

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

In re the Matter of the Application of :  
Ironhead Operating, LLC for :  
Unit Operation : Application Date: May 12, 2023  
:  
Fairgrounds 2 Unit :

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APPLICATION OF IRONHEAD OPERATING, LLC  
FOR UNIT OPERATION

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EXHIBITS

Exhibit 1	Unit Agreement
Exhibit 2	Unit Operating Agreement
Exhibit 3	Prepared Direct Testimony of William Carpenter, Geologist (“Geologist”)
Exhibit 4	Prepared Direct Testimony of Christopher Rowntree, Reservoir Engineer (“Reservoir Engineer”)
Exhibit 5	Prepared Direct Testimony of Richard Repasky, Landman (“Landman”)
Exhibit 6	Working Interest Owner Approvals
Exhibit 7	Due Diligence Affidavit
Exhibit 8	Mailing List

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

In re the Matter of the Application of  
Ironhead Operating, LLC for Unit  
Operation

Fairgrounds 2 Unit

**APPLICATION**

Pursuant to Ohio Revised Code Section 1509.28, Ironhead Operating, LLC (“Ironhead”), hereby respectfully requests the Chief of the Ohio Department of Natural Resources’ Division of Oil and Gas Resources Management (“Division”) to issue an order authorizing Ironhead to operate the Unitized Formation (as defined in Section IV(B), below) and applicable land area in Guernsey County, Ohio (hereinafter, the “Fairgrounds 2 Unit” or the “Unit”) as a unit according to the Unit Plan attached hereto and as more fully described herein. Ironhead makes this request 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**

Ironhead is a corporation organized under the laws of the State of Delaware. Ironhead has its principal office in Fort Worth, Texas. Ironhead is registered in good standing as an “owner” with the Division.

Ironhead 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:

Richard Repasky  
Landman  
IRONHEAD OPERATING, LLC  
P.O. Box 190  
Cambridge, OH 43725  
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## II. PROJECT DESCRIPTION

The Fairgrounds 2 Unit is located in Guernsey County, Ohio, and consists of sixty-nine (69) 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 Fairgrounds 2 Unit is approximately 911.686 acres.<sup>1</sup> At the time of this Application, Ironhead Operating, LLC, through its affiliate Ironhead Resources III, LLC, has the right to drill on and produce from 672.231 acres<sup>2</sup> of the proposed unit – being 73.734926% of the Unit Area (as defined in the Unit Agreement, attached as Exhibit 1) which is greater than the sixty-five percent (65%) threshold required by Ohio Revised Code § 1509.28.<sup>3</sup> As more specifically described herein, Ironhead seeks authority to drill and complete three (3) horizontal wells in the Unitized Formation from a single well pad, which will be located within the Fairgrounds 2 Unit, to efficiently test, develop, and operate the Unitized Formation for oil, natural gas, and related liquids production. Ironhead seeks a unit order because there are unleased and uncommitted tracts in the Fairgrounds 2 Unit.

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

## III. TESTIMONY

The following pre-filed testimony has been attached hereto and is incorporated herein, in support of this Application for approval of operations pursuant to the Unit Plan for the Fairgrounds 2 Unit: (i) testimony from a Geologist establishing that the Unitized Formation is part of a pool and supporting the Unit Plan's recommended allocation of unit production and expenses on a surface acreage basis;<sup>4</sup> (ii) testimony from a Reservoir Engineer establishing that unitization is

<sup>1</sup> The total acreage in the Fairgrounds 2 Unit was calculated using GIS data along with corresponding acreage identified in performing title due diligence. In its calculations, Ironhead takes the identified acreage multiplied by the GIS post clip information representing the percentage of each tract that encompasses the Fairgrounds 2 Unit.

<sup>2</sup> Ironhead Operating, LLC, affiliate of Ironhead Resources III, LLC, as Operator, is authorized to file this application on behalf of Ironhead Resources III, LLC.

<sup>3</sup> See Prepared Direct Testimony of Richard Repasky, attached as Exhibit 5.

<sup>4</sup> See Prepared Direct Testimony of William Carpenter, attached as Exhibit 3.



reasonably necessary to increase substantially the recovery of oil and gas, and that the value of the estimated additional resource recovery from unit operations exceeds its additional costs;<sup>5</sup> and (iii) testimony from an operational Landman with firsthand knowledge of Ironhead's Ohio development who describes the project generally, the Unit Plan, and efforts to lease the unleased tracts and to gain the consent of non-consenting working interest owners.<sup>6</sup>

#### IV.

#### THE CHIEF SHOULD GRANT AN ORDER FOR THIS APPLICATION

##### A. Legal Standard

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order providing for the unit operation of a pool – or a part thereof – when the applicant shows that 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(D).

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

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

See Ohio Rev. Code § 1509.28(E).

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<sup>5</sup> See Prepared Direct Testimony of Christopher Rowntree, attached as Exhibit 4.

<sup>6</sup> See Prepared Direct Testimony of Richard Repasky, attached as Exhibit 5.

The Order will become effective when Ironhead provides the Chief with final written approval of the unit operations from sixty-five percent (65%) of the working interest owners in the Unit Area, and sixty-five percent (65%) of the royalty interest owners in the Unit Area. Upon receipt of these approvals, the Order shall become effective, and unit operations may commence as set forth above. Ironhead will have six (6) months to provide these required approvals, and, if it does not do so, the Order will be deemed revoked, and the Chief shall provide notice of the revocation to Ironhead and the unleased mineral interest owners in the Unit Area. See Ohio Revised Code § 1509.28(F).

Within twenty-one (21) days of the Order becoming effective, Ironhead will file a copy of the Order with the Guernsey County Recorder's Office.

Ironhead requests that its Unit Agreement and Unit Operating Agreement are adopted by the Order. In the event of a conflict between the Plan for Unit Operations approved by the Chief and contained in the Order, and Ironhead's Unit Agreement and Unit Operating Agreement, the Order shall take precedence and the Unit Agreement and Unit Operating Agreement shall conform to the Order.

B. Ironhead's Application Meets the Legal 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) from fifty (50) feet true vertical depth above the top of the Utica Shale Formation to fifty (50) feet true vertical depth below the base of the Point Pleasant interval of the Utica, and commonly referred to as the Utica formation and the Utica/Point Pleasant formation (referred to herein as, the "Utica Formation"). The evidence presented in this Application establishes that the Unitized Formation is part of a pool, and thus, an appropriate subject of unit operation under Ohio Rev. Code § 1509.28.<sup>7</sup> Additionally, that evidence establishes that the Unitized Formation is likely to be reasonably uniformly distributed throughout the Unit Area – and, thus, that it is reasonable for the Unit Plan to allocate unit production and expenses to separately owned tracts on a surface acreage basis.<sup>8</sup>

<sup>7</sup> A "pool" is defined under Ohio law as "an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir." Ohio Rev. Code § 1509.01(E). See also Exhibit 3 at 2-3.

<sup>8</sup> Exhibit 3 at 5.



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

The evidence presented in this Application establishes that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the lands making up the Fairgrounds 2 Unit. The Unit Plan contemplates the drilling of three (3) horizontal wells from a multi-well pad, which will be located within the Fairgrounds 2 Unit, with an estimated average lateral length of approximately 14,759 feet.<sup>9</sup> Ironhead estimates the total amount of recoverable gas through the planned unit development is approximately 13.179 BCF and the total amount of recoverable oil through the planned unit is approximately 1.93 MMbbl.<sup>10</sup> Absent an order authorizing unit operations, that 13.179 BCF of gas and 1.93 MMbbl of oil would be stranded, resulting in a significant waste of natural resources. The evidence provided shows that it is unlikely that vertical development of the unit would ever take place because it is likely to be uneconomic – resulting in potentially no resource recovery from portions of the Unitized Formation. Ironhead estimates that operations under the requested unit order will increase substantially the ultimate recovery from the proposed Fairgrounds 2 Unit, and that absent an Order the unleased tracts and non-consenting tracts cannot be avoided and the unit would not be developed resulting in significant loss of production. The evidence thus shows that the contemplated unit operations are reasonably necessary to increase substantially the recovery of oil and gas from the Unitized Formation.<sup>11</sup>

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

Capital expenditure (“CAPEX”) to develop the unitized project is \$44.3 million, while the non-unitized project would not be developed.<sup>12</sup> CAPEX includes all capital expenditures necessary to initially drill, complete, equip, turn-in-line, and produce the wells. As set forth on Exhibit 4-3 to Mr. Rowntree’s testimony, by using the NYMEX forward strip price (fixed at \$3.85 per thousand cubic feet after January 2026) for natural gas and NYMEX forward strip price (fixed at \$66.37 per barrel of oil after January 2026) for oil, Ironhead estimates that the net present value of the additional future cash flow from the unitized project, when compared to the cash flow generated by the non-unitized project, increases from \$0 (would not be developed) to \$32.62

<sup>9</sup> Exhibit 5 at 3.

<sup>10</sup> Exhibit 4 at 3.

<sup>11</sup> There are also substantial benefits in the form of reduced surface impacts as a result of the contemplated unit operations. For example, the use of a single well pad located on the southern boundary causes significantly less surface disruption than a vertical well drilling program designed to recover potentially lower resource volumes. See, e.g., Exhibit 5 at 5-6.

<sup>12</sup> Exhibit 4 at 4.



million with a 10% discount rate.<sup>13</sup> The undiscounted value of future cash flows from the unitized project is \$81.54 million.<sup>14</sup> Thus, the evidence establishes that the value of the estimated additional recovery is expected to exceed the estimated additional costs incident to conducting unit operations.

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

The Unit Plan proposed by Ironhead meets the requirements set forth in Ohio Revised Code § 1509.28. The Unit Area is described in the Unit Agreement at Article 1, as well as on Exhibits A-1 and A-2 to the Unit Operating Agreement. The nature of the contemplated unit operations can be found generally in the Unit Agreement at Article 3, with greater specificity throughout the Unit Agreement and Unit Operating Agreement.<sup>15</sup> Unit production and unit expenses are allocated on a surface acreage basis as set forth in the Unit Agreement at Articles 3 through 5 (generally), except where otherwise allocated by the Unit Operating Agreement.<sup>16</sup> Payment of unit expenses is addressed generally in Article 3 of the Unit Agreement.<sup>17</sup> No provision for credits and charges related to contributions made by owners in the Unit Area regarding wells, tanks, pumps and other equipment for unit operations are addressed in the Unit Operating Agreement because none are contemplated.<sup>18</sup> The Unit Plan provides for various carries in the event a participant is unable to meet its financial obligations related to the unit – see, e.g., Article VI of the Unit Operating Agreement.<sup>19</sup> Voting provisions related to the supervision and conduct of unit operations are set forth in Article XVI of the Unit Operating Agreement, with each person having a vote that has a value corresponding to the percentage of unit expenses chargeable against that person's interest.<sup>20</sup> Commencement and termination of operations are addressed in Articles 11 and 12 of the Unit Agreement.

V.  
APPROVALS

As of the filing of this Application, the Unit Plan has been agreed to or approved by more than sixty-five percent (65%) of Working Interest Owners. See Exhibit 6. This working interest

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 3.

<sup>15</sup> See also, Exhibit 5 at 4-11.

<sup>16</sup> *Id.* at 7-8.

<sup>17</sup> *Id.* at 7.

<sup>18</sup> *Id.* at 8.

<sup>19</sup> *Id.* at 8-9.

<sup>20</sup> *Id.* at 9-10.

owner approval exceeds the statutory minimum requirements set forth in Ohio Revised Code § 1509.28(B) for the Chief's order, if issued, to become effective.

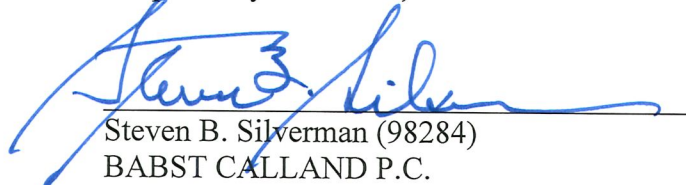
VI.  
HEARING

Ohio Revised Code § 1509.28 requires the Chief to hold a hearing to consider this Application, when requested by sixty-five percent (65%) of the owners of the land area underlying the proposed unit. Ohio Rev. Code § 1509.28(C). That threshold level is met here. Accordingly, Ironhead respectfully requests that the Division schedule a hearing, via a virtual hearing, when this Application is deemed complete and accurate.

VII.  
CONCLUSION

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the recovery of oil and gas, and the value of the estimated additional recovery from the unit's operations exceeds its additional costs. Ironhead 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(D). Ironhead therefore asks the Chief to issue an order authorizing Ironhead to operate the Fairgrounds 2 Unit according to the Unit Plan attached hereto.

Respectfully submitted,



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BABST CALLAND P.C.  
Two Gateway Center  
603 Stanwix Street  
6th Floor  
Pittsburgh, PA 15222

Attorney for Applicant,  
Ironhead Operating, LLC

## UNIT AGREEMENT

### **THE FAIRGROUNDS 2 UNIT** **GUERNSEY COUNTY, OHIO**

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

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

**WHEREAS**, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, natural gas, and other substances from the Fairgrounds 2 Unit, in Guernsey County, Ohio, and to avoid waste and protect the correlative rights of the owners of interests therein, it is deemed necessary and desirable to enter into and approve this Agreement to create and establish a unit comprising the Unit Area under the applicable laws of the State of Ohio to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided; and,

**WHEREAS**, this Agreement allocates responsibility for the supervision and conduct of Unit Operations, and responsibility for the payment of Unit Expenses, to Working Interest Owners based upon each owner’s pro rata interest in the unit acreage;

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

#### **ARTICLE 1: DEFINITIONS**

As used in this Agreement:

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

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

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

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

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

**Tract** means the land identified by a tract number in Exhibit A-2 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.

**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 Agreement may be extended as herein provided.

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

**Unit Expense** means all cost, expense, investment and indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement



for or on account of Unit Operations, but shall not include post-production costs attributable to Royalty Owner interests.

**Unitized Formation** means the subsurface portion of the Unit Area from fifty (50) feet true vertical depth above the top of the Utica Shale Formation to fifty (50) feet true vertical depth below the base of the Point Pleasant interval of the Utica, the stratigraphic equivalent of which was encountered by the Rector 1-S well (API # 34059242730000) in Richland Township, Guernsey County, Ohio at 7,129 feet true vertical depth down to 7,457 feet true vertical depth.

**Unit Operating Agreement** means the modified A.A.P.L. Form 610-2015 Model Form Operating Agreement dated May 10, 2023, for the Fairgrounds 2 Unit, which is attached hereto. Such Unit Operating Agreement contains provisions for credits and charges among Working Interest Owners for their respective investments in, and expenses for, Unit Operations, including a provision, if necessary, for carrying any Person unable or electing not to participate in Unit Operations. In addition, the Unit Operating Agreement also contains provisions relating to the supervision and conduct of Unit Operations and the manner in which Working Interest Owners may vote. The Unit Operating Agreement is hereby confirmed and by reference made a part of this Agreement. In the event of a conflict between such agreements, the terms of the Unit Operating Agreement shall govern.

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

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

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

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

**Working Interest** means an interest in Unitized Substances in the Unit Area by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of a lease or other instrument creating a Working Interest and whose owner, under an Order by the Chief, either chooses to be treated as a Working Interest Owner or who is awarded a working interest by such Order shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof. Upon reaching a Unitization Order's prescribed payout period on a specific well, the owner of a Working Interest free of a lease or other instrument and created by virtue of the Unitization Order shall receive monthly payments on net production revenue equal to seven-eighths (7/8) of the owner's Unit Participation, while continuing the one-eighth (1/8) Royalty Interest. A Royalty Interest created out of a Working Interest subsequent to the participation of, subscription to, ratification of, approval by, or consent to this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

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

## **ARTICLE 2: CREATION AND EFFECT OF UNIT**

**Oil and Gas Rights Unitized.** All Royalty Interests and Working Interests in Oil and Gas Rights in and to the lands identified on Exhibit A-1 and Exhibit 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 Agreement.

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

**Operations.** If an order is issued granting Unit Operator the authority to conduct Unit Operations, the operations conducted pursuant to the order of the chief shall constitute a fulfillment of all the express or implied obligations of each lease or contract covering lands in the unit area to the extent of that compliance with such obligations cannot be had because of the order of the chief.

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

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

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

### **ARTICLE 3: UNIT OPERATIONS**

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

**Unit Expenses.** Except as otherwise provided in the Unit Operating Agreement, Unit Expenses shall be allocated to each Tract in the proportion that the surface acres of each Tract bears to the surface acres of the Unit Area, and shall be paid by the respective Working Interest Owners. Oil and Gas Rights that are free of a lease or other instrument creating a Working Interest and whose owner, under an Order by the Chief, either chooses to be treated as a Working Interest Owner or who is awarded a working interest by such Order shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof.

### **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 surface acreage of the Tract bears to the total surface acreage of the Unit Area. The Tract Participation of each Tract has been calculated as follows: SURFACE ACRES IN EACH TRACT DIVIDED BY THE TOTAL SURFACE ACRES WITHIN THE UNIT AREA. The Tract Participations as shown in Exhibit A-2 to the Unit Operating Agreement are accepted and approved as being fair and equitable.

### **ARTICLE 5: ALLOCATION OF UNITIZED SUBSTANCES**

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

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

providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date.

#### **ARTICLE 6: USE OR LOSS OF UNITIZED SUBSTANCES**

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

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

#### **ARTICLE 7: TITLES**

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

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

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

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

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

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

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

**Unitized Property.** Notwithstanding anything in this Article 8 to the contrary, and except where otherwise authorized by the Division, there shall be no Unit Operations conducted on the surface of any property located within the Fairgrounds 2 Unit, and there shall be no right of ingress and egress over and no right to use the surface waters of any surface lands located within the Fairgrounds 2 Unit, owned by an interest owner identified in Exhibit A-3 to the Unit Operating Agreement.



## ARTICLE 9: CHANGE OF TITLE

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

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

## ARTICLE 10: RELATIONSHIPS OF PERSONS

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

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

## ARTICLE 11: EFFECTIVE DATE

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

## ARTICLE 12: TERM

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

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

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

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

### ARTICLE 13: APPROVAL

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

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

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

### ARTICLE 14: MISCELLANEOUS

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

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

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

A.A.P.L. FORM 610-2015

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

MAY 10, 2023  
Year

OPERATOR Ironhead Operating, LLC

CONTACT AREA As described in Exhibit “A”

COUNTIES OF \_\_\_\_\_, STATE OF Ohio

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PROFESSIONAL LANDMEN, 800 FOURNIER  
STREET, FORT WORTH, TEXAS 76102  
APPROVED FORM – A.A.P.L. NO. 610-2015



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**OPERATING AGREEMENT**

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

**WITNESSETH:**

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

NOW, THEREFORE, it is agreed as follows:

**ARTICLE I**

**DEFINITIONS**

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

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

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

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

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

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

F. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the lesser. "Deepen" shall not refer or apply to an operation involving the Extension of a Lateral.

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

H. The term "Drilling Unit" shall mean the area fixed for the drilling of one 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 Operator in its sole discretion so long as consistent with any restrictions in the Oil and Gas Leases or by applicable law.

I. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located. When used in connection with a Horizontal Well,

1 the term "Drillsite" shall mean (i) the surface hole location, and (ii) the Oil and Gas Leases or  
2 Oil and Gas Interests within the Drilling Unit on or under which the wellbore, including the  
Lateral, is located.

3 J. The term "Extension" or "Extend" shall mean an operation related to a  
4 Horizontal Well whereby a Lateral is drilled in the same Zone to a Displacement greater than  
5 (i) the Displacement contained in the proposal for such operation approved by the Consenting  
Parties, or (ii) the Displacement to which the Lateral was drilled pursuant to a previous  
6 proposal.

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

9 L. The term "Horizontal Well" shall have the same meaning as the term defined  
by the state regulatory agency having jurisdiction over the Contract Area provided that a well  
10 not qualifying as a Horizontal Well under such agency definition shall qualify as a Horizontal  
Well if it contains one or more Laterals which are drilled, Completed or Recompleted in a  
11 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  
12 Completion interval in the objective formation(s).

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

15 N. The term "Lateral" shall mean that portion of a wellbore of a Horizontal Well  
between the point at which the wellbore initially penetrates the objective Zone and the  
16 Terminus.

17 O. The term "Multi-lateral Well" shall mean a Horizontal Well with more than one  
18 Lateral.

19 P. 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.

20 Q. The term "Non-Consenting Party" shall mean a party who elects not to  
21 participate in a proposed operation.

22 R. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate,  
23 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.

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

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

28 U. 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  
30 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  
31 Completed and which is not in an existing Lateral.

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

34 W. The term "Rework" shall mean an operation conducted in the wellbore of a well  
35 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  
36 stimulation operations but exclude any Workover or drilling, Sidetracking, Deepening,  
Completing, Recompleting, or Plugging Back of a well.

X. 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.

Y. 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.

Z. The term "Terminus" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean the furthest point drilled in the Lateral.

AA. The term "Total Measured Depth", when used in connection with a Horizontal Well, shall mean the distance from the surface of the ground to the Terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed operation(s) is the drilling of, or operation on, a Horizontal Well, the terms "depth" or "total depth" wherever used in this agreement shall be deemed to read "Total Measured Depth" insofar as it applies to such well.

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

CC. The term "Workover" shall mean routine maintenance and repair work performed on a well but does not include a Rework operation.

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

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

## ARTICLE II

### EXHIBITS

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

- ☒ A. Exhibit "A," shall include the following information:
  - (1) Description of lands subject to this agreement,
  - (2) Restrictions, if any, as to depths, formations, or substances,
  - (3) Parties to agreement with addresses and telephone numbers for notice purposes,
  - (4) Percentages or fractional interests of parties to this agreement,
  - (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement.
  - (6) Burdens on production.
- ☒ B. Exhibit "B," Form of Lease.
- ☒ C. Exhibit "C," Accounting Procedure.
- ☒ D. Exhibit "D," Insurance.
- ☒ E. Exhibit "E," Gas Balancing Agreement.
- ☒ F. Exhibit "F," Memorandum of Operating Agreement

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

ARTICLE III

INTERESTS OF PARTIES

A. Oil and Gas Interests.

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

B. Interests of Parties in Costs and Production.

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations conducted under this agreement shall be owned, by the parties as their interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter. Operator shall amend Exhibit "A," from time to time, in order to correct mistakes therein or to reflect changes in ownership within the Contract Area. Operator's duty to amend Exhibit "A" shall be subject to the following:

1. If such amendment is a correction of the initial Exhibit "A," it shall be effective, retroactively as of the effective date of this agreement. If such amendment reflects a change occurring after the effective date of this agreement, it shall be effective, retroactively, as of the effective date of such change. In either event, if the amendment changes the interests of any parties in the Contract Area, the accounts of the affected parties shall be thus adjusted.

2. If a proposed amendment to Exhibit "A" involves only one of the parties, Operator shall amend Exhibit "A," upon the written consent of such affected party.

3. If a proposed amendment to Exhibit "A" results in an increase or decrease in the percentage of ownership of one or more parties, Operator shall amend Exhibit "A" upon the written consent of all affected parties.

4. If any party affected by a proposed amendment to Exhibit "A" fails to give written consent to such amendment, Operator may nevertheless make such amendment, in order to conform Exhibit "A" to ownership as reflected in an opinion issued by a licensed attorney, who is neither an employee of a party that is affected by the amendment nor of any Affiliate of such party. Such amendment shall be binding upon the parties until and unless determined otherwise pursuant to Article III.B.6.

5. Whenever any amendment is made to Exhibit "A," Operator shall promptly furnish each party with a copy of the amended Exhibit "A," together with a copy of the attorney's opinion upon which such amendment is based, when applicable, irrespective of whether such party is affected by the amendment.

6. Any party who has not consented to an amendment to Exhibit "A," may pursue litigation as to the validity of the basis for the amendment in a court of competent jurisdiction, by joining all other affected parties as parties to such litigation. If such litigation results in a determination which is contrary to the amendment, Operator shall conform Exhibit "A" to such determination, retroactive to the effective date determined pursuant to Article III.B.1, and the accounts of the affected parties shall be thus adjusted.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered:

☒ Option No. 1. all burdens on its share of the production from the Contract Area up to, but not in excess of the lowest sum of royalty plus overriding royalty of any Oil and Gas Lease in the Contract Area and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding



royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden.

Notwithstanding anything set forth in this Article III.B above, as long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause 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 has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

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

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

#### **C. Subsequently Created Interests.**

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not recorded, or is not referenced by another recorded instrument sufficient for notice purposes in the county records of the applicable county, or is not shown on Exhibit "A," such burden also shall be deemed a Subsequently Created Interest; provided, however, that, if Option 1 of Article III.B is applicable, such burden shall be deemed a Subsequently Created Interest only to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in said Option 1.

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

### **ARTICLE IV**

#### **TITLES**

##### **A. Title Examination.**

Title examination shall be made on the wellbore path and Drillsite of any proposed well prior to commencement of drilling operations and, if Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall

furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Consenting Party. Costs incurred by Operator in procuring abstracts, fees paid attorneys, title specialists and landmen for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions), title curative, and other direct charges as provided in Exhibit "C" shall be borne by the Consenting Parties in the proportion that the interest of each Consenting Party bears to the total interest of all Consenting Parties. Operator shall make no charge for services rendered by its staff attorneys, staff landmen or other personnel in the performance of the above functions that exceed prevailing rates in the area. Operator may use staff field landmen and title specialists for abstracting and staff attorneys for title examination if such personnel are employed specifically for this purpose and are billed at rates no higher than third party rates for similar services in the state where the services are rendered. Operator may also charge a reasonable digitable abstracting fee per tract if Operator has imaged and indexed the county records in which the Contract Area is located.

If requested by Operator, a party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party; otherwise, Operator shall be responsible for such activities. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions except as provided herein.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite, wellbore path or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney engaged or employed by Operator or title has been accepted by Operator.

#### **B. Loss or Failure of Title:**

1. Failure of Title. A failure of title shall occur when an Oil and Gas Interest or Oil and Gas Lease contributed by a party is determined to be invalid as of the effective date of this agreement, or to cover a lesser interest or less lands (as to aerial extent or Zones) during the term of this agreement, unless such limitations are disclosed on Exhibit "A". Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the 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., and subject to the provisions of Article VII.E with respect to shut-in payments, the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. 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: Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

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

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

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

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

## ARTICLE V

### OPERATOR

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

Ironhead Operating, LLC shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations conducted under this agreement as permitted and required by, and within the limits of this agreement. Operatorship is neither assignable nor forfeited except in accordance with the provisions of this Article V. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party, except that Non-Operators hereby designate and appoint Operator as their agent and attorney-in-fact for the sole purpose of executing, filing for approval by a governmental agency as required under applicable law or regulation, and recording a declaration of pooling or communitization agreement to effectuate the pooling or communitization of the Oil and Gas Leases (to the extent legally allowed under their respective terms and conditions) and/or Oil and Gas Interests to conform with a spacing order of a governmental agency having jurisdiction over any portion of the Contract Area. However, said agency authority shall only be exercised by Operator after providing written notice including a copy of the proposed pooling declaration or communitization agreement to Non-Operators, and shall be binding upon any Non-Operator failing to provide to Operator a written objection within ten (10) days after receipt of such notice. Operator shall conduct its activities under this agreement as a reasonably prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation. However, in no event shall it have any liability as Operator to the other parties, their officers, employees or agents for losses sustained or liabilities incurred in connection with authorized or approved operations under this agreement except such as may result from gross negligence or willful misconduct.

