providing such written notice, Operator shall make the accounts and records related to the Joint Account available**
63 **to Non-Operator requesting such audit within ninety (90) days from receipt of the written notice.**

64 Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a
65 manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators'
66 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

1 those Non-Operators approving such audit.

2
3 The Non-Operator leading the audit (hereinafter “lead audit company”) shall issue the audit report within ninety (90) days after
4 completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month
5 requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be
6 supported with sufficient documentation.

7
8 A timely filed written exception or audit report containing written exceptions (hereinafter “written exceptions”) shall, with respect to
9 the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator
10 hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to
11 comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with
12 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
13 the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations,
14 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
15 I.5.C.

16
17 B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator
18 receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive
19 response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion
20 thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section
21 I.3.B (*Advances and Payments by the Parties*).

22
23 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
24 shall reply to the lead audit company’s follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator
25 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
26 adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response
27 to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately
28 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*
29 *Payments by the Parties*).

30
31 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
32 Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution
33 meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable.
34 The meeting will require one month’s written notice to the Operator and all Non-Operators participating in the audit. The meeting
35 shall be held at the Operator’s office or mutually agreed location, and shall be attended by representatives of the Parties with
36 authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution
37 reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the
38 Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself.
39 Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information
40 supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may
41 be discussed at subsequent meetings until each such issue is resolved.

42
43 If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall
44 be submitted to mediation. In such event, promptly following one Party’s written request for mediation, the Parties to the dispute
45 shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present
46 at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to
47 ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any
48 Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60)
49 days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other
50 provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or
51 to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

52
53 E. (*Optional Provision – Forfeiture Penalties*)

54 *If the Non-Operators fail to meet the deadline in Section I.5.C, any unresolved exceptions that were not addressed by the Non-*
55 *Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been*
56 *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*
57 *were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response*
58 *of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made,*
59 *without interest, to the Joint Account.*

61 **6. APPROVAL BY PARTIES**

62 **A. GENERAL MATTERS**

63
64
65 Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting
66 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 all (100%) ~~or more~~ ^{the} Parties, ~~one of which is the Operator, having a combined working interest of at least _____ percent (_____%);~~ 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 ^{and/or consultants} / directly employed On-site in the conduct of Joint Operations,
- (2) Operator's employees ^{and/or consultants} / 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 ^{and/or consultants} / providing First Level Supervision,
- (4) Operator's employees ^{and/or consultants} / 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 ^{and/or consultants} / 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 ^{and/or consultants} / identified in Section II.2.A may be made based on the employee's ^{and/or consultant's} / actual salaries and wages, or in lieu thereof, a day rate representing the Operator's average salaries and wages of the employee's ^{and/or consultant'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.

- 1 D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the
2 expenses are incurred in connection with directly chargeable activities.
- 3
4 E. Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the
5 Joint Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a
6 Party, or that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation
7 costs, such as those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the
8 Joint Account unless approved by the Parties pursuant to Section I.6.A (*General Matters*).
- 9
10 F. Training costs as specified in COPAS MFI-35 (“Charging of Training Costs to the Joint Account”) for personnel whose salaries and
11 wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal
12 Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly
13 benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are
14 available.
- 15
16 G. Operator’s current cost of established plans for employee benefits, as described in COPAS MFI-27 (“Employee Benefits Chargeable
17 to Joint Operations and Subject to Percentage Limitation”), applicable to the Operator’s labor costs chargeable to the Joint Account
18 under Sections II.2.A and B based on the Operator’s actual cost not to exceed the employee benefits limitation percentage most
19 recently recommended by COPAS.
- 20
21 H. Award payments to employees, in accordance with COPAS MFI-49 (“Awards to Employees and Contractors”) for personnel whose
22 salaries and wages are chargeable under Section II.2.A.

23 3. MATERIAL

24
25 Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section
26 IV (*Material Purchases, Transfers, and Dispositions*). Only such Material shall be purchased for or transferred to the Joint Property as
27 may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation
28 of surplus stocks shall be avoided.

29 4. TRANSPORTATION

- 30
31 A. Transportation of the Operator’s, Operator’s Affiliate’s, or contractor’s personnel necessary for Joint Operations.
- 32
33 B. Transportation of Material between the Joint Property and another property, or from the Operator’s warehouse or other storage point
34 to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material
35 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
36 methods listed below:
- 37
38 (1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a
39 theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per
40 hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall
41 consistently apply the selected alternative.
- 42
43 (2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial
44 charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged
45 directly to the Joint Property and shall not be included when calculating the Equalized Freight.

46 5. SERVICES

47
48 The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and
49 utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to
50 contractors shall be chargeable pursuant to COPAS MFI-49 (“Awards to Employees and Contractors”).

51
52 The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).
53 **Notwithstanding anything herein or in the Agreement to the contrary, water supply and water disposal costs and expenses are
54 specifically excluded from the overhead rate and will be charged directly to the Joint Account.**

55 6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

56
57 In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- 58
59 A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, ~~including but not limited to~~
60 ~~production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices,~~ at rates commensurate with the costs of ownership
61 and operation. ~~The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who~~
62 ~~are chargeable pursuant to Section II.2.A (*Labor*).~~ Such rates may include labor, maintenance, repairs, other operating expense,
63 insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation
64 not to exceed eight percent (8 %) per annum; provided, however, depreciation shall not be charged when the
65
66

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

- 4
5 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
6 of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall
7 adequately document and support commercial rates and shall periodically review and update the rate and the supporting
8 documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport
9 Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

10 7. AFFILIATES

- 11
12 A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators
13 may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are
14 specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed
15 to such individual project do not exceed \$ 50,000. If the total costs for an Affiliate's goods and services charged to such
16 individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such
17 Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

- 18
19 B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators,
20 charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the
21 charges exceed \$ 100,000 in a given calendar year.

- 22
23 C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property,
24 unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support
25 commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however,
26 documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or
27 charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for
28 Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).

29
30 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
31 result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement
32 does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be
33 zero dollars (\$ 0.00).

34 8. DAMAGES AND LOSSES TO JOINT PROPERTY

35
36 All costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the
37 extent such damages or losses result from a Party's or Parties' gross negligence or willful misconduct, in which case such Party or Parties
38 shall be solely liable.

39
40 The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been
41 received by the Operator.

42 9. LEGAL EXPENSE

43
44 Recording fees and costs of handling, settling, or otherwise discharging litigation, claims,⁷ ~~and liens incurred in or resulting from~~
45 ~~operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs~~
46 ~~of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the~~
47 ~~Parties pursuant to Section I.6.A (*General Matters*) or otherwise provided for in the Agreement.~~

48
49 ~~Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys / for title examinations (including~~
50 ~~preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the / extent~~
51 ~~permitted as a direct charge in the Agreement. Non-Operators acknowledge that Operator may enter into management agreements,~~
52 ~~service agreements, and other arrangements that may shift liabilities through the use of indemnities, releases and other agreements.~~
53 ~~Amounts paid in satisfying judgments or settling claims in conformity with such agreements and arrangements are included without~~
54 ~~qualification as direct charges to the Joint Account, just as are judgments and claims associated with fault-based or other contract,~~
55 ~~common law or statutory law systems.~~

56 10. TAXES AND PERMITS

57
58 All taxes and permitting fees of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production
59 therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the
60 penalties and interest result from the Operator's gross negligence or willful misconduct.

61
62 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
63 notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's
64 working interest.

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

3
4 Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted,
5 provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for
6 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
7 review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the
8 amount owed by the Joint Account.

9
10 **11. INSURANCE**

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

17
18 **12. COMMUNICATIONS**

19
20 Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio
21 and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance
22 with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems
23 serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and*
24 *Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's
25 Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator
26 shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting
27 documentation.
28

29
30 **13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY**

31 Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by
32 Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for
33 ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2
34 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.
35

36 Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting
37 responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution
38 containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.
39

40
41 **14. ABANDONMENT AND RECLAMATION**

42 Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.
43

44
45 **15. OTHER EXPENDITURES**

46 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III
47 (*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
48 Joint Operations. ~~Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).~~
49

50
51 **III. OVERHEAD**

52 As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator
53 shall charge the Joint Account in accordance with this Section III.
54

55 Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless
56 of location, shall include, but not be limited to, costs and expenses of:
57

- 58
59
- 60 • warehousing, other than for warehouses that are jointly owned under this Agreement
 - 61 • design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
 - 62 • inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
 - 63 • procurement
 - 64 • administration
 - 65 • accounting and auditing
 - 66 • 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, re-drilling, 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 \$ 13,500 (prorated for less than a full month)

Producing Well Rate per month \$ 1,350

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

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

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

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

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

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

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

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

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

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

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, re-drilling, 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.

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

4 Catastrophe is defined as a sudden calamitous event bringing damage, loss, or destruction to property or the environment, such as an oil
5 spill, blowout, explosion, fire, storm, hurricane, or other disaster. The overhead rate shall be applied to those costs necessary to restore the
6 Joint Property to the equivalent condition that existed prior to the event.
7

8 A. If the Operator absorbs the engineering, design and drafting costs related to the project:
9

- 10 (1) 5 % of total costs if such costs are less than \$100,000; plus
11
12 (2) 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
13
14 (3) 2 % of total costs in excess of \$1,000,000.
15

16 B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:
17

- 18 (1) 5 % of total costs if such costs are less than \$100,000; plus
19
20 (2) 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
21
22 (3) 2 % of total costs in excess of \$1,000,000.
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24 Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major
25 Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping
26 units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each
27 single occurrence or event.
28

29 On each project, the Operator shall advise the Non-Operator(s) in advance which of the above options shall apply.
30

31 For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations
32 directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or
33 insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any
34 other overhead provisions.
35

36 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
37 (*Affiliates*), the provisions of this Section III.2 shall govern.
38

39 3. AMENDMENT OF OVERHEAD RATES 40

41 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
42 or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).
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45 IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS 46

47 The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and
48 dispositions. The Operator shall provide all Material for use in the conduct of Joint Operations; however, Material may be supplied by the Non-
49 Operators, at the Operator's option. Material furnished by any Party shall be furnished without any express or implied warranties as to quality,
50 fitness for use, or any other matter.
51

52 1. DIRECT PURCHASES 53

54 Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The
55 Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to
56 the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur
57 when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location.
58 Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material
59 does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective
60 or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60)
61 days after the Operator has received adjustment from the manufacturer, distributor, or agent.
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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~~ ^{the lowest} 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 1.6.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 **1. DIRECTED INVENTORIES**

2 Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators
3 (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently
4 than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives
5 written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of
6 any directed inventory.
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8 Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up
9 work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping
10 expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to
11 commencement of the inventory. Expenses of directed inventories may include the following:
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- 13 A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel
14 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
15 be applied to a reasonable number of days for pre-inventory work and report preparation.
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17 B. Actual transportation costs and Personal Expenses for the inventory team.
18
19 C. Reasonable charges for report preparation and distribution to the Non-Operators.
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21 **2. NON-DIRECTED INVENTORIES**

22 A. **OPERATOR INVENTORIES**

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

29 Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical
30 inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The
31 Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory
32 fieldwork.
33
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35 C. **SPECIAL INVENTORIES**

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

EXHIBIT “ D ”

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017, for the NSO Unit A.

INSURANCE

With respect to operations conducted under the Joint Operating Agreement to which this Exhibit is attached, Operator shall maintain the following insurance hereunder at the following levels:

- A. Worker’s Compensation with statutory limits as required in the jurisdiction in which the drilling and operations hereunder are performed and Employer’s Liability insurance with limits of \$1,000,000 each accident, \$1,000,000 each employee/disease, and \$1,000,000 policy limit.
- B. Commercial General Liability Insurance, covering property damage, bodily injury, personal injury and death, with limits of One Million Dollars (\$1,000,000.00) each occurrence, Two Million Dollars (\$2,000,000.00) aggregate.
- C. Umbrella/Excess Liability Insurance, including property damage, bodily injury, personal injury and death, with limits of not less than One Million Dollars (\$1,000,000.00) per occurrence and aggregate, excess of One Million Dollars (\$1,000,000.00) of primary coverage (excess of A. Employer’s Liability only, B. Commercial General Liability, and D. Business Automobile Liability).
- D. Business Automobile Liability Insurance with limits of not less than One Million Dollars (\$1,000,000.00) combined single limits, each occurrence, with such insurance to cover all automotive equipment owned, leased, rented or used by Operator.
- E. Operator’s Extra Expense Insurance (Cost of Well Control Insurance), during drilling operations only, including Clean Up, Containment, Seepage and Pollution, with limits of Three Million Dollars (\$3,000,000.00) (100%) for any single occurrence. Operator’s OEE policy shall provide Care, Custody, and Control protection in the amount of \$1,000,000. In addition to the foregoing, the OEE coverage (except for the CCC limits) provided by Operator under this Agreement may be increased under a separate AFE election.

Every policy shall be issued in the name of the Operator of a given well, and except for Workers’ Compensation and Employer’s Liability shall name each Non-operator as an “Additional Insured”, either specifically or by reference to the inclusion of all co-owners, joint ventures, investors, and/or working interest owners. All policies under **Paragraphs A through E** above shall contain a waiver of subrogation in favor of Non-Operators as respects the operations conducted under this Agreement. Each Non-operator shall be responsible for its proportionate share of the premium for such insurance at the rates quoted to and incurred by the Operator, unless a Non-operator provides proof, before commencement of drilling, that such Non-operator has its own comparable insurance under which it elects to be covered.

General Requirements for Non-Operator Insurance Coverage

Any insurance coverage of any Non-Operator for Operator’s Extra Expense, unless provided by Operator as described above, shall waive all rights of subrogation against Operator as respects operations under this Joint Operating Agreement, and shall be primary and noncontributory to the insurance provided by Operator. Nothing contained in this Exhibit shall operate as a limitation on a party’s proportionate liability under the Joint Operating Agreement and all losses not covered by the above-specified policies shall be borne by the Operator and Non-Operators in proportion to their interest at the time of any loss.

Operator’s insurance coverage in excess of such limits shall not be for the benefit of, or provide any coverage for, the joint account. In addition, Operator does not provide any Property (physical damage) or Business Interruption coverage for the benefit of the joint account or any coverage for loss or damage to the reserves for the benefit of the joint account, and the Non-Operator(s) shall not have any right to any such coverage. **The parties agree the insurance policies discussed in this Exhibit apply to all of the Operator’s operations and not just the operations of this joint account.** Each Non-Operator should carry contingent and excess coverage adequate for its particular insurance needs. Operator shall never be held responsible for the financial solvency of any insurance carrier.

Conflict

In the event of any conflict between the provisions of this Exhibit and the provisions of the Joint Operating Agreement, or any other exhibit, the provisions of this Exhibit shall control as respects the insurance obligations of Operator and the insurance protections afforded the Non-Operator(s) by Operator.

Non-Waiver

The provisions of this Exhibit shall not be waived, changed, or altered without Operator’s express written consent.

EXHIBIT "E"

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017, for the NSO Unit A.

GAS BALANCING AGREEMENT

I. DEFINITIONS:

For the purposes of this Gas Balancing Agreement ("GBA") the following terms shall be defined as follows:

- (a) "affiliate" shall have the meaning ascribed to such term in the Operating Agreement (defined below).
- (b) The "Allowable" is the maximum rate of Gas production from each Gas Well permitted from time to time by the regulatory authority having jurisdiction.
- (c) "Balance" is the condition occurring when a party has utilized, sold or disposed of a Quantity of Gas equal to the same percentage of the cumulative Gas production as such party's Percentage Ownership during the period of such cumulative Gas production.
- (d) "Deliverability" shall mean the maximum sustainable daily Gas withdrawal from a Gas Well which may be accomplished without detriment to ultimate recovery of reserves as determined by Operator acting in good faith and taking into account relevant operational factors including, but not limited to, pipeline capacity and pressure and the maximum producing capability of the Gas Well based on data reported to the appropriate governmental agency having jurisdiction.
- (e) "Gas" shall mean all gaseous hydrocarbons produced from each Gas Well but shall not include liquid hydrocarbons.
- (f) "Gas Well" shall mean each well subject to the Operating Agreement that produces gas. If a single Gas Well is completed in two or more reservoirs, such Gas Well will be considered a separate Gas Well with respect to, but only as to, each reservoir from which the Gas production is not commingled in the well bore.
- (g) "MMBtu" shall mean one million British thermal units.
- (h) "Operating Agreement" means the operating agreement between the Parties to which this GBA is attached.
- (i) "Operator" means the Party designated as operator under the Operating Agreement.
- (j) "Overproduced" is the condition occurring when a party has utilized, disposed of or sold a greater Quantity of Gas from a particular Gas Well at any given time (individually or through its gas purchaser) than if such party were in Balance.
- (k) "parties" means the legal entities that are signatory to the Operating Agreement, or their successors and assigns, or made subject to the Operating Agreement pursuant an order issued by the legal authority having jurisdiction thereof thereby approving unit operations for a pool under Ohio Revised Code § 1509.28. Parties shall be referred to individually as a party.
- (l) "Percentage Ownership" is the percentage interest of each party in each Gas Well as set forth in or determined in accordance with the provisions of the Operating Agreement, as such interest may change from time to time.
- (m) "Percentage of Proceeds Sale" means a sale of Gas processed in a gas processing plant the price for which is computed as a percentage of the proceeds from the resale of residue gas and natural gas liquids attributable to such Gas.
- (n) "Quantity" shall mean the number of units of Gas expressed in MMBtus.
- (o) "Underproduced" is the condition occurring when a party has utilized, disposed of or sold a lesser Quantity of Gas from a particular Well at any given time (individually or through its gas purchaser) than if such party were in Balance.

II. APPLICATION OF THIS AGREEMENT

The provisions of this GBA shall be separately applicable to each Gas Well to the end that Gas production from one Gas Well may not be utilized for the purposes of balancing underproduction of Gas from any other Gas Well.