The Operator shall own an interest in the Contract Area except as provided in this Article V.A and subject to the provisions of Article V.B.5. A non-owning operator may serve as Operator but, as a condition precedent to serving as Operator, the putative non-owning operator and the Non-Operators must enter into a separate agreement, or insert Article XVI provisions to this agreement, to govern the relationship between them. Unless such separate agreement or Article XVI provisions provide otherwise, said non-owning operator shall be bound by all terms and conditions of this agreement applicable to Operator. The failure of a non-owning operator and Non-Operators to enter into such a separate agreement or such Article XVI provisions shall disqualify said non-owning operator from serving as Operator,

and a party owning an interest in the Contract Area must instead be designated as Operator.

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

1. Voluntary Resignation of Operator. Operator may resign at any time by giving written notice thereof to Non-Operators.

2. Events Deemed Resignation of Operator. If, after the effective date of this agreement, Operator (i) terminates its legal existence, or (iii) is no longer capable of serving as Operator, then Operator shall be deemed to have resigned without any action by Non-Operators, except for the selection of a successor Operator. A change of a corporate name or type of business entity of Operator or transfer of Operator's interest to any affiliate, single subsidiary, parent or successor entity shall not be deemed resignation of Operator or be the basis for removal of Operator.

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

4. Removal of Operator. Except as provided in Article V.B.5., an Operator that has not voluntarily resigned and is not deemed to have resigned may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such vote shall not be effective until a written notice has been delivered to Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall include, but not be limited to Operator's (i) gross negligence or willful misconduct; (ii) the material breach of or inability to meet the standards of operation contained in Article V.A. or (iii) material failure or inability to perform its obligations or duties under this agreement.

5. Non-Ownning Operator. Unless the parties have otherwise agreed, a non-owning Operator may be removed at any time, with or without cause, by the affirmative vote of parties owning a majority interest based on ownership as shown on Exhibit "A." Moreover, if good cause for removal of such non-owning Operator, as defined in Article V.B.4., exists, the non-owning Operator may be removed by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of any non-operator who is an Affiliate of non-owning Operator following the procedure set out in Article V.B.4.

6. Selection of Successor Operator. Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" including the vote(s) of the former Operator and/or any transferee(s) of the former Operator's interest, to the extent that they are owners within the contract area; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned. In the event that such vote results in a tie, the candidate supported by the former Operator or the majority of its transferee(s),

1 shall become the successor Operator. The former Operator shall promptly deliver to the  
2 successor Operator all records and data relating to the operations conducted by the former  
3 Operator to the extent such records and data are not already in the possession of the successor  
4 Operator. Any cost of obtaining or copying the former Operator's records and data shall be  
charged to the joint account.

5 7. Effective Date and Time of Resignation or Removal of Operator. In the event  
6 of the resignation or removal of Operator, pursuant to any of Articles V.B.1-B.5, such  
resignation or removal shall become effective on the earlier of:

7 (a) The time and date that a successor Operator has been selected pursuant to  
Article V.B.6, and assumes the duties of Operator; or

8 (b) 7:00 o'clock A.M. on the first day of the calendar month following the  
9 expiration of ninety (90) days after the giving of notice of resignation by Operator,  
10 the event deemed to be Operator's resignation or action by the Non-Operators to  
remove Operator.

11 Thereafter, the former Operator shall be bound by the terms hereof as a Non-Operator  
12 to the extent it continues to be a party hereto.

13 **C. Employees and Contractors.**

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

17 **D. Rights and Duties of Operator:**

18 1. Competitive Rates and Use of Affiliates. All operations conducted on the  
19 Contract Area shall be conducted on a competitive contract basis at the usual rates prevailing  
20 in the area. If it so desires, Operator may employ its own tools and equipment in performing  
21 such operations, but its charges therefor shall not exceed the prevailing rates in the state where  
22 the services are rendered, and such work shall be performed by Operator under the same terms  
and conditions as are customary and usual in the area in contracts of independent contractors  
who are doing work of a similar nature. All work performed or materials supplied by an  
Affiliate of Operator shall be performed or supplied at competitive rates, pursuant to written  
agreement, and in accordance with customs and standards prevailing in the industry.

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

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

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



1           5.       Access to Contract Area and Records.

2           (a)       Except as otherwise provided herein, Operator shall permit each Consenting  
3 Party or its duly authorized representative, at the Consenting Party's sole risk and cost, full and  
4 free access at all reasonable times to all operations of every kind and character being conducted  
5 for the joint account under this agreement and to the records of operations conducted thereon  
6 or production therefrom, including Operator's books and records relating thereto. Such access  
7 rights shall not be exercised in a manner interfering with Operator's conduct of an operation  
8 hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an  
9 interpretive nature unless the cost of preparation of such interpretive data was charged to the  
10 joint account. Operator will furnish to each Non-Operator upon request copies of any and all  
11 reports and information obtained by Operator in connection with production and related items,  
12 including, without limitation, meter and chart reports, production purchaser statements, run  
13 tickets and monthly gauge reports, but excluding purchase contracts and pricing information  
14 to the extent not applicable to the production of the Non-Operator seeking the information.

15           (b)       With the exception of the information required to be furnished by Operator  
16 pursuant to Article V.D.5(c) or VI.B.2(d), a Non-Consenting Party is neither entitled by virtue  
17 of this agreement to, nor may compel Operator or any Consenting Party to provide, access to  
18 the well location and information and reports (or parts thereof) solely relating to such non-  
19 consented operation until the earlier of full recoupment by the Consenting Parties of the  
20 amounts provided for in Article VI.B.2(b)(i) or two (2) years following the date the non-  
21 consented operation was commenced. Thereafter, Operator shall promptly furnish such access,  
22 information and reports upon receipt of a written request from the Non-Consenting Party.

23           (c)       Any audit of Operator's records relating to amounts expended and the  
24 appropriateness of such expenditures shall be conducted in accordance with the audit protocol  
25 specified in Exhibit "C" or other agreement of the parties. Except as provided in Article  
26 VII.D.1, prior to a payout, a Non-Consenting Party shall be entitled to review the joint account  
27 records pertaining to a non-consented operation to the extent necessary to conduct an audit of  
28 the payout account. Any such review shall be conducted in accordance with Exhibit "C" or  
29 other agreement of the parties.

30           6.       Filing and Furnishing Governmental Reports. Operator will file, and upon  
31 written request promptly furnish copies to each requesting Non-Operator not in default of its  
32 payment obligations, all operational notices, reports or applications required to be filed by  
33 local, State, Federal or Indian agencies or authorities having jurisdiction over operations  
34 hereunder. All such filings shall be made in accordance with the provisions of this agreement.  
35 Each Non-Operator shall provide to Operator on a timely basis all information necessary to  
36 Operator to make such filings.

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

          (a)       Operator will use reasonable efforts to promptly advise Non-Operators of the  
date on which drilling operations are commenced.

          (b)       Subject to the provisions of Article V.B.5, Operator will send to the Consenting  
Parties such reports, test results and notices regarding the progress of operations on the well as  
the Consenting Parties shall reasonably request, including, but not limited to, daily drilling  
reports, completion reports, and well logs.

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

          (d)       For any Horizontal Well drilled under this agreement, Operator shall drill such  
well to the objective Zone(s) and drill the Lateral in the Zone(s) to the proposed Displacement  
unless drilling operations are terminated pursuant to Article VI.G or Operator deems further  
drilling is neither justified nor required.

          8.       Cost Estimates. Upon written request of any Consenting Party, Operator shall  
furnish estimates of current and cumulative costs incurred for the joint account at reasonable

intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

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

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

## ARTICLE VI

### DRILLING AND DEVELOPMENT

#### A. Initial Well:

Within twenty-four (24) months of the Chief of the Division of Oil and Gas Resources Management, Ohio Department of Natural Resources, issuing an order authorizing unit operations for the Unit Area, , Operator shall commence the drilling of the Initial Well at the following location (if a Horizontal Well, surface and Terminus/Termini of the Lateral(s)). and shall thereafter continue the drilling of the well (horizontally if a Horizontal Well) with due diligence to a depth sufficient in the Operator's reasonable opinion to adequately test the Utica/Point Pleasant formation with the Initial Well. The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.G. as to termination of operations and Article XI as to occurrence of force majeure.

#### B. Subsequent Operations:

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

provided in Article VI.B.7. No Party may elect to participate in any well proposed pursuant to this Agreement with less than its full and undivided working interest in the Contract Area.

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

## 2. Operations by Less Than All Parties.

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either. (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

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

1 if a drilling rig is on location, following expiration of the applicable response period. If 100%  
 2 subscription to the proposed operation is obtained, the proposing party shall promptly notify  
 3 the Consenting Parties of their proportionate interests in the operation and the party serving as  
 4 Operator shall commence such operation within the period provided in Article VI.B.1., subject  
 to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of  
 5 conducting such operations shall be borne by the Consenting Parties in the proportions they  
 6 have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall  
 7 keep the leasehold estates involved in such operations free and clear of all liens and  
 8 encumbrances of every kind created by or arising from the operations of the Consenting  
 9 Parties. If such an operation results in a dry hole, then subject to Articles VI.B.7. and VI.F.3.,  
 10 the Consenting Parties shall plug and abandon the well and restore the surface location at their  
 11 sole cost, risk and expense; provided, however, that those Non-Consenting Parties that  
 12 participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and  
 13 shall pay, their proportionate shares of the cost of plugging and abandoning the well and  
 14 restoring the surface location insofar only as those costs were not increased by the subsequent  
 15 operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened,  
 16 Recompleted or Plugged Back under the provisions of this Article results in a well capable of  
 17 producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and  
 18 equip the well to produce at their sole cost and risk, and the well shall then be turned over to  
 19 Operator (if the Operator did not conduct the operation) and shall be operated by it at the  
 20 expense and for the account of the Consenting Parties. Upon commencement of operations for  
 21 the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such  
 22 well by Consenting Parties in accordance with the provisions of this Article, each Non-  
 Consenting Party shall be deemed to have relinquished to Consenting Parties, and the  
 Consenting Parties shall own and be entitled to receive, in proportion to their respective  
 interests, all of such Non-Consenting Party's interest in the well and share of production  
 therefrom or, in the case of a Reworking, Sidetracking, Deepening, Recompleting or Plugging  
 Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting  
 Party's interest in the production obtained from the operation in which the Non-Consenting  
 Party did not elect to participate. Such relinquishment shall be effective until the proceeds of  
 the sale of such share, calculated at the well, or market value thereof if such share is not sold  
 (after deducting applicable ad valorem, production, severance, and excise taxes, royalty,  
 overriding royalty and other interests not excepted by Article III.C. payable out of or measured  
 by the production from such well accruing with respect to such interest until it reverts), shall  
 equal the total of the following:

(i) 500% of each such Non-Consenting Party's share of the cost of any newly  
 23 acquired surface equipment beyond the wellhead connections (including but not limited to  
 24 stock tanks, separators, treaters, pumping equipment and piping), plus 500% of each such Non-  
 25 Consenting Party's share of the cost of operation of the well commencing with first production  
 26 and continuing until each such Non-Consenting Party's relinquished interest shall revert to it  
 27 under other provisions of this Article, it being agreed that each Non-Consenting Party's share  
 of such costs and equipment will be that interest which would have been chargeable to such  
 Non-Consenting Party had it participated in the proposed operation; and

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

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach  
 32 the deepest objective Zone described in the notice proposing the well for reasons other than  
 33 the encountering of granite or practically impenetrable substance or other condition in the hole  
 34 rendering further operations impracticable, Operator shall give notice thereof to each Non-  
 35 Consenting Party who submitted or voted for an alternative proposal under Article VI.B.7. to  
 36 drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under  
 37 which the well was drilled, and each such Non-Consenting Party shall have the option to  
 participate in the initial proposed Completion of the well by paying its share of the cost of  
 drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If



any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

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

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

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

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

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the **first day of the month** following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be

1 charged with and shall pay its proportionate part of the further costs of the operation of said  
2 well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

3       3.       Stand-By Costs. When a well which has been drilled or Deepened has reached  
4 its authorized depth and all tests have been completed and the results thereof furnished to the  
5 parties, or when operations on the well have been otherwise terminated pursuant to Article  
6 VI.G., stand-by costs incurred pending response to a party's notice proposing a Reworking,  
7 Sidetracking, Deepening, Recompleting, Plugging Back, Completing or Extension operation  
8 in such a well (including the period required under Article VI.B.7. to resolve competing  
9 proposals) shall be charged and borne as part of the drilling or Deepening operation just  
10 completed. Stand-by costs subsequent to all parties responding, or expiration of the response  
11 time permitted, whichever first occurs, and prior to agreement as to the participating interests  
12 of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article  
13 VI.B.2. (a), shall be charged to and borne as part of the proposed operation, but if the proposal  
14 is subsequently withdrawn because of insufficient participation, such stand-by costs shall be  
15 allocated between the Consenting Parties in the proportion each Consenting Party's interest as  
16 shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting  
17 Parties.

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

18       4.       Deepening. If less than all parties elect to participate in a drilling, Sidetracking,  
19 or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the  
20 Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and  
21 be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone  
22 of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Except as  
23 provided in Article XVI.P.2, such Well shall not be Deepened beyond the Initial Objective  
24 without first complying with this Article to afford the Non-Consenting Parties the opportunity  
25 to participate in the Deepening operation.

23       In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a  
24 depth below the Initial Objective, such party shall give notice thereof, complying with the  
25 requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon,  
26 Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to  
27 participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1.  
28 and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-  
29 Consenting Party elects to participate in the Deepening operation, such Non-Consenting party  
30 shall pay or make reimbursement (as the 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  
29 capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse  
30 Consenting Parties for, as the case may be) that share of costs and expenses incurred in  
31 connection with the drilling of said well from the surface to the Initial Objective which Non-  
32 Consenting Party would have paid had such Non-Consenting Party agreed to participate  
33 therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in  
34 any further operations on the well in accordance with the other provisions of this agreement;  
35 provided, however, all costs for testing and Completion or attempted Completion of the well  
36 incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the  
37 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  
36 Completed as a well capable of producing in paying quantities, but is no longer capable of  
37 producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting  
Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and  
equipping said well from the surface to the Initial Objective, calculated in the manner provided

in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening

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

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

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

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

6. Extension. If, in the event that during actual drilling operations on the Lateral and prior to reaching the Displacement specified in an approved proposal for a Horizontal Well (the "Approved Displacement"), Operator desires an Extension of the Lateral more than **10%** (measured in feet) beyond the Approved Displacement, Operator shall give the Consenting Parties written notice of such intent to Extend, together with the estimated costs, not less than 24 hours before Operator estimates reaching the Approved Displacement. Unless at least **51%** interest of the Consenting Parties provide written notice of their consent to the Extension within 48 hours of receipt of such notice, Operator shall not Extend the Lateral beyond the Approved Displacement and will proceed with Completion in accordance with the latest approved proposal and applicable terms and conditions of this agreement. Failure of a Consenting Party to respond to such notice shall be deemed a rejection. If **51%** interest of the Consenting Parties or more consent, the Extension shall be deemed approved and binding upon all Consenting Parties.

7. Order of Preference of Operations. Except as otherwise specifically provided in this agreement, if any party desires to propose 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 (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 rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a 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 operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal 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 the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such 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.

8. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone, including such well having been approved as an exception to the existing well pattern for such Zone by the regulatory agency having jurisdiction thereof.

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

#### 10. 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 10 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 Consenting 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.10.(a) immediately above.

(c) Failure to meet Horizontal Rig Move-On Period. If a rig capable of drilling a Horizontal Well to its Total Measured Depth has not commenced operations within the Horizontal Rig Move-On Period, or any approved extension(s) thereof, unless 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 10, the date a Spudder Rig commences actual drilling operations shall be considered the commencement of drilling operations of the proposed well.



11. Multi-well Pads. If multiple Horizontal Wells are drilled or proposed to be drilled from a single pad or location, the costs of such pad or location shall be allocated, and/or reallocated as necessary, to the Consenting Parties of each of the wells thereon.

**C. Completion of Wells; Reworking and Plugging Back.**

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

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

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

**D. Other Operations.**

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **Fifty Thousand Dollars (\$50,000)** except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **Fifty Thousand Dollars (\$50,000)**. Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform a Workover operation or undertake the installation of artificial lift equipment or to conduct additional work with respect to a well drilled hereunder or other similar project reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively by those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least **80** % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal. Facilities other than those exclusively servicing and benefiting the Contract Area shall be governed by separate agreement.

**E. Deviations from Approved Proposals.**

If Operator, in its reasonable judgment, deviates from an approved proposal based upon information derived from facts and circumstances determined subsequent to the commencement of the operations relating to such proposal (including, without limitation, revision of the originally proposed Completion staging and design), such deviations in and of themselves will not result in liability of the Operator to the Parties.

**F. Abandonment of Wells.**

1. Abandonment of Dry Holes. Except for any well drilled, Deepened or Sidetracked pursuant to Article VI.B., any well which has been drilled, Deepened or Sidetracked under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties owning an interest in the well at the time of the dry hole completion proposal. Should Operator, after diligent effort, be

1 unable to contact any party, or should any party fail to reply within thirty (30) days or, if a  
 2 drilling rig is on location, within forty-eight (48) hours (exclusive of Saturday, Sunday and  
 3 legal holidays) after delivery of notice of the proposal to plug and abandon such well, such  
 4 party shall be deemed to have consented to the proposed abandonment. All such wells shall be  
 5 plugged and abandoned in accordance with applicable regulations and at the cost, risk and  
 6 expense of the parties who participated in the cost of drilling or Deepening such well. Any  
 7 party who objects to plugging and abandoning such well by notice delivered to Operator within  
 8 thirty (30) days or forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays),  
 9 whichever is applicable, after delivery of notice of the proposed plugging shall take over the  
 10 well as of the end of such thirty (30) day or forty-eight (48) hour notice period, whichever is  
 11 applicable, and conduct further operations in search of Oil and/or Gas subject to the provisions  
 12 of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of  
 its financial capability to conduct such operations or to take over the well within such period  
 or thereafter to conduct operations on such well or plug and abandon such well shall entitle  
 Operator to retain or take possession of the well and plug and abandon the well. The party  
 taking over the well shall indemnify Operator (if Operator is an abandoning party) and the  
 other abandoning parties against liability for any further operations conducted on such well  
 except for the costs of plugging and abandoning the well and restoring the surface, for which  
 the abandoning parties shall remain proportionately liable.

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

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

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

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

#### **G. Termination of Operations.**

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion, Extension or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 80 % of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.F. shall thereafter apply to such operation, as appropriate.

#### **H. Taking Production in Kind.**

☒ Option No. 1. Gas Balancing Agreement Attached.

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

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

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

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-

1 taking party's share of Oil under the terms of any existing contract of Operator shall not give  
2 the non-taking party any interest in or make the non-taking party a party to said contract. No  
3 purchase shall be made by Operator without first giving the non-taking party at least ten (10)  
4 days written notice of such intended purchase and the price to be paid or the pricing basis to  
be used.

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

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

## 12 ARTICLE VII

### 13 EXPENDITURES AND LIABILITY OF PARTIES

#### 14 A. Liability of Parties.

15 The liability of the parties shall be several, not joint or collective. Each party shall be  
16 responsible only for its obligations, and shall be liable only for its proportionate share of the  
17 costs of developing and operating the Contract Area. Accordingly, the liens granted among the  
18 parties in Article VII.B. are given to secure only the debts of each severally, and no party shall  
19 have any liability to third parties hereunder to satisfy the default of any other party in the  
20 payment of any expense or obligation hereunder. It is not the intention of the parties to create,  
21 nor shall this agreement be construed as creating, a mining or other partnership, joint venture,  
22 agency relationship or association, or to render the parties liable as partners, co-venturers, or  
23 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.

#### 24 B. Advances.

25 Operator, at its election, shall have the right from time to time to demand and receive  
26 from one or more of the other parties payment in advance of their respective shares of the  
27 estimated amount of the expense to be incurred in operations hereunder during the next  
28 succeeding month, which right may be exercised only by submission to each such party of an  
29 itemized statement of such estimated expense, together with an invoice for its share thereof.  
Each such statement and invoice for the payment in advance of estimated expense shall be  
submitted on or before the 20th day of the next preceding month. Each party shall pay to  
Operator its proportionate share of such estimate within thirty (30) days after such estimate  
and invoice is received. If any party fails to pay its share of said estimate within said time, the  
amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall  
be made monthly between advances and actual expense to the end that each party shall bear  
and pay its proportionate share of actual expenses incurred, and no more.

#### 32 C. Defaults and Remedies.

33 If any party fails to discharge any financial obligation under this agreement, including  
34 without limitation the failure to make any advance under the preceding Article VII.C. or any  
35 other provision of this agreement, within the period required for such payment hereunder, then  
36 in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the  
37 remedies specified below shall be applicable. For purposes of this Article VII.D., all notices  
and elections shall be delivered only by Operator, except that Operator shall deliver any such  
notice and election requested by a non-defaulting Non-Operator, and when Operator is the

1 party in default, the applicable notices and elections can be delivered by any Non-Operator.  
2 Election of any one or more of the following remedies shall not preclude the subsequent use  
3 of any other remedy specified below or otherwise available to a non-defaulting party.

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

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

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

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

Notwithstanding the foregoing, to the extent that all or any part of the risk penalty to  
be recovered pursuant to Article VI.B. or Article VI.C, as the case may be, in connection with  
the provisions of this Article VII.B.3, is determined to constitute interest on a debt, such  
interest shall not exceed the maximum amount of non-usurious interest that may be contracted  
for, taken, reserved, charged, or received under law. Any interest in excess of that maximum  
amount will be credited on the principal of such debt or, if that has been paid, refunded. This  
provision overrides any conflicting provisions in this agreement.

4. Advance Payment. If a default is not cured within thirty (30) days of the  
delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party,  
may thereafter require advance payment from the defaulting party of such defaulting party's  
anticipated share of any item of expense for which Operator, or Non-Operators, as the case  
may be, would be entitled to reimbursement under any provision of this agreement, whether or  
not such expense was the subject of the previous default. Such right includes, but is not limited  
to, the right to require advance payment for the estimated costs of drilling a well or Completion

of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

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

#### **D. Rentals, Shut-in Well Payments and Minimum Royalties.**

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

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

#### **E. Taxes.**

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

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

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement to the extent that all such taxes are assessed at a uniform rate. If an Oil and Gas Lease or Oil and Gas Interest contributed by any party is taxed at a higher rate, or is subject to an additional tax, that party alone shall pay or cause to be paid such additional tax.



**ARTICLE VIII**

**ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

**A. Surrender of Leases.**

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto; however, no consent shall be necessary to release a lease which has expired or otherwise terminated in accordance with its terms.

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

Any assignment, lease or surrender made under this provision shall change the assignor's, lessor's or surrendering party's interest in the balance of the Contract Area pursuant to Article XVI.H.2; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall thereafter be subject to the terms and provisions of this agreement.

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

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

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area

to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

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

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

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

#### **C. Acreage or Cash Contributions.**

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

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

#### **D. Assignment. .**

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 Operator has received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. Except as otherwise provided herein, any transfer by a party shall relieve the transferor from liability for the cost and expense of operations attributable to the transferred interest which are conducted after the expiration of the 30-day period above provided; provided that, 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 and expenses attributable to an approved operation conducted hereunder, in which such party has agreed to participate 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. The transferee shall be jointly and severally liable with its transferor for payment of its share of all costs and expenses attributable to an approved operation conducted hereunder in which its transferor had agreed to participate.

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.

**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 hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income. For federal income tax purposes the parties agree that any gas imbalances will be reported under the cumulative gas balancing method as defined in Treasury Regulations § 1.761-2(d)(3).

**ARTICLE X**

**CLAIMS AND LAWSUITS**

Operator may settle any single or related aggregate uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed **Fifty Thousand Dollars (\$50,000)** and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Operator shall promptly give notice to Non-Operators and Operator shall assume and handle the claim or suit on behalf of all parties unless, within 14 days after receipt of such notice, a party gives notice to Operator and the other parties of its affirmative election to assume and handle the claim or suit on its own behalf, which assumption and handling shall be done at said party's own expense and over and above said party's proportionate share chargeable to the joint account as hereinafter provided. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties,

1 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  
5 obligations under this agreement, other than the obligation to indemnify or make money  
6 payments or furnish security, that party shall give to all other parties prompt written notice of  
7 the force majeure with reasonably full particulars concerning it; thereupon, the obligations of  
8 the party giving the notice, so far as they are affected by the force majeure, shall be suspended  
9 during, but no longer than, the continuance of the force majeure. The term "force majeure," as  
10 here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of  
the public enemy, war, blockade, public riot, lightening, fire, storm, flood or other act of nature,  
explosion, governmental action, governmental delay, restraint or inaction, unavailability of  
equipment, and any other cause, whether of the kind specifically enumerated above or  
otherwise, which is not reasonably within the control of the party claiming suspension.

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

15 **ARTICLE XII**

16 **NOTICES**

17 All notices authorized or required between the parties by any of the provisions of this  
18 agreement, unless otherwise specifically provided, shall be in writing and delivered in person  
19 or by United States mail, courier service, or facsimile, each of which may also be delivered by  
20 attachment to electronic mail ("Email Notice"), postage or charges prepaid, if applicable, and  
21 addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices  
22 permitted by this agreement shall be confirmed immediately thereafter by written notice. The  
23 originating notice given under any provision hereof shall be deemed delivered only when  
24 received by the party to whom such notice is directed, and the time for such party to deliver  
25 any notice in response thereto shall run from the date the agreement with respect to written  
26 notice delivered hereunder shall be actual delivery of the notice to the address of the party to  
27 be notified specified in accordance with this agreement, or to the facsimile machine or email  
28 address of such party. The second or any responsive notice shall be deemed delivered when  
29 deposited in the United States mail or at the office of the courier or facsimile, or when  
30 personally delivered to the party to be notified, provided, that when response is required within  
31 24 or 48 hours, such response shall be given orally or by telephone, or other facsimile or email  
32 address within such period. Each party shall have the right to change its address at any time,  
and from time to time, by giving written notice thereof to all other parties. If a party is not  
available to receive notice orally or by telephone when a party attempts to deliver a notice  
required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any  
other method specified herein and shall be deemed delivered in the same manner provided  
above for any responsive notice. Each Email Notice shall clearly state that it is a notice or  
response to a notice under this agreement. An Email Notice shall be deemed delivered only  
when affirmatively acknowledged by email reply from the receiving party. Automatic delivery  
receipts issued, without direct acknowledgment of the Email Notice, are not evidence of  
Receipt for purposes of this agreement. If the receiving party fails or declines to affirmatively  
acknowledge an Email Notice, then Receipt of the notice shall only be deemed to have occurred  
when received by the party as otherwise provided above.

33 **ARTICLE XIII**

34 **TERM OF AGREEMENT**

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

**Option No. 2.** In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of ninety (90) days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Recompleting, Plugging Back or Reworking operations are commenced within ninety (90) Days from the date of abandonment of said well, "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.

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

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

## ARTICLE XIV

### COMPLIANCE WITH LAWS AND REGULATIONS

#### A. Laws, Regulations and Orders.

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

#### B. Governing Law.

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located.

#### C. Regulatory Agencies.

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

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

**ARTICLE XV**

**MISCELLANEOUS**

**A. Execution.**

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced less costs incurred by Operator prior to termination that were attributable to preparation for or furtherance of the operation shall be returned to such Non-Operator without interest. Except as otherwise provided in Article IV.B, in the event operations on a well shall be commenced without execution of this agreement by all persons listed on Exhibit "A" as having a current interest in such well, or in the event that subsequent to the commencement of operations on the well previously unknown or undisclosed persons owning working interests in a well are discovered, or both, the parties executing this agreement agree to one of the following:

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

**B. Successors and Assigns.**

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

**C. Counterparts.**

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

**D. Severability.**

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

**E. Conflict of Terms.**

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

**ARTICLE XVI**

**OTHER PROVISIONS**

**A. Conflicts.** In the event of a conflict between this Article XVI and any other terms and provision of this agreement, this Article XVI shall control and prevail to the extent of the conflict.



B. Operator Matters.

1. The parties hereto other than Operator may be the owners of the Leases described in Exhibit "A," and Operator may own no interest therein. Accordingly, the provisions herein requiring the consent of all parties, or the mutual agreement, or consent of all parties, refers to all parties who own an interest in and to each of the Contract Area(s), and anything to the contrary herein notwithstanding, Operator shall not be deemed to have resigned because it owns no interest in the Contract Area.
2. Ironhead Operating, LLC shall resign as Operator at such time that neither Ironhead Resources II, LLC ("Ironhead II") nor Ironhead Resources III, LLC ("Ironhead III"), nor any Affiliate of either, owns an interest in the Contract Area.
3. Anything to the contrary set forth in Article V.B.5 to the contrary, while Ironhead Operating, LLC owns no interest in the Contract Area and is an Affiliate of Ironhead II or Ironhead III, Ironhead Operating, LLC may not be removed without cause by the affirmative vote of parties owning a majority interest based on ownership as shown on Exhibit "A".
4. All parties agree to permit Ironhead III to act as an authorized agent of Ironhead Operating, LLC for any and all duties and decisions afforded to Operator under this agreement, including, without limitation. (i) the rights, duties, requirements, and obligations set forth in Article V, (ii) the ability to receive and submit any elections to participate in a proposed operation, and (iii) the ability to receive and submit any other notices permitted under this agreement.

C. Priority of Operations.

1. Anything in this agreement to the contrary notwithstanding, it is agreed that when any Vertical Well subject to this agreement has been drilled to the agreed upon authorized depth and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such well, the operations proposed to be conducted shall be governed by the following order of priority enumerated hereafter:

- a. proposal to do additional logging, coring, or testing; then
- b. a proposal to attempt a completion the well in the objective formation; then
- c. a proposal to sidetrack the well; then
- d. a proposal to deepen the well; then
- e. a proposal to plug the well back and to attempt completion in a formation above the objective formation; then
- f. a proposal to plug and abandon.

2. Anything in this agreement to the contrary notwithstanding, it is agreed that when any Horizontal Well subject to this agreement has been drilled to the agreed upon authorized depth and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such well, the operations proposed to be conducted shall be governed by the following order of priority enumerated hereafter:

- a. a proposal to do additional logging, coring, or testing; then
- b. a proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner set forth in the referenced proposal and AFE (i.e., in accordance with the casing stimulation and other completion programs set forth in the AFE); then
- c. a proposal to attempt to Complete the Horizontal Well at the authorized depth in a manner different than as set forth in the AFE; then

- 1 d. a proposal to extend the length of the Lateral hole for a specified number  
2 of feet in the direction it is drilling, with priority given in ascending  
3 order above the authorized depth, and then in descending order to  
4 objectives below the authorized depth; then  
5  
6 e. a proposal to drill a new Lateral in a different direction at the authorized  
7 depth; then  
8  
9 f. a proposal to drill a new Lateral in a different depth, with priority given  
10 in ascending order to objectives above the authorized depth, and then in  
11 descending order to objectives below the authorized depth; then  
12  
13 g. a proposal to Plug Back and attempt to Complete the Horizontal Well at  
14 a depth shallower than the authorized depth, with priority given to  
15 objectives in ascending order up the hole; then  
16  
17 h. a proposal to Deepen the Horizontal Well below the authorized depth;  
18 then  
19  
20 i. a proposal to Sidetrack the Horizontal Well to a new target objective,  
21 with priority given first in ascending order to objectives above the  
22 authorized depth, and then in descending order to objectives below, the  
23 authorized depth; then  
24  
25 j. a proposal to plug and abandon the Horizontal Well as provided for in  
26 Article VI.F.

27 3. Notwithstanding the above, the sequence of operations above may be amended,  
28 regarding any proposed operation by the vote of at least eighty percent (80%) of the parties  
29 authorized to vote under such operation.

30 4. If at the time said Consenting Parties are considering any of the above  
31 proposals, the hole is in such a condition that a prudent operator would not conduct an  
32 operation within the scope of item 1.a. above for fear of placing the hole in jeopardy or losing  
33 the same prior to an attempt to complete the well in the objective formation, then a proposal  
34 within the scope of item 1.a. shall not be given the priority set forth above.

35 D. Marketing. Operator agrees, subject to Non-Operator's right to take its production in  
36 kind or to separately market or dispose of its proportionate share of production, to  
37 market, process, gather, and/or transport Non-Operator's production from the Contract  
38 Area on the identical terms and conditions as Operator markets, processes, gathers,  
39 and/or transports its own production, with no additional fees or costs of any kind to be  
40 charged by Operator to Non-Operators for said marketing, processing, gathering,  
41 and/or transporting of Non-Operators' production, other than Non-Operators'  
42 proportionate share of the identical fees or costs paid by Operator for marketing,  
43 processing, gathering, and/or transporting of its own production at an arms-length  
44 transaction, even if such services are provided by an Affiliate of Operator. For purposes  
45 of this Art. XVI.D, the marketing, processing, gathering, and/or transporting of  
46 production by Ironhead II or Ironhead III will be regarded as the marketing, processing,  
47 gathering, and/or transporting of production by Ironhead Operating, LLC as Operator  
48 of its own production.

49 E. **Netting and Setoff.**

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

59 F. **Assignments.** Each party hereto covenants and agrees for itself and its successors and

1 assigns that any sale, assignment sublease, mortgage, pledge, or other transaction  
 2 affecting the Leases and lands subject to this agreement (whether of an operating or  
 3 non-operating interest or a mortgage, pledge or other security interest) will be made  
 4 and accepted under instruments providing that such sale, assignment sublease,  
 5 mortgage, pledge or other transaction is subject to this agreement. Should a party assign  
 6 all or part of its interest in "Assigning Party"), subject to the following sentence, at  
 7 such time as the Assigning Party has paid all of its share of joint interest billing costs  
 8 in accordance with Exhibit "C" current to the effective date of such sale, it shall be  
 9 deemed that the Assigning Party shall be released from any responsibility for costs  
 10 thereafter incurred relative to the undivided interest sold/assigned; provided, however,  
 11 to the extent an Assigning Party retains an undivided interest, such Assigning Party  
 12 shall continue to be bound by all of the terms and conditions of this agreement  
 13 applicable to the retained undivided interest. In no event shall Operator be required to  
 14 make more than four billings for the entire interest credited to each Non-Operator on  
 15 Exhibit "A"; if any Non-Operator to this Agreement disposes of any part or all of the  
 16 interest credited to it on Exhibit "A", such Assigning Party shall be solely responsible  
 17 for billing its assignee or assignees and shall remain primarily liable to the other Parties  
 18 for the interest or interests assigned until such time as such Assigning Party has (1)  
 19 designated and qualified the assignees to receive the billing for its interest, (2)  
 20 designated assignees have been approved and accepted by Operator (such approval not  
 21 to be unreasonably withheld), and (3) has furnished to Operator written notice of the  
 22 conveyance and photocopy of the recorded assignments by which the transfer is made.  
 23 It is further agreed that the obligations set forth in this paragraph, and in the balance of  
 24 this agreement, are covenants running with the lands described in the Leases in the  
 25 Contract Area. Therefore, upon sale, sublease, or assignment of the Leases and lands  
 26 subject to this Agreement, as of the effective date of such sale, sublease, or assignment  
 27 of the Leases in the Contract Area, the party acquiring such rights subject to this  
 28 agreement shall thereafter assume and be responsible for all of the rights and  
 29 obligations of the party selling, subleasing, or assigning as to the undivided interest  
 30 acquired. The party acquiring the interest or security shall be furnished a copy of this  
 31 agreement and any amendments thereto, and shall expressly agree to be bound by all  
 32 of its terms and provisions. It is provided, however, that a mortgagee, pledge, or person  
 33 holding only a security interest shall not incur any obligations under this agreement  
 34 although its rights may be affected or limited hereby. It is further agreed in the event  
 35 of the foreclosure of the mortgage or security interest, any sale will be expressly made  
 36 and accepted subject to all of the terms and provisions of this agreement. Any party  
 37 hereto (and any successor of a party hereto) who executed any instrument in favor of  
 any party without complying with the provisions of this paragraph shall indemnify,  
 defend, and hold the other parties hereto harmless for and against any and all claims or  
 causes of action by any person whomsoever or for any losses sustained as a result of  
 the failure of such party to comply with these provisions. This indemnity shall also  
 include reimbursement for reasonable attorney's fees incurred in connection with the  
 assertion of the rights herein granted such parties.

38 G. Sidetracking. Anything to the contrary herein notwithstanding, "Sidetracking" shall not  
 39 include operations intended as course corrections or to recover penetration of the target  
 40 interval within a Horizontal Well.

41 H. Contract Area and Drilling Units.

- 42 1. "Contract Area" or "Unit Area" shall mean a contiguous area in size and  
 43 configuration as determined by the Operator in order to accommodate  
 44 anticipated wells, wellbore paths and wellbore lengths located or to be located  
 45 within the anticipated Drilling Unit. The Contract Area shall be, to the extent  
 46 practicable, the same as the Drilling Unit, and shall include all Leases and Oil  
 47 and Gas Interests within the boundary of the Contract Area, and may include  
 Leases or Oil and Gas Interests not controlled or owned by the Parties to this  
 Agreement or other interests which cannot be included in the Drilling Unit at  
 the time the Drilling Unit is formed or created but are reasonably anticipated to  
 be controlled or acquired by the Parties in the future. The Parties shall make  
 good faith efforts to include otherwise stranded acreage in a Contract Area  
 where reasonably practicable.

2. It is recognized by the Parties that it may be prudent or necessary to modify or alter an existing Contract Area or Drilling Unit by expansion, contraction, or a combination of the two. Without the consent of the Parties, an existing Contract Area or Drilling Unit may not be enlarged or reduced in size. Such consent shall not be unreasonably withheld, delayed, or conditioned. The party proposing such enlargement or reduction to an existing Contract Area or Drilling Unit shall notify the other parties in writing, providing an explanation for the Contract Area or Drilling Unit modification proposal. To the extent a Contract Area or Drilling Unit is modified pursuant to this Agreement, the working interests of the Parties shall be recalculated, Exhibit "A" to this agreement shall be revised, and amendments to any recorded memorandum of this agreement and to any declaration of pooled unit shall be prepared and filed of record,

I. Commencement of Operations; Non-Consenting Party's Right to Information and Indemnity. Nothing contained herein shall prohibit Operator or the Consenting Parties from actually commencing the proposed operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a party's election or deemed election. Further, any party who has not yet made an election to participate in a proposed operation is not entitled to any information or reports related to such operation unless and until such party elects to be a Consenting Party to the operation. Each Non-Operator shall indemnify and hold Operator harmless against any and all liability in excess of insurance coverage carried for the joint account for injury to each such Non-Operator's officers, employees and/or agents resulting from and in any way relating to such officers', employees', and/or agents' presence on the Contract Area. The Non-Operators indemnity to Operator shall also apply to any other person whose presence on the Contract Area is at the insistence of such Non-Operator.

J. Headings. All headings in this agreement are for reference purposes only and shall have no effect on the construction of this agreement.

K. Severability. If any provision contained in this agreement is contrary to any law, rule, regulation or order and is held to be invalid, void, illegal or unenforceable in any respect, the parties shall either modify the provision to properly conform with such law, rule, regulation or order or delete such provision from this agreement, and in either case the remaining provisions hereof shall remain unaffected and will continue in full force and effect. Furthermore, in lieu of such invalid, void, illegal or unenforceable provision there shall be added as a part of this agreement a provision as closely resembling such provision as shall then be valid, legal and enforceable so long as such provision does not have a material adverse effect on the rights of any party to this agreement.

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

M. Subsurface Easements. By execution of this agreement, each party grants to the other party, the right to place the surface location of a Horizontal Well or Horizontal Wells drilled pursuant to this agreement on lands that. (i) each respectively has the right to develop; and (ii) are located adjacent and contiguous to the Contract area, each for purposes of completing a Horizontal Well having a terminus located within the confines of the Contract Area. In connection with said grant, each party also grants to the other party, a subsurface right-of-way or easement through the subsurface of said adjacent and contiguous lands to the Contract Area for the purpose of horizontally drilling, sidetracking, or otherwise completing, reworking, or operating said Horizontal Well(s) having a terminus located within the Contract Area.

N. Overlapping JOAs. In the event any party to this agreement is subject to one or more prior operating agreements covering part or all of the Contract Area of this agreement, as between the parties hereto, this agreement shall supersede such prior operating agreements and shall control.

O. Liens and Security Interests. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Operator does hereby grant, bargain, sell, mortgage, assign, transfer, convey and pledge to Non-Operator all of Operator's right title and interest in and to the real and personal property, rights, titles, interests and estates making up Mortgaged Property and Collateral. Non-Operator does hereby grant, bargain, sell, mortgage, assign, transfer, and pledge to Operator all of Non-Operator's right title and interest in and to the real and personal property, rights, titles, interests and estates making up Mortgaged Property and Collateral.

As used herein, the terms "Mortgaged Property" and "Collateral" shall have the following meanings:

1. "Mortgaged Property" shall mean, collectively, the following real property located in the State of Ohio, (1) the Oil and Gas Leases, Oil and Gas Interests and other interests comprising the Contract Area, including operating rights, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons, and all renewals and extensions thereof (collectively, the "Oil and Gas Property"), (2) the oil and gas in, on, under, and that may be produced from the Oil and Gas Property, including, without limitation, all contractual rights, operating rights, leasehold interests, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, mineral interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons (as such interests may be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances), and all other as-extracted collateral, (3) all wells (oil, gas, oil/gas, injection, water, or disposal), equipment, machinery, and appurtenances, including fixtures, located upon and used in connection with such Oil and Gas Property, (4) all easements, rights of way and other real property interests located upon and primarily used in connection with the Oil and Gas Property, (5) all permits, licenses, and servitudes used in connection with the Oil and Gas Property, and (6) all geological, geophysical, engineering, accounting, title, legal, and other technical and business data relating to the other Mortgaged Property.
2. "Collateral" shall mean, collectively. (A) all equipment, accounts, contract rights, general intangibles, chattel paper, commercial tort claims, documents, instruments, goods, inventory, insurance contracts, insurance proceeds, inventory, hydrocarbons, as-extracted collateral, operating rights, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons (as such interests may be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances) and fixtures of any kind and character to the extent such items relate to the Mortgaged Property or are attributable to the Mortgaged Properties, or used in connection with the ownership, use or exploitation of the Mortgaged Property and (B) all the proceeds and products of the items described in preceding clause (A), and all substitutions therefor, replacements thereof, or accessions thereto, all of which, whether now owned or hereafter acquired, whether now or hereafter acquired by operation of law or otherwise.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge any mortgage and UCC financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and each party is

1 authorized to file such instruments in the applicable real estate records and with the proper  
2 officer(s) under the Uniform Commercial Code where such party deems reasonably  
3 appropriate to perfect the liens and security interests granted hereunder. Any party may file  
4 such other documents as it deems necessary as a mortgage or lien in the applicable real estate  
records and/or a UCC financing statement with the proper officer under the Uniform  
Commercial Code.

5 Each party represents and warrants to the other parties hereto that the lien and security interest  
6 granted by such party to the other parties shall be a first and prior lien, and each party hereby  
7 agrees to maintain the priority of said lien and security interest against all persons acquiring an  
8 interest in the Collateral and Mortgaged Property covered by this agreement by, through or  
9 under such party. All parties acquiring an interest in the Collateral and Mortgaged Property  
10 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 XVI.O. as to all obligations attributable to such interest hereunder whether or not  
such obligations arise before or after such interest is acquired.

11 The parties hereto shall be entitled to exercise the rights and remedies of a secured party under  
12 the applicable Uniform Commercial Code. The bringing of a suit and the obtaining of judgment  
13 by a party for the secured indebtedness shall not be deemed an election of remedies or  
14 otherwise affect the lien rights or security interest as security for the payment thereof, in  
15 addition, upon default by any party in the payment of its share of expenses, interests or fees,  
16 or upon the improper use of funds by the Operator, the other parties shall have the right, without  
17 prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale  
18 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.

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

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

30 Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas  
31 lien law or other lien law of any state in which the Contract Area is situated to enforce the  
32 obligations of each party hereunder. Without limiting the generality of the foregoing, to the  
33 extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize  
34 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.

#### 35 P. Horizontal Wells.

- 36 1. To be effective as a Horizontal Well Proposal, such proposal must include an  
37 AFE, the corresponding anticipated Unit and Contract Area size and  
dimensions within which the well will be drilled, and other accompanying



documents that clearly indicate the well being proposed is a Horizontal Well or Multi-lateral Well. As to any possible conflicts that may arise during the completion phase of a Horizontal Well or Multi-lateral Well, priority shall be given first to a Lateral drain hole of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth.

2. Operator shall have the right to cease drilling a Horizontal Well or Multi-lateral Well at any time, for any reason, and such Horizontal Well or Multi-lateral Well shall be deemed to have reached its objective depth so long as Operator has drilled such Horizontal Well or Multi-lateral Well to the objective formation and has drilled laterally in the objective formation for a distance which is at least equal to fifty percent (50% ) of the length of the total horizontal drainhole displacement (displacement from true vertical) proposed for the operation. In like manner, Operator may continue drilling to extend a proposed lateral in a Horizontal Well or Multi-lateral Well up to 10% longer than the length proposed in the proposal approved by the Parties if in Operator’s sole judgment, it would be reasonably prudent to do so.

*[End of Article XVI]*

IN WITNESS WHEREOF, this Agreement shall be effective the \_\_ day of, 2023

ATTEST OR WITNESS:

OPERATOR

IRONHEAD OPERATING,LLC

By

Type or print name

Title

Date

Tax ID or S.S. No.

NON-OPERATORS

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

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**ACKNOWLEDGMENTS**

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

Individual acknowledgment:  
State of \_\_\_\_\_ )  
\_\_\_\_\_ ) ss.  
County of \_\_\_\_\_ )

This instrument was acknowledged before me on \_\_\_\_\_  
\_\_\_\_\_ by \_\_\_\_\_.  
(Seal, if any) \_\_\_\_\_  
Title (and Rank) \_\_\_\_\_  
My commission expires: \_\_\_\_\_

Acknowledgment in representative capacity:

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ ) ss.

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_.

(Seal, if any)\_\_\_\_\_

Title (and Rank)\_\_\_\_\_

My commission expires:\_\_\_\_\_

EXHIBIT “A”

Attached to and made a part of that certain Unit Operating Agreement  
dated May 10, 2023, as approved by the Ohio Department of Natural  
Resources for the Fairgrounds 2 Unit

1. Description of lands subject to this Agreement:

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

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

This Agreement shall cover all depths and formations located from fifty (50) feet true vertical depth above the top of the Utica Shale Formation to fifty (50) feet true vertical depth below the base of the Point Pleasant interval of the Utica, and commonly referred to as the Utica formation and the Utica/Point Pleasant formation.

3. Parties to agreement with addresses for notice purposes:

Ironhead Operating, LLC 2701 Brown Trail, Suite 308 Bedford, TX 76021 Attention: Richard Repasky	Ironhead Resources III, LLC 2701 Brown Trail, Suite 308 Bedford, TX 76021 Attention: Richard Repasky
Collins Utica, LLC 3824 Cedar Springs Road, #414 Dallas, TX 75219 Attention: Kendall Talbott	Wallace Family Partnership, LP 513 W. Wall Street, Suite 1200 Midland, TX 79701 Attention: Michael W. Wallace
R & S Operating, LLC 1712 Pioneer Avenue, Suite 1622 Cheyenne, WY 82001 Attention: Chuck Walton	EAP Ohio, LLC 5747 San Felipe Street, Suite 400 Houston, TX 77057 Attention: Blake April
BURJ Energy, LLC 1560 Broadway Street, Suite 2050 Denver, CO 80202 Attention: Babak Fadaieporr	Robert G. Sr. and Patricia A. Infante 7324 Hawkshead Road Henrico, VA 23231
Charles Earl and Rebecca E. Infante 7324 Hawkshead Road Henrico, VA 23231	State of Ohio, Dept. of Transportation 9600 Jacksontown Road Jacksontown, OH 43030
Lori J. Maag, f/k/a Lori J. Gorman 65498 Endley Road Cambridge, OH 43725	Casey J. and Rachel E. Goodpaster 65850 Norris Road Lore City, OH 43755
Scott A. Steele 159 Oak Street Leetonia, OH 44431	

The names and addresses of the remaining parties are set forth in Exhibit “A-2” attached hereto.

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

OPERATOR	<u>Working Interest</u>
Ironhead Operating, LLC	0.00000000%
NON-OPERATORS	<u>Working Interest</u>
Ironhead Resources III, LLC	36.867463%*

Collins Utica, LLC	18.433732%*
Wallace Family Partnership, LP	18.433732%*
R & S Operating, LLC	9.632373%*
EAP Ohio, LLC	10.876278%*
BURJ Energy, LLC	1.104382%*
<b>UNLEASED MINERAL OWNERS</b>	
<i>Life Tenants:</i>	
Robert G. Infante, Sr. and Patrica Infante	0.046617%*
<i>Remainderman</i>	
Charles Earl Infante and Rebecca E. Infante	
State of Ohio, Department of Transportation	3.502851%*
Lori J. Maag, f/k/a Lori J. Gorman	0.170015%*
Casey J. Goodpaster and Rachel E. Goodpaster	0.603059%*
Scott A. Steele	0.329499%*
<b>TOTAL:</b>	<b>100.00000%*</b>

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

The oil and gas leases or oil and gas interests, or portions thereof, included in Contract Area and described on Exhibit “A-2” attached hereto.