III. OVERPRODUCTION

A. Right to Take All Gas Produced

Subject to the other provisions herein, during any period when any party hereto is not marketing or otherwise disposing of or utilizing its Percentage Ownership of the Allowable or Deliverability, as applicable, of Gas from any Gas

Well, the other parties shall be entitled--but shall not have the obligation--to take, in addition to their own Percentage Ownership of Gas, that portion of such other party's Percentage Ownership of Gas which said party is not marketing, utilizing or otherwise disposing of, and shall be entitled to take such Gas production and deliver same to its or their purchasers in accordance with the provisions herein. Each such taking party shall have the right to take its pro rata portion of each such non-taking party's share, said pro rata portion being based on the ratio of its Percentage Ownership to the Percentage Ownership of all parties in the same balancing status (either Overproduced or Underproduced) who elect to take such non-taking party's share of gas; provided, however, an Underproduced party desiring to take a non-taking party's share of Gas shall take precedence over an Overproduced party which wishes to take such non-taking party's Gas, and an Overproduced party shall be entitled to take a non-taking party's share of Gas only to the extent that an Underproduced party has elected not to take said Gas. The Gas of a party not taking its production shall be allocated to a taking party hereunder prior to calculation of percentage entitlement to make up Gas from an Overproduced party under **Article IV**, below.

Notwithstanding the foregoing, all parties shall share in and own the liquid hydrocarbons recovered from Gas by primary separation equipment in accordance with their respective Percentage Ownership, which liquid hydrocarbon ownership shall be unaffected by this GBA. One or more parties may arrange to have their Gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. Nothing in this GBA shall afford a basis for balancing any liquefiable hydrocarbons recovered from a Gas processing plant. Each party taking Gas shall own all of the Gas delivered to its purchaser.

B. Limitation on Overproduced Party's Right to Take Gas

Notwithstanding the provisions of **Article III.A.**, above, if during any time and from time to time an Overproduced party shall have taken more than one hundred percent (100%) of such party's Percentage Ownership share of the estimated ultimate recoverable reserves for a Gas Well as determined by Operator acting in good faith, said Overproduced party shall not, after receipt of written notice of said fact from Operator, be entitled to take, sell or otherwise dispose of Gas from such Gas Well until such time as said party is no longer Overproduced; provided, however, said Overproduced party may take Gas from such Gas Well without restriction if and for so long as the other parties are not taking Gas from such Gas Well their full share of the Gas or as otherwise authorized by all of the Underproduced parties. Also, no Overproduced party shall at any time be entitled to take, sell or otherwise dispose of more than three hundred percent (300%) of its Percentage Ownership of the Allowable from a Gas Well or, if there is no Allowable established, of the Deliverability of a Gas Well.

C. Credit For Gas in Storage

Each party who markets less than its Percentage Ownership of the Gas produced shall be credited with Gas in storage equal to its Percentage Ownership share of the Gas produced, less the Gas actually marketed and taken by said party, and less such Party's Percentage Ownership share of the Gas, vented, used or lost in lease operations.

IV. RIGHT OF UNDERPRODUCED PARTY TO MAKE UP PRODUCTION

Any Underproduced party may commence making up its underproduction provided it has given written notice to the Operator not later than the fifth (5th) day of the month preceding the month in which it wishes to commence making up its underproduction, or within such other time as Operator may from time to time reasonably establish.

In addition to its Percentage Ownership and its rights to a non-taking party's Gas under Article III, above, each Underproduced party will be entitled to take up to an additional twenty-five percent (25%) of the monthly Quantity of each Overproduced party's Percentage Ownership in Gas produced during any month; provided, however, nothing in this **Article IV** shall reduce the right of any Overproduced party to take a Quantity of Gas available for sale during any month less than seventy-five percent (75%) of its Percentage Ownership in Gas produced in said month.

If at any time more than one Underproduced party is taking a Quantity of Gas in excess of its Percentage Ownership in Gas production in order to balance its Gas production account ("**Makeup**"), then each such Underproduced party shall be entitled to take such Makeup in proportion that its Percentage Ownership bears to the total Percentage Ownership of all Underproduced parties desiring to take Makeup from the Well. Any portion of the Makeup to which an Underproduced party is entitled and which is not taken by such Underproduced party may be taken by any other Underproduced party in the proportion that its Percentage Ownership bears to the total Percentage Ownership of all Underproduced parties desiring to take such untaken portion of Makeup.

V. MONTHLY DATA AND STATEMENTS TO BE PROVIDED

The Operator will establish and maintain a current Gas account which shows the Gas balance which exists for all the parties and will furnish each of these parties a monthly statement showing the total Quantity of Gas sold and taken in kind and the current and cumulative over and under account of each party within ninety (90) days following the end of each applicable month. Operator shall not incur any liability to any party for errors in the data provided by each party or third parties or for other matters pertaining to gas balancing statements (e.g., transporter's allocation of Gas). Each party shall be responsible for promptly providing written notification to Operator of any error(s) or inaccuracy(ies) contained in any gas balancing statement which it receives.

VI. PAYMENT OF ROYALTIES AND PRODUCTION TAXES

At all times while Gas is produced from a Well, each party hereto will make, or cause to be made, settlement with respective royalty owners to whom each is accountable in accordance with the actual volumes of Gas taken by such party. Upon written request from any party, any other party shall provide on a monthly basis, any additional information

which such requesting party may require in order to comply with its obligation to pay royalty pursuant to the terms hereof including, without limitation, name, address, decimal interest, tax identification and, to the extent it has same, title opinions and abstracts of ownership. The term "**royalty owner**" includes owners of royalty, overriding royalties, production payments and similar interests. Each party agrees to indemnify and hold harmless each other party from any and all claims asserted by its royalty owners and its Gas Purchasers for which said indemnifying party is responsible. Each party producing and/or delivering Gas to its purchaser shall pay, or cause to be paid, any and all production, severance and other similar taxes due on such Gas in accordance with the actual volumes of Gas taken by such party.

VII. CASH SETTLEMENTS

A. Events Occasioning Cash Settlements

A cash settlement of any imbalance of Gas production: (i) shall be made when production from a Gas Well permanently ceases or the Operating Agreement otherwise terminates (each being referred to herein as "**Termination**"); and (ii) shall be made by an Overproduced party at the request and option of any Underproduced party or parties upon the sale, transfer, assignment, mortgage or other disposition to an unaffiliated entity (herein individually or collectively referred to as a "**Transfer**"), by an Overproduced party of all or any portion of its Percentage Ownership in any Gas Well unless (x) the Transfer documentation clearly provides that the assignee has expressly assumed the gas balance position of, and the liability for gas imbalances from, the assignor, and (y) the assignee is not a known credit risk and the assignor has provided to the other parties evidence of the creditworthiness of assignee prior to the date that the applicable Transfer becomes effective taking into account the potential liability associated with the applicable gas imbalance. (A cash settlement pursuant to clause (ii) above may hereinafter be referred to as an "**Optional Cash Settlement**".) The parties acknowledge that a cash settlement may be made on more than one occasion pursuant to the terms of this GBA.

B. Notification of Proposed Transfer By Overproduced Party

When an Overproduced party elects to Transfer all or a portion of its Percentage Ownership (except to an Affiliate, or where the liability for prior period gas imbalances is assumed by an assignee), it shall give notice to all other parties to the Operating Agreement of its intended Transfer and the anticipated closing date. Each Underproduced party shall have fifteen (15) days from the receipt of such notice in which to elect to receive a cash settlement from the transferring party for the transferring party's share of overproduction allocable to the Underproduced party. Such election shall be made in writing and sent to the transferring party and Operator. An Underproduced party's election not to request a cash settlement at the time of Transfer by an Overproduced party shall not, subject to the provisions of **Article VII.E**, below, preclude said Underproduced party from sharing in cash settlement at Termination or from requesting a cash settlement upon subsequent Transfer by an Overproduced party.

C. Quantity of Gas

Within one hundred twenty (120) days after Termination, Operator shall provide a statement captioned "Final Quantity Statement" showing on a party-by-party basis the net unrecouped underproduction, the overproduction and the months and years in which such underproduction and overproduction occurred. Quantities of Gas for which settlement is due shall be determined by accruing the monthly overproduction and underproduction in the order of accrual of said overproduction and underproduction; i.e. makeup Quantities taken by an Underproduced party shall be applied against the oldest overproduction and underproduction then outstanding. In the event an Optional Cash Settlement is requested, Operator shall provide to the parties, within fifteen (15) business days, an Interim Quantity Statement through the end of the last quarter for which Operator has production data, which shall contain similar information as would be contained within a Final Quantity Statement.

D. Pricing

1. For Overproduction Sold

The amount to be paid by an Overproduced party to an Underproduced party for such Underproduced party's Gas upon cash settlement shall, where the Overproduced party has sold the Gas to an unaffiliated third party, be based upon the price received by the Overproduced party at the time such overproduction occurred (the "**price received**") and shall be the gross proceeds received, less the following:

- (a) production and/or severance taxes attributable to said Gas production paid by the Overproduced party;
- (b) royalties, if any, 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;
- (c) any other payments made by the Overproduced party to obligees of the Underproduced party to the extent said payments by the Overproduced party were required by law and/or amounted to discharge of the obligations of the Underproduced party; and
- (d) all reasonable costs and expenses incurred to third parties in connection with the sale of said Gas; e.g., gathering, transportation, compression, storage, marketing and similar fees.

In the event sales by the Overproduced party were made to an Affiliate and the price paid by such Affiliate was less than the prevailing market price in the area of the Well at the time of the sale, then the price received shall be deemed to be the Dominion Transmission Inc. South Point Index price found inside the Federal Energy Regulatory Commission's ("**FERC**") Gas Market Report for the applicable month of overproduction, calculated from a pricing bulletin published at the time such overproduction occurred, less those items set forth in (a)-(d) above (the "**Adjusted South Point Index Price**"). Any Underproduced party that is entitled to payment with respect to the applicable cash settlement may, based upon competent evidence, object that sales by the Overproduced party to an Affiliate were at a price less than the prevailing

market price in the area of the Well at the time of the sale, in which case the Adjusted South Point Index Price shall be used to price such sales in accordance with the prior sentence.

2. For Overproduction Taken or Utilized and Not Sold

If there is no actual sale to establish the amount received by the Overproduced party because the Overproduced party took such Gas for its own purposes instead of selling it, the amount to be paid by an Overproduced party to an Underproduced party for such Underproduced party's Gas upon cash settlement shall be based upon the Adjusted South Point Index Price.

3. Proceeds for Liquefiable Hydrocarbons Not Included

The parties agree that the terms "price received by an Overproduced party" and "weighted average price received" shall not include any compensation received by a party for liquid hydrocarbons derived from processing its Gas in a Gas processing plant, unless the overproduction for which the Overproduced party is accounting was sold under a Percentage of Proceeds Sale.

E. Calculation, Collection and Distribution of Payments

1. For Cash Settlements at Termination

In the event of a cash settlement at Termination, within ten (10) days after receipt of the Final Quantity Statement from the Operator, each Overproduced party shall furnish to the Operator and the other parties a statement showing the price received for its overproduction on a monthly basis. Within ten (10) days after receipt of such pricing information from all parties, Operator shall submit to each party a statement showing the calculations and the total amount to be paid by each Overproduced party and to be received by each Underproduced party. Cash settlement shall be calculated on the "FIFO" accounting method.

Within twenty (20) days after receipt of said statement from Operator by an Overproduced party, the Overproduced party shall pay all amounts due and owing as reflected on such statement to the Underproduced parties. In the event that all sums due and owing are not paid by an Overproduced party to the applicable Underproduced parties within the time periods set forth in this provision, interest shall accumulate on such unpaid amounts as provided herein. The amount to be received by each Underproduced party shall be determined by apportioning the total amount to be received by all Underproduced parties from all Overproduced parties among all Underproduced parties in proportion to the total sum to be received by each Underproduced party as a percent of the total sum to be received by all Underproduced parties. The amount to be paid by each Overproduced party to each Underproduced party shall be determined by apportioning the total amount to be paid by all Overproduced parties to each such Underproduced party among all Overproduced parties in proportion to the total sum to be paid by each such Overproduced party to all Underproduced parties as a percent of the total sum to be paid by all Overproduced parties to all Underproduced parties.

2. Optional Cash Settlement Pursuant to Article VII.A.(ii) from an Overproduced party Who Seeks to Transfer an Interest

In the event of a request for an Optional Cash Settlement by an Underproduced party pursuant to **Article VII.A.(ii)** from an Overproduced party who wishes to Transfer all or a portion of its Percentage Ownership, within twenty (20) working days after receipt of Operator's Interim Quantity Statement, the Overproduced party from whom cash settlement is sought shall provide to Operator a statement showing the price received for its overproduction on a monthly basis. Within ten (10) working days after receipt of such pricing information, Operator shall: (a) calculate the total amount due and owing by the Overproduced party and the total amount to be received by each Underproduced party requesting cash settlement based on the "FIFO" accounting method; and (b) provide the Overproduced party and each such Underproduced party with a statement showing the calculations and the total sum to be paid to said Underproduced party. The Overproduced party shall pay to each such Underproduced party the total amount due and owing as reflected in said statement within twenty (20) working days after receipt of said statement. In the event that all sums due and owing are not paid by an Overproduced party to the applicable Underproduced parties within the time periods set forth in this provision, interest shall accumulate on such unpaid amounts as provided herein.

The parties acknowledge that production and sales data may not be available for a brief period immediately preceding the closing date and prior to the effective date of the Transfer, and the transferring Overproduced party agrees to cash settle for any Gas produced during said period promptly after closing. In the event that said transferring Overproduced party for any reason fails to make all cash settlement payments required under this GBA, the transferee shall be obligated to make said payments.

3. Procedures Applicable to All Cash Settlements

For purposes of all price calculations the overproduction of each Overproduced party shall be apportioned to each Underproduced party in proportion to each Underproduced party's underproduction as a percent of the sum of the underproduction of all Underproduced parties. Overproduced volumes shall be matched to Underproduced volumes based on the order in which the overproduction and underproduction arose. The parties recognize that the months of overproduction by an Overproduced party may not coincide with the months of underproduction by an Underproduced party.

4. Amount Subject to Refund May Be Withheld.

In the event that any portion of the price actually received by an Overproduced party shall be subject to possible refund pursuant to rules and regulations issued by FERC, any state, administrative agency or successor governmental authority having jurisdiction, or any court order, the amount which may be ultimately required to be refunded by FERC or

any other entity may be withheld without interest by the Overproduced party until such time as a final determination is made with respect thereto or until the party to whom payment is to be made provides a bond or other security to indemnify the party obligated to make such payments in form satisfactory to the latter.

F. Operator's Liability

Except as otherwise provided herein, Operator is obligated to administer the provisions of this GBA, 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.

VIII. OPERATING EXPENSES

The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using Gas or whether the sales and use of each are in proportion to their Percentage Ownership.

IX. DELIVERABILITY TESTS

Nothing herein shall be construed to deny any party the right from time to time to produce and take or deliver to the purchaser its full share of the Gas production to meet the deliverability test required by its purchaser. Also, nothing herein shall: (a) require the Operator to produce a Gas Well in excess of its deliverability or the applicable maximum allowable rate where such rate is established by regulatory authority having jurisdiction from time to time; or (b) prevent an Operator from operating the Gas Well in order to conduct such tests as may be required by any applicable regulatory authority from time to time.

X. NOMINATIONS

For each party wishing to sell, utilize or dispose of Gas from a Gas Well subject to this GBA, Operator shall provide each party an initial nomination by well/delivery point(s) six (6) working days prior to the beginning of each month. Operator shall provide each party a revised nomination by well/delivery point as necessary during the month to reflect any change in production. Allocation of gas production in any month in which the total nominations vary from the total production shall be by the Operator according to such procedures as Operator from time to time may reasonably establish. Each non-operator party agrees to indemnify Operator for any charges or penalties incurred because of over- or under-deliveries as compared to its nominations, except where such charges or penalties are solely attributable to action taken by Operator in total disregard of such nominations.

XI. TERM

This GBA shall remain in full force and effect for so long as the Operating Agreement is in effect and thereafter until the gas balance accounts are settled in full.

XII. SUCCESSORS AND ASSIGNS

The terms, covenants and conditions of this GBA shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns. The parties hereto agree to give notice of the existence of this GBA to any successor-in-interest and to make any transfer of any interest subject to the Operating Agreement, or any part thereof, expressly subject to the terms of this GBA.

XIII. AUDITS

Any Underproduced party shall have the right for a period of two (2) years after receipt of payment pursuant to a final accounting and after giving written notice to all parties, to audit an Overproduced party's accounts and records relating to such payment. The party conducting such audit shall bear its costs of the audit.

XIV. MISCELLANEOUS

A. No assignment shall relieve the assignor from any obligation to the other parties with respect to any overproduction taken by assignor to such assignment.

B. Any amount remaining unpaid under the GBA more than thirty (30) days after it is due shall bear interest (commencing the day after said payment was due) at the rate set forth in the Accounting Procedure (**Exhibit "C"** to the Operating Agreement).

C. Unless the context otherwise clearly indicates, words used in the singular include the plural, and the plural includes the singular.

D. Each party agrees to maintain the necessary records and documents to enable the gas balancing and cash settlements contemplated hereby to be made.

E. If any party hereto fails to timely provide to Operator the data required hereby to enable gas balancing statements and cash settlements to be promptly made, Operator, or any other party, without prejudice to other remedies, is authorized to audit the records of the non-providing party and such audit shall be at the expense of the audited party.

F. To the extent permitted by law, this GBA shall be in lieu of and take precedence over any law, statute, rule or regulation requiring Gas balancing, revenue sharing or marketing of Gas.

G. In the event that any party is in default of any payment required by this GBA or fails to provide information required under this GBA, Operator is authorized--but not required--upon thirty (30) days notification to said defaulting party, without prejudice to any other remedies it may have, to curtail said party's Gas production from any and all Gas Wells subject to this GBA and such gas may be taken by the other parties in accordance with III.B. above.

H. In the event of a conflict between the terms of this GBA and the Operating Agreement, the terms of this GBA shall govern except where the conflict is between **Article VI** of this GBA and the Operating Agreement, in which event the Operating Agreement shall govern.