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

**End of Exhibit “A”**



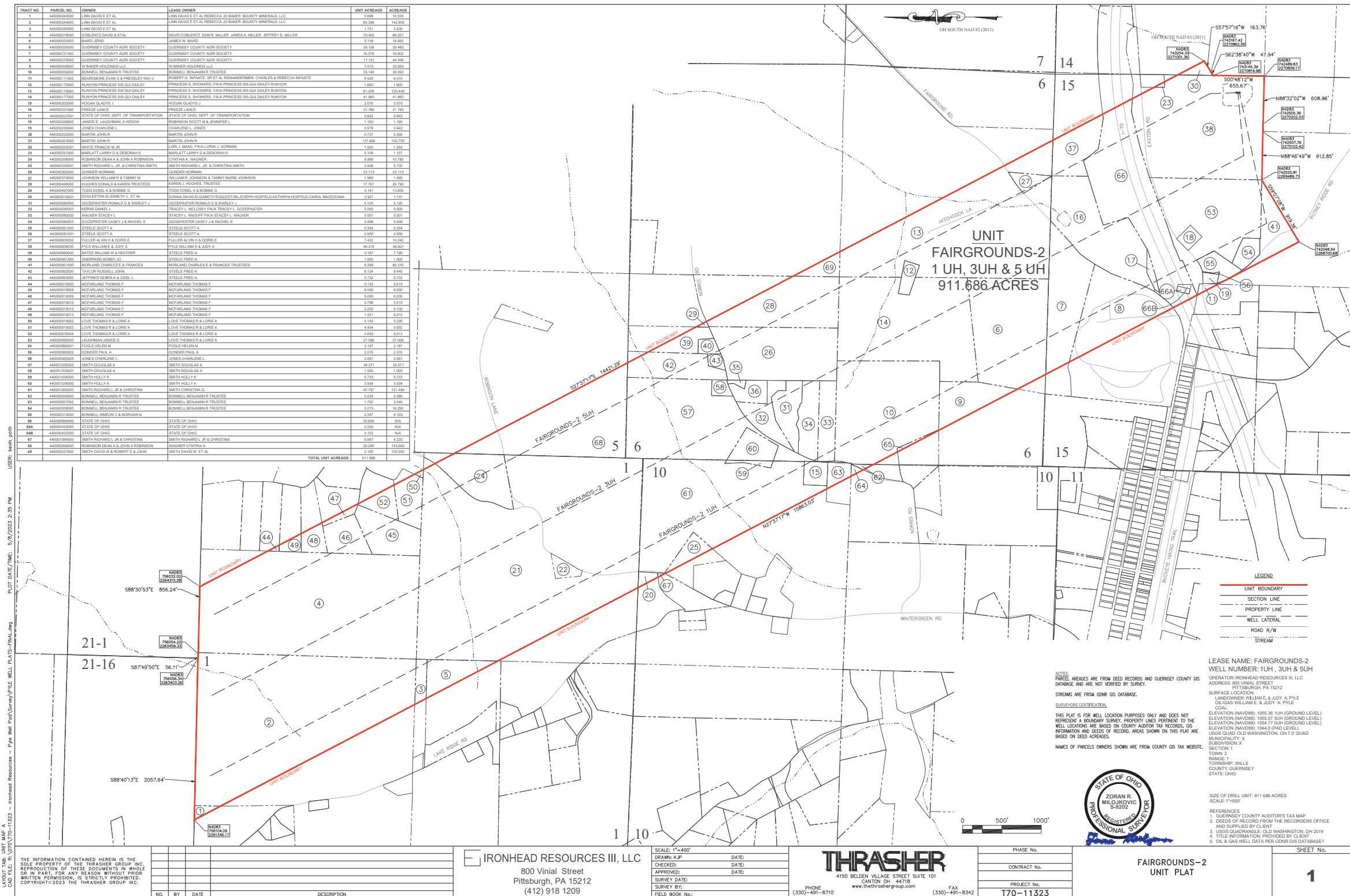


EXHIBIT "A-2"

All Mineral Owners in the Proposed Fairgrounds 2 Unit

TRACT	OIL AND GAS OWNER	LEASED (Y/N)	INTEREST OF OWNER IN TRACT	SURFACE ACRES OF PARCEL IN UNIT	NET ACRES IN UNIT	TRACT PARTICIPATION IN UNIT	PARCEL ID	TOWNSHIP	COUNTY	PROPORTION OF UNIT	IRONHEAD RESOURCES III, LLC NET ACRES	COLLINS UTICA, LLC NET ACRES	WALLACE FAMILY PARTNERSHIP LP NET ACRES	R&S OPERATING, LLC NET ACRES	EAP OHIO, LLC NET ACRES	BURJ ENERGY, LLC NET ACRES	IRONHEAD RESOURCES III, LLC NET ACRES	COLLINS UTICA, LLC NET ACRES	WALLACE FAMILY PARTNERSHIP LP NET ACRES	R&S OPERATING, LLC NET ACRES	EAP OHIO, LLC NET ACRES	BURJ ENERGY, LLC NET ACRES	Address	City	State	Zip
1	Bounty Minerals, LLC	Y	0.05304334	0.688	0.01780918	0.00004154	44-0000243.000	Wills	Germey	0.00004154	0.0000	0.0000	0.0000	0.01379	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	777 Main St, Suite 2400	Fort Worth	TX	76102
1	David E. Linn and Kathryn L. Linn, Survivorshep Tenants	Y	0.80998285	0.688	0.875250022	0.00001124	44-0000243.000	Wills	Germey	0.00001124	0.0000	0.0000	0.0000	0.5573	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
1	Rebecca Jo Baker	Y	0.06746960	0.688	0.04643787	0.00005094	44-0000243.000	Wills	Germey	0.00005094	0.0000	0.0000	0.0000	0.0464	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
2	Bounty Minerals, LLC	Y	0.05304334	85.398	4.700591149	0.00315593	44-0000244.000	Wills	Germey	0.00315593	0.0000	0.0000	0.0000	4.7006	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	777 Main St, Suite 2400	Fort Worth	TX	76102
2	David E. Linn and Kathryn L. Linn, Survivorshep Tenants	Y	0.80998285	85.398	09.10920758	0.07580955	44-0000244.000	Wills	Germey	0.07580955	0.0000	0.0000	0.0000	69.1092	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
2	Rebecca Jo Baker	Y	0.06746960	85.398	5.764100633	0.00632246	44-0000244.000	Wills	Germey	0.00632246	0.0000	0.0000	0.0000	5.7641	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
3	Bounty Minerals, LLC	Y	0.80998285	1.731	1.402045696	0.00153786	44-0000245.000	Wills	Germey	0.00153786	0.0000	0.0000	0.0000	0.0953	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
3	David E. Linn and Kathryn L. Linn, Survivorshep Tenants	Y	0.06746960	1.731	0.116837141	0.00012816	44-0000245.000	Wills	Germey	0.00012816	0.0000	0.0000	0.0000	0.1168	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
3	Rebecca Jo Baker	Y	0.06746960	1.731	0.116837141	0.00012816	44-0000245.000	Wills	Germey	0.00012816	0.0000	0.0000	0.0000	0.1168	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	67360 Lake Ridge Road	Lare City	OH	43755
4	David Calabrese	Y	0.16666667	79.452	0.04157421	0.00001816	44-0000245.000	Wills	Germey	0.00001816	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	66565 Lake Ridge Road	Lare City	OH	43755
4	Dan R. Miller	Y	0.16666667	79.452	0.01452474	0.00000018	44-0000245.000	Wills	Germey	0.00000018	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	66565 Lake Ridge Road	Lare City	OH	43755
4	James A. Miller	Y	0.16666667	79.452	0.01452474	0.00000018	44-0000245.000	Wills	Germey	0.00000018	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	66565 Lake Ridge Road	Lare City	OH	43755
4	Jeffrey L. Miller	Y	0.16666667	79.452	0.01452474	0.00000018	44-0000245.000	Wills	Germey	0.00000018	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	0.00000000	66565 Lake Ridge Road	Lare City	OH	43755
5	James W. Baird	Y	1.00000000	5.139	5.139	0.00506361	44-0000200.000	Wills	Germey	0.00506361	2.5693	1.2848	1.2848	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66345 Lake Ridge Road	Lare City	OH	43755
6	Germey County Agricultural Society	Y	1.00000000	29.126	29.126	0.03194740	44-0000026.000	Wills	Germey	0.03194740	0.0000	0.0000	0.0000	0.0000	29.1260	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	P.O. Box 208	Old Washington	OH	43768
7	Germey County Agricultural Society	Y	1.00000000	16.376	16.376	0.01796232	44-0000731.000	Wills	Germey	0.01796232	0.0000	0.0000	0.0000	0.0000	16.3760	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	P.O. Box 208	Old Washington	OH	43768
8	Germey County Agricultural Society	Y	1.00000000	17.151	17.151	0.01881240	48-0000278.000	Wills	Germey	0.01881240	0.0000	0.0000	0.0000	0.0000	17.1510	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	1.00000000	0.00000000	P.O. Box 208	Old Washington	OH	43768
9	W. Baker Holdings, LLC	Y	1.00000000	7.573	7.573	0.00830659	44-0000828.000	Wills	Germey	0.00830659	3.7865	1.8933	1.8933	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	9711 East Pike	Cambridge	OH	43722
10	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protector Trust dated February 21, 2019	Y	1.00000000	35.140	35.14	0.03854397	44-0000659.000	Wills	Germey	0.03854397	17.5700	8.7850	8.7850	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65455 Norris Road	Lare City	OH	43755
11	Robert G. Infante, Sr. and Patricia A. Infante, H/W Remaindermen; Charles Earl Infante and Rebecca L. Infante, H/W, Survivorshep Tenants	Y	1.00000000	0.425	0.425	0.00046617	44-0000111.000	Wills	Germey	0.00046617	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	7324 Hixthead Rd	Henrico	VA	23231
12	Princess S. Showers, f/k/a Princess Sis-Qui-Dale Runyon	Y	1.00000000	1.600	1.6	0.00175499	44-0000175.000	Wills	Germey	0.00175499	0.8000	0.4000	0.4000	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65121 Hitchcock Lane	Lare City	OH	43755
13	Princess Sis-Qui-Dale Runyon	Y	1.00000000	61.208	61.208	0.06713715	44-0000176.000	Wills	Germey	0.06713715	30.6040	15.3020	15.3020	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65121 Hitchcock Lane	Lare City	OH	43755
14	Princess S. Showers, f/k/a Princess Sis-Qui-Dale Runyon	Y	1.00000000	41.860	41.86	0.04591493	44-0000177.000	Wills	Germey	0.04591493	20.9330	10.4650	10.4650	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65121 Hitchcock Lane	Lare City	OH	43755
15	Princess S. Showers, f/k/a Princess Sis-Qui-Dale Runyon	Y	1.00000000	21.797	21.797	0.00237082	44-0000202.000	Wills	Germey	0.00237082	1.0000	0.5000	0.5000	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65121 Hitchcock Lane	Lare City	OH	43755
16	Lance Freese	Y	1.00000000	21.780	21.78	0.02389890	44-0000227.000	Wills	Germey	0.02389890	10.5000	5.2500	5.2500	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65992 Fairground Road	Lare City	OH	43755
17	State of Ohio, Dept. of Transportation	Y	1.00000000	0.642	0.642	0.00070419	44-0000227.000	Wills	Germey	0.00070419	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	8600 Jacksonville Road	Jacksontown	OH	43020
18	Scott M. Robinson and Jennifer L. Robinson, H/W, Survivorshep Tenants	Y	1.00000000	1.190	1.19	0.00130527	44-0000228.000	Wills	Germey	0.00130527	0.5950	0.2975	0.2975	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	16670 Easton Road	Salisbury	OH	43778
19	Charles L. Jones	Y	1.00000000	0.578	0.578	0.00063399	44-0000230.000	Wills	Germey	0.00063399	0.2890	0.1445	0.1445	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	16472 Easton Road	Salisbury	OH	43778
20	John R. Martin	Y	1.00000000	0.737	0.737	0.00080839	44-0000231.000	Wills	Germey	0.00080839	0.3685	0.1843	0.1843	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66345 Wintergreen Road	Lare City	OH	43755
21	John R. Martin	Y	1.00000000	131.460	131.46	0.01507560	44-0000231.000	Wills	Germey	0.01507560	68.7300	34.3650	34.3650	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66345 Wintergreen Road	Lare City	OH	43755
22	Loni J. Mang, f/k/a Loni J. Mangman	Y	1.00000000	1.550	1.55	0.00170015	44-0000253.000	Wills	Germey	0.00170015	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	65498 Endley Road	Cambridge	OH	43722
23	Larry D. Marland and Deborah S. Marland, H/W, Survivorshep Tenants	Y	1.00000000	0.108	0.108	0.00011846	44-0000257.000	Wills	Germey	0.00011846	0.0540	0.0270	0.0270	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	16980 Easton Road	Salisbury	OH	43778
24	Cynthia K. Wagner	Y	1.00000000	9.989	9.989	0.01095662	44-0000258.000	Wills	Germey	0.01095662	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	171 West Downtown Blvd	Columbus	OH	43214
25	Richard L. Smith, Jr.	Y	0.50000000	2.426	1.213	0.00133050	44-0000355.000	Wills	Germey	0.00133050	0.6065	0.3033	0.3033	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65994 Lake Ridge Road	Lare City	OH	43755
26	Christina G. Smith	Y	0.50000000	2.426	1.213	0.00133050	44-0000355.000	Wills	Germey	0.00133050	0.6065	0.3033	0.3033	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65994 Lake Ridge Road	Lare City	OH	43755
26	Norman Goodpastor	Y	1.00000000	23.110	23.11	0.02354864	44-0000355.000	Wills	Germey	0.02354864	11.5550	5.7775	5.7775	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66250 Norris Road	Lare City	OH	43755
27	William R. Johnson and Tammy Marie Johnson, H/W, Survivorshep Tenants	Y	1.00000000	1.560	1.56	0.00171112	44-0000374.000	Wills	Germey	0.00171112	0.7800	0.3900	0.3900	0.0000	0.0000	0.0000	0.500000									

TRACT	OIL AND GAS OWNER	LEASED (Y/N)	INTEREST OF OWNER IN TRACT	SURFACE ACRES OF PARCEL IN UNIT	NET ACRES IN UNIT	TRACT PARTICIPATION IN UNIT	PARCEL ID	TOWNSHIP	COUNTY	PROPORTION OF UNIT	IRONHEAD RESOURCES II, LLC NET ACRES	COLLINS UTICA, LLC NET ACRES	WALLACE FAMILY PARTNERSHIP LP NET ACRES	R&S OPERATING, LLC NET ACRES	EAP OHIO, LLC NET ACRES	BURJ ENERGY, LLC NET ACRES	IRONHEAD RESOURCES II, LLC WI	COLLINS UTICA, LLC WI	WALLACE FAMILY PARTNERSHIP LP WI	R&S OPERATING, LLC WI	EAP OHIO, LLC WI	BURJ ENERGY, LLC WI	Address	City	State	Zip
62	Benjamin R. Bonnick, Trustee of The Bonnick Principal Protection Trust dated February 21, 2019	Y	1.00000000	0.234	0.234	0.00025667	44-000056.000	Wills	Germany	0.00025667	0.1170	0.0585	0.0585	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65455 Norris Road	Lore City	OH	43755
63	Benjamin R. Bonnick, Trustee of The Bonnick Principal Protection Trust dated February 21, 2019	Y	1.00000000	1.752	1.752	0.00192171	44-000057.000	Wills	Germany	0.00192171	0.8760	0.4380	0.4380	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65455 Norris Road	Lore City	OH	43755
64	Benjamin R. Bonnick, Trustee of The Bonnick Principal Protection Trust dated February 21, 2019	Y	1.00000000	0.275	0.275	0.00030164	44-000058.000	Wills	Germany	0.00030164	0.1375	0.0688	0.0688	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65455 Norris Road	Lore City	OH	43755
65	Simon C. Bonnick and Morgan N. Bonnick, H/W, Survivorship Tenants	Y	1.00000000	0.347	0.347	0.00038061	44-0000313.000	Wills	Germany	0.00038061	0.1735	0.0868	0.0868	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65350 Norris Road	Lore City	OH	43755
66	State of Ohio	N	1.00000000	31.293	31.293	0.03432432	44-0000433.000 44-0000432.000 c/o 44-0000999.000	Wills	Germany	0.03432432	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	8600 Jacktown Road	Jacktown	OH	43030
67	Richard L. Smith, Jr. and Christine G. Smith, H/W, Survivorship Tenants	Y	1.00000000	0.067	0.067	0.00007349	44-0001066.000	Wills	Germany	0.00007349	0.0335	0.0168	0.0168	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	65994 Lake Ridge Road	Lore City	OH	43725
68	Cynthia L. Wagner	Y	1.00000000	30.285	30.285	0.03131867	44-0000299.000	Wills	Germany	0.03131867	0.0000	0.0000	0.0000	22.7138	7.5712	0.00000000	0.00000000	0.00000000	0.00000000	0.00000000	0.75000000	0.24999999	217 West Dominion Blvd	Columbus	OH	43214
69	David W. Smith	Y	0.50000000	0.00059368	0.2536	0.00059368	44-0000527.000	Wills	Germany	0.00059368	0.1353	0.0676	0.0676	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66580 Norris Road	Lore City	OH	43755
69	Robert L. Smith	Y	0.50000000	0.00059368	0.2536	0.00059368	44-0000527.000	Wills	Germany	0.00059368	0.1353	0.0676	0.0676	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66580 Norris Road	Lore City	OH	43755
69	John W. Smith	Y	0.50000000	0.00059368	0.2536	0.00059368	44-0000527.000	Wills	Germany	0.00059368	0.1353	0.0676	0.0676	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66580 Norris Road	Lore City	OH	43755
69	David W. Smith	Y	0.50000000	0.00059368	0.2536	0.00059368	44-0000527.000	Wills	Germany	0.00059368	0.1353	0.0676	0.0676	0.0000	0.0000	0.0000	0.50000000	0.25000000	0.25000000	0.00000000	0.00000000	0.00000000	66580 Norris Road	Lore City	OH	43755
Total Unit Acres:							941.666	1,0000		Total:		168.0578	168.0578		99.1575		10.0685									
Total Unleased Acres:							42.412	4.653040%		Consent Total:							672.231000									
Total Leased Acres:							899.274	95.346960%		Net Consent Total:							197.400000									
Total Consented WI:							672.231	71.574926%		Net Consented Total:							692.714000									

EXHIBIT "A-3"  
All Unleased Mineral Owners in the Proposed Fairgrounds 2 Unit

Tract Number	Mineral Owner	Leased Yes or No	Decimal Interest in Tract	Surface Acres in Unit	Tract Participation in Unit	Tax Map Parcel ID	Tract Surface Use	Township	County	Address	City	State	Zip
11	<i>Life Tenants:</i> Robert G. Infante, Sr. and Patricia A. Infante, H/W <i>Remaindermen:</i> Charles Earl Infante and Rebecca E. Infante, H/W, Survivorship Tenants	N	1.00000000	0.4250	0.4250000	44-0000111.000	Residential	Wills	Guernsey	7324 Hawkshead Rd	Henrico	VA	23231
17	State of Ohio, Dept. of Transportation	N	1.00000000	0.6420	0.6420000	44-0000227.001	Roadway	Wills	Guernsey	9600 Jacksontown Road	Jacksontown	OH	43030
22	Lori J. Maag, f/k/a Lori J. Gorman	N	1.00000000	1.5500	1.5500000	44-0000253.001	Residential	Wills	Guernsey	65498 Endley Road	Cambridge	OH	43725
34	Casey J. Goodpaster and Rachel E. Goodpaster, Survivorship Tenants	N	1.00000000	5.4980	5.4980000	44-0000580.003	Residential	Wills	Guernsey	65850 Norris Road	Lore City	OH	43755
35	Scott A. Steele	N	1.00000000	0.3540	0.3540000	44-0000581.000	Residential	Wills	Guernsey	159 Oak Street	Leetonia	OH	44431
36	Scott A. Steele	N	1.00000000	2.6500	2.6500000	44-0000581.001	Residential- vacant	Wills	Guernsey	159 Oak Street	Leetonia	OH	44431
66	State of Ohio	N	1.00000000	31.2930	31.2930000	44-0000433.000 44-0000432.000 p/o 44-0000990.000	Roadway	Wills	Guernsey	9600 Jacksontown Road	Jacksontown	OH	43030

Total Unleased Acres	42.4120000
Total Unit Acres	911.6860000

**EXHIBIT "A-4"**  
**All Consenting Working Interest Owners in the Proposed Fairgrounds 2 Unit**

Tract Number	Consenting Working Interest Owner	Address	City	State	Zip	Leased Yes or No	Decimal Interest in Tract	Surface Acres in Unit	Tract Participation in Unit	Tax Map Parcel ID	Township	County
4	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	79.452000	19.8630000	44-0000018.000	Wills	Guernsey
4	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	79.452000	6.6210000	44-0000018.000	Wills	Guernsey
4	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	79.452000	6.6210000	44-0000018.000	Wills	Guernsey
4	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	79.452000	6.6210000	44-0000018.000	Wills	Guernsey
5	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	5.139000	2.5695000	44-0000020.003	Wills	Guernsey
9	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	7.573000	3.7865000	44-0000028.000	Wills	Guernsey
10	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	35.140000	17.5700000	44-0000059.000	Wills	Guernsey
12	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	1.600000	0.8000000	44-0000175.000	Wills	Guernsey
13	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	61.208000	30.6040000	44-0000176.000	Wills	Guernsey
14	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	41.860000	20.9300000	44-0000177.000	Wills	Guernsey
15	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	2.070000	1.0350000	44-0000202.000	Wills	Guernsey
16	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	21.780000	10.8900000	44-0000227.000	Wills	Guernsey
18	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	1.190000	0.5950000	44-0000228.000	Wills	Guernsey
19	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.578000	0.2890000	44-0000230.000	Wills	Guernsey
20	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.737000	0.3685000	44-0000252.000	Wills	Guernsey
21	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	137.460000	68.7300000	44-0000253.000	Wills	Guernsey
23	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.108000	0.0540000	44-0000257.000	Wills	Guernsey
25	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	2.426000	0.6065000	44-0000355.001	Wills	Guernsey
25	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	2.426000	0.6065000	44-0000355.001	Wills	Guernsey
26	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	23.110000	11.5550000	44-0000362.000	Wills	Guernsey
27	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	1.560000	0.7800000	44-0000374.000	Wills	Guernsey
28	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	17.767000	4.4417500	44-0000496.000	Wills	Guernsey
28	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	17.767000	4.4417500	44-0000496.000	Wills	Guernsey
29	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.141000	0.0705000	44-0000497.000	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
30	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.08333333	0.921000	0.0767500	44-0000518.001	Wills	Guernsey
31	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	5.120000	1.2800000	44-0000580.000	Wills	Guernsey
31	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.25000000	5.120000	1.2800000	44-0000580.000	Wills	Guernsey
32	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	5.000000	2.5000000	44-0000580.001	Wills	Guernsey
33	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	5.001000	2.5005000	44-0000580.002	Wills	Guernsey
37	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	7.422000	3.7110000	44-0000605.000	Wills	Guernsey
38	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	46.218000	23.1090000	44-0000606.000	Wills	Guernsey
39	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	3.167000	1.5835000	44-0000660.000	Wills	Guernsey
40	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	1.000000	0.5000000	44-0000661.000	Wills	Guernsey
42	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	8.124000	4.0620000	44-0000892.000	Wills	Guernsey
43	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.732000	0.3660000	44-0000893.000	Wills	Guernsey
44	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.142000	0.0710000	44-0000919.000	Wills	Guernsey
45	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	8.000000	4.0000000	44-0000919.008	Wills	Guernsey
46	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	5.000000	2.5000000	44-0000919.009	Wills	Guernsey
47	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	0.798000	0.3990000	44-0000919.010	Wills	Guernsey
48	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	2.202000	1.1010000	44-0000919.012	Wills	Guernsey
49	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX	76021	Yes	0.50000000	1.031000	0.5155000	44-0000919.013	Wills	Guernsey

50	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.142000	0.0710000	44-0000919.002	Wills	Guernsey
51	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	4.494000	2.2470000	44-0000919.003	Wills	Guernsey
52	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	2.653000	1.3265000	44-0000919.004	Wills	Guernsey
53	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	27.006000	13.5030000	p/o 44-0000990.000	Wills	Guernsey
54	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	2.187000	1.0935000	44-0000990.001	Wills	Guernsey
55	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	2.576000	1.2880000	44-0000990.002	Wills	Guernsey
56	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.061000	0.0305000	44-0000990.003	Wills	Guernsey
57	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	34.071000	17.0355000	44-0001035.000	Wills	Guernsey
58	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	1.000000	0.5000000	44-0001035.001	Wills	Guernsey
59	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.733000	0.3665000	44-0001034.000	Wills	Guernsey
60	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	3.934000	1.9670000	44-0001036.000	Wills	Guernsey
61	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.37500000	47.757000	17.9088750	44-0001065.000	Wills	Guernsey
61	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.12500000	47.757000	5.9696250	44-0001065.000	Wills	Guernsey
62	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.234000	0.1170000	44-0000056.000	Wills	Guernsey
63	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	1.752000	0.8760000	44-0000057.000	Wills	Guernsey
64	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.275000	0.1375000	44-0000058.000	Wills	Guernsey
65	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.347000	0.1735000	44-0000313.000	Wills	Guernsey
67	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.50000000	0.067000	0.0335000	44-0001066.000	Wills	Guernsey
69	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.12500000	2.165000	0.2706250	44-0000527.000	Wills	Guernsey
69	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.12500000	2.165000	0.2706250	44-0000527.000	Wills	Guernsey
69	Ironhead Resources III, LLC	2701 Brown Trail, Suite 308	Bedford	TX		76021	Yes	0.12500000	2.165000	0.2706250	44-0000527.000	Wills	Guernsey
4	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.12500000	79.452000	9.9315000	44-0000018.000	Wills	Guernsey
4	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
4	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
4	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
5	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	5.139000	1.2847500	44-0000020.003	Wills	Guernsey
9	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	7.573000	1.8932500	44-0000028.000	Wills	Guernsey
10	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	35.140000	8.7850000	44-0000059.000	Wills	Guernsey
12	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	1.600000	0.4000000	44-0000175.000	Wills	Guernsey
13	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	61.208000	15.3020000	44-0000176.000	Wills	Guernsey
14	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	41.860000	10.4650000	44-0000177.000	Wills	Guernsey
15	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	2.070000	0.5175000	44-0000202.000	Wills	Guernsey
16	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	21.780000	5.4450000	44-0000227.000	Wills	Guernsey
18	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	1.190000	0.2975000	44-0000228.000	Wills	Guernsey
19	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	0.578000	0.1445000	44-0000230.000	Wills	Guernsey
20	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	0.737000	0.1842500	44-0000252.000	Wills	Guernsey
21	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	137.460000	34.3650000	44-0000253.000	Wills	Guernsey
23	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	0.108000	0.0270000	44-0000257.000	Wills	Guernsey
25	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.12500000	2.426000	0.3032500	44-0000355.001	Wills	Guernsey
25	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.12500000	2.426000	0.3032500	44-0000355.001	Wills	Guernsey
26	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	23.110000	5.7775000	44-0000362.000	Wills	Guernsey
27	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	1.560000	0.3900000	44-0000374.000	Wills	Guernsey
28	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.12500000	17.767000	2.2208750	44-0000496.000	Wills	Guernsey
28	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.12500000	17.767000	2.2208750	44-0000496.000	Wills	Guernsey
29	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.25000000	0.141000	0.0352500	44-0000497.000	Wills	Guernsey
30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX		75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey

30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
31	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.12500000	5.120000	0.6400000	44-0000580.000	Wills	Guernsey
31	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.12500000	5.120000	0.6400000	44-0000580.000	Wills	Guernsey
32	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	5.000000	1.2500000	44-0000580.001	Wills	Guernsey
33	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	5.001000	1.2502500	44-0000580.002	Wills	Guernsey
37	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	7.422000	1.8555000	44-0000605.000	Wills	Guernsey
38	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	46.218000	11.5545000	44-0000606.000	Wills	Guernsey
39	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	3.167000	0.7917500	44-0000660.000	Wills	Guernsey
40	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	1.000000	0.2500000	44-0000661.000	Wills	Guernsey
42	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	8.124000	2.0310000	44-0000892.000	Wills	Guernsey
43	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.732000	0.1830000	44-0000893.000	Wills	Guernsey
44	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.142000	0.0355000	44-0000919.000	Wills	Guernsey
45	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	8.000000	2.0000000	44-0000919.008	Wills	Guernsey
46	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	5.000000	1.2500000	44-0000919.009	Wills	Guernsey
47	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.798000	0.1995000	44-0000919.010	Wills	Guernsey
48	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	2.202000	0.5505000	44-0000919.012	Wills	Guernsey
49	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	1.031000	0.2577500	44-0000919.013	Wills	Guernsey
50	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.142000	0.0355000	44-0000919.002	Wills	Guernsey
51	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	4.494000	1.1235000	44-0000919.003	Wills	Guernsey
52	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	2.653000	0.6632500	44-0000919.004	Wills	Guernsey
53	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	27.006000	6.7515000	p/o 44-0000990.000	Wills	Guernsey
54	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	2.187000	0.5467500	44-0000990.001	Wills	Guernsey
55	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	2.576000	0.6440000	44-0000990.002	Wills	Guernsey
56	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.061000	0.0152500	44-0000990.003	Wills	Guernsey
57	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	34.071000	8.5177500	44-0001035.000	Wills	Guernsey
58	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	1.000000	0.2500000	44-0001035.001	Wills	Guernsey
59	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.733000	0.1832500	44-0001034.000	Wills	Guernsey
60	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	3.934000	0.9835000	44-0001036.000	Wills	Guernsey
61	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.18750000	47.757000	8.9544375	44-0001065.000	Wills	Guernsey
61	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.06250000	47.757000	2.9848125	44-0001065.000	Wills	Guernsey
62	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.234000	0.0585000	44-0000056.000	Wills	Guernsey
63	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	1.752000	0.4380000	44-0000057.000	Wills	Guernsey
64	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.275000	0.0687500	44-0000058.000	Wills	Guernsey
65	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.347000	0.0867500	44-0000313.000	Wills	Guernsey
67	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.25000000	0.067000	0.0167500	44-0001066.000	Wills	Guernsey
69	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
69	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
69	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
69	Collins Utica, LLC	3824 Cedar Springs Road, #414	Dallas	TX	75219	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
4	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.12500000	79.452000	9.9315000	44-0000018.000	Wills	Guernsey
4	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
4	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
4	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.04166667	79.452000	3.3105000	44-0000018.000	Wills	Guernsey
5	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	5.139000	1.2847500	44-0000020.003	Wills	Guernsey
9	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	7.573000	1.8932500	44-0000028.000	Wills	Guernsey
10	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	35.140000	8.7850000	44-0000059.000	Wills	Guernsey
12	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	1.600000	0.4000000	44-0000175.000	Wills	Guernsey