I. Nothing in this GBA shall be construed as precluding cash balancing at any time as may be agreed by the parties.

J. Nothing contained in this GBA shall require an Overproduced Party to pay to an Underproduced Party a sum which would be violative of any law, rule or regulation.

EXHIBIT "H"

Attached to and made a part of that certain Unit Operating Agreement dated January 17, 2017 for the NSO Unit A.

MEMORANDUM OF OPERATING AGREEMENT AND FINANCING STATEMENT

This Memorandum of Operating Agreement and Financing Statement entered into by and between the undersigned parties, witnesseth, that:

- 1.0 This Memorandum of Operating Agreement and Financing Statement (hereinafter called "**Memorandum**") shall be effective when the Operating Agreement referred to in **Paragraph 2.0** below becomes effective, that being _____.
- 2.0 The parties hereto have entered into an Operating Agreement, providing for the development and production of crude oil, natural gas and associated substances from the lands described in **Exhibit "A"** attached hereto (hereinafter called the "**Contract Area**"), and designating **Artex Energy Group LLC, by and through its Affiliate Operator, Artex Oil Company**, as Operator, to conduct such operations.
- 3.0 The Operating Agreement provides for certain liens and/or security interests to secure payment by the parties of their respective share of costs under the Operating Agreement. The Operating Agreement contains an Accounting Procedure along with other provisions which supplement the lien and/or security interest provisions, including non-consent clauses which provide that parties who elect not to participate in certain operations shall be deemed to have relinquished their interest until the consenting parties are able to recover their costs of such operations plus a specified amount. Should any person or firm desire additional information regarding the Operating Agreement or wish to inspect a copy of the Operating Agreement, said person or firm should contact the Operator.
- 4.0 The purpose of this Memorandum is to more fully describe and implement the liens and/or security interests provided for in the Operating Agreement, and to place third parties on notice thereof.
- 5.0 In consideration of the mutual rights and obligations of the parties hereunder, the parties hereto agree as follows:
 - 5.1 The Operator shall conduct and direct and have full control of all Operations on the Contract Area as permitted and required by, and within the limits of the Operating Agreement.
 - 5.2 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable only for its proportionate share of costs.
 - 5.3 Each Non-Operator, **other than a Non-Operator that is an Unleased Mineral Owner**, 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 the Accounting Procedure referred to in Paragraph 3.0 above. 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 rights or security interest of the payment thereof.
 - 5.4 If any Non-Operator, **other than a Non-Operator that is an Unleased Mineral owner**, fails to pay its share of costs when due, Operator may require other Non-Operators to pay their proportionate part of the unpaid share, whereupon the other Non-Operators shall be subrogated to Operator's lien and security interest.
 - 5.5 The Operator grants to Non-Operators, **other than to Non-Operators that are Unleased Mineral Owners**, a lien and security interest equivalent to that granted to Operator as described in **Paragraph 5.3** above, to secure payment by Operator of its own share of costs when due.
- 6.0 For purposes of protecting said liens and security interest, the parties hereto, **other than Unleased Mineral Owners**, agree that this Memorandum shall cover all right, title and interest of the debtor(s) in:
 - 6.1 Property Subject to Security Interests:
 - (A) All personal property located upon or used in connection with the Contract Area.
 - (B) All fixtures on the Contract Area.
 - (C) All oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.

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

6.2 Property Subject to Liens:

- (A) All real property within the Contract Area, including all oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.
- (B) All fixtures within the Contract Area.
- (C) All real property and fixtures now and hereafter acquired in furtherance of the purposes of this Operating Agreement.

- 7.0 The above items will be financed at the wellhead of the well or wells located on the Contract Area, and this Memorandum is to be filed for record in the real estate records of the county or counties in which the Contract Area is located, and in the Uniform Commercial Code records. All parties who have executed the Operating Agreement and all farmors and option farmors who have granted support within the Contract Area are identified on **Exhibit "A"**.
- 8.0 On default of any covenant or condition of the Operating Agreement, in addition to any other remedy afforded by law or the practice of this state, each party to the agreement and any successor to such party by assignment, operation of law, or otherwise, shall have, and is hereby given and vested with, the power and authority to take possession of and sell any interest which the defaulting party has in the subject lands and to foreclose this lien in the manner provided by law.
- 9.0 Upon expiration of the subject Operating Agreement and the satisfaction of all debts, the Operator shall file of record a release and termination on behalf of all parties concerned. Upon the filing of such release and termination, all benefits and obligations under this Memorandum shall terminate as to all parties who have executed or ratified this Memorandum. In addition, the Operator shall have the right to file a continuation statement on behalf of all parties who have executed or ratified this Memorandum.
- 10.0 It is understood and agreed by the parties hereto that if any part, term or provision of this Memorandum is by the courts held to be illegal or in conflict with any law of the state where made, the validity of the remaining portions or provisions shall not be affected, the rights and obligations of the parties shall be construed and enforced as if the Memorandum did not contain the particular part, term or provision held to be invalid.
- 11.0 This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns. The failure of one or more persons owning an interest in the Contract Area to execute this Memorandum shall not in any manner affect the validity of the Memorandum as to those persons who have executed this Memorandum.
- 12.0 A party having an interest in the Contract Area can ratify this Memorandum by execution and delivery of an instrument of ratification, adopting and entering into this Memorandum, and such ratification shall have the same effect as if the ratifying party had executed this Memorandum or a counterpart thereof. By execution or ratification of this Memorandum, such party hereby consents to its ratification and adoption by any party who may have or may acquire any interest in the Contract Area.
- 13.0 This Memorandum may be executed or ratified in one or more counterparts and all of the executed or ratified counterparts shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto needs to be filed of record.

EXHIBIT "A"

Attached to and made a part of that certain Memorandum of Operating Agreement and Financing Statement dated _____, by and between Artex Energy Group LLC, by and through its Affiliate Operator, Artex Oil Company, as Operator, and _____, *et al.*, as Non-Operators.

1. Description of lands subject to this agreement:

The Contract Area is the Unit shown on **Exhibit "A-1"**, attached hereto, made a part hereof and incorporated herein.

The Contract Area may be adjusted, from time-to-time, pursuant to **Article XVIU** of the Unit Operating Agreement to which this Exhibit "A" is attached.

2. Restrictions as to depths and formations:

This agreement shall be limited to the Unitized Formation, described as that portion of the Unit Area located between fifty feet (50') above the top of the Utica formation to fifty feet (50') below the top of the Trenton formation.

3. Parties to agreement with addresses, telephone numbers and email addresses for notice purposes:

ARTEX ENERGY GROUP LLC
2337 State Route 821
Marietta, Ohio 45750
Phone: 740-373-3313
Fax: 740-373-2750
Attn: Mr. Chad Spence
Email: cspence@artexoil.com

The remaining parties to this agreement and their respective addresses for notice purposes are set forth on **Exhibit "A-3"**, **Exhibit "A-4"**, and **Exhibit "A-5"** attached hereto, made a part hereof and incorporated herein.

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

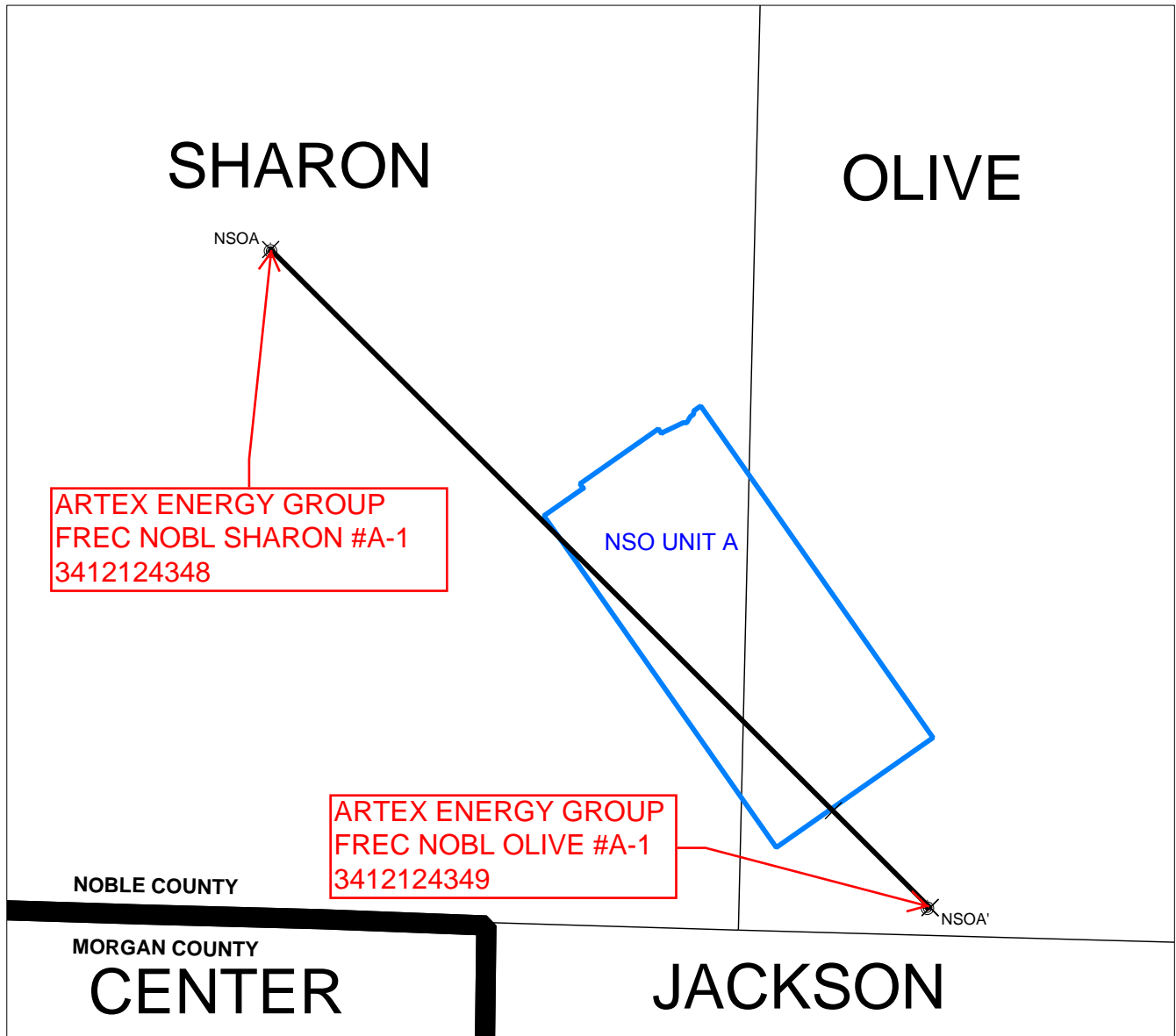
The owners and their respective interests are set forth on **Exhibit "A-2"**, attached hereto, made a part hereof and incorporated herein.

It is understood by the parties that the working interests listed in **Exhibit "A-2"** 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, from time-to-time, to reflect the actual interest owned by the parties in the Contract Area, and the Operator may make such adjustments pursuant to **Article XVI.T** of the Unit Operating Agreement to which this Exhibit "A" is attached.

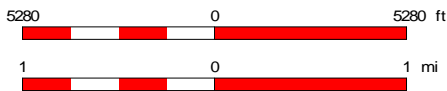
5. Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement:

The leases subject to this Agreement are those certain oil and gas leases identified on **Exhibit "A-2"**, attached hereto, made a part hereof, and incorporated herein.

ATTACHMENT 2



1 inch = 5280 feet



ARTEX ENERGY GROUP		
NSO UNIT A CROSS SECTION NSOA TO NSOA' OLIVE AND SHARON TOWNSHIPS NOBLE COUNTY, OHIO		
PREPARED BY EMF		Date: 22 November, 2016
	Scale: 1" = 1 MILE	

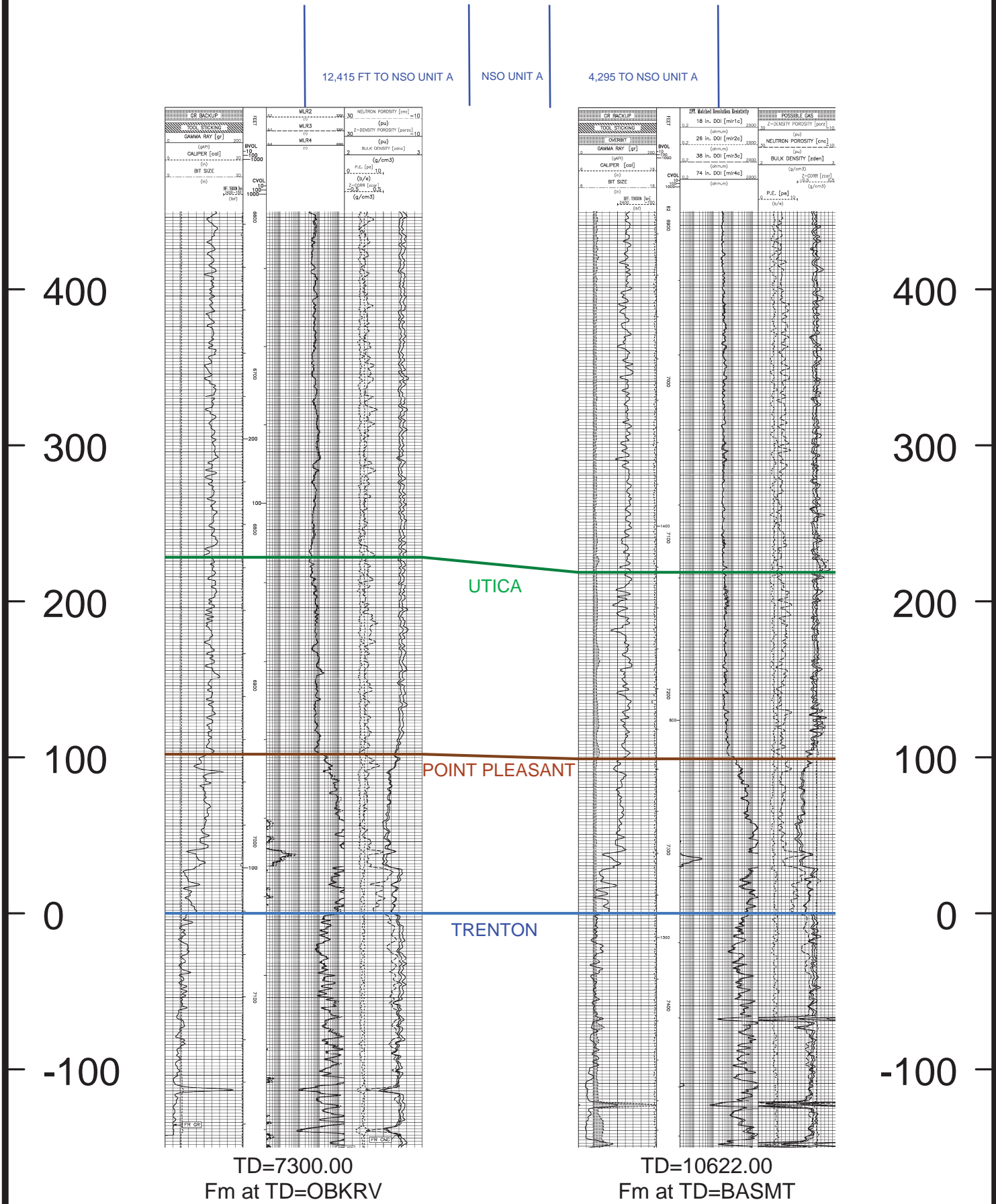
GAMMA RAY-NEUTRON-DENSITY-RESISTIVITY GEOPHYSICAL TYPE LOGS

3412124348 29214 ft 3412124349

NSOA ← → NSOA'

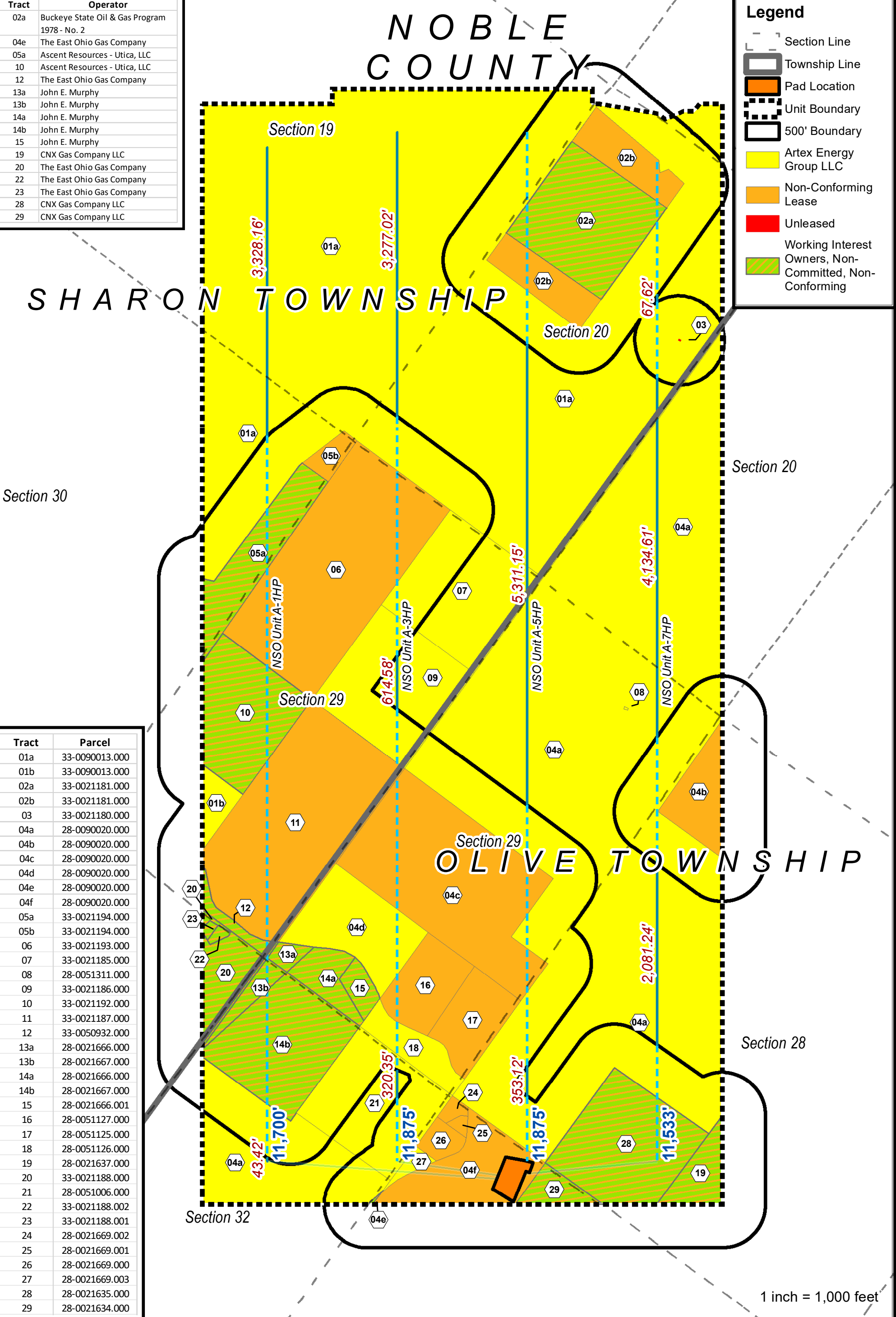
ARTEX ENERGY GROUP
FREC NOBL SHARON A-1
County=NOBL
Field=SHARON