13	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	61.208000	15.3020000	44-0000176.000	Wills	Guernsey
14	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	41.860000	10.4650000	44-0000177.000	Wills	Guernsey
15	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	2.070000	0.5175000	44-0000202.000	Wills	Guernsey
16	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	21.780000	5.4450000	44-0000227.000	Wills	Guernsey
18	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	1.190000	0.2975000	44-0000228.000	Wills	Guernsey
19	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.578000	0.1445000	44-0000230.000	Wills	Guernsey
20	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.737000	0.1842500	44-0000252.000	Wills	Guernsey
21	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	137.460000	34.3650000	44-0000253.000	Wills	Guernsey
23	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.108000	0.0270000	44-0000257.000	Wills	Guernsey
25	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	2.426000	0.3032500	44-0000355.001	Wills	Guernsey
25	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	2.426000	0.3032500	44-0000355.001	Wills	Guernsey
26	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	23.110000	5.7775000	44-0000362.000	Wills	Guernsey
27	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	1.560000	0.3900000	44-0000374.000	Wills	Guernsey
28	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	17.767000	2.2208750	44-0000496.000	Wills	Guernsey
28	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	17.767000	2.2208750	44-0000496.000	Wills	Guernsey
29	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.141000	0.0352500	44-0000497.000	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
30	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.04166667	0.921000	0.0383750	44-0000518.001	Wills	Guernsey
31	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	5.120000	0.6400000	44-0000580.000	Wills	Guernsey
31	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.12500000	5.120000	0.6400000	44-0000580.000	Wills	Guernsey
32	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	5.000000	1.2500000	44-0000580.001	Wills	Guernsey
33	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	5.001000	1.2502500	44-0000580.002	Wills	Guernsey
37	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	7.422000	1.8555000	44-0000605.000	Wills	Guernsey
38	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	46.218000	11.5545000	44-0000606.000	Wills	Guernsey
39	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	3.167000	0.7917500	44-0000660.000	Wills	Guernsey
40	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	1.000000	0.2500000	44-0000661.000	Wills	Guernsey
42	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	8.124000	2.0310000	44-0000892.000	Wills	Guernsey
43	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.732000	0.1830000	44-0000893.000	Wills	Guernsey
44	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.142000	0.0355000	44-0000919.000	Wills	Guernsey
45	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	8.000000	2.0000000	44-0000919.008	Wills	Guernsey
46	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	5.000000	1.2500000	44-0000919.009	Wills	Guernsey
47	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.798000	0.1995000	44-0000919.010	Wills	Guernsey
48	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	2.202000	0.5505000	44-0000919.012	Wills	Guernsey
49	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	1.031000	0.2577500	44-0000919.013	Wills	Guernsey
50	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.142000	0.0355000	44-0000919.002	Wills	Guernsey
51	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	4.494000	1.1235000	44-0000919.003	Wills	Guernsey
52	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	2.653000	0.6632500	44-0000919.004	Wills	Guernsey
53	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	27.006000	6.7515000	p/o 44-0000990.000	Wills	Guernsey
54	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	2.187000	0.5467500	44-0000990.001	Wills	Guernsey
55	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	2.576000	0.6440000	44-0000990.002	Wills	Guernsey
56	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.061000	0.0152500	44-0000990.003	Wills	Guernsey
57	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	34.071000	8.5177500	44-0001035.000	Wills	Guernsey
58	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	1.000000	0.2500000	44-0001035.001	Wills	Guernsey
59	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	0.733000	0.1832500	44-0001034.000	Wills	Guernsey
60	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX		79701	Yes	0.25000000	3.934000	0.9835000	44-0001036.000	Wills	Guernsey

61	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.18750000	47.757000	8.9544375	44-0001065.000	Wills	Guernsey
61	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.06250000	47.757000	2.9848125	44-0001065.000	Wills	Guernsey
62	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	0.234000	0.0585000	44-0000056.000	Wills	Guernsey
63	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	1.752000	0.4380000	44-0000057.000	Wills	Guernsey
64	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	0.275000	0.0687500	44-0000058.000	Wills	Guernsey
65	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	0.347000	0.0867500	44-0000313.000	Wills	Guernsey
67	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.25000000	0.067000	0.0167500	44-0001066.000	Wills	Guernsey
69	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
69	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey
69	Wallace Family Partnership, LP	508 W. Wall Street, Suite 1200	Midland	TX	79701	Yes	0.06250000	2.165000	0.1353125	44-0000527.000	Wills	Guernsey

Total	
Consenting Acres:	672.2310000
Total Unit Acres:	911.6860000

EXHIBIT "A-5"  
All Non-Consenting Working Interest Owners in the Proposed Fairgrounds 2 Unit

Tract Number	Non-Consenting Working Interest Owner	Address	City	State	Zip	Leased Yes or No	Decimal Interest in Tract	Surface Acres in Unit	Tract Participation in Unit	Tax Map Parcel ID	Township	County
1	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.05504334	0.6880	0.037869818	44-0000243.000	Wills	Guernsey
1	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.80996285	0.6880	0.557254442	44-0000243.000	Wills	Guernsey
1	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	0.6880	0.04643787	44-0000243.000	Wills	Guernsey
1	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	0.6880	0.04643787	44-0000243.000	Wills	Guernsey
2	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.05504334	85.3980	4.700591149	44-0000244.000	Wills	Guernsey
2	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.80996285	85.3980	69.16920758	44-0000244.000	Wills	Guernsey
2	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	85.3980	5.764100633	44-0000244.000	Wills	Guernsey
2	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	85.3980	5.764100633	44-0000244.000	Wills	Guernsey
3	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.05504334	1.7310	0.095280022	44-0000245.000	Wills	Guernsey
3	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.80996285	1.7310	1.402045696	44-0000245.000	Wills	Guernsey
3	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	1.7310	0.116837141	44-0000245.000	Wills	Guernsey
3	R & S Operating, LLC	1712 Pioneer Avenue, Suite 1622	Cheyenne	WY	82001	Yes	0.06749690	1.7310	0.116837141	44-0000245.000	Wills	Guernsey
6	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	1.00000000	29.1260	29.126	44-0000026.000	Wills	Guernsey
7	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	1.00000000	16.3760	16.376	44-0000731.000	Wills	Guernsey
8	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	1.00000000	17.1510	17.151	48-0000278.000	Wills	Guernsey
24	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	0.75000002	9.9890	7.4917502	44-0000298.000	Wills	Guernsey
41	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	1.00000000	6.2990	6.299	44-0000851.000	Wills	Guernsey
68	EAP Ohio, LLC	5847 San Felipe Street, Suite 400	Houston	TX	77057	Yes	0.75000002	30.2850	22.71375061	44-0000299.000	Wills	Guernsey
24	BURJ Energy, LLC	1560 Broadway Street, Suite 2050	Denver	CO	80202	Yes	0.24999998	9.9890	2.4972498	44-0000298.000	Wills	Guernsey
68	BURJ Energy, LLC	1560 Broadway Street, Suite 2050	Denver	CO	80202	Yes	0.24999998	30.2850	7.571249394	44-0000299.000	Wills	Guernsey

Total Non-Consenting Acres:	197.043
Total Unit Acres:	911.686

EXHIBIT "A-6"

There are no parcels subject to pending ownership litigation or potential adverse ownership claims in the Proposed Fairgrounds 2 Unit

Tract Number	Ownership Dispute Parties	Address	City	State	Zip	Leased Yes or No	Potential Decimal Interest in Tract	Potential Surface Acres in Unit	Potential Tract Participation in Unit	Tax Map Parcel ID	Township	County
								Total Acres pending ownership litigation:	0			

04/10 - OH

PAID-UP  
OIL & GAS LEASE

Lease No. \_\_\_\_\_

This Lease made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between:  
\_\_\_\_\_, of

hereinafter collectively called "Lessor," and **Ironhead Operating, LLC**, a Delaware limited liability company, 2701 Brown Trail, Suite 308, Bedford, TX, 76021, hereinafter called "Lessee."

WITNESSETH, that for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

LEASING CLAUSE. Lessor hereby leases exclusively to Lessee all the oil and gas (including, but not limited to coal seam gas, coalbed methane gas, coalbed gas, methane gas, gob gas, occluded methane/natural gas and all associated natural gas and other hydrocarbons and non-hydrocarbons contained in, associated with, emitting from, or produced/originating within any formation, gob area, mined-out area, coal seam, and all communicating zones), and their liquid or gaseous constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold or from neighboring lands across the Leasehold, to use oil, gas, and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injecting of gas therein and removing the same therefrom; 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 Leasehold.

DESCRIPTION. The Leasehold is located in the Township of \_\_\_\_\_, in the County of \_\_\_\_\_, in the State of Ohio, and described as follows:

Township: \_\_\_\_\_, Range: \_\_\_\_\_  
Section \_\_\_\_\_: Tax Parcel No.: \_\_\_\_\_, Containing \_\_\_\_\_ acres

and is bounded formerly or currently as follows:

On the North by lands of \_\_\_\_\_;  
On the East by lands of \_\_\_\_\_;  
On the South by lands of \_\_\_\_\_;  
On the West by lands of \_\_\_\_\_;

including lands acquired from \_\_\_\_\_, by virtue of deed dated \_\_\_\_\_, and recorded in \_\_\_\_\_ Book \_\_\_\_\_, at Page \_\_\_\_\_, and described for the purposes of this agreement as containing a total of \_\_\_\_\_ Leasehold acres, whether actually more or less, and including contiguous lands owned by Lessor. This Lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor, by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land.

LEASE TERM. This Lease shall remain in force for a primary term of five (5) years from 12:00 A.M. \_\_\_\_\_ (effective date) to 11:59 P.M. \_\_\_\_\_ (last day of primary term) and shall continue beyond the primary term as to the entirety of the Leasehold if any of the following is satisfied: (i) operations are conducted on the Leasehold or lands pooled/unitized therewith in search of oil, gas, or their constituents, or (ii) a well deemed by Lessee to be capable of production is located on the Leasehold or lands pooled/unitized therewith, or (iii) oil or gas, or their constituents, are produced from the Leasehold or lands pooled/unitized therewith, or (iv) if the Leasehold or lands pooled/unitized therewith is used for the underground storage of gas, or for the protection of stored gas, or (v) if prescribed payments are made, or (vi) if Lessee's operations are delayed, postponed or interrupted as a result of any coal, stone or other mining or mining related operation under any existing and effective lease, permit or authorization covering such operations on the leased premises or on other lands affecting the leased premises, such delay will automatically extend the primary or secondary term of this oil and gas lease without additional compensation or performance by Lessee for a period of time equal to any such delay, postponement or interruption.

If there is any dispute concerning the extension of this Lease beyond the primary term by reason of any of the alternative mechanisms specified herein, the payment to the Lessor of the prescribed payments provided below shall be conclusive evidence that the Lease has been extended beyond the primary term.

EXTENSION OF PRIMARY TERM. Lessee has the option to extend the primary term of this Lease for one additional term of five (5) years from the expiration of the primary term of this Lease; said extension to be under the same terms and conditions as contained in this Lease. Lessee may exercise this option to extend this Lease if on or before the expiration date of the primary term of this Lease, Lessee pays or tenders to the Lessor or to the Lessor's credit an amount equal to the initial consideration given for the execution hereof. Exercise of this option is at Lessee's sole discretion and may be invoked by Lessee where no other alternative of the Lease Term clause extends this Lease beyond the primary term.

NO AUTOMATIC TERMINATION OR FORFEITURE.

(A) CONSTRUCTION OF LEASE: The language of this Lease (including, but not limited to, the Lease Term and Extension of Term clauses) shall never be read as language of special limitation. This Lease shall be construed against termination, forfeiture, cancellation or expiration and in favor of giving effect to the continuation of this Lease where the circumstances exist to maintain this Lease in effect under any of the alternative mechanisms set forth above. In connection therewith, (i) a well shall be deemed to be capable of production if it has the capacity to produce a profit over operating costs, without regard to any capital costs to drill or equip the well, or to deliver the oil or gas to market, and (ii) the Lessee shall be deemed to be conducting operations in search of oil or gas, or their constituents, if the Lessee is engaged in geophysical and other exploratory work including, but not limited to, activities to drill an initial well, to drill a new well, or to rework, stimulate, deepen, sidetrack, frac, plug back in the same or different formation or repair a well or equipment on the Leasehold or any lands pooled/unitized therewith (such activities shall include, but not be limited to, performing any preliminary or preparatory work necessary for drilling, conducting internal technical analysis to initiate and/or further develop a well, obtaining permits and approvals associated therewith and may include reasonable gaps in activities provided that there is a continuum of activities showing a good faith effort to develop a well or that the cessation or interruption of activities was beyond the control of Lessee, including interruptions caused by the acts of third parties over whom Lessee has no control or regulatory delays associated with any approval process required for conducting such activities).

(B) LIMITATION OF FORFEITURE: This Lease shall never be subject to a civil action or proceeding to enforce a claim of termination, cancellation, expiration or forfeiture due to any action or inaction by the Lessee, including, but not limited to making any prescribed payments authorized under the terms of this Lease, unless the Lessee has received written notice of Lessor's demand and thereafter fails or refuses to satisfy or provide justification responding to Lessor's demand within 60 days from the receipt of such notice. If Lessee timely responds to Lessor's demand, but in good faith disagrees with Lessor's position and sets forth the reasons therefore, such a response shall be deemed to satisfy this provision, this Lease shall continue in full force and effect and no further damages (or other claims for relief) will accrue in Lessor's favor during the pendency of the dispute, other than claims for payments that may be due under the terms of this Lease.

PAYMENTS TO LESSOR. In addition to the bonus paid by Lessee for the execution hereof, Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

(A) DELAY RENTAL: To pay Lessor as Delay Rental, after the first year, at the rate of five dollars (\$5.00) per net acre per year payable in advance. **The parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in Marketing payments due to Lessor during the primary term hereof.**

(B) ROYALTY: To pay Lessor as Royalty, less all taxes, assessments, and adjustments on production from the Leasehold, as follows:

1. OIL: To deliver to the credit of Lessor a Royalty equal to twelve and one-half percent (12.5%) of the net revenue realized by Lessee for all oil and any constituents thereof produced and marketed from the Leasehold, less the cost to transport, handle, separate, meter, treat, process and market the oil.

2. GAS: To pay Lessor an amount equal to twelve and one-half percent (12.5%) of the net revenue realized by Lessee for all gas and the constituents thereof produced and marketed from the Leasehold, less the cost to transport, gather, dehydrate, compress, market, meter, treat and process the gas and any losses in volumes to point of measurement that determines the revenue realized by Lessee. Lessee may withhold Royalty payment until such time as the total withheld exceeds fifty dollars (\$50.00).

(C) DELAY IN MARKETING: In the event that Lessee drills a well on the Leasehold or lands pooled/unitized therewith that is awaiting completion (such as hydraulic fracture stimulation), or that Lessee deems to be capable of production, but does not market producible gas, oil, or their constituents therefrom and there is no other basis for extending this Lease, Lessee shall pay after the primary term and until such time as marketing is established (or Lessee surrenders the Lease) a Delay in Marketing payment equal in amount and frequency to the annual Delay Rental payment, and this Lease shall remain in full force and effect to the same extent as payment of Royalty.

(D) SHUT-IN: In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of twelve (12) months, and there is no producing well on the Leasehold or lands pooled/unitized therewith, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the annual Delay Rental payment until such time as production is re-established (or lessee surrenders the Lease) and this Lease shall remain in full force and effect. During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or to drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold is interrupted for a period of less than twelve (12) months, this Lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty.

(E) DAMAGES: Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of growing crops or marketable timber.

(F) MANNER OF PAYMENT: Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address. Payment may be tendered by mail or any comparable method (e.g., Federal Express), and payment is deemed complete upon mailing or dispatch. Where the due date for any payment specified herein falls on a holiday, Saturday or Sunday, payment tendered (mailed or dispatched) on the next business day is timely.

(G) CHANGE IN LAND OWNERSHIP: Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

(H) TITLE: If Lessee receives evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(I) LIENS: Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means. In the event the leased lands are encumbered by a prior mortgage, then, notwithstanding anything contained herein to the contrary, Lessee shall have the right to suspend the payment of any royalties due hereunder, without liability for interest, until such time as Lessor obtains at its own expense a subordination of the mortgage in a form acceptable to Lessee.

(J) CHARACTERIZATION OF PAYMENTS: Payments set forth herein are covenants, not special limitations, regardless of the manner in which these payments may be invoked. Any failure on the part of the Lessee to timely or otherwise properly tender payment can never result in an automatic termination, expiration, cancellation, or forfeiture of this Lease. Lessor recognizes and acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, can vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor hereby agrees that the payment terms, as set forth herein, and any bonus payments paid to Lessor constitute full consideration for the Leasehold. Lessor further agrees that such payment terms and bonus payments are final and that Lessor will not seek to amend or modify the lease payments, or seek additional consideration based upon any differing terms which Lessee has or will negotiate with any other lessor/oil and gas owner.

(K) PAYMENT REDUCTIONS: If Lessor owns a lesser interest in the oil or gas than the entire undivided fee simple estate, then the rentals (except for Delay Rental payments as set forth above), royalties and shut-in royalties hereunder shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

UNITIZATION AND POOLING. Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to governmental authorization. Pooling or unitizing in one or more instances shall not exhaust Lessee's pooling and unitizing rights hereunder, and Lessee is granted the right to change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the revenue realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold acres included in the unit bears to the total number of acres in the unit. Otherwise, as to any part of the unit, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty, Shut-in Royalty, Delay in Marketing payment or Delay Rental attributable to any part of the unit (including non-Leasehold land) shall have the same effect upon the terms of this Lease as if a well were located on, or the subject activity attributable to, the Leasehold. In the event of conflict or inconsistency between the Leasehold acres ascribed to the Lease, and the local property tax assessment calculation of the lands covered by the Lease, or the deeded acreage amount, Lessee may, at its option, rely on the latter as being determinative for the purposes of this paragraph.

FACILITIES. Lessee shall not drill a well on the Leasehold within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent.

CONVERSION TO STORAGE. Lessee is hereby granted the right to convert the Leasehold or lands pooled/unitized therewith to gas storage. At the time of conversion, Lessee shall pay Lessor's proportionate part for the estimated recoverable gas remaining in any well drilled pursuant to this Lease using methods of calculating gas reserves as are generally accepted by the natural gas industry and, in the event that all wells on the Leasehold and/or lands pooled/unitized therewith have permanently ceased production, Lessor shall be paid a Conversion to Storage payment in an amount equal to Delay Rental for as long thereafter as the Leasehold or lands pooled/unitized therewith is/are used for gas storage or for protection of gas storage; such Conversion to Storage payment shall first become due upon the next ensuing Delay Rental anniversary date. The use of any part of the Leasehold or lands pooled or unitized therewith for the underground storage of gas, or for the protection of stored gas will extend this Lease beyond the primary term as to all rights granted by this Lease, including but not limited to production rights, regardless of whether the production and storage rights are owned together or separately.

DISPOSAL AND INJECTION WELLS. Lessor hereby grants to Lessee the right to drill wells and/or re-enter existing wells, including necessary location, roadway and pipeline easements and rights of way, on any part of the Leasehold or lands pooled or unitized therewith for the disposal and/or injection into any subsurface strata, other than a potable water strata, of air, gas, brine, completion and production fluids, waste water and any hydrocarbon related substances from any source, including, but not limited to wells on the Leasehold or lands pooled or unitized therewith or from properties and lands outside the Leasehold or lands pooled or unitized therewith, and to conduct all operations as may be required, for so long as necessary and required by Lessee for purposes as herein provided. If, at the expiration of the primary term, Lessee is disposing and/or injecting into any subsurface strata underlying the Leasehold or lands pooled or unitized therewith or conducting operations for such disposal and/or injection and this lease is not being maintained by any other provision contained herein and no other payments are being made to Lessor as prescribed hereunder, Lessee shall pay to Lessor the sum of one thousand dollars (\$1,000.00) per year, proportionately reduced to Lessor's ownership in the Leasehold and surface as it bears to the full and undivided estate, beginning on the next anniversary date of this Lease and said payment and term of this Lease, insofar as to terms and provisions contained herein applicable to disposal and injection wells, shall continue annually thereafter for so long as necessary and required by Lessee for purposes as herein provided and until all disposal and/or injection wells located on the Leasehold or on lands pooled or unitized therewith are plugged and abandoned. Lessor agrees that if required by



Lessee, regulatory agency or governmental authority having jurisdiction, Lessor shall enter a separate Disposal and Injection Agreement with Lessee for the purposes as herein provided.

TITLE AND INTERESTS. Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

LEASE DEVELOPMENT. There is no implied covenant to drill, prevent drainage, further develop or market production within the primary term or any extension of term of this Lease. There shall be no Leasehold forfeiture, termination, expiration or cancellation for failure to comply with said implied covenants. Provisions herein, including, but not limited to the prescribed payments, constitute full compensation for the privileges herein granted.

COVENANTS. This Lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is effectively prevented by federal, state, or local law, regulation, or decree, or the acts of God and/or third parties over whom Lessee has no control.

RIGHT OF FIRST REFUSAL. If at any time within the primary term of this Lease or any continuation or extension thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (“Top Lease”) covering all or part of the Leasehold, Lessee shall have the continuing option by meeting any such offer to acquire a Top Lease on equivalent terms and conditions. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such Top Lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the Top Lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any Top Lease granted by Lessor in violation of this provision shall be null and void.

ARBITRATION. In the event of a disagreement between Lessor and Lessee concerning this Lease or the associated Order of Payment, performance thereunder, or damages caused by Lessee's operations, the resolution of all such disputes shall be determined by arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall be the exclusive remedy and cover all disputes, including but not limited to, the formation, execution, validity and performance of the Lease and Order of Payment. All fees and costs associated with the arbitration shall be borne equally by Lessor and Lessee.

ENTIRE CONTRACT. The entire agreement between Lessor and Lessee is embodied herein and in the associated Order of Payment (if any). No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to or modification of this Lease.

TITLE CURATIVE. Lessor agrees to execute affidavits, ratifications, amendments, permits and other instruments as may be necessary to carry out the purpose of this lease.

SURRENDER. Lessee, at any time, and from time to time, may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease and thereupon this Lease, and the rights and obligations of the parties hereunder, shall terminate as to the part so surrendered; provided, however, that upon each surrender as to any part of the Leasehold, Lessee shall have reasonable and convenient easements for then existing wells, pipelines, pole lines, roadways and other facilities on the lands surrendered.

SUCCESSORS. All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

FORCE MAJEURE. All express or implied covenants of this Lease shall be subject to all applicable laws, rules, regulations and orders. When drilling, reworking, production or other operations hereunder, or Lessee’s fulfillment of its obligations hereunder are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee’s control, this Lease shall not terminate, in whole or in part, because of such prevention or delay, and, at Lessee’s option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable in damages for breach of any express or implied covenants of this Lease for failure to comply therewith, if compliance is prevented by, or failure is the result of any applicable laws, rules, regulations or orders or operation of force majeure.

SEVERABILITY. This Lease is intended to comply with all applicable laws, rules, regulations, ordinances and governmental orders. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall survive and continue in full force and effect to the maximum extent allowed by law. If a court of competent jurisdiction holds any provision of this Lease invalid, void, or unenforceable under applicable law, the court shall give the provision the greatest effect possible under the law and modify the provision so as to conform to applicable law if that can be done in a manner which does not frustrate the purpose of this Lease.

COUNTERPARTS. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, Lessor hereunto sets hand and seal.

Witness \_\_\_\_\_ (Seal)

Witness \_\_\_\_\_ (Seal)

Witness \_\_\_\_\_ (Seal)



Witness \_\_\_\_\_ (Seal)

ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS:

On this, the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, before me \_\_\_\_\_, the undersigned officer, personally appeared \_\_\_\_\_, known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged that \_\_\_\_\_ executed the same for the purposes therein contained.

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

My Commission Expires: \_\_\_\_\_  
Signature/Notary Public: \_\_\_\_\_  
Name/Notary Public (print): \_\_\_\_\_

CORPORATE ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS:

On this, the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, before me \_\_\_\_\_, the undersigned officer, personally appeared \_\_\_\_\_, who acknowledged himself to be the \_\_\_\_\_ of \_\_\_\_\_, a corporation, and that he as such \_\_\_\_\_, being authorized to do so, executed foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as \_\_\_\_\_.

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

My Commission Expires: \_\_\_\_\_  
Signature/Notary Public: \_\_\_\_\_  
Name/Notary Public (print): \_\_\_\_\_



EXHIBIT “C”  
ACCOUNTING PROCEDURE  
JOINT OPERATIONS

Attached to and made part of that certain Joint Operating Agreement between and among Ironhead Operating, LLC, as Operator and

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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



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 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 1.2 and/or Section 1.3.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.



### 3. ADVANCES AND PAYMENTS BY THE PARTIES

- A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.
- B. Except as provided below, each Party shall pay its proportionate share of all bills in full within fifteen (15) days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:
- (1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working interest or Participating Interest, as applicable; or
  - (2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement; or
  - (3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or
  - (4) charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

### 4. ADJUSTMENTS

- A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure Audits*).
- B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month period are limited to adjustments resulting from the following:
- (1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or
  - (2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or
  - (3) a government/regulatory audit, or
  - (4) a working interest ownership or Participating Interest adjustment.

### 5. EXPENDITURE AUDITS

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

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

those Non-Operators approving such audit.