ARTEX ENERGY GROUP
FREC NOBL OLIVE A-1
County=NOBL
Field=OLIVE



Tract	Operator
02a	Buckeye State Oil & Gas Program 1978 - No. 2
04e	The East Ohio Gas Company
05a	Ascent Resources - Utica, LLC
10	Ascent Resources - Utica, LLC
12	The East Ohio Gas Company
13a	John E. Murphy
13b	John E. Murphy
14a	John E. Murphy
14b	John E. Murphy
15	John E. Murphy
19	CNX Gas Company LLC
20	The East Ohio Gas Company
22	The East Ohio Gas Company
23	The East Ohio Gas Company
28	CNX Gas Company LLC
29	CNX Gas Company LLC

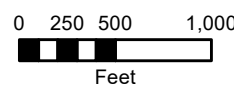
Legend	
	Section Line
	Township Line
	Pad Location
	Unit Boundary
	500' Boundary
	Artex Energy Group LLC
	Non-Conforming Lease
	Unleased
	Working Interest Owners, Non-Committed, Non-Conforming



Tract	Parcel
01a	33-0090013.000
01b	33-0090013.000
02a	33-0021181.000
02b	33-0021181.000
03	33-0021180.000
04a	28-0090020.000
04b	28-0090020.000
04c	28-0090020.000
04d	28-0090020.000
04e	28-0090020.000
04f	28-0090020.000
05a	33-0021194.000
05b	33-0021194.000
06	33-0021193.000
07	33-0021185.000
08	28-0051311.000
09	33-0021186.000
10	33-0021192.000
11	33-0021187.000
12	33-0050932.000
13a	28-0021666.000
13b	28-0021667.000
14a	28-0021666.000
14b	28-0021667.000
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17	28-0051125.000
18	28-0051126.000
19	28-0021637.000
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21	28-0051006.000
22	33-0021188.002
23	33-0021188.001
24	28-0021669.002
25	28-0021669.001
26	28-0021669.000
27	28-0021669.003
28	28-0021635.000
29	28-0021634.000



Corporate Headquarters
2337 State Route 821
Marietta, Ohio 45750
Telephone: (740) 373-3313
Fax: (740) 373-2750
Email: aoc@artexoil.com



COORDINATE SYSTEM:
STATEPLANE OHIO SOUTH NAD 1983

NSO Unit A - 1759.263910 acres
Sharon & Olive Townships, Noble County, Ohio
Artex Energy Group LLC

MAP CREATED BY:
L.G.P.

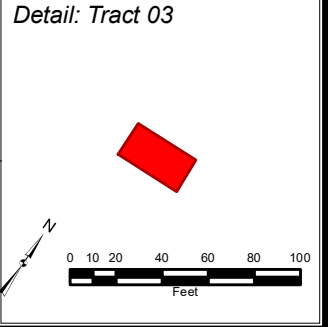
MAP CREATED ON:
3/9/2017

NOBLE COUNTY

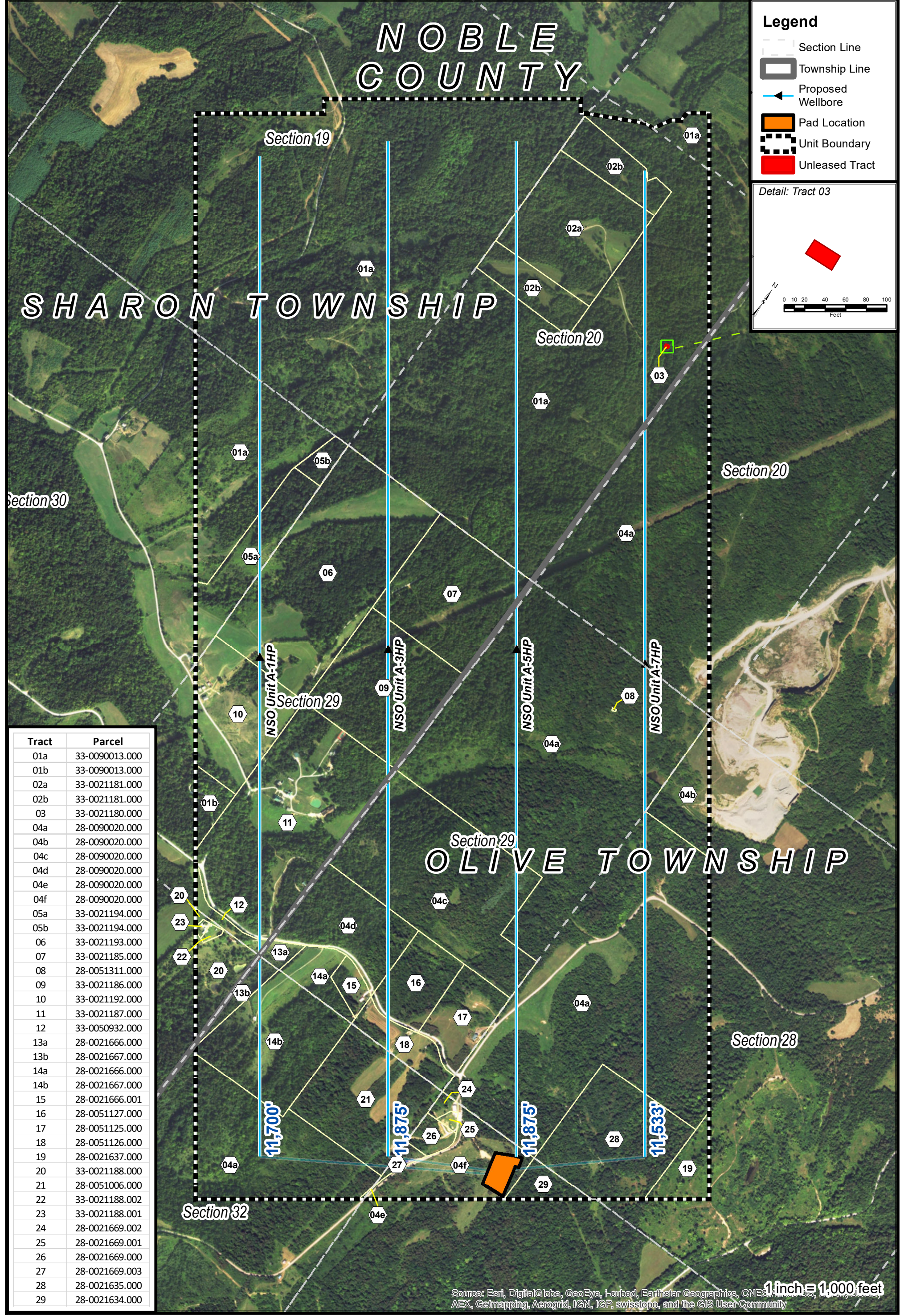
SHARON TOWNSHIP

OLIVE TOWNSHIP

- Legend**
- Section Line
 - Township Line
 - Proposed Wellbore
 - Pad Location
 - Unit Boundary
 - Unleased Tract



Tract	Parcel
01a	33-0090013.000
01b	33-0090013.000
02a	33-0021181.000
02b	33-0021181.000
03	33-0021180.000
04a	28-0090020.000
04b	28-0090020.000
04c	28-0090020.000
04d	28-0090020.000
04e	28-0090020.000
04f	28-0090020.000
05a	33-0021194.000
05b	33-0021194.000
06	33-0021193.000
07	33-0021185.000
08	28-0051311.000
09	33-0021186.000
10	33-0021192.000
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13b	28-0021667.000
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22	33-0021188.002
23	33-0021188.001
24	28-0021669.002
25	28-0021669.001
26	28-0021669.000
27	28-0021669.003
28	28-0021635.000
29	28-0021634.000



Source: Esri, DigitalGlobe, GeoEye, i-cubed, Earthstar Geographics, CNES/Airbus DS, USDA, AeroGRID, IGN, IGP, swisstopo, and the GIS User Community

1 inch = 1,000 feet

Corporate Headquarters
2337 State Route 821
Marietta, Ohio 45750

Telephone: (740) 373-3313
Fax: (740) 373-2750
Email: aoc@artexoil.com

COORDINATE SYSTEM:
STATEPLANE OHIO SOUTH NAD 1983

NSO Unit A - 1759.263910 acres
Sharon & Olive Townships, Noble County, Ohio
Artex Energy Group LLC

MAP CREATED BY:
L.G.P.

MAP CREATED ON:
3/7/2017

ENGINEERING CALCULATIONS

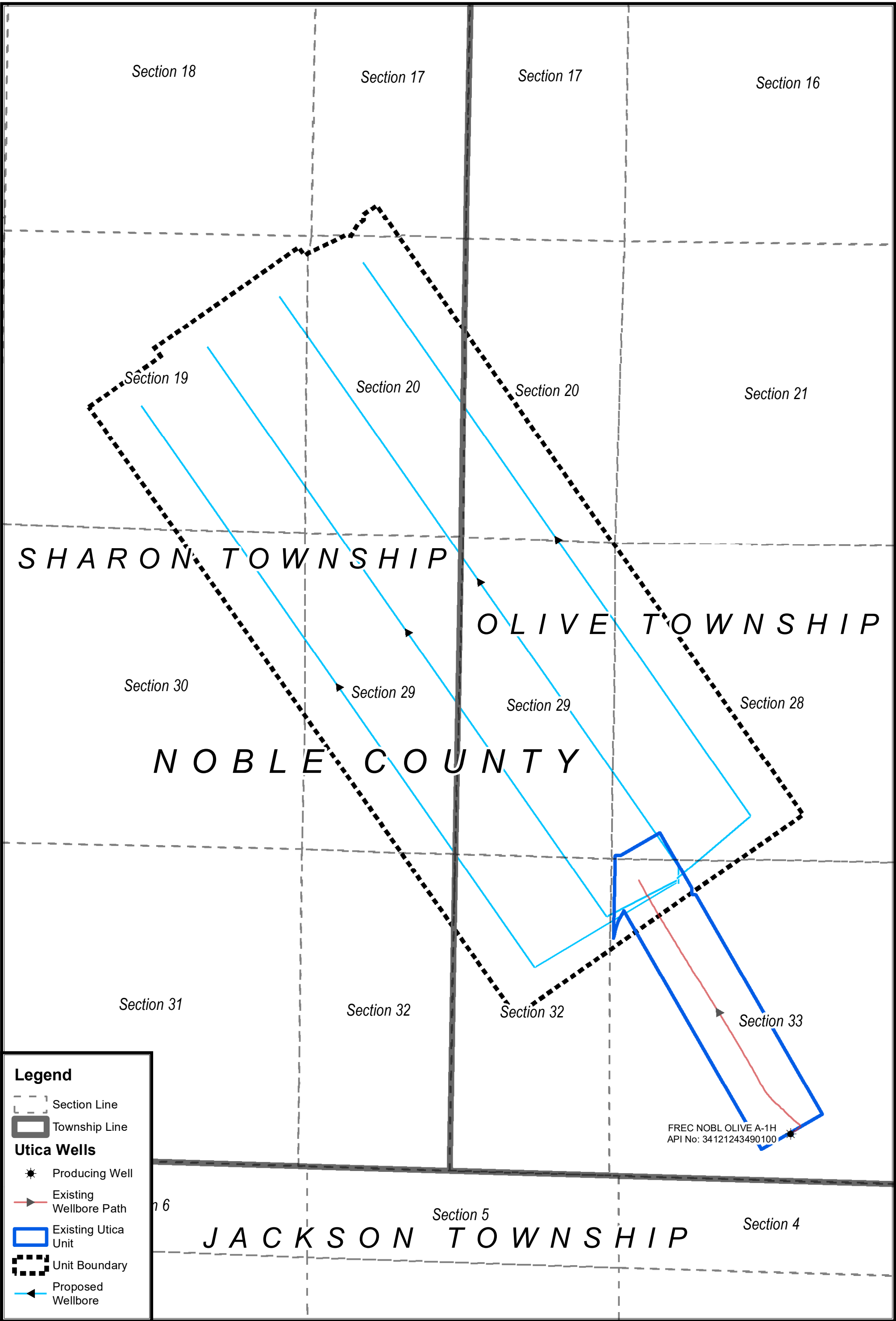
Production and Economic Performance Estimates: <i>Unitized Scenario</i>								
Well Name	Completed Lateral Length (ft)	Shrunk Gas EUR (Bcf)	Condensate EUR (Mbbl)	NGL EUR (Mbbl)	Oil-Equivalent EUR (Mboe)	Gas-Equivalent EURE (Bcfe)	Gross (100% WI) Capital Cost (M\$) ¹	Gross (100% WI) PV10% (M\$) ²
NSO Unit A-1HP	11,700	4.856	731	474	2,014	12.086	11,214	11,059
NSO Unit A-3HP	11,875	4.928	742	481	2,044	12.267	11,167	11,442
NSO Unit A-5HP	11,875	4.928	742	481	2,044	12.267	11,167	11,517
NSO Unit A-7HP	11,533	4.786	721	467	1,986	11.914	11,148	11,095
UNIT TOTAL	46,983	19.498	2,936	1,903	8,089	48.533	44,696	45,113

Production and Economic Performance Estimates: <i>Non-Unitized Scenario</i>								
Well Name	Completed Lateral Length (ft)	Shrunk Gas EUR (Bcf)	Condensate EUR (Mbbl)	NGL EUR (Mbbl)	Oil-Equivalent EUR (Mboe)	Gas-Equivalent EURE (Bcfe)	Gross (100% WI) Capital Cost (M\$) ¹	Gross (100% WI) PV10% (M\$) ²
NSO Unit A-1HP	0	0	0	0	0	0	0	0
NSO Unit A-3HP	0	0	0	0	0	0	0	0
NSO Unit A-5HP	0	0	0	0	0	0	0	0
NSO Unit A-7HP	0	0	0	0	0	0	0	0
UNIT TOTAL	0	0.000	0	0	0	0	0	0

NOTES:

1. The Gross (100% WI) Capital Cost values represent 100% of all capital costs and **are not** net to Applicant's interest. Capital costs reflect those costs associated with pad construction, drilling, completing, and turning-in-line the proposed wells. Operating expenses are accounted for in the analysis of the PV10% values, and applied for the duration of the economic life of the wells. As explained below, the PV10% values are net of capital costs and operating expenses.

2. The Gross (100% WI) PV10% values do not represent revenue, but rather 100% of all future cash flow (revenue minus expenses) discounted at 10%, and **are not** net to Applicant's interest. The PV10% values are net of the capital costs represented in the adjacent column and operating expenses occurring during the economic life of the wells.



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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(UNLEASED MINERAL OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to lease unleased lands within the NSO Unit A. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 03

PARCEL NO(S): 33-0021180.000

OWNER(S): Thomas F. Haskins, Jr., Trustee of the Brenda L. Halcomb Trust, dated May 22, 2012

a) On December 7, 2016, Mr. Terry Hatcher, Landman for Applicant, met with Mr. Thomas F. Haskins, Jr, Trustee of the Brenda L. Halcomb Trust at Mr. Haskins law office at 430 White Pond Drive, Akron, Ohio 44320. Mr. Hatcher provided a Paid-Up Oil and Gas Lease along with an Amendment to Oil and Gas Lease for another tract in which Mr. Haskins owns as Trustee. The parties discussed the documents and Mr. Haskins

understood what Applicant was trying to accomplish. He indicated he would get back with Mr. Hatcher.

b) On December 15, 2016, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

c) On January 3, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

d) On January 7, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

e) On January 9, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.


f) On January 10, 2017, Mr. Hatcher visited Mr. Haskins law office and was unable to speak with Mr. Haskins. Mr. Hatcher requested an appointment to meet with Mr. Haskins for January 19, 2017 or January 20, 2017, but requested Mr. Haskins call him in the meantime to discuss the documents.

g) On January 11, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

h) On January 12, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

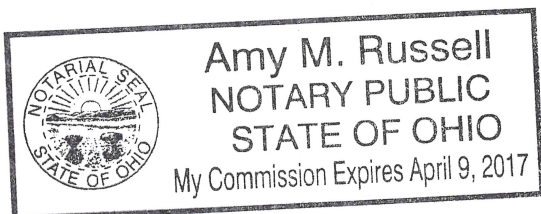
i) On January 16, 2017, Affiant called Mr. Haskins at his law office and left a message to return his call.

FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.