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

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

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

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

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

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

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

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

**6. APPROVAL BY PARTIES**

**A. GENERAL MATTERS**

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



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

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

#### B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of two ( 2 ) or more Parties, one of which is the Operator, having a combined working interest of at least fifty-one percent ( 51 %), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

#### C. AFFILIATES

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

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

## II. DIRECT CHARGES

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

### 1. RENTALS AND ROYALTIES

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

### 2. LABOR

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

- (1) Operator's field employees directly employed On-site in the conduct of Joint Operations,
- (2) Operator's employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities serving the Joint Property if such costs are not charged under Section II.6 (*Equipment and Facilities Furnished by Operator*) or are not a function covered under Section III (*Overhead*),
- (3) Operator's employees providing First Level Supervision,
- (4) Operator's employees providing On-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*),
- (5) Operator's employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*).

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

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

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

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



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

### 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

### 30 4. TRANSPORTATION

- 31
- 32 A. Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.
- 33
- 34 B. Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point  
35 to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material  
36 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  
37 methods listed below:
- 38
- 39 (1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a  
40 theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per  
41 hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall  
42 consistently apply the selected alternative.
- 43
- 44 (2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial  
45 charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged  
46 directly to the Joint Property and shall not be included when calculating the Equalized Freight.
- 47

### 48 5. SERVICES

49

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

53

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

55

### 56 6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

57

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

59

- 60 A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to  
61 production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership  
62 and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who  
63 are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense,  
64 insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation  
65 not to exceed twelve percent (12 %) per annum; provided, however, depreciation shall not be charged when the
- 66



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

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

#### 7. AFFILIATES

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

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

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

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

#### 8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

#### 9. LEGAL EXPENSE

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

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

#### 10. TAXES AND PERMITS

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

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





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

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

#### 11. INSURANCE

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

#### 12. COMMUNICATIONS

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

#### 13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

#### 14. ABANDONMENT AND RECLAMATION

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

#### 15. OTHER EXPENDITURES

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

### III. OVERHEAD

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

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

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



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

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

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

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

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

A. TECHNICAL SERVICES

- (i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services:
  - ☒ (Alternative 1 – Direct) shall be charged direct to the Joint Account.
  - ☐ (Alternative 2 – Overhead) shall be covered by the overhead rates.
- (ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services:
  - ☐ (Alternative 1 – All Overhead) shall be covered by the overhead rates.
  - ☒ (Alternative 2 – All Direct) shall be charged direct to the Joint Account.
  - ☐ (Alternative 3 – Drilling Direct) shall be charged direct to the Joint Account, only to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

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

B. OVERHEAD—FIXED RATE BASIS

- (1) The Operator shall charge the Joint Account at the following rates per well per month:
  - Drilling Well Rate per month \$ 13,923.64 (prorated for less than a full month)
  - Producing Well Rate per month \$ 1,392.36
- (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.



- 1 (b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more  
2 consecutive work-days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date  
3 operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges  
4 shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.
- 5 (3) Application of Overhead—Producing Well Rate shall be as follows:
- 6
- 7 (a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for  
8 any portion of the month shall be considered as a one-well charge for the entire month.
- 9
- 10 (b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is  
11 considered a separate well by the governing regulatory authority.
- 12
- 13 (c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well,  
14 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  
15 or not the well has produced.
- 16
- 17 (d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall  
18 be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.
- 19
- 20 (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  
21 charge.
- 22
- 23 (4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided,  
24 however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the  
25 rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment  
26 shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or  
27 amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the  
28 effective date of such rates, in accordance with COPAS MFI-47 (“Adjustment of Overhead Rates”).
- 29

30 C. OVERHEAD—PERCENTAGE BASIS

- 31
- 32 (1) Operator shall charge the Joint Account at the following rates:
- 33
- 34 (a) Development Rate \_\_\_\_\_ percent (\_\_\_\_\_) % of the cost of development of the Joint Property, exclusive of costs  
35 provided under Section II.9 (*Legal Expense*) and all Material salvage credits.
- 36
- 37 (b) Operating Rate \_\_\_\_\_ percent (\_\_\_\_\_) % of the cost of operating the Joint Property, exclusive of costs  
38 provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value  
39 of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that  
40 are levied, assessed, and paid upon the mineral interest in and to the Joint Property.
- 41
- 42 (2) Application of Overhead—Percentage Basis shall be as follows:
- 43
- 44 (a) The Development Rate shall be applied to all costs in connection with:
- 45
- 46 [i] drilling, redrilling, sidetracking, or deepening of a well
- 47 [ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work-days
- 48 [iii] preliminary expenditures necessary in preparation for drilling
- 49 [iv] expenditures incurred in abandoning when the well is not completed as a producer
- 50 [v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a  
51 fixed asset, other than Major Construction or Catastrophe as defined in Section III.2 (*Overhead-Major Construction*  
52 *and Catastrophe*).
- 53
- 54 (b) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section III.2  
55 (*Overhead-Major Construction and Catastrophe*).
- 56

57 2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

58

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

64

65

66



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

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

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

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

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

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

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

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

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

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

**3. AMENDMENT OF OVERHEAD RATES**

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

**IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS**

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

**1. DIRECT PURCHASES**

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



## 2. TRANSFERS

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

### A. PRICING

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

- (1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).
  - (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston, Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).
  - (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation costs as defined in Section IV.2.B (*Freight*).
- (2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.
- (3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12) months from the date of physical transfer.
- (4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the Material for Material being transferred from the Joint Property.

### B. FREIGHT

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

- (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing Manual") and other COPAS MFIs in effect at the time of the transfer.
- (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point. For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway Receiving Point.
- (3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the Railway Receiving Point.
- (4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point

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

### C. TAXES

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



D. CONDITION

- (1) Condition “A” – New and unused Material in sound and serviceable condition shall be charged at one hundred percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). Material transferred from the Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties owning such Material, pursuant to Section 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. DIRECTED INVENTORIES

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

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

- A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.
- B. Actual transportation costs and Personal Expenses for the inventory team.
- C. Reasonable charges for report preparation and distribution to the Non-Operators.

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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



**EXHIBIT "D"**

Attached to and made a part of that certain Unit Operating Agreement  
dated May10 2023 for the Fairgrounds 2 Unit.

1. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

A. Workers’ Compensation Employer’s Liability	Statutory \$1,000,000 Each Accident
B. General Liability including bodily injury and property damage liability	\$1,000,000 Combined Single Limit
C. Auto Liability	\$1,000,000 Combined Single Limit
D. Excess or Umbrella Liability	\$5,000,000 Combined Single Limit
E. Cost of Well Control and Care, Custody and Control	\$5,000,000 Each Occurrence and \$250,000 CCC
F. Pollution Liability	\$5,000,000 Combined Single Limit

2. The insurance described in 1. above shall include Non-Operator as additional insured (except Workers’ Compensation) and shall include a waiver by the insurer of all rights of subrogation in favor of Non-Operator. Such insurance shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement, unless prior to spud a party hereto who desires to provide its own insurance or self-insurance provides Operator with a certificate of insurance evidencing such individual coverage.

3. Operator shall endeavor to have its contractors and subcontractors comply with applicable Workers’ Compensation laws, rules and regulations and carry such insurance as Operator may deem necessary.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein. If, in Operator’s opinion, at any time during the term of this Agreement, Operator is unable to procure or maintain said insurance on commercially reasonable terms, or Operator reduces the limits of insurance, Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, such party shall provide Operator with a certificate of insurance evidencing such coverage before spud of the well and such coverage shall include a waiver by the insurer of all rights of subrogation in favor of the parties hereto.

End of Exhibit “D”

## EXHIBIT “E”

Attached to and made a part of the Operating Agreement between Ironhead Operating, LLC, as Operator, and \_\_\_\_\_ as Non-Operators, dated May 10, 2023.

### GAS BALANCING AGREEMENT ADDENDUM

This Gas Balancing Agreement Addendum (this “Addendum”) is an agreement by, between, and among Ironhead Operating, LLC (“Operator”) and the other signatory parties to the Operating Agreement (each a “Non-Operator” and collectively the “Non-Operators”). Operator and Non-Operators are parties to that certain Operating Agreement to which this Agreement is attached as (the “Operating Agreement”), and sometimes collectively referred to as the “Parties,” or individually as a “Party.”

#### 1. Ownership of Gas Production.

a. It is the intent of the Parties that each Party shall have the right to take in kind and separately dispose of its proportionate share of gas (including casinghead gas) produced from each well located on the Contract Area (as defined in the Operating Agreement).

b. Operator shall control the gas production and be responsible for administering the provisions of this Agreement and shall make reasonable efforts to deliver or cause to be delivered gas to the Parties’ gas purchasers as may be required in order to balance the accounts of the Parties in accordance with the provisions of this Agreement. For purposes of this Agreement, Operator shall maintain production accounts of the Parties based on the number of MMBtus actually contained in the gas produced from a particular well and delivered at the outlet of lease equipment for each Party’s account, regardless of whether sales of the gas are made on a wet or dry basis. All references in this Agreement to quantity or volume shall refer to the number of MMBtus contained in the gas stream. Toward this end, Operator shall periodically determine or cause to be determined the Btu content of gas produced from each well on a consistent basis and under standard conditions pursuant to any method customarily used in the industry.

#### 2. Balancing of Production Accounts.

a. In the event that a Party, or a Party’s purchaser, is not taking or marketing its full share of gas produced from a particular well (a “Non-Marketing Party”), the remaining Parties (the “Marketing Parties”) shall have the right, but not the obligation (except as may be provided in the Operating Agreement), to produce, take, sell, and deliver for the Marketing Parties’ accounts, in addition to the full share of gas to which the Marketing Parties are otherwise entitled, all or any portion of the gas attributable to a Non-Marketing Party. (Gas attributable to a Non-Marketing Party, taken by a Marketing Party, is referred to in this Agreement as “Overproduction”). If more than one Marketing Party is taking gas attributable to a Non-Marketing Party, each Marketing Party shall be entitled to take a Non-Marketing Party’s gas in the ratio that the Marketing Party’s interest in production bears to the total interest in production of all Marketing Parties.

b. A Party that has not taken its proportionate share of gas produced from any well (an “Underproduced Party”) shall be credited with gas in storage equal to its share of gas produced but not taken, less its share of gas used in lease operations, vented, or lost (“Underproduction”). The Underproduced Party, on giving timely written notice to Operator, shall be entitled, on a monthly basis beginning the month following receipt of notice, to produce, take, sell, and deliver, in addition to the full share of gas to which that Party is otherwise entitled, a quantity of gas (“Make-up Gas”) equal to twenty-five percent (25%) of the total share of gas attributable to all Parties having cumulative Overproduction (individually called an “Overproduced Party”). The Make-up Gas shall be credited against the Underproduced Party’s accrued Underproduction in order of accrual. Notwithstanding the foregoing and subject to Section 2.e below. (i) an Overproduced Party shall never be obligated to reduce its takes to less than seventy-five percent (75%) of the quantity to which the Party is otherwise entitled; and (ii) an Underproduced Party shall never be allowed to make up Underproduction during the months of November, December, January, February, or March.

c. If more than one Underproduced Party desires Make-up Gas, each

Underproduced Party shall be entitled to Make-up Gas in the ratio that the Party's interest in production bears to the total interest in production of all Parties then desiring Make-up Gas. Any portion of the Make-up Gas to which an Underproduced Party is entitled and which is not taken by the Underproduced Party may be taken by any other Underproduced Parties.

d. If more than one Overproduced Party is required to furnish Make-up Gas, each Overproduced Party shall furnish Make-up Gas in the ratio that the Party's interest in production bears to the total interest in production of all Parties then required to furnish Make-up Gas. Except as provided in Section 2.e below, each Overproduced Party in any well shall be entitled, on a monthly basis, to take its full share of current production less its share of the Make-up Gas then being produced from the particular well in which it is overproduced.

e. If Operator, in good faith, believes an Overproduced Party has recovered one hundred percent (100%) of that Overproduced Party's share of the recoverable reserves from a particular well, that Overproduced Party, on being notified in writing of that fact by Operator, shall cease taking gas from the well and the remaining Parties shall be entitled to take one hundred percent (100%) of the production until the accounts of the Parties are balanced. Thereafter, the Overproduced Party shall again have the right to take its share of the remaining production, if any, in accordance with the provisions in this Addendum. Notwithstanding anything to the contrary, after an Overproduced Party has recovered one hundred percent (100%) of its full share of the recoverable reserves from a particular well as determined by Operator, the Overproduced Party may continue to produce if the continued production is. (i) necessary for lease maintenance purposes; or (ii) permitted by Parties owing at least a majority in interest who have not produced one hundred percent (100%) of their recoverable reserves from the well after written ballot conducted by Operator.

### 3. Cash Balancing Upon Depletion.

a. If gas production from a particular well ceases and no attempt is made to restore production within ninety (90) days, Operator shall distribute, within ninety (90) days of the date the well last produced gas from that formation, a statement of net unrecouped Underproduction and Overproduction and the months and years in which the unrecouped production accrued (the "Final Accounting").

b. Each Overproduced Party shall remit to Operator for disbursement to the Underproduced Parties a sum of money (which sum shall not include interest) equal to the amount actually received or constructively received by the Overproduced Party for sales during the month(s) of Overproduction, calculated in order of accrual, less applicable taxes, royalties, and reasonable costs of marketing and transporting the gas for which the Overproduced Party was actually paid. The remittance shall be based on the number of MMBtus of Overproduction and shall be accompanied by a statement showing the volumes and prices for each month with accrued unrecouped Overproduction.

c. Within thirty (30) days of receipt of any remittance by Operator from an Overproduced Party, Operator shall disburse those funds to the Underproduced Parties in accordance with the Final Accounting. Operator assumes no liability with respect to any payment unless the payment is attributable to Operator's overproduction, it being the intent of the Parties that each Overproduced Party shall be solely responsible for reimbursing each Underproduced Party in accordance with the provisions of this Addendum. If any Party fails to pay any sum due under the terms of this Addendum after demand by the Operator, the Operator may turn responsibility for the collection of that sum to the Party or Parties to whom it is owed, and Operator shall have no further responsibility for collection.

d. In determining the amount of Overproduction for which settlement is due, production taken during any month by an Underproduced Party in excess of the Underproduced Party's share shall be treated as Make-up Gas and shall be applied to reduce prior deficits in the order of accrual of those deficits.

e. An Overproduced Party that took gas in kind for its own use, sold gas to an affiliate, or otherwise disposed of gas in other than a cash sale shall pay for that gas at market value at the time it was produced, even if the Overproduced Party sold the gas to an affiliate at a price greater or lesser than market value.

f. If any refunds are later required by any governmental authority, each Party shall be accountable for its respective share of any refunds, as finally balanced.

4. Risk of Loss on Underproduced Party. If a producing or producible zone prematurely ceases producing prior to the complete and normal depletion of the zone due to mechanical or other problems, the Underproduced Party bears the loss of its Underproduction to the extent that the Underproduced Party cannot prove by clear and convincing evidence that the relevant zone could not have produced adequate gas to settle the imbalances, in which case an Overproduced Party shall not be obligated to make any kind of settlement (in kind or otherwise) with the Underproduced Party.

5. Deliverability Tests. At the request of any Party, Operator may produce the entire well stream for a deliverability test not to exceed twenty-four (24) hours in duration (or such longer period of time as may be mutually agreed upon by the Parties) if required under a requesting Party's gas sales or transportation contract.

6. Nominations. Each Party shall, on a monthly basis, give Operator sufficient time and data either to nominate the Party's respective share of gas to the transporting pipeline(s) or, if Operator is not nominating the Party's gas, to inform Operator of the manner in which to dispatch the Party's gas. Except as, and to the extent caused by Operator's gross negligence or willful misconduct, Operator shall not be responsible for any fees and/or penalties associated with imbalances charged by any pipeline to any Underproduced or Overproduced Parties.

7. Statements. On or before the twenty-fifth (25th) day of the calendar month following the calendar month of production, each Party taking gas shall furnish or cause to be furnished to Operator a statement of gas taken, expressed in terms of MMBtus. If actual volume information sufficient to prepare the statement is not made available to the taking Party in sufficient time to prepare it, the taking Party shall nevertheless furnish a statement of its good faith estimate of the volumes taken. Within thirty (30) days of the receipt of all statements, Operator shall furnish each Party a statement of the gas balance among the Parties, including the total quantity of gas produced from each formation in each well, the portion used in operations, vented, or lost, and the total quantity delivered for each Party's account. Any error or discrepancy in Operator's monthly statement shall be promptly reported to Operator and Operator shall make a proper adjustment within thirty (30) days after final determination of the correct quantities involved; provided, however, if no errors or discrepancies are reported to Operator within sixty (60) days from the date of any statement, the statement shall be conclusively deemed to be correct. Additionally, within thirty (30) days from the end of each calendar year, Non-Operators shall furnish Operator, for the sole purpose of establishing records sufficient to verify cash balancing values, a statement reflecting amounts actually received or constructively received under Section 3.e above, on a monthly basis, for the calendar year preceding the immediately concluded calendar year. Operator may prohibit a Party from producing gas for its account during any month when the Party is delinquent in furnishing the monthly or annual statements.

8. Payment of Taxes. Each Party taking gas shall pay or cause to be paid any and all production, severance, utility, sales, excise, or other taxes due on that gas.

9. Operating Expenses. Operating expenses are to be borne in the manner provided in the Operating Agreement, regardless of whether all Parties are selling or using gas or whether the sale and use of each are in proportion to their respective interests in the gas.

10. Overproducing Allowable. Each Party shall give Operator sufficient time and data to enable Operator to make appropriate nominations, forecasts, and/or filings with the regulatory bodies having jurisdiction to establish allowables. Each Party shall at all times regulate its takes and deliveries from the Contract Area so that any wells subject to the Operating Agreement shall not be curtailed and/or shut-in for overproducing the assigned allowable production by the regulatory body having jurisdiction.

11. Payment of Leasehold Burdens. At all times while gas is produced from the Contract Area, each Party agrees to make appropriate settlement of all royalties, overriding royalties, and other payments out of or in lieu of production for which a Party is responsible, just as if the Party were taking or delivering to a purchaser the Party's full share, and the Party's full share only, of the gas production, exclusive of gas used in operations, vented, or lost. Each Party agrees to indemnify and hold each other Party harmless from any and all claims relating to the

payment of leasehold burdens.

12. Application of Addendum. The provisions of this Addendum shall be separately applicable and shall constitute a separate agreement with respect to gas produced from each well located within the Contract Area.

13. Term. The rights and obligation of the Parties under this Addendum shall terminate when gas production under the Operating Agreement permanently ceases and the accounts of the parties are finally settled in accordance with its provisions.

14. Audits. Any Underproduced Party shall have the right for a period of one (1) year after receipt of payment pursuant to a Final Accounting, after giving written notice to all Parties, to audit an Overproduced Party's accounts and receipts relating to a payment. Any Overproduced Party shall have the right for a period of one (1) year after tender of payment for unrecouped volumes and one giving written notice to all Parties to audit an Underproduced Party's records as to volumes. The Party conducting the audit shall bear the costs of the audit. Additionally, Operator shall have the right for a period of one (1) year after receipt of an annual statement from a Non-Operator, under Section 7 of this Addendum, after giving written notice, to audit the affected Non-Operator's accounts and records relating to a payment. The costs of the audit shall be borne by the joint account.

15. Conflicts; Enforceability. In the event of a conflict between this Addendum and any other terms and provision of the Operating Agreement, this Addendum shall control and prevail to the extent of the conflict. The terms and provisions set forth herein shall be enforceable as a result of the attachment of this Addendum to the Operating Agreement, without execution by the Parties.

## EXHIBIT "F"

Attached to and made a part of the Operating Agreement between Ironhead Operating, LLC, as Operator, and \_\_\_\_\_, as Non Operators, dated May 10, 2023.

### **MODEL FORM RECORDING SUPPLEMENT TO OPERATING AGREEMENT AND FINANCING STATEMENT**

THIS AGREEMENT, entered into by and between **Ironhead Operating, LLC**, hereinafter referred to as "Operator," and the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

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" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on Exhibit "A";

WHEREAS, the parties hereto have executed an Operating Agreement dated \_\_\_\_\_ (herein the "Operating Agreement"), covering

the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.

2. The parties do hereby agree that:

- A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do hereby commit such Leases and Interests to the performance thereof.
- B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this agreement.
- C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.
- D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on Exhibit "A," all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.
- E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.
- F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of

production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.

- G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers.

This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

- H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of non-participation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.
- I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.
- J. Each party's interest under this agreement and under the Operating Agreement shall be subject to relinquishment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.
- K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of the Operating Agreement.

3. The parties hereby grant reciprocal liens and security interests as follows:

- A. 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. Operator does hereby grant, bargain, sell, mortgage, assign, transfer, convey and pledge to Non-Operator all of Operator's right title and interest in and to the real and personal property, rights, titles, interests and estates making up Mortgaged Property and

Collateral. Non-Operator does hereby grant, bargain, sell, mortgage, assign, transfer, and pledge to Operator all of Non-Operator's right title and interest in and to the real and personal property, rights, titles, interests and estates making up Mortgaged Property and Collateral.

As used herein, the terms "Mortgaged Property" and "Collateral" shall have the following meanings:

1. "Mortgaged Property" shall mean, collectively, the following real property located in the State of Ohio, (1) the Oil and Gas Leases, Oil and Gas Interests and other interests comprising the Contract Area, including operating rights, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons, and all renewals and extensions thereof (collectively, the "Oil and Gas Property"), (2) the oil and gas in, on, under, and that may be produced from the Oil and Gas Property, including, without limitation, all contractual rights, operating rights, leasehold interests, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, mineral interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons (as such interests may be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances), and all other as-extracted collateral, (3) all wells (oil, gas, oil/gas, injection, water, or disposal), equipment, machinery, and appurtenances, including fixtures, located upon and used in connection with such Oil and Gas Property, (4) all easements, rights of way and other real property interests located upon and primarily used in connection with the Oil and Gas Property, (5) all permits, licenses, and servitudes used in connection with the Oil and Gas Property, and (6) all geological, geophysical, engineering, accounting, title, legal, and other technical and business data relating to the other Mortgaged Property.
  2. "Collateral" shall mean, collectively. (A) all equipment, accounts, contract rights, general intangibles, chattel paper, commercial tort claims, documents, instruments, goods, inventory, insurance contracts, insurance proceeds, inventory, hydrocarbons, as-extracted collateral, operating rights, working interests, royalty interests, overriding royalty interests, non-participating royalty interests, production payments, net profits interests, or any other interest measured by or payable out of production of hydrocarbons (as such interests may be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances) and fixtures of any kind and character to the extent such items relate to the Mortgaged Property or are attributable to the Mortgaged Properties, or used in connection with the ownership, use or exploitation of the Mortgaged Property and (B) all the proceeds and products of the items described in preceding clause (A), and all substitutions therefor, replacements thereof, or accessions thereto, all of which, whether now owned or hereafter acquired, whether now or hereafter acquired by operation of law or otherwise.
- B. To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge any mortgage and UCC financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and each party is authorized to file such instruments in the applicable real estate records and with the proper officer(s) under the Uniform Commercial Code where such party deems reasonably appropriate to perfect the liens and security interests granted hereunder. Any party may file such other documents as it deems necessary as a mortgage or lien in the applicable real estate records and/or a UCC financing statement with the proper officer under the Uniform Commercial Code.
- C. 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 the Collateral and Mortgaged Property covered by this agreement by, through or under such party. All parties acquiring an interest in the Collateral and Mortgaged Property 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 paragraph 3 as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

- D. The parties hereto shall be entitled to exercise the rights and remedies of a secured party under the applicable Uniform Commercial 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" to the Operating Agreement, 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.
- E. 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 this paragraph 3, and each paying party may independently pursue any remedy available hereunder or otherwise.
- F. 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 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.
- G. 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.
- H. The lien and security interest granted in this paragraph 3 supplements identical rights granted under the Operating Agreement.
- I. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is located, and as

a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.

- 4. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator’s interest, upon the request of Operator, if Operator has complied with all of its financial obligations.
- 5. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns. No sale, encumbrance, transfer or other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to the interest assigned 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 under this agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.
- 6. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.
- 7. This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit “A” as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.

IN WITNESS WHEREOF, this Agreement shall be effective the \_\_ day of, 2023

ATTEST OR WITNESS:

OPERATOR

IRONHEAD OPERATING,LLC

\_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_

\_\_\_\_\_  
Type or print name

Title \_\_\_\_\_

Date \_\_\_\_\_

Tax ID or S.S. No. \_\_\_\_\_

NON-OPERATORS

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Type or print name  
Title \_\_\_\_\_  
Date \_\_\_\_\_  
Tax ID or S.S. No. \_\_\_\_\_

## ACKNOWLEDGMENTS

Note: The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts.

The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual acknowledgment:

State of \_\_\_\_\_ )  
 ) ss.  
County of \_\_\_\_\_ )

This instrument was acknowledged before me on

\_\_\_\_\_ by \_\_\_\_\_

(Seal, if any) \_\_\_\_\_

Title (and Rank) \_\_\_\_\_

My commission expires: \_\_\_\_\_

Acknowledgment in representative capacity:

State of \_\_\_\_\_ )  
 ) ss.  
County of \_\_\_\_\_ )

This instrument was acknowledged before me on

\_\_\_\_\_ by \_\_\_\_\_ as \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

(Seal, if any) \_\_\_\_\_

Title (and Rank)\_\_\_\_\_

My commission expires: \_\_\_\_\_

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

In re the Matter of the Application of :  
Ironhead Operating, LLC for Unit Oper- :  
ation :  
 :  
 :  
 :  
Fairgrounds 2 Unit :

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**PREPARED TESTIMONY OF WILLIAM CARPENTER**  
**ON BEHALF OF IRONHEAD OPERATING, LLC**

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**PREPARED DIRECT TESTIMONY OF WILLIAM CARPENTER**

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

A1. My name is William Carpenter. My business address is 210 Sumac Circle,  
Morgantown, WV 26508.

**Q2. Who is your employer?**

A2. I am an independent Consulting Geologist operating as Carpenter Energy LLC based  
in Morgantown, WV.

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

A3. I am working with Ironhead as an Operations Geologist specializing in operations in  
their Appalachian Basin projects.

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

A4. My general responsibilities include: using geological data sets to help optimize well  
performance, evaluating prospects in different formations within the Appalachian  
Basin, asset development, well planning and the real time monitoring of our  
horizontal drilling to ensure accurate wellbore placement of each well.

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

A5. I have a Bachelor's and Master's degree in Geology from West Virginia University  
(earned 2002 and 2005).

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

A6. I have 19 years of oil and gas experience in the Appalachian Basin having worked  
professionally for Dominion E&P Inc, CNX Gas, and Stone Energy prior to  
becoming a consultant in 2017. Since consulting, my work has included both  
unconventional and conventional prospect evaluation, acquisition and divestitures,  
reservoir navigation, mineral evaluations, saltwater disposal, et al. As an Operations  
Geologist consultant, my clients include(d) Infinity Natural Resources, Olympus  
Energy, Long Ridge Energy, EdgeMarc Holdings, Beech Resources, et al. On  
average, I oversee the drilling of 40-60 wells annually.