Notary Public

My commission expires: 4/9/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 02a; 02b

PARCEL NO(S): 33-0021181.000

OWNER(S): Thomas F. Haskins, Jr., Trustee of the Brenda L. Halcomb Trust, dated May 22, 2012

a) On December 7, 2016, Mr. Terry Hatcher, Landman for Applicant, met with Mr. Thomas F. Haskins, Jr, Trustee of the Brenda L. Halcomb Trust at Mr. Haskins law office at 430 White Pond Drive, Akron, Ohio 44320. Mr. Hatcher provided an Amendment and Ratification to Oil and Gas Lease along with a Paid-Up Oil and Gas Lease for another tract in which Mr. Haskins owns as Trustee. The parties discussed the

documents and Mr. Haskins understood what Applicant was trying to accomplish. He indicated he would get back with Mr. Hatcher.

b) On December 15, 2016, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

c) On January 3, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

d) On January 7, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

e) On January 9, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

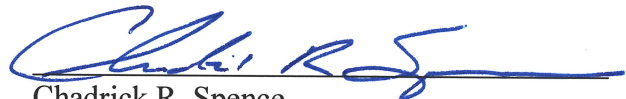
f) On January 10, 2017, Mr. Hatcher visited Mr. Haskins law office and was unable to speak with Mr. Haskins. Mr. Hatcher requested an appointment to meet with Mr. Haskins for January 19, 2017 or January 20, 2017, but requested Mr. Haskins call him in the meantime to discuss the documents.

g) On January 11, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

h) On January 12, 2017, Mr. Hatcher called Mr. Haskins at his law office and left a message to return his call.

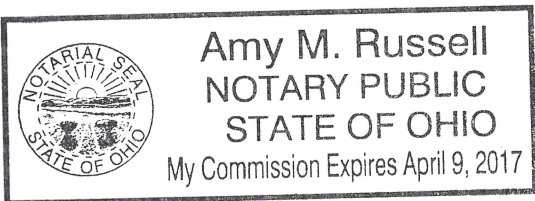
i) On January 16, 2017, Affiant called Mr. Haskins at his law office and left a message to return his call.

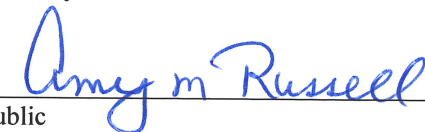
FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.





Notary Public

My commission expires: 4/9/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 04b; 04c

PARCEL NO(S): 28-0090020.000

OWNER(S): Ohio Franklin Realty, LLC

a) On December 2, 2016, Affiant sent an email to Mr. Jim Henry of Ohio Franklin Realty, LLC ("**OFR**") requesting an amendment of that oil and gas lease dated October 21, 1966, from C.A. and Gertrude Braden, Lessors, to P.D. Willhite, Lessee, as recorded in Volume 66, Page 572 of the Noble County, Ohio Lease Records covering the 70 acres in Section 29, Olive Township, Noble County, Ohio and known as NO-40 (the "**Braden Lease**"). The Braden Lease covers **Tract 04c**.

b) On December 16, 2016, Affiant sent an email to Mr. Henry inquiring about the status of the Amendment. Mr. Henry indicated that he had some questions for his team and that it would likely be after the holidays before he would be able to get back.

c) On January 4, 2017, Affiant sent an email to Mr. Henry, Mr. Mike Williams and Mr. Tom St. Pierre asking if there were any questions regarding the Amendment that Affiant could address.

d) On January 10, 2017, Mr. Henry sent an email to Affiant stating he hoped to follow up on the Braden Lease Amendment shortly.

e) On January 11, 2017, Affiant called Mr. Williams and asked if he had any questions concerning the Amendment. Mr. Williams requested an additional copy be sent to him via email. Affiant emailed a copy of the Amendment to Mr. Williams.

f) On January 12, 2017, Mr. Henry called Affiant to discuss the particular facts surrounding the Amendment and why it was necessary in light of the parties' larger oil and gas lease covering this property and many other tracts within the State of Ohio. It was explained the Braden Lease was a prior, subsisting lease and that the parties' larger lease was merely a top lease as to this tract and did not apply so long as the conventional well continued to produce in paying quantities. Mr. Henry also inquired about the royalty provision of the Braden Lease and indicated that he would consider it and get back in touch.

g) On February 13, 2017, Affiant spoke with Mr. Jim Henry, Mr. Mike Williams and Mr. Tom St. Pierre concerning the amendment to the Braden Lease. Mr. Henry indicated that OFR would not be executing the amendment.

h) On March 9, 2017, Applicant acquired the working interest in that oil and gas lease dated November 1, 1967, from Glenn T. King, Lessor, to P.D. Willhite, Lessee, as recorded in Volume 66, Page 177 of the Noble County, Ohio Lease Records covering 71.54 acres in Sections 28 and 29, Olive Township, Noble County, Ohio and known as NO-37 (the "**King Lease**"). All leasehold acreage other than the 40 acres in the NW/4 of the NW/4 of Section 28 was released by predecessors-in-interest. The King Lease covers **Tract 04b**. Upon acquiring the working interest in the King Lease, Affiant sent an email to Mr. Jim Henry requesting an amendment of said lease in the same form as the amendment to the Braden Lease. Affiant believes it will be unlikely that OFR will execute such amendment as it has not executed the amendment for the Braden Lease.

FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF SOUTH CAROLINA)
) SS
COUNTY OF CHARLESTON)

Sworn to and subscribed before me this 9th day of March, 2017.



Notary Public

My commission expires: My Commission Expires
January 24, 2021



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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 04f

PARCEL NO(S): 28-0090020.000

OWNER(S): Nathan Stobbs (5/132)

Justin Stobbs (5/132)

Tina Briggs (5/132)

NOTE: Applicant has secured an Amendment and Ratification of Oil and Gas Lease for the remaining mineral interest owners representing 117/132 interests.

a) On December 15, 2016, Mr. Terry Hatcher, Landman for Applicant, visited the residence of Justin Stobbs at 43 Lynette Place South, Westerville, Ohio 43081. No one was home and Mr. Hatcher left his business card.

b) On December 15, 2016, Mr. Hatcher visited the residence of Nathan Stobbs at 8275 Crete Lane, Blacklick, Ohio 43004. No one was home and Mr. Hatcher left his business card.

c) On December 21, 2016, Mr. Hatcher visited the residence of Ryan Stobbs at 1715 Arizona Drive, Findlay, Ohio 45840. Mr. Stobbs was not home, but his wife indicated she would have him call Mr. Hatcher the next day.

d) On December 22, 2016, Mr. Hatcher met with Mr. Ryan Stobbs at his residence. Mr. Hatcher provided an Amendment and Ratification to Oil and Gas Lease and presented Applicant's offer of \$25 per net mineral acre for said Amendment. The parties discussed the documents and Mr. Stobbs understood what Applicant was trying to accomplish. He indicated he would speak with his siblings over the holidays and get back with Mr. Hatcher.

e) On January 4, 2017, Mr. Hatcher met with Ms. Tina Briggs at her residence at 3068 Crowne Point Drive, Stow, Ohio 44224. Mr. Hatcher provided an Amendment and Ratification to Oil and Gas Lease and presented Applicant's offer of \$25 per net mineral acre for said Amendment. The parties discussed the documents and Ms. Briggs indicated she was waiting on her brother, Ryan Stobbs, to sign before she would.

f) On January 9, 2017, Mr. Hatcher left a voicemail on Mr. Ryan Stobbs' cell phone to return his call.

g) On January 10, 2017, Mr. Hatcher spoke with Mr. Ryan Stobbs on the telephone. Mr. Stobbs indicated he did not see anything in the language of the Amendment that caused him concern, however, he was having an attorney review the Amendment. Mr. Hatcher explained that Applicant was intending to file a unitization application on January 17, 2017, and Applicant would greatly appreciate having the Amendment executed prior to such filing. Mr. Stobbs seemed to think an agreement could be reached before then.

h) On January 13, 2017, Mr. Hatcher received a text message from Mr. Ryan Stobbs requesting Applicant add language concerning Lessor's right to receive copies of any pooling declaration or order. Mr. Hatcher emailed Mr. Stobbs a revised Amendment incorporating such language. Mr. Stobbs approved the language and will be executing the Amendment in the very near future. Mr. Hatcher also emailed Mr. Stobbs the Amendments for his siblings and Mr. Stobbs indicated he would have them execute as well.

i) On February 10, 2017, Mr. Hatcher sent a text message to Mr. Ryan Stobbs confirming that Applicant had received the executed Amendment from him and inquired as to telephone numbers for Mr. Stobbs' siblings. Mr. Stobbs replied with telephone numbers for his siblings, Ms. Tina Briggs, Mr. Justin Stobbs and Mr. Nathan Stobbs.

Sworn to and subscribed before me this 7th day of March, 2017.


Notary Public

My commission expires: My Commission Expires
January 24, 2021



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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 05a; 05b; 6; 10

PARCEL NO(S): 33-0021194.000; 33-0021193.000; 33-0021192.000

OWNER(S): Jean Krusinski and Raymond A. Krusinski, Co-Trustees of the Jean Krusinski Living Trust (1/3)

Elizabeth Chandler (1/3)

David Lawrence (1/3)

a) On December 2, 2016, Mr. Terry Hatcher, Landman for Applicant, visited the residence of Mr. David Lawrence at 42296 Keithtown Road, Caldwell, Ohio 43724. No one was home.

b) On December, 2, 2016, Mr. Hatcher met with Mrs. Elizabeth Chandler at her residence at 42186 Rich Valley Road, Caldwell, Ohio 43724. Mr. Hatcher explained to Mrs. Chandler Applicant's plans to form the NSO Unit A and the need for an amendment to the pooling provision due to its size. Mr. Hatcher provided an Amendment and Ratification to Oil and Gas Lease along with Applicant's offer of \$25/net mineral acre for said Amendment. Mrs. Chandler indicated she would need to speak with her brother and sister. Mr. Hatcher requested a meeting with all of them.

c) On December 2, 2016, Mrs. Chandler called Mr. Hatcher and scheduled a meeting with herself, her brother and sister at the state highway garage. Mrs. Chandler's husband indicated that the cash consideration for the Amendment was insufficient and out of line with what others were executing leases. He also requested that the entire lease be re-open for negotiation, including the lessor royalty percentage. Mr. Hatcher explained the entire lease would not be re-opened for negotiation and that Applicant was simply requesting a modification of the pooling provision.

d) On December 10, 2016, Mr. Hatcher met with Mrs. Chandler, Mr. Lawrence and Ms. Jean Krusinski to discuss the Amendment and the terms of Applicant's offer. Again, the group requested the cash consideration be increased and that the terms of the lease be re-opened for negotiation, especially with respect to the lessor royalty percentage. Mr. Hatcher explained that the cash consideration was not negotiable and that the only modification being offered was to the pooling provision. Mr. Hatcher answered additional questions about the unit, Applicant's plan for development, how royalties are apportioned, water sourcing and disposal. Mr. Hatcher also explained that Applicant anticipated filing an application for unitization due to the size of the unit, the insufficient pooling provisions in this and other leases, and non-committed working interest owners. The group said it would discuss and be back in touch with Mr. Hatcher.

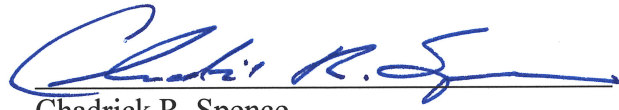
e) On December 16, 2016, Mr. Hatcher called Mrs. Chandler and asked if the family had given any additional thought to the offer. Mrs. Chandler explained they had not and he should contact them after the holidays.

f) On January 4, 2017, Mr. Hatcher called Mrs. Chandler at her residence and left a message to return his call.

g) On January 5, 2017, Mr. Hatcher called Mr. Lawrence at his residence and left a message to return his call.

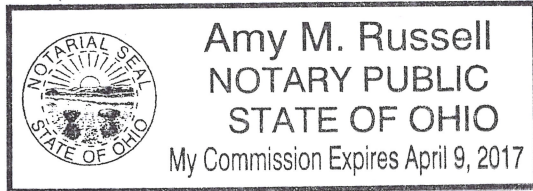
h) On January 9, 2017, Mr. Hatcher spoke with Mrs. Chandler and she stated that the family had presented the document to an attorney for review and that the attorney would be handling the matter from this point forward. The attorney's name was not identified.

FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.




Notary Public

My commission expires: 4/9/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 11

PARCEL NO(S): 33-0021187.000

OWNER(S): Donald A. & Victorine A. Howe, as Trustees Under The Agreement of Trust of Don and Vickie Howe dated January 27, 2012

a) On December 10, 2016, Mr. Terry Hatcher, Landman for Applicant, visited the residence of Donald and Victorine Howe at 40554 Shepherd Road, Caldwell, Ohio 43724. No one was home and Mr. Hatcher left his business card.

b) On January 3, 2017, Mr. Hatcher visited the residence of Mr. and Mrs. Howe. No one was home.

c) On January 6, 2017, Mr. Hatcher met with Mrs. Howe at her residence. Mr. Hatcher provided an Amendment and Ratification to Oil and Gas Lease and presented Applicant's offer of \$25 per net mineral acre for said Amendment. The parties discussed the documents. Mrs. Howe indicated she would review the documents and offer with her husband and get back with Mr. Hatcher.

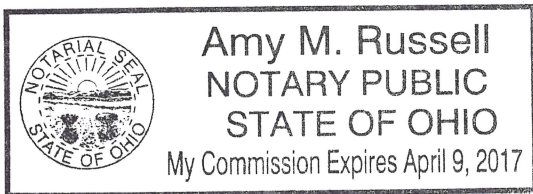
d) On January 13, 2017, Mr. Hatcher called Mr. and Mrs. Howe and asked when would be a good time to meet to discuss further. The Howes indicated they were not interested in meeting and that they are taking the proposed document to their attorney for review.


FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.





Notary Public
My commission expires: 4/09/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 16; 17

PARCEL NO(S): 28-0051127.000; 28-0051125.000

OWNER(S): Darwin D. Garvin (1/2)

Georgianna Garvin (1/2)

a) On January 10, 2017, Mr. Terry Hatcher, Landman for Applicant, visited the residence of Darwin and Georgianna Garvin at 40085 Keithtown Road, Caldwell, Ohio 43724. No one was home.

Exhibit 7-G

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(NON-CONFORMING POOLING PROVISION LEASES)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and lease modifications for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact landowners and obtain amendments or modifications of oil and gas leases on behalf of Applicant.

3. I have reports of contacts and attempts to contact that Applicant has made to modify the pooling provisions of leased lands within the NSO Unit A to conform to the proposed size of the said unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 24; 25; 26

PARCEL NO(S): 28-0021669.002; 28-0021669.001; 28-0021669.000

OWNER(S): W. P. Brown Enterprises, Inc.

a) On January 13, 2017, Mr. Terry Hatcher, Landman for Applicant, spoke with Mr. Tim Brown of W. P. Brown Enterprises, Inc. concerning the Paid-Up Oil and Gas Lease and explained that if the subject tracts are removed from the Olive A-1H unit as anticipated, the existing lease would expire and, therefore, a new lease is required. Mr. Hatcher emailed a proposed Lease to Mr. Brown for his review and presented Mr. Brown with an offer of \$300.00 for said lease due to the small acreage of the subject tracts.

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(UNCOMMITTED WORKING INTEREST OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and third-party working interest owner participation for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact third-party working interest owners and obtain voluntary participation in development units and/or acquire such working interests. Additionally, I make direct contact with such third-party working interest owners for such purposes.

3. I have reports of contacts and attempts to contact that Applicant has made to secure voluntary participation in NSO Unit A (the "**Unit**") of third-party working interest owners and/or the rights to develop such third-party working interest owners' leasehold within the Unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 04e; 12; 20; 22; 23;

PARCEL NO(S): 28-0090020.000; 33-0050932.000; 33-0021188.000;
33-0021188.002; 33-0021188.001;

OWNER(S): The East Ohio Gas Company

**UNIT
PARTICIPATION:** 0.9774%

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(UNCOMMITTED WORKING INTEREST OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and third-party working interest owner participation for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact third-party working interest owners and obtain voluntary participation in development units and/or acquire such working interests. Additionally, I make direct contact with such third-party working interest owners for such purposes.

3. I have reports of contacts and attempts to contact that Applicant has made to secure voluntary participation in NSO Unit A (the "**Unit**") of third-party working interest owners and/or the rights to develop such third-party working interest owners' leasehold within the Unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 05a; 10

PARCEL NO(S): 33-0021194.000; 33-0021192.000

OWNER(S): Ascent Resources – Utica, LLC

UNIT

PARTICIPATION: 3.0461%

a) On December 12, 2016, Affiant contacted Mr. Isaac Jacobson with Ascent Resources – Utica, LLC (“**Ascent**”) to discuss Applicant’s potential Unit and Ascent’s possible participation therein. Mr. Jacobson requested additional information be sent to Ms. Deanne Brooks with Ascent.

b) On January 6, 2017, Affiant sent an email to Ms. Brooks including the Unit proposal thereby requesting that Ascent participate in the Unit, or in the alternative, farmout Ascent’s leasehold acreage to Applicant in exchange for retaining an overriding royalty interest in such leasehold acreage equal to the difference between 18% and existing burdens of record.

c) On January 9, 2017, Affiant received an email from Ms. Brooks concerning an additional tract Ascent was showing as having leased. Affiant responded to said email explaining why that lease had expired.

d) On January 11, 2017, Affiant received an email from Ms. Brooks regarding potential unitization and non-conforming lease issues. Applicant called Ms. Brooks and explained that it intended to file a unitization application due to outstanding uncommitted working interest owners, non-conforming pooling provisions and an unleased mineral owner. Ms. Brooks indicated Ascent was still considering the Unit proposal.

e) On January 18, 2017, Affiant received an email from Mr. Blake Jenkinson with Ascent indicating that Ascent was not interested in participating in the Unit but would be interested in farming out or selling the leasehold acreage to Applicant.

f) On January 19, 2017, Affiant left a voicemail for Mr. Jenkinson to return Affiant’s call. Affiant sent an email to Mr. Jenkinson explaining that Applicant could not meet the terms Mr. Jenkinson had suggested for farming in or purchasing the leasehold acreage, and requested Mr. Jenkinson call to discuss a potential trade of leasehold acreage.

g) On January 27, 2017, Affiant spoke with Mr. Jenkinson. The parties discussed the status of the unitization application and what options were available. The parties were unable to agree as to a valuation for the leasehold acreage and agreed that a trade of leasehold acreage may be the only viable solution. Affiant received an email from Mr. Jenkinson identifying townships and counties in which Ascent would be interested in leasehold acreage trade. Affiant responded that Applicant held no leasehold acreage in the townships and counties identified by Ascent.

h) On February 8, 2017, Affiant left a voicemail for Mr. Jenkinson to return Affiant’s call concerning a possible farmin of the leasehold acreage.

i) On February 24, 2017, Affiant left a voicemail for Mr. Jenkinson to return Affiant’s call. Affiant also sent an email to Mr. Jenkinson explaining the current status and requested that Mr. Jenkinson return Affiant’s call.

FURTHER AFFIANT SAYETH NAUGHT.

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(UNCOMMITTED WORKING INTEREST OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and third-party working interest owner participation for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact third-party working interest owners and obtain voluntary participation in development units and/or acquire such working interests. Additionally, I make direct contact with such third-party working interest owners for such purposes.

3. I have reports of contacts and attempts to contact that Applicant has made to secure voluntary participation in NSO Unit A (the "**Unit**") of third-party working interest owners and/or the rights to develop such third-party working interest owners' leasehold within the Unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 02a

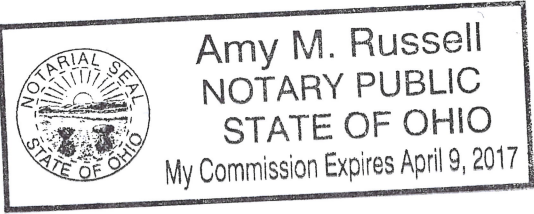
PARCEL NO(S): 33-0021181.000

OWNER(S): Buckeye State Oil & Gas Program 1978 – No. 2

UNIT

PARTICIPATION: 1.7053%

Exhibit 7-K



Amy M Russell
Notary Public

My commission expires: 4/9/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

Supplement Date: March 9, 2017

**AFFIDAVIT OF CONTACTS
(UNCOMMITTED WORKING INTEREST OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and third-party working interest owner participation for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact third-party working interest owners and obtain voluntary participation in development units and/or acquire such working interests. Additionally, I make direct contact with such third-party working interest owners for such purposes.

3. I have reports of contacts and attempts to contact that Applicant has made to secure voluntary participation in NSO Unit A (the "**Unit**") of third-party working interest owners and/or the rights to develop such third-party working interest owners' leasehold within the Unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 19; 28; 29

PARCEL NO(S): 28-0021637.000; 28-0021635.000; 28-0021634.000

OWNER(S): CNX Gas Company LLC

UNIT

PARTICIPATION: 3.0896%

- a) On January 3, 2017, Affiant left a voicemail for Mr. David Aman of CNX Gas Company LLC (“**CNX**”) to return Affiant’s call concerning a potential unit Applicant was proposing.
- b) On January 10, 2017, Affiant left a voicemail for Mr. Aman to return Affiant’s call concerning a potential unit Applicant was proposing.
- c) On January 10, 2017, Affiant sent an email to Mr. Aman, including the Unit proposal thereby requesting that CNX participate in the Unit, or in the alternative, farmout CNX’s leasehold acreage to Applicant in exchange for retaining an overriding royalty interest in such leasehold acreage equal to the difference between 18% and existing burdens of record.
- d) On January 10, 2017, Affiant received an email from Mr. Aman instructing that Mr. Derek Fitzwater of CNX would be handling the Unit proposal. Mr. Fitzwater requested additional information concerning the Unit. Affiant emailed shapefiles of the Unit boundary, planned wellbores and the CNX leasehold.
- e) On January 11, 2017, Affiant spoke with Mr. Fitzwater concerning the validity of the Fern Woodford lease (which originally covered Tracts 28 and 29). The parties discussed CNX’s potential participation in the unit and Applicant’s offer to farmin CNX’s leasehold as presented in the Unit proposal. Mr. Fitzwater indicated that CNX will continue to evaluate the proposal.
- f) On January 27, 2017, Affiant spoke with Mr. Fitzwater concerning the validity of the Fern Woodford lease. CNX believed that there was a possibility that the lease remained in effect. The parties discussed valuation of the acreage within the unit and could not agree as to the current value.
- g) On February 3, 2017, Affiant received an email from Mr. Fitzwater proposing a sale of the Davis lease (which originally covered Tract 19) and the Fern Woodford lease.
- h) On February 8, 2017, Affiant spoke with Mr. Fitzwater concerning the sale of the Davis lease and a full release of the Fern Woodford lease (as Applicant holds a top lease / protection lease on Tracts 28 and 29).
- i) On February 14, 2017, Affiant received an email from Mr. Fitzwater requesting a map of the acreage Applicant would be interested in acquiring in the Davis lease. Affiant provided such map.
- j) On February 22, 2017, Affiant spoke with Mr. Fitzwater concerning the sale of the Davis lease and the release of the Fern Woodford lease. Mr. Fitzwater indicated CNX was not necessarily opposed to Applicant’s offer, however the parties were not able to reach a definitive agreement and continue to negotiate the terms.

FURTHER AFFIANT SAYETH NAUGHT.

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

**AFFIDAVIT OF CONTACTS
(UNCOMMITTED WORKING INTEREST OWNERS)**

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition and third-party working interest owner participation for the Applicant in the State of Ohio.

2. As part of those responsibilities, I work with and supervise both employees and contractors representing Applicant who contact third-party working interest owners and obtain voluntary participation in development units and/or acquire such working interests. Additionally, I make direct contact with such third-party working interest owners for such purposes.

3. I have reports of contacts and attempts to contact that Applicant has made to secure voluntary participation in NSO Unit A (the "**Unit**") of third-party working interest owners and/or the rights to develop such third-party working interest owners' leasehold within the Unit. Those efforts are detailed below.

4. Regarding the following tract(s), the following contacts were made or attempted:

TRACT NO(S): 13a; 13b; 14a; 14b; 15

PARCEL NO(S): 28-0021666.000; 28-0021667.000; 28-0021666.001

OWNER(S): John E. Murphy

**UNIT
PARTICIPATION:** 3.1781%

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

LEASE AFFIDAVIT

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

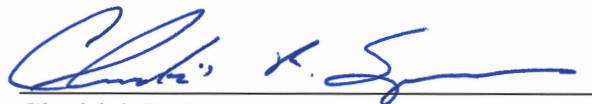
1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition for the Applicant in the State of Ohio.

2. As a result of my responsibilities, I have personal knowledge of the matters set forth in this affidavit and the following information is true to the best of my knowledge and belief.

3. Pursuant to Ohio Revised Code § 1509.28, the Applicant is filing herewith an application with the Chief of the Division of Oil and Gas Resources Management requesting an order authorizing the Applicant to operate the Unitized Formation and applicable land area, identified as the NSO Unit A, according to the Unit Plan attached thereto (the "**Application**") (as those terms are used and defined therein). The NSO Unit A is located in Sharon and Olive Townships, Noble County, Ohio and consists of twenty-nine (29) separate tracts of land totaling approximately 1,759 acres.

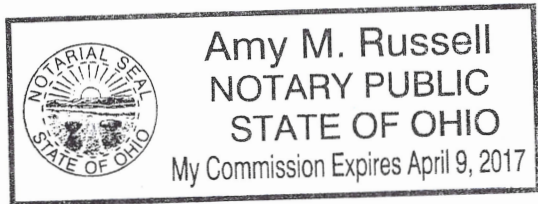
4. To the best of my knowledge and belief, the Applicant holds a valid lease agreement for all of the acreage that the Applicant claims to have under lease in the NSO Unit A, as outlined on **Exhibit "A-2"** of the Unit Operating Agreement attached to the Application.

FURTHER AFFIANT SAYETH NAUGHT.


Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.



Amy M Russell
Notary Public

My commission expires: 4/9/17

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

In re the Matter of the Application of
Artex Energy Group LLC for Unit Operation

Application Date: January 17, 2017

NSO Unit A

OWNERSHIP AFFIDAVIT

I, Chadrick R. Spence, being first duly cautioned and sworn, do hereby depose and state as follows:

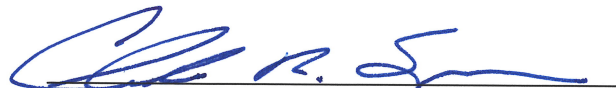
1. My name is Chadrick R. Spence and I am Director of Land – Shale Assets with Artex Energy Group LLC (the "**Applicant**"). My responsibilities include overseeing and directing lease acquisition for the Applicant in the State of Ohio.

2. As a result of my responsibilities, I have personal knowledge of the matters set forth in this affidavit and the following information is true to the best of my knowledge and belief.

3. Pursuant to Ohio Revised Code § 1509.28, the Applicant is filing herewith an application with the Chief of the Division of Oil and Gas Resources Management requesting an order authorizing the Applicant to operate the Unitized Formation and applicable land area, identified as the NSO Unit A, according to the Unit Plan attached thereto (the "**Application**") (as those terms are used and defined therein). The NSO Unit A is located in Sharon and Olive Townships, Noble County, Ohio and consists of twenty-nine (29) separate tracts of land totaling approximately 1,759 acres.

4. As of the Application Date set forth above, the Applicant is the Owner, as that term is defined in Ohio Revised Code § 1509.01(K), of at least 65% of the land overlying the Unitized Formation that is the subject of the unitization request set forth in the Application.

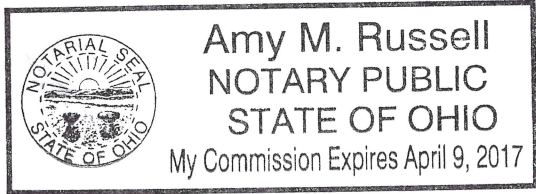
FURTHER AFFIANT SAYETH NAUGHT.



Chadrick R. Spence

STATE OF OHIO)
) SS
COUNTY OF WASHINGTON)

Sworn to and subscribed before me this 16th day of January, 2017.



Amy M. Russell
Notary Public

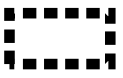
My commission expires: 4/9/17

Legend

★ Analogue Utica-Point Pleasant Shale Wells (66)

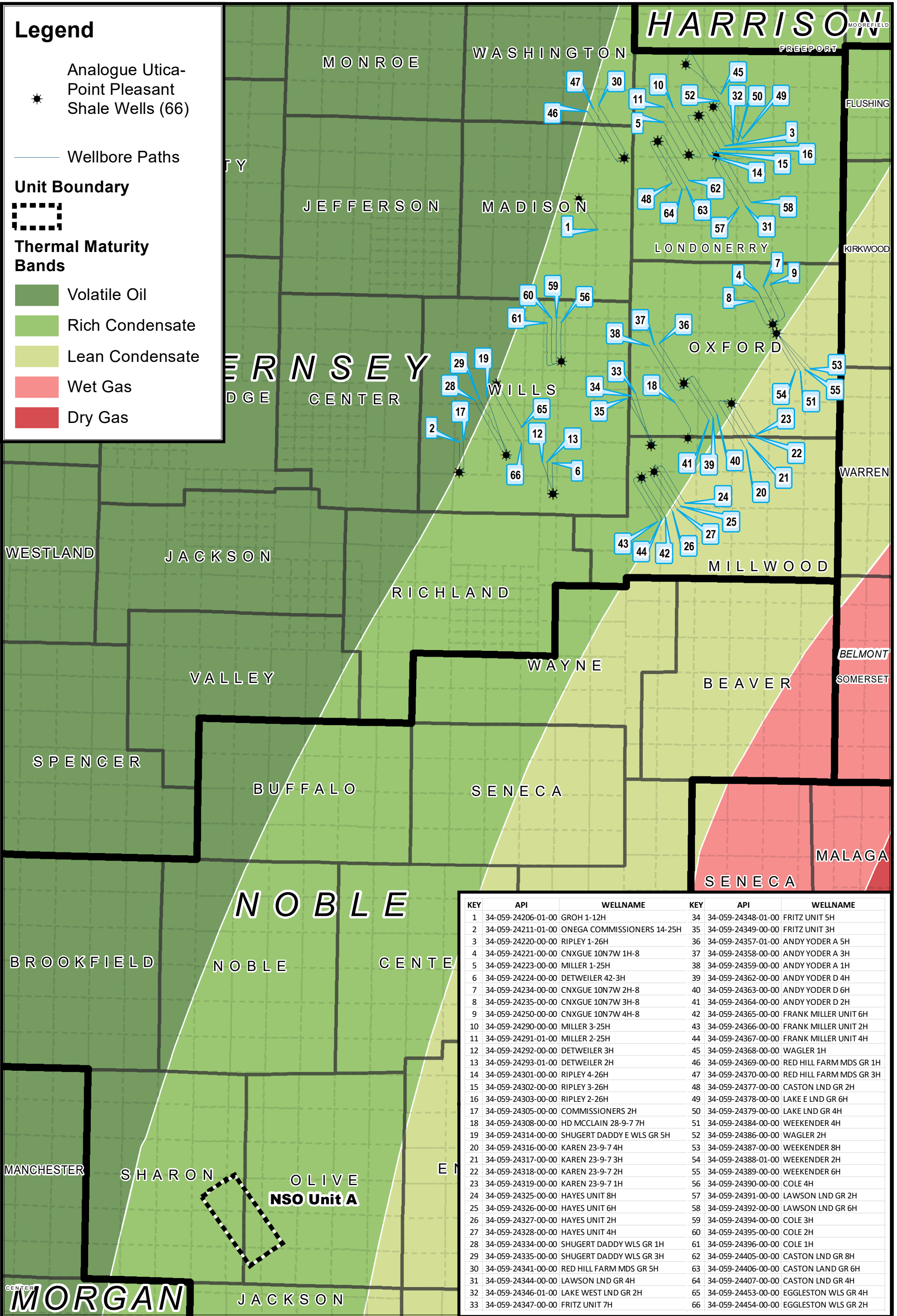
— Wellbore Paths

Unit Boundary



Thermal Maturity Bands

- Volatile Oil
- Rich Condensate
- Lean Condensate
- Wet Gas
- Dry Gas

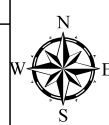


KEY	API	WELLNAME	KEY	API	WELLNAME
1	34-059-24206-01-00	GROH 1-12H	34	34-059-24348-01-00	FRITZ UNIT 5H
2	34-059-24211-01-00	ONEGA COMMISSIONERS 14-25H	35	34-059-24349-00-00	FRITZ UNIT 3H
3	34-059-24220-00-00	RIPLEY 1-26H	36	34-059-24357-01-00	ANDY YODER A 5H
4	34-059-24221-00-00	CNXGUE 10N7W 1H-8	37	34-059-24358-00-00	ANDY YODER A 3H
5	34-059-24223-00-00	MILLER 1-25H	38	34-059-24359-00-00	ANDY YODER A 1H
6	34-059-24224-00-00	DETWEILER 42-3H	39	34-059-24362-00-00	ANDY YODER D 4H
7	34-059-24234-00-00	CNXGUE 10N7W 2H-8	40	34-059-24363-00-00	ANDY YODER D 6H
8	34-059-24235-00-00	CNXGUE 10N7W 3H-8	41	34-059-24364-00-00	ANDY YODER D 2H
9	34-059-24250-00-00	CNXGUE 10N7W 4H-8	42	34-059-24365-00-00	FRANK MILLER UNIT 6H
10	34-059-24290-00-00	MILLER 3-25H	43	34-059-24366-00-00	FRANK MILLER UNIT 2H
11	34-059-24291-01-00	MILLER 2-25H	44	34-059-24367-00-00	FRANK MILLER UNIT 4H
12	34-059-24292-00-00	DETWEILER 3H	45	34-059-24368-00-00	WAGLER 1H
13	34-059-24293-01-00	DETWEILER 2H	46	34-059-24369-00-00	RED HILL FARM MDS GR 1H
14	34-059-24301-00-00	RIPLEY 4-26H	47	34-059-24370-00-00	RED HILL FARM MDS GR 3H
15	34-059-24302-00-00	RIPLEY 3-26H	48	34-059-24377-00-00	CASTON LND GR 2H
16	34-059-24303-00-00	RIPLEY 2-26H	49	34-059-24378-00-00	LAKE E LND GR 6H
17	34-059-24305-00-00	COMMISSIONERS 2H	50	34-059-24379-00-00	LAKE LND GR 4H
18	34-059-24308-00-00	HD MCCLAIN 28-9-7 7H	51	34-059-24384-00-00	WEEKENDER 4H
19	34-059-24314-00-00	SHUGERT DADDY E WLS GR 5H	52	34-059-24386-00-00	WAGLER 2H
20	34-059-24316-00-00	KAREN 23-9-7 4H	53	34-059-24387-00-00	WEEKENDER 8H
21	34-059-24317-00-00	KAREN 23-9-7 3H	54	34-059-24388-01-00	WEEKENDER 2H
22	34-059-24318-00-00	KAREN 23-9-7 2H	55	34-059-24389-00-00	WEEKENDER 6H
23	34-059-24319-00-00	KAREN 23-9-7 1H	56	34-059-24390-00-00	COLE 4H
24	34-059-24325-00-00	HAYES UNIT 8H	57	34-059-24391-00-00	LAWSON LND GR 2H
25	34-059-24326-00-00	HAYES UNIT 6H	58	34-059-24392-00-00	LAWSON LND GR 6H
26	34-059-24327-00-00	HAYES UNIT 2H	59	34-059-24394-00-00	COLE 3H
27	34-059-24328-00-00	HAYES UNIT 4H	60	34-059-24395-00-00	COLE 2H
28	34-059-24334-00-00	SHUGERT DADDY WLS GR 1H	61	34-059-24396-00-00	COLE 1H
29	34-059-24335-00-00	SHUGERT DADDY WLS GR 3H	62	34-059-24405-00-00	CASTON LND GR 8H
30	34-059-24341-00-00	RED HILL FARM MDS GR 5H	63	34-059-24406-00-00	CASTON LAND GR 6H
31	34-059-24344-00-00	LAWSON LND GR 4H	64	34-059-24407-00-00	CASTON LND GR 4H
32	34-059-24346-01-00	LAKE WEST LND GR 2H	65	34-059-24453-00-00	EGGLESTON WLS GR 4H
33	34-059-24347-00-00	FRITZ UNIT 7H	66	34-059-24454-00-00	EGGLESTON WLS GR 2H



Corporate Headquarters
2337 State Route 821
Marietta, Ohio 45750

Telephone: (740) 373-3313
Fax: (740) 373-2750
Email: aoc@artexoil.com



COORDINATE SYSTEM:
STATEPLANE OHIO SOUTH NAD 1983

NSO Unit A and Analogue Well Locations
Artex Energy Group LLC

MAP CREATED BY:
L.G.P.