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

A7. I am a member of the AAPG (American Association of Petroleum Geologist) which  
I am a certified Petroleum Geologist (#6144). I am also a member of PAPG  
(Pittsburgh Association of Petroleum Geologist), and the AGS (Appalachian

Geologic Society) where I have held numerous officer positions.

**Q8. Are you familiar with Ironhead's Application for Unit Operations with respect to the Fairgrounds 2 Unit?**

A8. Yes.

**Q9. Could you please describe the Fairgrounds 2 Unit, in terms of its general location, surface acreage, and subsurface depth?**

A9. The Fairgrounds 2 Unit consists of sixty-nine (69) separate tracts of land totaling approximately 912.077 acres in Guernsey County, Ohio. Exhibit A-1 to the Application shows the geographical location of the proposed unit in Guernsey County and in relation to the surrounding counties. The Unitized Formation described in the Application is the subsurface portion of the Fairgrounds 2 Unit at a depth located from 50' above the top of the Utica Shale to 50' below the base of the Point Pleasant interval of the Utica.

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

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

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

**Q11. Ohio Revised Code § 1509.01(E) defines the term "pool" as follows: "Pool" means an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir. Each zone of a geological structure that is completely separated from any other zone in the same structure may contain a separate pool." Does this definition of "pool" apply to the Fairgrounds 2 Unit?**

A11. Yes. Because it is part of a larger hydrocarbon pool, an equal accumulation of hydrocarbons is expected to be in place throughout the Unitized Formation underlying the Fairgrounds 2 Unit. Furthermore, the hydrocarbon pool would extend beyond the currently defined unit boundaries in each direction, North, South, East, and West. Interpretation of data indicates that the Unitized Formation has consistent characteristics across the Fairgrounds 2 Unit. Geological mapping suggests that the Unitized Formation constitutes a common source of supply, meaning any portion of the Fairgrounds 2 Unit would be geologically equivalent to another portion of the

Fairgrounds 2 Unit. Stated another way, the formation shows very similar traits from one well location to the next, which suggests the production is likely to be similar from all wells drilled in the unit. Therefore, the Unitized Formation underlying the Fairgrounds 2 Unit qualifies as part of a pool.

**Q12. Generally speaking, what sources of data would you review and analyze in order to assess the geologic characteristics of a potential shale play?**

A12. Wireline well log data and core data where available. Both public and proprietary logs and core are analyzed by Ironhead engineers and geologists.

**Q13. How is this data obtained, and what is it meant to show about the formation?**

A13. Ironhead geologists have used public well logs to pick rock formation tops across the basin. After picking formation/interval tops, such as the Queenston Shale, Utica Shale, Point Pleasant Shale, and Trenton Limestone, maps are made to show the thickness of each formation/interval across Ohio. This mapping indicates equal thickness of the Utica and Point Pleasant shales over the Fairgrounds 2 Unit. The industry jargon has come to call this entire interval the “Utica/Point Pleasant Formation”, and in our testimony we will often adopt this naming convention.

**Q14. What data sources did you use in determining the geologic features of the Fairgrounds 2 Unit?**

A14. Wireline well log data and Gamma Ray data, which we used to compile Exhibits 3-1 and 3-2 to the Application for Unit Operation.

**Q15. What do these exhibits tell us about the Fairgrounds 2 Unit?**

A15. Exhibits 3-1 and 3-2 are a map and cross section that show wireline well logs. The logs are annotated with formation names. The cross section offsetting the Fairgrounds 2 Unit suggests approximately equal thickness of the Utica formation, including the Point Pleasant Shale. The two-well cross section displays wireline Gamma Ray data, Resistivity data, and Bulk Density data. As shown on Exhibit 3-2, one of the two wells is located approximately 2 miles southwest of the Fairgrounds 2 Unit pad site and the other well is located approximately 1 miles south of the Fairgrounds 2 Unit pad site. Interpreted formation tops based on Gamma Ray, Resistivity and Bulk Density electric log curves are shown on the cross section in Exhibit 3-1. Because of the location of the two evaluation wells and limited variation



of the log data across the three wells, as displayed on the cross section, the log data indicates that the Utica/Point Pleasant is predicted to have similar characteristics and be of uniform thickness across the Fairgrounds 2 Unit.

**Q16. What is the approximate depth of the Utica/Point Pleasant formation under the Fairgrounds 2 Unit?**

A16. The top of the Utica formation is expected around 7,050-7,150 feet True Vertical Depth. The top of the Point Pleasant formation is expected around 7,300-7,400 feet True Vertical Depth.

**Q17. Which formations are included in the proposed Fairgrounds 2 Unit?**

A17. The Unitized Formation described in the Application is the subsurface portion of the Fairgrounds 2 Unit at a depth located from 50' above the top of the Utica Shale to 50' below the base of the Point Pleasant interval of the Utica.

**Q18. How and why were these formations chosen?**

A18. Ironhead engineers' fracture models, derived from the measured rock properties obtained from well logs and core data, suggest fractures are contained 50' above the top of the Utica Shale and 50' below the base of the Point Pleasant interval of the Utica.

**Q19. Based on the data you analyzed, should the area be considered a pool?**

A19. Yes, it is part of a pool.

**Q20. Could you please explain why?**

A20. Well log analysis and mapping based on core data indicates that reservoir characteristics are very similar over a unit area for the Utica/Point Pleasant formations. Formation thickness, saturation, and porosity should be roughly equivalent across the formation. Geologically, this would qualify the area being considered as part of a pool.

## **ALLOCATION METHODOLOGY**

**Q21. Are you generally familiar with the manner in which unit plans allocate production and unit expenses to parcels within the unit?**

A21. Yes.

**Q22. You testified earlier that the Utica/Point Pleasant formation underlying the Fairgrounds 2 Unit has a relatively uniform thickness and reservoir quality.**

1           **Given those characteristics, what would be an appropriate method of allocating**  
2           **production and unit expenses among the parcels contained in the Fairgrounds**  
3           **2 Unit?**

4   A22.   An appropriate method of allocation would be on a surface-acreage basis. The  
5           formation thickness and reservoir quality of the Utica/Point Pleasant formation is  
6           expected to be consistent across the unit. I do not expect any substantial variations  
7           across the proposed unit. Therefore, there is no geological reason to allocate by a  
8           method other than on a surface-acreage basis.

9   **Q23. Is this method used elsewhere?**

10   A23.   Yes. In fact, this method is used throughout the industry.

11   **Q24. What method of allocation is utilized in the unit plan for the Fairgrounds 2Unit?**

12   A24.   Based on the testimony of Richard Repasky attached to the Application, the method  
13           of allocation utilized is on a surface-acreage basis.

14   **Q25. Does this conclude your testimony?**

15   A25.   Yes.

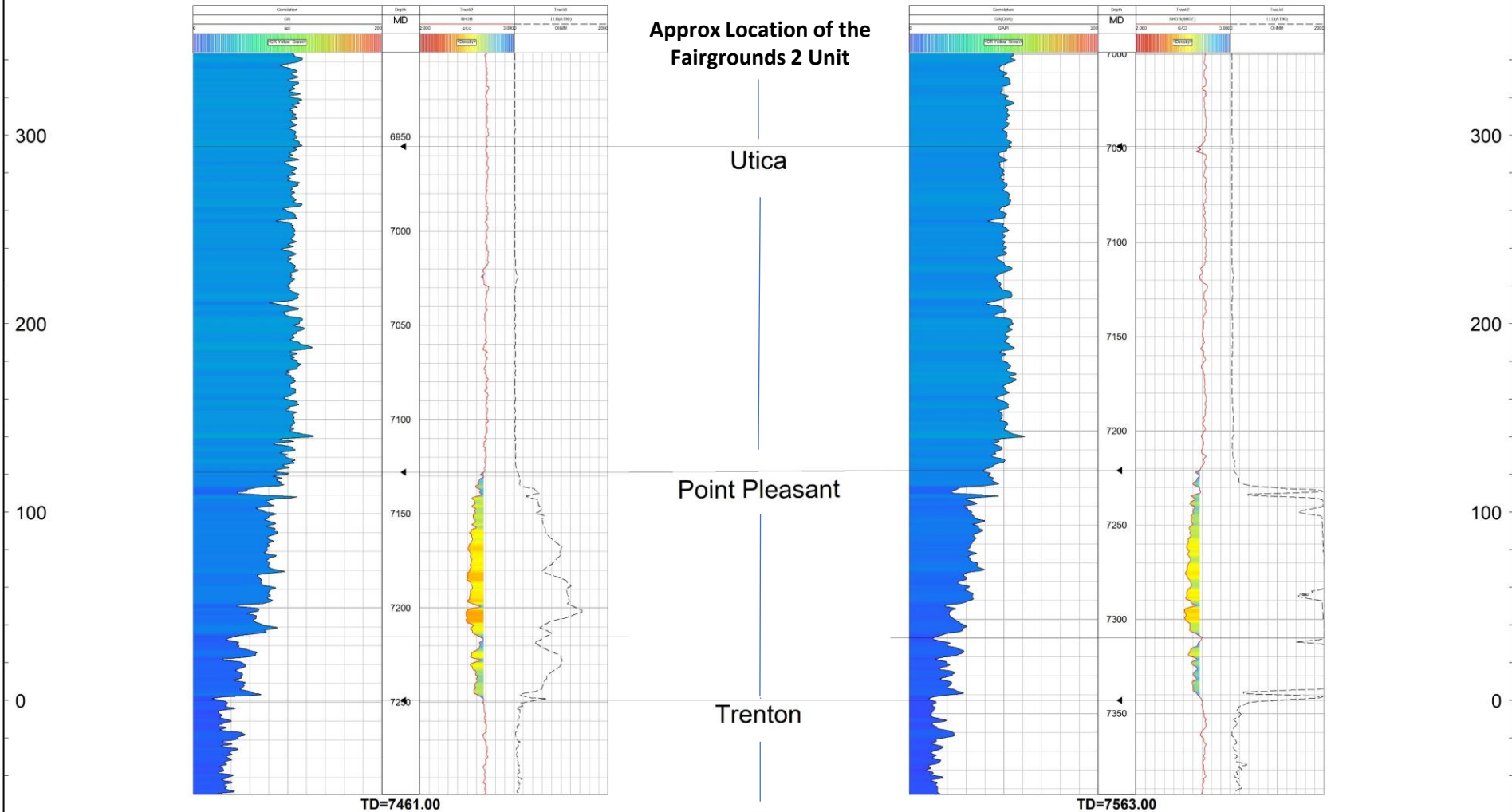
Ironhead Operating LLC Fairgrounds 2 Unit Offset Stratigraphic Cross Section  
Datum: Trenton Limestone

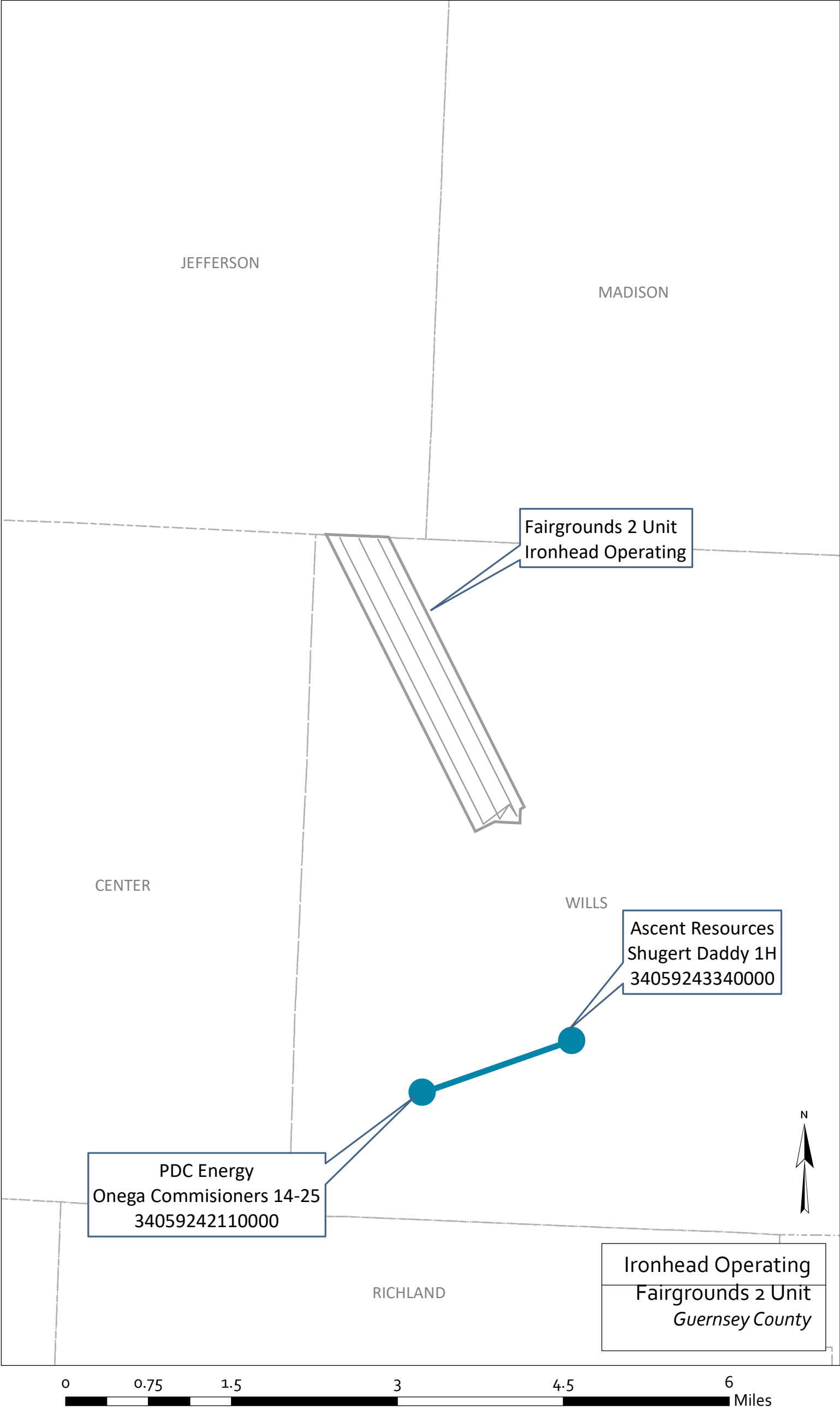
Gamma Ray Logs (0 - 200 API)  
Bulk Density Logs (2.0 - 3.0 g/cm<sup>3</sup>)  
Resistivity Logs (0 - 2000 OhmM)

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PDC ENERGY INC  
ONEGA COMMISSIONERS 14-25 14-25

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AMERICAN ENERGY LLC  
SHUGERT DADDY WLS GR 1H 1H





In re the Matter of the Application of  
Ironhead Operating, LLC for  
Unit Operation  
  
Fairgrounds 2 Unit

Exhibit 4

## **PREPARED DIRECT TESTIMONY OF CHRISTOPHER ROWNTREE**

**Q1. Please introduce yourself to the Division.**

A1. My name is Christopher Rowntree. My business address is 2701 Brown Trail, Suite 308, Bedford TX, 76021. I am a reservoir engineer and I support the finance department for Ironhead Operating, LLC (“Ironhead”).

**Q2. Can you summarize your educational background for me?**

A2. I have a Bachelor’s of Science degree in Mechanical Engineering (2002) from the University of Texas at Austin and a Masters of Business Administration in Finance from Texas Christian University (2004).

**Q3. Would you briefly describe your professional experience?**

A3. I have been working in oil and gas in finance and reservoir engineering for 15 years. I have modeled hundreds of wells for both economics and reserves in the Utica for Axebridge Energy, Fossil Creek Energy, Sedor Energy Group and Ironhead Operating as a reservoir engineer. I have done the same for various other basins/formations throughout the US including the Haynesville Shale, Barnett Shale, Eagle Ford Shale, Austin Chalk, Travis Peak, Georgetown, SCOOP/Stack, and Pearsall Shale.

**Q4. What do your job responsibilities entail?**

A4. I am responsible for the creation of short term and long term development plans, drill schedule planning, completion design optimization, determination of well spacing, well performance analysis, reserves estimation, acreage evaluation, and other economic as well as technical analysis.

**Q5. How do you do that?**

A5. By the application of generally accepted petroleum engineering practices, I can determine reasonable reserve estimates from current and future wells. Such methods include rate transient analysis, decline curve analysis, pressure transient analysis, and statistical methods. We have gathered and developed well performance data and models which includes our subsurface models, production models, completion models, and other data sets. Through the application of this information, Ironhead is able to analyze dozens of variables and data from several existing wells in eastern Ohio to predict well performance of Ironhead’s future wells. Once volumes are predicted, we can apply common financial analysis methods to determine the economic benefits of potential development.

**Q6. Did you perform any analysis to support Ironhead's application for unitization for the proposed Fairgrounds 2 Unit?**

A6. Yes. Under my direction and guidance, my team performed an analysis of the economic benefit of developing the Fairgrounds 2 Unit with an order authorizing unit operations compared to developing the unit without an order authorizing unit operations.

**Q7. What sort of analysis did you perform?**

A7. Using some of the methods I previously noted, in conjunction with the application of our information to the Fairgrounds 2 Unit, an estimate for the recoverable hydrocarbons assuming 15,169 foot, 14,814 foot and 14,296 foot unitized lateral lengths was completed. Estimated future cash flows associated with the hydrocarbon recovery was determined using NYMEX pricing at the time of the analysis with a 10% discount rate.

**Q8. Why is Ironhead looking at drilling horizontal wells?**

A8. The permeability of unconventional resource plays is extremely low (in nano-darcy units (nd), i.e.  $1.0 \times 10^{-9}$  darcies) and in most cases the hydrocarbons cannot be economically produced without the use of horizontal drilling, coupled with massive stimulation treatments (i.e. hydraulic fracturing). Horizontal drilling is the predominant method used to develop shale formations such as the Utica/Point Pleasant formations.

**Q9. Turning specifically to the Fairgrounds 2 Unit, have you made an estimate of the production you anticipate from the proposed unit's operations?**

A9. Yes, assuming an order authorizing unit operations is granted, based on 15,169 foot, 14,814 foot and 14,296 foot unitized lateral lengths, we estimate the gross recoverable gas from the proposed unit to be about 13.179 BCF of natural gas and 1.93 MMbbl of oil.

**Q10. How did you make those estimates?**

A10. Well performance and reserves estimates are determined by applying available well performance information to the development prospect. Our calculation provides a well performance prediction based on the integration of our subsurface models, offset production data, completion data, and other data sets. We analyze dozens of variables and data from existing wells in eastern Ohio to predict specific well performance based on several factors such as location, completion design, lateral length, etc. Exhibit 4-2 to this testimony is an abbreviated list of nearby wells that were used in our analysis to generate the well performance and reserves expectations for the Fairgrounds 2 Unit. Differentiation

of the input dataset, including different lateral lengths, completion designs, and historical vintage make our well performance prediction more accurate.

**Q11. Once you had that data from the other Utica/Point Pleasant wells, what did you do with it?**

A11. As noted earlier, we integrate this data including our subsurface models, production data, completion data, and other data sets into software taking into consideration our anticipated (assuming an order authorizing unitization is granted) 15,169 foot, 14,814 foot and 14,296 foot lateral lengths to determine well economics.

**Q12. Why do you qualify your calculations as an estimate?**

A12. There is always the possibility that the production, petrophysical, and geological data used from offset wells may be slightly different than the characteristics of the productive horizon at this location. Additionally, unforeseen unconformities and other anomalies have been known to occur that lead to unusual well performance results. However, the volumetric calculations of hydrocarbons in place should be a reasonably certain estimate in this unconventional play. Our calculations are checked and updated routinely.

**Q13. In your professional opinion, would it be economic to develop the Fairgrounds 2 Unit using traditional vertical drilling?**

A13. No.

**Q14. Are the estimates that you made based on good engineering practices and accepted methods in the industry?**

A14. Yes.

**Q15. Do you have the results of the calculations Ironhead performed?**

A15. The results of the calculations are attached to this prepared testimony as Exhibit 4-3 to this Exhibit 4.

**Q16. Can you summarize what your calculations show?**

A16. The results of my prior stated methodology are:

- 1) Assuming an order authorizing unit operations is granted, the capital expenditure to develop the unitized project is \$44.3 million. Potential recoverable natural gas from the project is 13.179 BCF and 1.93 MMbbl of oil, the undiscounted net value of the future cash flow using current NYMEX pricing is \$81.54 million, and the discounted net present value (discounted at a 10% rate) is \$32.62 million.



2) If an order authorizing unit operations is not granted, the wells would not be drilled.

**Q17. Can you briefly explain why you are using NYMEX pricing in this application?**

A17. E&P companies independently develop their own expectations on future prices based on their unique understanding of their position in the value chain as well as a determination of macro-market forces. Consequently, companies generally do not share internal price expectations, economic thresholds for investments, and detailed cost structures. Therefore, a wide range in valuation can exist between different companies for the same or similar projects. NYMEX pricing eliminates all the issues associated with asymmetric information between parties, future price uncertainty, as well as systematic and unsystematic risk. The use of NYMEX pricing simplifies the evaluation of corporate assets and projects to a single deterministic standard in regards to the application of commodity price. The generation of NYMEX price is widely understood, easily calculated, and published by several sources.

**Q18. Based on this information and your professional judgment, are unit operations reasonably necessary to increase substantially the ultimate recovery of oil and gas?**

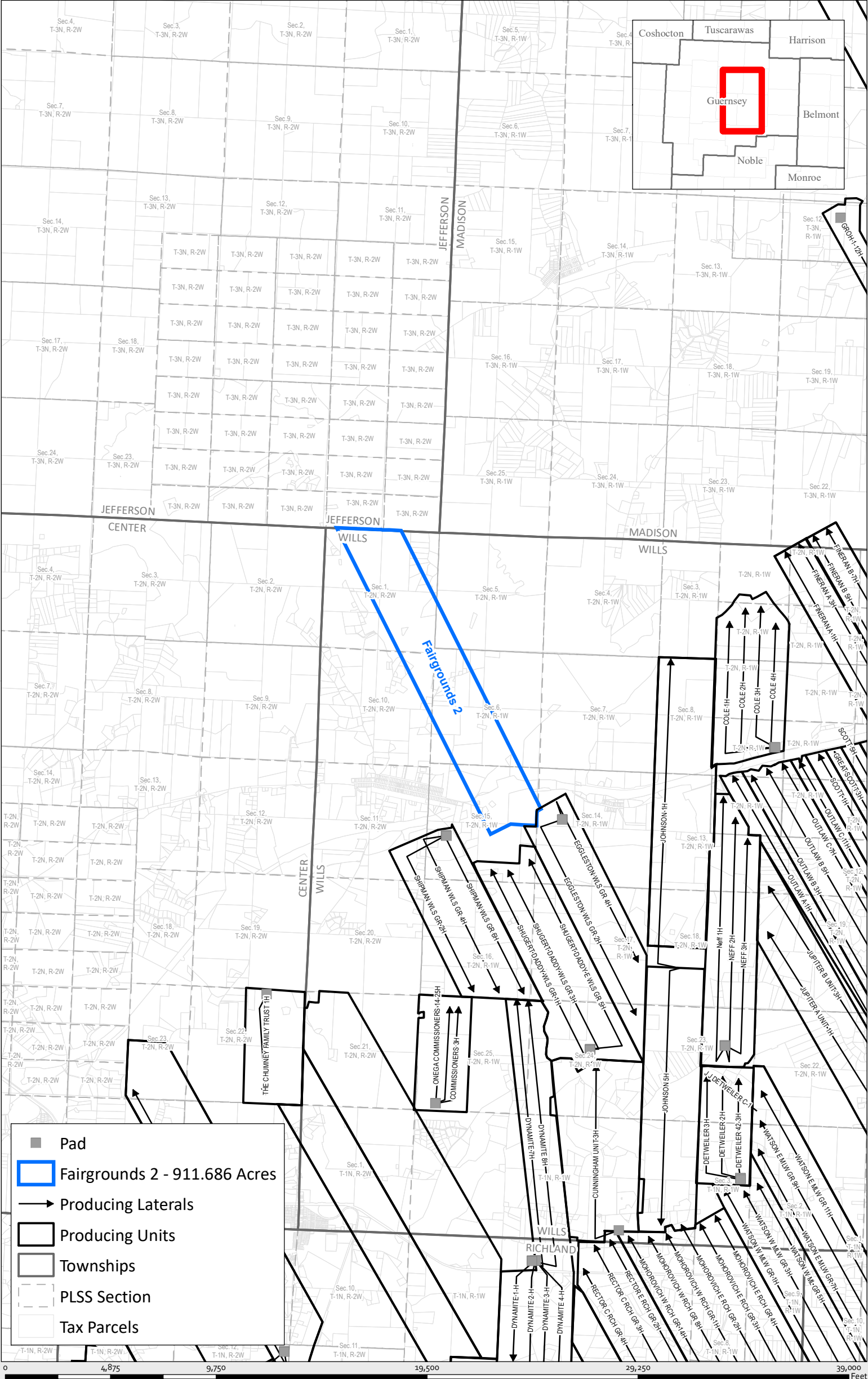
A18. Yes. The incremental estimated ultimate recovery is approximately 13.179 BCF of natural gas and 1.93 MMbbl of oil.

**Q19. Based on this information and your professional judgment, does the value of the estimated additional recovery of hydrocarbons from the unitized project exceed its estimated costs?**

A19. Yes. The capital expense is \$44.3 million for the unitized project. The cost to operate the wells for the first five years is approximately \$3.237 million for the unitized project. The net present value (discounted at a 10% rate), which factors in capital expenses, operating costs, and plugging and abandonment costs (with an offset for any well equipment that can be salvaged) for the oil and gas that will be produced under the unitized project is \$32.62 million. Whereas, the non-unitized project would not be developed. Thus, the value of the estimated additional recovery from the unitized project exceeds its estimated additional costs.

**Q20. Does this conclude your testimony?**

A20. Yes.



## Fairgrounds 2 (Exhibit 4-1)

This map is the property of Ironhead Resources and should be used for internal use only. Ironhead shall not be held liable for any errors or omissions herein.