MAP CREATED ON:
3/8/2017

ATTACHMENT 3

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

In re the Matter of the Application of Artex :
Energy Group LLC :
 : Application Date: January 17, 2017
 :
NSO Unit A : Supplement Date: March 9, 2017

**PREPARED DIRECT TESTIMONY OF ROBERT B. THOMAS, SR.
ON BEHALF OF ARTEX ENERGY GROUP LLC**

W. Jonathan Airey (0017437)
625 High Street
P.O. Box 556
Worthington, Ohio 43085

Attorney for Applicant,
Artex Energy Group LLC

Chadrick R. Spence
Director of Land – Shale Assets
Artex Energy Group LLC
2337 State Route 821
Marietta, Ohio 45750

Applicant

PREPARED DIRECT TESTIMONY OF ROBERT B. THOMAS, SR.

1 **INTRODUCTION**

2 **Q1. Please introduce yourself to the Division.**

3 A1. My name is Robert Brinley Thomas, Sr. and I am a consulting geologist and President of
4 the geologic consulting firm, Eastern Mountain Fuel, Inc. (“**EMF**”). My business address
5 is 103 Seneca Drive, Marietta, Ohio 45750. EMF provides geologic consulting for Artex
6 Oil Company and Artex Energy Group LLC (collectively, “**Artex**”).

7 **Q2. What is your educational background?**

8 A2. I received a Bachelor of Science Degree from the University of Akron in 1983 and a Master
9 of Science degree in Geology from the University of Akron in 1986.

10 **Q3. Would you briefly describe your professional experience?**

11 A3. After college, I worked for two years as a mudlogger for Stratagraph NE, logging wells in
12 Ohio, West Virginia, Pennsylvania and New York. In 1988, I began consulting as a well-
13 site geologist. Between 1988 and 2007, I was the well-site geologist on over 500 wells. I
14 have also done extensive sub-surface mapping and prospect generation over the last 28
15 years. In 2006, I started working as a seismic interpreter and have interpreted over 500
16 square miles of 3D seismic in Ohio and Pennsylvania.

17 **Q4. What do you do as a Geologist for Artex?**

18 A4. EMF currently works on sub-surface mapping, prospect generation and seismic
19 interpretation for Artex’s Knox and Point Pleasant exploration.

20 **Q5. What types of subsurface data are you analyzing?**

21 A5. EMF maintains a sub-surface database in Ohio with over 140,000 wells. We have the
22 ability to map most formations from the Berea to the Basement in detail and also have the
23 ability to do log analysis on individual wells.

24 **Q6. Are you a member of any professional associations?**

25 A6. Yes, I am a member of the American Association of Petroleum Geologists (AAPG) and
26 the Society of Exploration Geophysicists.

27 **Q7. What is the purpose of your testimony today?**

28 A7. I am testifying in support of the Application of Artex Energy Group LLC for Unit
29 Operations filed with respect to the NSO Unit A, consisting of twenty-nine (29) separate
30 tracts of land totaling approximately 1,759 acres in Noble County, Ohio. My testimony

1 will show that the Unitized Formation described in the Application is part of a pool and
2 thus an appropriate subject of unitization. Additionally, my testimony will support the Unit
3 Plan's allocation of unit production and expenses to separately owned tracts on a surface
4 acreage basis, based on the unit area's nearly uniform thickness and substantially identical
5 geologic characteristics throughout.

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

7 **Q8. To begin, would you tell me what a "pool" is?**

8 A8. A pool is an accumulation of oil and gas within the pores of a rock. This is consistent with
9 the Ohio statutory definition of a pool as "an underground reservoir containing a common
10 accumulation of oil or gas, or both, but does not include a gas storage reservoir."

11 **Q9. How is the Unitized Formation defined for the NSO Unit A?**

12 A9. It is defined as the subsurface portion of the NSO Unit A located between fifty feet (50')
13 above the top of the Utica formation to fifty feet (50') below the top of the Trenton
14 formation. The measured depth is believed to be approximately 7,170 feet and 7,500 feet
15 true vertical depth from the surface within the NSO Unit A.

16 **Q10. Do you have an opinion on whether or not the Unitized Formation contemplated by
17 the NSO Unit A constitutes a pool or part of a pool?**

18 A10. Yes, it is my opinion, based on my education and professional experience that the Unitized
19 Formation under the NSO Unit A qualifies as part of a pool.

20 **Q11. Why?**

21 A11. My evaluation of the geologic data indicates that the Unitized Formation is present and
22 continuous under the entire NSO Unit A, with a fairly uniform thickness and reservoir
23 quality throughout.

24 **Q12. Is your opinion based on your education and professional experience?**

25 A12. Yes, this is based on my education and professional experience.

26 **Q13. Do you have any exhibits to help explain your testimony?**

27 A13. Yes, I have attached two exhibits to my testimony. **Attachment 2, Exhibit 1** is a cross-
28 section map showing the NSO Unit A and two wells that are in close proximity and on
29 opposite sides of the NSO Unit A. The wells are the FREC Nobl Sharon #A-1 (34-121-2-
30 4348-00-00) which is about 12,415 feet (2.35 miles) to the northwest of the NSO Unit A
31 boundary and the FREC Nobl Olive #A-1 (34-121-2-4349-00-00) which is 4,295 feet (0.81

1 miles) to the southeast of the NSO Unit A boundary. **Attachment 2, Exhibit 2** is a cross-
2 section with wireline logs from the two wells shown on **Exhibit 1** showing the Trenton,
3 Point Pleasant and Utica formation tops. As you can see from the cross-section the
4 thickness and geologic character of the Unitized Formation is fairly consistent between the
5 two wells. Therefore, I expect consistent geologic and reservoir characteristics across the
6 NSO Unit A.

7 **Q14. And is this a commonly accepted method of analysis in your profession for**
8 **determining whether a pool or part of a pool exists?**

9 A14. Yes, this is the commonly accepted method of defining whether a pool exists.

10 **ALLOCATION METHODOLOGY.**

11 **Q15. Production and expenses are allocated to the separate tracts in the NSO Unit A under**
12 **the Unit Plan on a surface-acreage basis. Do you have an opinion on whether that**
13 **allocation method is appropriate, given your education and professional experience?**

14 A15. In my opinion the allocation methodology is appropriate.

15 **Q16. Why?**

16 A16. Because the Unitized Formation has fairly uniform thickness and reservoir quality
17 throughout the NSO Unit A.

18 **Q17. In your experience, is this a common method for allocating production and expenses?**

19 A17. Yes, this is a commonly accepted practice in the industry.

20 **Q18. Does this conclude your testimony?**

21 A18. Yes.

ATTACHMENT 4

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

In re the Matter of the Application of Artex	:	
Energy Group LLC	:	
	:	Application Date: January 17, 2017
	:	
<u>NSO Unit A</u>	:	Supplement Date: March 9, 2017

**PREPARED DIRECT TESTIMONY OF MICHAEL W. CASTO
ON BEHALF OF ARTEX ENERGY GROUP LLC**

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Artex Energy Group LLC

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Applicant

PREPARED DIRECT TESTIMONY OF MICHAEL W. CASTO

1 **INTRODUCTION.**

2 **Q1. Please introduce yourself to the Division.**

3 A1. I am Michael W. Casto, President of Casto Petroleum Engineering.

4 **Q2. What is your educational background?**

5 A2. I graduated with a Bachelors in Petroleum Engineering from Marietta College in 2009.

6 **Q3. Would you briefly describe your professional experience?**

7 A3. I began my career in 2010 with Chevron Corporation as a Drill Site Manager in the Gulf
8 of Mexico and Permian Basin. With Chevron, I supervised drilling, completion, and
9 workover operations in the field. Next I worked as a Consultant at Wright & Company
10 Petroleum Consultants in Brentwood, Tennessee. With Wright & Company, I prepared
11 reserves reports and other well performance and economic analyses for both publicly
12 traded and private companies. I am currently the President of my own consulting firm,
13 Casto Petroleum Engineering. My company offers various types of reservoir engineering
14 services and evaluations pertaining to both conventional and unconventional oil and gas
15 assets in the Appalachian Basin. I am a registered Professional Engineer in Ohio and
16 Tennessee.

17 **Q4. What do you do for Artex?**

18 A4. I am a consulting reservoir engineer for Artex Energy Group LLC and Artex Oil
19 Company (collectively, "**Artex**"). I analyze the productive and economic performance of
20 Utica-Point Pleasant wells operated by Artex and others. I also create development
21 scenarios for the Artex leasehold and estimate the productive and economic potential of
22 undeveloped locations. Other duties include staying abreast of technology and trends in
23 Utica-Point Pleasant completions, as well as being a liaison between Artex and its
24 contractors.

25 **Q5. Are you a member of any professional associations?**

26 A5. I am a member of the Society of Petroleum Engineers and the International Institute of
27 Mineral Appraisers. I am also a registered Professional Engineer in Ohio and Tennessee.

28 **Q6. What is the purpose of your testimony today?**

29 A6. I am here to support Artex in their application (the "**Application**"), with respect to the
30 NSO Unit A, which consists of twenty-nine (29) separate tracts of land totaling

1 approximately 1,759 acres in Noble County, Ohio. My testimony will address the
2 following: (i) that unit operations are reasonably necessary to increase substantially the
3 ultimate recovery of oil and gas, and (ii) that the value of the estimated additional
4 recovery due to unit operations exceeds its estimated costs.

5 **UNIT OPERATIONS ARE REASONABLY NECESSARY TO INCREASE SUBSTAN-**
6 **TIALY THE RECOVERY OF OIL AND GAS.**

7 **Q7. I'd like to begin by addressing whether unit operations in the NSO Unit A are**
8 **reasonably necessary to increase substantially the ultimate recovery of oil and gas**
9 **from the unit area. Would you describe briefly how Artex anticipates developing**
10 **the NSO Unit A.**

11 A7. Artex intends to drill four (4) horizontal wells in NSO Unit A with lateral lengths ranging
12 from approximately 11,533 feet to 11,875 feet. The wells will be drilled from a single pad
13 location located in the southeast portion of NSO Unit A.

14 **Q8. Do you have an opinion on whether unit operations in the NSO Unit A are**
15 **reasonably necessary to increase substantially the recovery of oil and gas from the**
16 **unit area, and if so, what is your opinion?**

17 A8. Yes, my opinion is that unit operations in the NSO Unit A are reasonably necessary to
18 increase substantially the recovery of oil and gas from the unit area. If unit operations are
19 allowed to proceed, I estimate that approximately 19.498 Bcf of gas, 2,936 Mbbl of
20 condensate, and 1,903 Mbbl of natural gas liquids ("NGL") (totaling 8,089 Mboe or
21 48.533 Bcfe) can be recovered from the four planned horizontal wells over the next 50
22 years, as further reflected on **Attachment 2, Exhibit 5**. Without unit operations, Artex
23 would be unable to drill these wells, due to the location of tracts that are unleased, subject
24 to uncommitted working interests, or subject to Non-Conforming Leases, as well as
25 "stand-off" requirements. As a result, all of the recovery that could be produced from
26 unitized development would be stranded, resulting in a significant waste of resources.

27 **Q9. How did you make these estimates?**

28 A9. These estimates were generated by analyzing the performance of producing Utica-Point
29 Pleasant Shale wells in an analogous area of the play as reflected on **Attachment 2,**
30 **Exhibit 10**. Production from these analogous wells was extrapolated 50 years into the
31 future using Arps decline curve analysis to determine the estimated ultimate recovery

1 (EUR) of each well. I also researched the completion details of each analogous well,
2 including the total perforated interval. For each well, I calculated the EUR of gas per
3 1,000 feet of perforated lateral (EUR/1,000'). I also calculated the lifetime average
4 condensate yield, which is the ratio of condensate to gas produced over the life of the
5 well. I used statistical analysis to determine the median EUR/1,000' and median
6 condensate yield of the wells in the analogous area. These values were then assigned to
7 the lateral lengths of the four wells planned in NSO Unit A to calculate the estimated gas
8 and condensate EURs. This process was also applied to production of natural gas liquids.
9 The decline profile, which defines the timing of gas, condensate, and NGL production for
10 each well, was estimated using trend analysis of producing wells in the analogous area.

11 **Q10. Are the estimates that you made based on good engineering practices and accepted
12 methods in the industry?**

13 A10. This process is used in numerous North American shale plays.

14 **Q11. Can you calculate the production from these wells ahead of time with mathematical
15 certainty?**

16 A11. No. It is difficult to predict the decline profiles and EURs of gas, condensate, and NGL
17 produced from horizontal shale wells. Statistical analysis of wells believed to be
18 analogous provides the best estimate of these volumes.

19 **Q12. Is horizontal drilling technology, including hydraulically fracturing the formation,
20 required to economically develop unconventional resources?**

21 A12. Yes.

22 **Q13. Is it fair to say that horizontal wells are commonly used to develop shale formations
23 like the Unitized Formation today?**

24 A13. Yes.

25 **Q14. In your professional opinion, would it be economic to develop the NSO Unit A using
26 vertical drilling?**

27 A14. No. Production of hydrocarbons from a vertical Utica-Point Pleasant Shale well would be
28 significantly less than that of a horizontal well producing from the same interval.
29 Horizontal drilling, utilizing hydraulic fracturing, is necessary in shale formations such as
30 the Utica-Point Pleasant Shale in order to increase the surface area exposed to the
31 hydrocarbon bearing reservoir. This provides more conduits by which the hydrocarbons

1 can be drained. Without horizontal drilling and stimulation, the permeability is too low
2 to produce sufficient quantities of product to justify the expense of drilling. Further, I
3 believe development of the acreage using vertical wells would leave significant reserves
4 stranded between wells.

5 **VALUE OF ESTIMATED ADDITIONAL RECOVERY EXCEEDS ITS ESTIMATED**
6 **ADDITIONAL COSTS.**

7 **Q15. Let's turn to the financial side of the project. Generally, in your professional**
8 **experience, how would the economics of a development project such as the**
9 **development of the NSO Unit A be evaluated?**

10 A15. Generally speaking, the gas, condensate, and NGL production through time would be
11 estimated through analysis of analogous producing wells. These volumes would then be
12 applied to the appropriate commodity price forecast to calculate revenue. Then capital
13 costs, operating expenses, taxes, and royalty burden would be subtracted from revenue to
14 calculate cash flow. The forecast of cash flow over time would then be converted to a
15 commonly used economic metric such as net present value which is cash flow discounted
16 ten percent to account for time.

17 **Q16. Did you do that here?**

18 A16. Yes.

19 **Q17. Would you walk us through your economic evaluation, beginning with your**
20 **estimate of the anticipated revenue stream from the NSO Unit A's development?**

21 A17. The anticipated revenue stream was calculated by applying a price forecast and the
22 appropriate market adjustments to the volumes of gas, condensate, and NGL expected to
23 be produced by the planned wells over time, net of the royalty burden. The price
24 assumptions were \$3.00 per MMBtu for Henry Hub gas and \$50.00 per barrel for WTI
25 oil and \$24 per barrel for NGLs. All prices were held flat for the economic life of the
26 properties. Subtracted from revenue were capital costs, lease operating expenses, water
27 disposal costs, additional fees for gas gathering, compression, processing, as well as the
28 transportation and fractionation of NGLs and taxes. The result was a forecast of cash
29 flow over time for each planned well.

1 **Q18. What about anticipated capital and operating expenses?**

2 A18. Capital costs were accounted for and include the expense of pad construction, rig
3 mobilization, drilling and completing the four planned wells, and production facilities.
4 These costs are estimated to be \$44.696 million. Lease operating fees were estimated
5 from historical operating fees associated with Artex's currently producing horizontal
6 Utica-Point Pleasant Shale wells.

7 **Q19. Did you assess the development of the area covering the NSO Unit A if an order for
8 unit operations is not issued?**

9 A19. Yes. In the absence of unit operations, Artex would be unable to develop the proposed
10 four wells in the NSO Unit A, resulting in the stranding of all of the recoverable
11 resources from the unit.

12 **Q20. Do you have an opinion as to whether the value of the estimated additional recovery
13 from the proposed unit operations for the NSO Unit A exceeds the operations'
14 estimated additional costs?**

15 A20. Yes. With unitized development, the net present value of the four-well project is \$45.113
16 million. Conversely, without unitization, there would be no recovery from the unit nor
17 realized value.

18 **Q21. And your opinions are based on your education and professional experience?**

19 A21. Yes.

20 **Q22. Does this conclude your testimony?**

21 A22. Yes.

ATTACHMENT 5

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

In re the Matter of the Application of Artex :
Energy Group LLC :
 : Application Date: January 17, 2017
 :
NSO Unit A : Supplement Date: March 9, 2017

**PREPARED DIRECT TESTIMONY OF CHADRICK R. SPENCE
ON BEHALF OF ARTEX ENERGY GROUP LLC**

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Artex Energy Group LLC

Chadrick R. Spence
Director of Land – Shale Assets
Artex Energy Group LLC
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Marietta, Ohio 45750

Applicant

PREPARED DIRECT TESTIMONY OF CHADRICK R. SPENCE

1 **INTRODUCTION.**

2 **Q1. Please introduce yourself to the Division.**

3 A1. My name is Chadrick R. Spence and I am the Director of Land – Shale Assets for
4 Artex Energy Group LLC (“**Artex**”).

5 **Q2. What is your educational background?**

6 A2. I received a Bachelor of Arts degree in Business Management from Marietta College
7 in 2001 and a Juris Doctor from Capital University Law School in 2005.

8 **Q3. Would you briefly describe your professional experience?**

9 A3. I have more than ten (10) years of professional experience as an attorney focusing in
10 oil and gas, and I started working with Artex in January, 2010. My entire career as
11 an oil and gas attorney has been spent working in the Appalachian Basin.

12 **Q4. What do you do as Director of Land for Artex?**

13 A4. I am responsible for managing Artex’s shale land assets in Ohio. My daily responsi-
14 bilities include unit formation, lease analysis, and creating and obtaining joint oper-
15 ating agreements from competitors. I also work with attorneys representing landown-
16 ers to negotiate oil and gas leases, and with working interest competitors and partners
17 to negotiate farmins, farmouts, joint ventures and working interest approvals. Lastly,
18 I support Artex’s land staff who are also responsible for contacting landowners to
19 negotiate oil and gas leases or modifications thereof.

20 **Q5. Are you a member of any professional associations?**

21 A5. Yes, I am a member of the Ohio State Bar Association, the West Virginia State Bar
22 Association, the American Association of Professional Landmen and the Energy &
23 Mineral Law Foundation.

24 **Q6. What is the purpose of your testimony today?**

25 A6. I am testifying in support of the Application of Artex for Unit Operations filed with
26 respect to the NSO Unit A, consisting of twenty-nine (29) separate tracts of land
27 totaling approximately 1,759 acres in Sharon and Olive Townships, Noble County,
28 Ohio. In particular, I will describe the efforts made by Artex to put the NSO Unit A
29 together and the Unit Plan that Artex is proposing.

1 **EFFORTS MADE BY ARTEX TO LEASE UNIT TRACTS.**

2 **Q7. The Application submitted by Artex indicates that it owns the oil and gas rights**
3 **to more than 1,548 acres of the proposed approximately 1,759-acre NSO Unit**

4 **A. Would you describe how Artex acquired those rights?**

5 A7. Artex acquired the vast majority of the oil and gas rights from its affiliate and Man-
6 ager, Artex Oil Company, in May, 2011. Artex Oil Company is a long-standing Ohio
7 operator which acquired these rights by its own leasing efforts and various working
8 interest acquisitions. Additionally, Artex acquired a portion of its interest in the oil
9 and gas rights from a joint venture with Anadarko E&P Company LP which con-
10 cluded in September, 2014. Additional leasing efforts have been made to acquire oil
11 and gas leases on tracts of unleased lands which have persisted for several months.
12 Title to the Artex interest in the unit is held by Artex Energy Group LLC and it is the
13 applicant for all purposes of this Application.

14 **Q8. The interest of Artex represents 88.0029% of the unit acreage?**

15 A8. Yes, Artex now holds leases for approximately 1,548 acres, or 88.0029% of the unit.
16 This information is reflected on Exhibit "A-2" to the Unit Operating Agreement.

17 **Q9. Are there other operators in the unit, and if so, have they agreed to participate**
18 **in its development?**

19 A9. Yes. The other operators in the unit, along with their respective working interest per-
20 centages, are reflected on Exhibit "A-2" and Exhibit "A-5" to the Unit Operating
21 Agreement. As of the date of this Application, these operators have not agreed to
22 participate in the unit's development.

23 **Q10. Do all of the leases in the NSO Unit A conform to the proposed development of**
24 **the unit?**

25 A10. No. There are several tracts in the NSO Unit A under lease to Artex as well as several
26 tracts under lease to uncommitted working interest owners – identified on Exhibit
27 "A-4" of the Unit Operating Agreement – with leases containing non-conforming
28 pooling provisions and having an aggregate acreage of 556.546094 acres (the "Non-
29 Conforming Leases"). Those leases contain (i) pooling provisions that allow the
30 lessee, i.e. Artex or otherwise, to voluntarily consolidate the lease's acreage into units
31 smaller than the 1,759 acres required to voluntarily form the NSO Unit A or (ii)

1 contain no pooling provision at all. These leases therefore, don't "conform" to the
2 NSO Unit A's proposed acreage if the NSO Unit A was to be voluntarily formed,
3 and thus those tracts need to be statutorily unitized if Artex is to effectively and effi-
4 ciently develop the NSO Unit A.

5 **Q11. Has Artex made efforts to obtain modifications of the Non-Conforming**
6 **Leases?**

7 A11. Yes, with respect to those Non-Conforming Leases in which Artex owns a working
8 interest. Those efforts are summarized in Affidavits of Contacts that were prepared
9 in conjunction with this Application and are attached as Attachment 2, Exhibit 7 to
10 this Application. Artex has not contacted the owners of the Non-Conforming Leases
11 that are held by uncommitted working interests (because Artex owns no interest in
12 those leases). But affidavits concerning the efforts of Artex to obtain interests in
13 such leases are attached in Attachment 2, Exhibit 7 of this Application.

14 **Q12. How many unleased mineral owners are there in the NSO Unit A?**

15 A12. There is one (1) unleased mineral owner in the NSO Unit A, owning Tract 03, which
16 represents 0.0006% of the acreage within the unit.

17 **Q13. Who is the unleased mineral owner?**

18 A13. The unleased mineral owner for Tract 03 is Thomas F. Haskins, Jr., Trustee for the
19 Brenda L. Halcomb Trust dated May 22, 2012.

20 **Q14. Has Artex made efforts to obtain a lease from the unleased mineral owner?**

21 A14. Yes, Artex' efforts to obtain a voluntary lease agreement from the unleased mineral
22 owner are summarized on the Affidavits of Contacts attached as Attachment 2, Ex-
23 hibit 7 to this Application.

24 **Q15. Do you have an exhibit in your testimony that shows the unleased mineral**
25 **owner, Non-Conforming Leases, and uncommitted working interests within the**
26 **NSO Unit A?**

27 A15. Yes. The plat map in Attachment 2, Exhibit 3 shows the unleased mineral owner in
28 red, Non-Conforming Leases in orange, and tracts subject to both uncommitted
29 working interests and Non-Conforming Leases in green and orange cross-hatch.

30 **Q16. Do you have an aerial plat of the NSO Unit A?**

31 A16. Yes, I've attached one as Attachment 2, Exhibit 4.

1 **UNIT PLAN PROVISIONS.**

2 **Q17. Would you describe generally the development plan for the NSO Unit A?**

3 A17. Yes. As shown on Attachment 2, Exhibit 3, Artex intends to develop the NSO Unit
4 A by drilling four (4) laterals of between approximately 11,533 and 11,875 feet in
5 lateral length from a single well pad located on the southern portion of the unit.

6 **Q18. Does Artex have a specific timeline for drilling the wells in the NSO Unit A?**

7 A18. We anticipate drilling at least one and possibly all four wells within 12 months of an
8 approved, effective, non-appealable final order for the NSO Unit A, and anticipate
9 that these wells will begin producing within three (3) years from such order.

10 **Q19. Does Artex have any other development activity in the immediate area?**

11 A19. Yes. To the southeast of the NSO Unit A is the FREC Nobl Olive A-1H Unit, which
12 was drilled by Anadarko E&P Company LP in June, 2012, and subsequently trans-
13 ferred to Artex in September, 2014. This is reflected on Attachment 2, Exhibit 6.
14 Further, depending on results from the NSO Unit A, Artex has identified multiple
15 other units in the immediate area for future development activity.

16 **Q20. Does any portion of the FREC Nobl Olive A-1H Unit overlap with the unit
17 boundary for the NSO Unit A?**

18 A20. Yes, currently a portion of the FREC Nobl Olive A-1H unit (the "Olive Unit") over-
19 laps with the unit area of the NSO Unit A. After consulting with Division staff, Artex
20 intends to set a bridge plug in the horizontal portion the Olive Unit wellbore so that
21 it no longer produces from any portion of the unit area of the NSO Unit A – and
22 adjust the unit boundaries for the Olive Unit accordingly – at least two (2) weeks
23 prior to any hearing scheduled by the Division for the consideration of the Applica-
24 tion.

25 **Q21. Would this operation and adjustment of the Olive Unit cause any of the leased
26 Tracts identified on Exhibit A-2 to become unleased?**

27 A21. By adjusting the Olive Unit, the lease covering Tracts 24, 25 and 26 would expire
28 under its own terms for lack of production; however, Artex holds a top lease (some-
29 times referred to as a protection lease) covering these tracts that would be the valid
30 and subsisting lease once the prior lease terminates; said top lease is conforming for
31 the NSO Unit A.

1 **Q22. Are you familiar with the Unit Plan proposed by Artex for the NSO Unit A?**

2 A22. Yes. The Unit Plan proposed by Artex is attached to the Application and consists of
3 an initial document that establishes the non-operating relationship between the par-
4 ties in the unit, and an operating agreement and related exhibits that establish how
5 the unit is going to be explored, developed and produced.

6 **Q23. Turning first to the body of the Unit Plan, marked as Attachment 1 to the Ap-
7 plication, would you describe briefly what it does?**

8 A23. Yes. The general intent of the Unit Plan is to effectively combine the oil and gas
9 rights and interests in the NSO Unit A in a uniform manner so that they can be de-
10 veloped as though each of the tracts were covered by a single lease.

11 **Q24. Are all of the oil and gas rights in the proposed unit combined?**

12 A24. No. The Unit Plan only unitizes the oil and gas rights in and related to the Unitized
13 Formation.

14 **Q25. How would production from the NSO Unit A be allocated?**

15 A25. On a surface-acreage basis. Under Article 4 of the Unit Plan, every tract is assigned
16 a tract participation percentage based on surface acreage, as shown on Exhibit "A-
17 2" to the Unit Operating Agreement. Article 5 of the Unit Plan allocates production
18 based on that tract participation.

19 **Q26. Would you go through an example from Exhibit "A-2" to the Unit Operating
20 Agreement to illustrate what you mean?**

21 A26. Yes. If you look at the fifth (5th) column on Exhibit "A-2" to the Unit Operating
22 Agreement, the column entitled "Surface Acres in Unit", it shows the number of
23 surface acres in each tract that are situated within the NSO Unit A. The sixth (6th)
24 column labeled "Tract Participation" shows the related tract participation of each
25 tract, which is calculated by dividing the total number of surface acres in the tract in
26 the NSO Unit A by the total number of surface acres in the NSO Unit A. On the same
27 exhibit, if you were to refer to Tract 07, you will see that "W. Roger Iams" owns a
28 tract of land in which 41.470263 acres of said tract are within the NSO Unit A, which
29 equates to a Tract Participation of 0.023573 (41.470263 / 1,759.263910).

30

31

1 **Q27. What does that mean in terms of production allocated to that particular tract?**

2 A27. That means that 0.023573 or 2.3573% of the production in the unit would be allo-
3 cated to Tract 07.

4 **Q28. Is this the way production would be allocated to an unleased tract, a tract cov-
5 ered by a Non-Conforming Lease, or a tract covered by an uncommitted work-
6 ing interest?**

7 A28. Yes.

8 **Q29. In your experience, is this an unusual way to allocate production in a unit?**

9 A29. No. In my experience that is the generally accepted method to allocate production in
10 a unit.

11 **Q30. How are unit expenses allocated?**

12 A30. Expenses are allocated in the same manner as production in the unit, on a surface-
13 acreage basis. **Article 3** of the Unit Plan provides that expenses, unless otherwise
14 allocated in the Unit Operating Agreement, will be allocated to each tract of land
15 within the unit in the proportion that the surface acres of each tract bear to the surface
16 acres of the entire unit.

17 **Q31. Who pays the unit expenses?**

18 A31. According to the terms of the proposed Unit Plan, the working interest owners.

19 **Q32. Do the royalty owners pay any part of the unit expenses?**

20 A32. No, unless the terms and conditions of the royalty owner's oil and gas lease dictate
21 otherwise. Royalty interest owners are responsible only for their proportionate share
22 of taxes and post-production costs, payable only from their share of the proceeds
23 from sales of production from the unit area.

24 **Q33. Let's turn to the Unit Operating Agreement. It appears to be based upon
25 A.A.P.L. Form 610 – Model Form Operating Agreement, is that correct?**

26 A33. Yes. We typically use a modified version of the 1989 agreement (the "**Form 610**").
27 The Form 610, together with its exhibits, is a commonly used form in the industry
28 and is frequently modified to fit the needs of the parties and circumstances.

29 **Q34. Would it be fair to say, then, that you are familiar with the custom and usage of
30 the Form 610 and other similar agreements in the industry?**

31 A34. Yes.

1 **Q35. Turning to the Unit Operating Agreement in particular, does it address how**
2 **unit expenses are determined and paid?**

3 A35. Yes. Article III of the Unit Agreement provides that all costs and liabilities incurred
4 in operations shall be borne and paid proportionately by the working interest owners,
5 according to their Unit Participation percentages. Those percentages can be found in
6 Exhibit “A-2” to the Unit Operating Agreement. Moreover, the Unit Operating
7 Agreement has attached to it an accounting procedure identified as Exhibit “C” that
8 offers great detail regarding how unit expenses are determined and paid.

9 **Q36. That’s commonly referred to as the COPAS?**

10 A36. Yes, it stands for the Council of Petroleum Accountants Societies, Inc. and is a com-
11 monly used form in the industry.

12 **Q37. Based upon your education and professional experience, do you view the terms**
13 **of Exhibit “C” as reasonable?**

14 A37. Yes.

15 **Q38. Are there times when a working interest owner in the unit chooses not to – or**
16 **cannot – pay their allocated share of the unit expenses?**

17 A38. Yes, such a situation is not uncommon in the industry. The agreements allow work-
18 ing interest owners the flexibility to decline to participate in an operation that they
19 either cannot afford or believe is not likely to be profitable. The remaining parties
20 can then proceed at their own risk and expense.

21 **Q39. Generally, how is the working interest accounted for when an owner chooses**
22 **not to participate in an operation?**

23 A39. A working interest owner who cannot or chooses not to participate in an operation is
24 considered a non-consenting party. If the consenting parties bear the full cost and
25 expense of the operations, a non-consenting party is deemed to have relinquished its
26 interest in that operation until the well revenues pay out the costs that would have
27 been attributed to that party, plus a prescribed risk factor.

28 **Q40. Can a working interest owner choose to go non-consent in the initial well in the**
29 **NSO Unit A?**

30 A40. Yes, under the terms of Article VI and Article XVI.G of the Unit Operating Agree-
31 ment. These provisions likewise apply to an unleased mineral owner. Article XVI.G

1 of the Unit Operating Agreement provides that the non-consenting party shall be
2 deemed to have relinquished its working interest to the other parties in the unit, with
3 a back-in provision and risk factor of 500% on the initial well in the NSO Unit A.

4 **Q41. Does the Unit Operating Agreement treat the initial well and subsequent oper-**
5 **ations differently in terms of going non-consent, and if so, why?**

6 A41. No. The initial well and subsequent operations are both subject to a back-in provi-
7 sion and risk factor of 500%. Artex believes this is appropriate due to the possibility
8 that all of the wells in the unit will be drilled and completed concurrently.

9 **Q42. But if the non-consenting party still has a royalty interest in the unit, that roy-**
10 **alty interest would remain in place and be paid?**

11 A42. Yes. That royalty interest would still be paid.

12 **Q43. Where are the risk factors for subsequent operations set out in the Unit Oper-**
13 **ating Agreement?**

14 A43. They are set out in Article VI.B of the Unit Operating Agreement.

15 **Q44. Are the percentages included in the Unit Operating Agreement unusual?**

16 A44. No, not for joint operating agreements used in horizontal drilling programs. Because
17 of the significant costs associated with drilling horizontally through the Unitized For-
18 mation (often in excess of \$10,000,000 to plan, drill, and complete) and because the
19 Unitized Formation is an unconventional play (where uneven geological perfor-
20 mance is likely). It is common for companies to incorporate into their joint operating
21 agreement a risk factor that is proportionate to the substantial financial commitment,
22 and these percentages are frequently much higher than those contained in the joint
23 operating agreement.

24 **Q45. I believe you've already described generally the documents in Exhibit "A" and**
25 **Exhibit "C" to the Unit Operating Agreement. Let's turn therefore to Exhibit**
26 **"B" of the Unit Operating Agreement. What is it?**

27 A45. Exhibit "B" is a standard oil and gas lease form that is attached to the joint operating
28 agreement to govern any unleased interests owned by the parties. Article III.A of
29 the Unit Operating Agreement provides that if any party owns or acquires an oil and
30 gas interest in the Contact Area (being the area covered by NSO Unit A), then that
31 interest shall be treated for all purposes of the Unit Operating Agreement as if it were

1 covered by the form of lease attached as Exhibit “B”.

2 **Q46. Does this oil and gas lease contain standard provisions that Artex uses in con-**
3 **nection with its unconventional operations in Ohio?**

4 A46. Yes.

5 **Q47. Moving on to Exhibit “D” of the Unit Operating Agreement, would you describe**
6 **what it is?**

7 A47. Yes. Exhibit “D” is the insurance exhibit to the joint operating agreement. It sets
8 forth coverage amounts and limitations, and the insurance terms for operations con-
9 ducted under the Unit Operating Agreement. For example, it requires insurance cov-
10 erage for Worker’s Compensation, General Liability, Auto Liability, Excess Liabil-
11 ity, Cost of Well Control and Care, and Pollution Liability.

12 **Q48. Would you next describe to the Division Exhibit “E” of the Unit Operating**
13 **Agreement?**

14 A48. Yes. Exhibit “E” is the Gas Balancing Agreement, which further details the rights
15 and obligations of the parties with respect to marketing and selling any production
16 from the Contract Area.

17 **Q49. In your professional opinion, given your education and experience, are the**
18 **terms of the Unit Plan, including the terms of the exhibits just discussed, just**
19 **and reasonable?**

20 A49. Yes.

21 **Q50. Does this conclude your testimony?**

22 A50. Yes.