Guernsey County  
Ohio

Coordinate System: NAD 1983 UTM Zone 18N  
Projection: Transverse Mercator  
Datum: North American 1983  
Linear Units: Meter

Map Scale Units:  
1:60,000  
1 inch = 5,000 feet

Map Document Credits:  
Map Date: 3/27/2023 8:55:48 PM

API #	Wellbore Name	Unit	Completion Date	Prod Start (Date)	Completed Laterals (ft)
34059243140000	SHUGERT DADDY E WLS GR 5H	SHUGERT DADDY E 5H	2014-01-09	3rd Qtr 2014	17443' TD/ 7127.2' TVD
34059244670000	SHIPMAN WLS GR 2H	SHIPMAN WLS GR	2018-03-05	2nd Qtr 2018	14761.0' TD/ 7295.7' TVD
34059244680000	SHIPMAN WLS GR 4H	SHIPMAN WLS GR	2018-03-20	2nd Qtr 2018	15022' TD/ 7206.0' TVD
34059244530000	EGGLESTON WLS GR 4H	EGGLESTON WLS GR	2015-05-18	4th Qtr 2015	15627' TD/ 7439.6' TVD
34059244540000	EGGLESTON WLS GR 2H	EGGLESTON WLS GR	2015-06-01	4th Qtr 2015	15627' TD/ 7439.6' TVD
34059244690000	SHIPMAN WLS GR 6H	SHIPMAN WLS GR	2017-01-18	2nd Qtr 2017	15400' TD/ 7297' TVD

Unitized									
Wellbore	Completed Lateral Length (feet)	Measured Depth (ft)	Operating Costs First 5 Years (\$MM)	Gross Capital Costs (\$MM)	Undiscounted Net Revenue (\$MM)	Undiscounted Net Cash Flow of Project (\$MM)	Discounted (10%) Net Cash Flow of Project (\$MM)	Estimated Gross Gas Recovery (BCF)	Estimated Gross Oil Recovery (BO)
Fairground 2 #1UH	15,169	22,522	\$ 1.079	\$ 15.200	\$ 58.30	\$ 44.06	\$ 18.67	4.515	662,494.00
Fairground 2 #3UH	14,814	22,167	\$ 1.079	\$ 14.800	\$ 20.60	\$ 16.79	\$ 6.30	4.409	646,998.00
Fairgrounds 2 #5UH	14,296	21,738	\$ 1.079	\$ 14.300	\$ 24.59	\$ 20.68	\$ 7.65	4.255	624,387.00
<b>Total</b>	<b>44,278</b>		<b>\$ 3.237</b>	<b>\$ 44.300</b>	<b>\$103.49</b>	<b>\$81.54</b>	<b>\$32.62</b>	<b>13.179</b>	<b>1,933,879.00</b>

Non-Unitized									
Wellbore	Completed Lateral Length (feet)	Measured Depth (ft)	Operating Costs (\$MM)	Gross Capital Costs (\$MM)	Undiscounted Net Revenue (\$MM)	Undiscounted Net Cash Flow of Project (\$MM)	Discounted (10%) Net Cash Flow of Project (\$MM)	Estimated Gross Gas Recovery (BCF)	Estimated Gross Oil Recovery (BO)
Fairground 2 #1UH	-	-	\$ -	\$ -					\$ -
Fairground 2 #3UH	-	-	-	-					\$ -
Fairgrounds 2 #5UH	-	-	-	-					\$ -
<b>Total</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>					<b>-</b>

Increases due to Unitization									
Wellbore	Completed Lateral Length (feet)	Measured Depth (ft)	Operating Costs First 5 Years (\$MM)	Gross Capital Costs (\$MM)	Undiscounted Net Revenue (\$MM)	Undiscounted Net Cash Flow of Project (\$MM)	Discounted (10%) Net Cash Flow of Project (\$MM)	Estimated Gross Gas Recovery (BCF)	Estimated Gross Oil Recovery (BO)
Fairground 2 #1UH	15,169	22,522	\$ 1.079	\$ 15.200	\$ 58.30	\$ 44.06	\$ 18.67	4.52	662,494.00
Fairground 2 #1UH	14,814	22,167	\$ 1.079	\$ 14.800	\$ 20.60	\$ 16.79	\$ 6.30	4.41	646,998.00
Fairground 2 #1UH	14,296	21,738	\$ 1.079	\$ 14.300	\$ 24.59	\$ 20.68	\$ 7.65	4.26	624,387.00
<b>Total</b>	<b>44,278</b>		<b>\$ 3.237</b>	<b>\$ 44.300</b>	<b>\$103.49</b>	<b>\$81.54</b>	<b>\$32.62</b>	<b>13.18</b>	<b>1,933,879.00</b>

**Pricing Assumptions:**

"NYMEX Forward Strip as of March 2023 through Jan 2026 then held flat thereafter at \$3.85/mmbtu"

"NYMEX Forward Strip as of March 2023 through Jan 2026 then held flat thereafter at \$66.37/bbl"

**Operating Expense Assumptions:**

- Fixed Operating Cost per Well: \$/month \$1,300
- Variable Cost: \$ /MCF \$1.78
- Variable Cost: \$ /Barrel of Water \$1.50
- Fixed Overhead Cost per Well: \$ /month \$0
- Wellhead Gas Shrink: % Retained 0%

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

In re the Matter of the Application of :  
Ironhead Operating, LLC for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

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**PREPARED TESTIMONY OF RICHARD REPASKY**  
**ON BEHALF OF IRONHEAD OPERATING, LLC**

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**PREPARED DIRECT TESTIMONY OF RICHARD REPASKY**

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

A1. My name is Richard Repasky and Ironhead Operating's business address is 2701 Brown Trail, Suite 308, Bedford TX, 76021.

**Q2. What is your position with Ironhead?**

A2. My official title at Ironhead is Landman.

**Q3. Please briefly describe your professional experience.**

A3. Along with my colleagues and business partners, I helped to organize Ironhead and its affiliates in 2021, and my focus has been on acquiring and developing the company's assets and holdings, most recently focused on the development of our assets in Ohio. In addition to Ironhead, I co-own a full-service land management company dedicated to providing services to the energy industry primarily within the Appalachian Basin, and I have been involved with abstracting, leasing, curative and acquisition support for our clients for over 18 years.

**Q4. What do you do as a Landman at Ironhead?**

A4. As a Landman at Ironhead, I am responsible for expanding and managing the company's leasehold position in Ohio. I help facilitate development of our asset related to our targeted formations, generally below the Queenston shale formation, through lease acquisitions, sales, and negotiations, joint operation or leasehold trade negotiations, title review, unit formation, wellbore planning, supporting various permitting activities and other related operational activities.

**Q5. Are you a member of any professional associations?**

A5. Yes. The American Association of Professional Landmen (AAPL).

**Q6. Were you involved in the preparation of Ironhead's Application for Unit Operation with respect to the Fairgrounds 2 Unit?**

A6. I was. I am also familiar with the efforts to form and develop the Fairgrounds 2 Unit and the Unit Plan that Ironhead is proposing.

**Q7. Can you generally describe the Fairgrounds 2 Unit?**

A7. The Fairgrounds 2 Unit consists of sixty nine (69) separate tracts of land totaling approximately 911.686 acres in Guernsey County, Ohio, in the vicinity of the Guernsey County Fairgrounds.

**EFFORTS MADE BY IRONHEAD TO LEASE AND/OR COMMIT UNIT TRACTS.**

**Q8. What percentage of the total acreage of the Fairgrounds 2 Unit is represented by the oil and gas rights held by Ironhead and its working interest partners?**

A8. Ironhead and its working interest partners control over seventy-three percent (73%) of the unit's acreage.

**Q9. Why was Ironhead not able to acquire the oil and gas rights to all of the acreage in the proposed unit?**

A9. Ironhead employees or representatives are still actively engaged in trying to lease the remaining unleased parcels and working to commit the uncommitted parcels. Ironhead is confident it has made fair offers to the unleased mineral owners within the proposed unit based upon many factors including the level of competition for new leases in the area, the amount of primary term needed to develop the proposed unit, depth limitations and surface rights. Negotiations are still ongoing concerning the tracts listed on Exhibit A-3 and Exhibit A-5 to the Unit Operating Agreement.

**Q10. Have you prepared an affidavit detailing Ironhead's efforts to obtain a lease from the unleased mineral owners and the commitment from the uncommitted working interest owner in the proposed unit?**

A10. This Application includes Exhibit 5-1, which highlights Ironhead's leasing efforts on the remaining unleased tracts of land and commitment efforts for the uncommitted tracts of land as of the date of this filing.

**Q11. If the unleased owners in the unit were to ask to lease with Ironhead, would Ironhead be willing to continue lease negotiations?**

A11. Ironhead remains willing to lease on reasonable, fair market value terms for the area of the play in which Ironhead's proposed unit will be located.

**Q12. Could you describe the location of the committed, unleased, and uncommitted tracts within the Fairgrounds 2 Unit?**

A12. Yes. Exhibit 5-2 to this Exhibit 5 is a colored plat showing each of the tracts in the Fairgrounds 2 Unit, along with the wellbores in same. The tracts highlighted in yellow indicate that Ironhead and its working interest partners have acquired the necessary rights to fully develop the oil and gas thereunder. The tracts highlighted in red indicate that they are either unleased or partially unleased. The tracts

1 highlighted in green indicate that they are either uncommitted or partially  
2 uncommitted.

3 **UNIT PLAN PROVISIONS.**

4 **Q13 Would you describe generally the development plan for the Fairgrounds 2 Unit?**

5 A13. Ironhead plans to develop the proposed Fairgrounds 2 Unit from a pad site to be  
6 located within the unit. The proposed Fairgrounds 2 Unit is configured to  
7 accommodate three (3) total horizontal wellbores, with projected lateral lengths of  
8 approximately 15,169', 14,814' and 14,296' once regulatory setbacks are taken into  
9 consideration. These planned wellbores will be drilled to the northwest from the  
10 aforementioned pad site after kick outs. If an order authorizing unit operations is  
11 granted, and depending upon rig availability and other logistical considerations,  
12 Ironhead intends to begin drilling the initial well in the Fairgrounds Unit sometime  
13 in late Q3 or Q4 of 2023.

14 **Q14. Can you describe the location of the proposed wellbores within the Fairgrounds**  
15 **2 Unit?**

16 A14. Yes, the above-referenced Exhibit 5-2 depicts the configuration I just mentioned. As  
17 you can see, it illustrates that we anticipate using a pad site located in the southeast  
18 portion of the unit to develop the proposed Fairgrounds 2 Unit, and then drilling three  
19 (3) planned wells to the northwest. I have also attached to my testimony an aerial  
20 map illustrating the pad location, identified as Exhibit 5-3.

21 **Q15. With regard to the proposed pad site, what gives Ironhead the right to sit its**  
22 **well pad on the surface of the subject tax parcel(s)?**

23 A15. We have surface rights derived from a surface use agreement and mineral lease for  
24 the area indicated on Exhibit 5-2 and Exhibit 5-3 to this Exhibit 5. To be clear, Iron-  
25 head has no plans to utilize the surface of any potential unleased mineral owner.

26 **Q19. What are the benefits to this type of unit development?**

27 A19. Developing the proposed Fairgrounds 2 Unit in the manner previously described not  
28 only protects the correlative rights of the unit participants but has substantial  
29 economic and environmental benefits as well. Drilling, completing, and producing  
30 multiple wells from a single surface location significantly reduces the impact on the  
31 surface and environment, whereby Ironhead would need to build only one access



1 road for the common surface location, reduce its need for equipment at multiple  
2 locations, reduce traffic to and from the site, and allow for development of acreage  
3 that might not otherwise be developed due to various surface limitations, such as  
4 terrain, environmental considerations, residential and commercial activities.  
5 Development of the targeted formation through vertical wells would not be  
6 practicable because: (1) unconventional reservoirs cannot be produced at economic  
7 flow rates or volumes with vertical drilling (see Engineering Testimony at Exhibit  
8 4); and (2) vertical wells, even if they were practical, surface limitations would make  
9 the necessary well spacing impractical in areas where the surface is already occupied  
10 with other uses (such as residential and commercial use, agricultural use and other  
11 environmental considerations). Horizontal drilling allows for strategically located  
12 centralized surface access and minimizes surface disturbance.

13 **Q20. So is it fair to say that the benefits of this type of development are substantial?**

14 A20. Yes, the type of development planned by Ironhead for the proposed Fairgrounds 2  
15 Unit offers significant benefits not only to the operator, but also to the landowners in  
16 the unit and the surrounding area.

17 **Q21. Are you familiar with the Unit Plan proposed by Ironhead for the Fairgrounds**  
18 **2 Unit?**

19 A21. Yes. The Unit Plan proposed by Ironhead is set out in two documents attached to  
20 the Application – the Unit Agreement, which establishes the non-operating  
21 relationship between the parties in the proposed Fairgrounds 2 Unit; and a Unit  
22 Operating Agreement and related exhibits, which establish how the proposed  
23 Fairgrounds 2 Unit is going to be explored, developed, and produced.

24 **Q22. Let's turn first to the Unit Agreement, marked as Exhibit 1 to the Application.**  
25 **Would you describe briefly what it does?**

26 A22. Yes. The Unit Agreement in effect combines the oil and gas rights in the proposed  
27 Fairgrounds 2 Unit so that they can be uniformly developed as if they were part of a  
28 single oil and gas lease.

1 **Q23. Are mineral rights to all geological formations combined under the Unit**  
2 **Agreement?**

3 A23. No. The Unit Agreement only unitizes the oil and gas rights located fifty feet above  
4 the top of the Utica Shale to fifty feet below the base of the Point Pleasant interval  
5 of the Utica, defined in the Agreement as the “Unitized Formation.”

6 **Q24. How will production proceeds from the Fairgrounds 2 Unit be allocated among**  
7 **royalty interest owners and working interest owners in the Unit?**

8 A24. On a surface-acreage basis. Under Article 4 of the Unit Agreement, every tract is  
9 assigned a tract participation percentage based on surface acreage and those  
10 percentages are shown on Exhibit A-2 to the Unit Operating Agreement. Article 5  
11 of the Unit Agreement allocates production based on that tract participation.

12 **Q25. Why use a surface-acreage basis as the method of allocation?**

13 A25. Based on the testimony of William Carpenter attached to the Application as Exhibit  
14 3, a surface-acreage basis is an appropriate method of allocation because the  
15 formation thickness and reservoir quality of the Unitized Formation is expected to  
16 be consistent across the unit.

17 **Q26. Would you go through an example from Exhibit A-2 to the Unit Operating**  
18 **Agreement to illustrate how a surface-acreage basis would be applied to the**  
19 **Fairgrounds 2 Unit?**

20 A26. Yes. If you look at the column on Exhibit A-2 to the Unit Operating Agreement  
21 entitled “Surface Acres of Parcel in Unit,” it shows, on an owner basis, the number  
22 of surface acres in each tract of land included within the Fairgrounds 2 Unit. The  
23 adjacent column on Exhibit A-2 shows the related tract participation, which is  
24 calculated by dividing those surface acres by the total number of surface acres in the  
25 unit. So, for example, if you look at Tract Number 5 on Exhibit A-2, it shows that  
26 this particular tract is owned of record by James W. Baird and comprises 5.139  
27 surface acres in the 911.686 acre Fairgrounds 2 Unit, which equates to a tract  
28 participation of approximately 0.563681% ( $5.139 \div 911.686 = 0.00563681$  or  
29 0.563681%).

30 **Q27. What does that mean in terms of production allocated to that particular tract?**

1 A27. It would mean this particular tract owned of record by James W. Baird would have  
2 allocated to it roughly 0.563681% of all production from the proposed Fairgrounds  
3 2 Unit, which would then be distributed based on the terms of the lease or other  
4 relevant document affecting ownership to production proceeds from the tract.

5 **Q28. Does it work the same way for an unleased mineral interest, that is, for the tract**  
6 **of a person or entity which did not lease its property in the unit?**

7 A28. Yes. In the Fairgrounds 2 Unit, Tract Number twenty-two (22) is an unleased tract  
8 in the unit area and illustrative of how production would be allocated. Lori Maag  
9 currently owns an interest in the minerals under Tract Number 22 and her 1.550 acres  
10 of Tract Number 22 are included within the Fairgrounds 2 Unit. If the unleased  
11 acreage of Tract Number 22 (1.550 acres) is divided by the full surface acreage  
12 comprising the proposed Fairgrounds 2 Unit (911.686 acres), the result is a tract  
13 participation of approximately 0.170015% ( $1.550 \div 911.686 = 0.00170015$  or  
14 0.170015%). Lori Maag would then receive revenue based upon this percentage and  
15 in accordance with the terms of any potential unitization order granted by the Chief  
16 if no voluntary agreement is reached with the unleased owner.

17 **Q29. In your experience, is surface acreage allocation a customary way to allocate**  
18 **production in a unit?**

19 A29. Yes. In my experience, surface-acreage allocation is both fair and customary for  
20 horizontal shale development.

21 **Q30. How are unit expenses allocated?**

22 A30. Like production in the unit, unit expenses are allocated generally on a surface-  
23 acreage basis. Article 3 of the Unit Agreement provides that expenses, unless  
24 otherwise allocated in the Unit Operating Agreement, will be allocated to each tract  
25 of land within the unit in the proportion that the surface acres of each tract bears to  
26 the surface acres of the entire unit.

27 **Q31. Who pays the unit expenses?**

28 A31. Working interest owners.

29 **Q32. Do the royalty owners pay any part of the unit expenses?**

1 A32. No. Royalty interest owners are responsible only for their proportionate share of  
2 taxes and post-production costs, payable only from their share of the proceeds from  
3 sales of production from the unit area.

4 **Q33. Let's turn to the Unit Operating Agreement, marked as Exhibit 2 to the**  
5 **Application. It appears to be based upon a form document. Could you please**  
6 **identify that form document?**

7 A33. Yes. The Unit Operating Agreement is based upon A.A.P.L. Form 610 – Model  
8 Form Operating Agreement – 2015. Operators typically use a modified version of  
9 that form agreement when entering into joint operating agreements with other  
10 working interest owners.

11 **Q34. Are you familiar with the custom and usage of the Form 610 and other similar**  
12 **agreements in the industry?**

13 A34. Yes. The Form 610, together with its exhibits, is a commonly used form in the  
14 industry and is frequently modified to fit the needs of the parties and circumstances.

15 **Q35. Turning to the Unit Operating Agreement in particular, does it address how**  
16 **unit expenses are determined and paid?**

17 A35. Yes. Article III of the Unit Operating Agreement provides that all costs and liabilities  
18 incurred in operations shall be borne and paid proportionately by the working interest  
19 owners, according to their Tract Participation percentages. Those percentages can  
20 be found in Exhibits A-2, A-3, A-4, A-5, and A-6 to the Unit Operating Agreement.  
21 Moreover, the Unit Operating Agreement has attached to it an accounting procedure  
22 identified as Exhibit C.

23 **Q36. What is the purpose of the document marked Exhibit C to the Unit Operating**  
24 **Agreement in connection with the Fairgrounds 2 Unit?**

25 A36. The document provides greater details regarding how unit expenses are determined  
26 and paid.

27 **Q37. At the top of each page of Exhibit C, there appears a label that reads: “COPAS**  
28 **1984 ONSHORE Recommended by the Council of Petroleum Accountants**  
29 **Societies.” Are you familiar with this society?**

30 A37. Yes, COPAS stands for the Council of Petroleum Accountants Societies.

31 **Q38. Is this COPAS document used in oil and gas operations across the country?**

1 A38. Yes. This form is commonly used in the industry.

2 **Q39. In your opinion, is this COPAS document generally accepted in the industry?**

3 A39. Yes, it was drafted by an organization that includes members from many different  
4 companies in diverse sections of the industry, and it was designed to be generally  
5 fair to the parties. Ironhead, is subject to the COPAS in its operations with other  
6 producers.

7 **Q40. Will there be in-kind contributions made by owners in the unit area for unit  
8 operations, such as contributions of equipment?**

9 A40. No, Ironhead does not anticipate in-kind contributions for unit operations.

10 **Q41. Are there times when a working interest owner in the unit chooses not to – or  
11 cannot – pay their allocated share of the unit expenses?**

12 A41. Yes, and joint operating agreements contemplate that there will be times when less  
13 than all of the working interest owners choose to participate in operations on the  
14 contract area. The agreements are drafted to allow the parties flexibility for one or  
15 more working interest owners to decline to participate in an operation that they may  
16 not believe will be a profitable venture or one that they cannot afford, as well as  
17 flexibility for the remaining parties to proceed with such operation at their own risk  
18 and expense if they wish to do so.

19 **Q42. Generally, how is the working interest accounted for when an owner chooses  
20 not to participate in an operation?**

21 A42. A working interest owner who cannot or chooses not to participate is considered a  
22 non-consenting party. If the remaining working interest owners decide to proceed  
23 with an operation, then the consenting parties bear the full costs and expenses of that  
24 operation. A non-consenting party is deemed to have relinquished its interest in that  
25 operation until such time as the well pays out the costs that would have been payable  
26 by that party, plus some sort of risk factor, sometimes called a risk penalty or non-  
27 consent penalty.

28 **Q43. What is a risk penalty or non-consent penalty, and why is it included in the  
29 agreement?**

30 A43. This is a means to compensate consenting parties for the risks of proceeding with  
31 operations when a working interest owner chooses not to agree in advance to pay its

1 share of the costs of drilling a well. Additionally, a penalty can serve as a means to  
2 allow a working interest owner to finance participation in a well when unable to  
3 advance its share of drilling costs.

4 **Q44. Can a working interest owner choose to go non-consent in the initial well in the**  
5 **Fairgrounds 2 Unit?**

6 A44. Yes. If a working interest owner fails to participate in the unit's initial well, and if  
7 that working interest owner is not a party to a separate Joint Operating Agreement  
8 with Ironhead, then Article VI.A of the Unit Operating Agreement attached to this  
9 application provides that the working interest owner shall be deemed to have  
10 relinquished to the other parties its working interest in the unit with a back-in  
11 provision that includes a risk factor of 500%.

12 **Q45. Does the Unit Operating Agreement treat the initial well and subsequent**  
13 **operations differently in terms of non-consent penalties, and if so, why?**

14 A45. No. A risk factor of 500% applies to the initial well and subsequent operations.

15 **Q46. But if the working interest owner still has a royalty interest in the unit, that**  
16 **royalty interest would remain in place and be paid?**

17 A46. Yes. The royalty interest would still be paid even if the working interest is being  
18 used to pay off a risk factor.

19 **Q47. Are the risk penalty percentages included in the Unit Operating Agreement**  
20 **unusual?**

21 A47. No. A risk penalty of 500% is fair and reasonable for working interest owners in  
22 Ohio who have acquired their rights as lessees under current oil and gas leases. The  
23 proposed unit operation constitutes a significant capital investment that entails a  
24 degree of risk, including operational risk, commodity price risk, geological risk, and  
25 regulatory risk. The risk penalty will encourage working interest owners to  
26 participate in the unit operation so that the capital outlays and associated risk are  
27 shared proportionately among the consent working interest owners.

28 **Q48. Is a risk factor level of 500% common among the industry?**

29 A48. Typically, within the Utica shale play, operators have pre-negotiated Joint Operating  
30 Agreements with each other which contain risk factors of 500%, or more.

31 **Q49. How are decisions made regarding unit operations?**

1 A49. Article V of the Unit Agreement designates Ironhead as the unit operator, with full  
2 operational authority for the supervision and conduct of operations in the proposed  
3 Fairgrounds 2 Unit. Additionally, except where otherwise provided, Article 14 of  
4 the Unit Agreement states that any decision, determination or action to be taken by  
5 the unit participants shall be based on a voting procedure in which each unit  
6 participant has a vote that corresponds in value to that participant's allocated  
7 responsibility for the payment of unit expenses.

8 **Q50. I believe you've already described generally the documents in Exhibits A and C**  
9 **to the Unit Operating Agreement. Let's turn therefore to Exhibit B of the Unit**  
10 **Operating Agreement. What is it?**

11 A50. Exhibit B is a standard oil and gas lease form that is attached to the joint operating  
12 agreement to govern any unleased interests owned by the parties. Article III.A of the  
13 Unit Operating Agreement provides that if any party owns or acquires an oil and gas  
14 interest in the contract area, then that interest shall be treated for all purposes of the  
15 Unit Operating Agreement as if it were covered by the form of lease attached as  
16 Exhibit B.

17 **Q51. Does this oil and gas lease contain standard provisions that Ironhead uses in**  
18 **connection with its drilling operations in Ohio and elsewhere?**

19 A51. Yes.

20 **Q52. Moving on to Exhibit D of the Unit Operating Agreement, would you describe**  
21 **what it is?**

22 A52. Yes, Exhibit D is the insurance exhibit to the joint operating agreement. It sets forth  
23 coverage amounts and limitations, and the insurance terms for operations conducted  
24 under the Unit Operating Agreement. It requires the operator, to obtain General  
25 Liability coverage, including bodily injury and property damage liability, in an  
26 amount of One million dollars, with a Five Million Dollar incremental umbrella  
27 policy which is substantially similar to those employed in connection with other  
28 unitized projects in the State of Ohio.

29 **Q53. Would you next describe Exhibit E of the Unit Operating Agreement?**

30 A53. Yes. Exhibit E is the Gas Balancing Agreement, which further details the rights and  
31 obligations of working interest parties with respect to marketing and selling any

1 production from the Contract Area. It would normally not come in to play with an  
2 unleased landowner, but only with a working interest owner who desired to market  
3 their share of production separately from the Operator.

4 **Q54. Does the Application contain a list of the fee interest owners who have not**  
5 **previously agreed to enter into any oil and gas lease with respect to the tracts**  
6 **they own, or possibly own, within the Fairgrounds 2 Unit?**

7 A54. Yes. Exhibit A-3 to the Unit Operating Agreement lists the “Unleased Mineral  
8 Owners,” that is, the fee mineral owners who have not leased their mineral interests  
9 to any party. For notice purposes, the addresses for these unleased parties are listed  
10 on Exhibit A-2 to the Unit Operating Agreement as well. Additionally, Exhibits A-4  
11 and A-5 to the Unit Operating Agreement list all committed and uncommitted  
12 working interest owners within the planned unit area. Exhibit A-6 to the Unit  
13 Operating Agreement lists any mineral interest subject to ownership litigation or an  
14 adverse claim.

15 **Q55. In your professional opinion, given your education and experience, are unit**  
16 **operations for the proposed Fairgrounds 2 Unit reasonably necessary to**  
17 **increase substantially the ultimate recovery of oil and gas?**

18 A55. Yes. Unit operations for the proposed Fairgrounds 2 Unit are reasonably necessary  
19 to increase substantially the ultimate recovery of oil and gas. As testified by Mr.  
20 Carpenter and Mr. Rowntree, unit operations will promote a rational and efficient  
21 development of the Unitized Formation underlying the proposed Fairgrounds 2 Unit.  
22 In addition, as a land professional, I am supportive of any efforts to reduce waste by  
23 minimizing the number of wells and surface locations utilized for drilling operations.  
24 I understand that land is a valuable commodity and that horizontal drilling is an  
25 excellent way to accommodate both the rights of the mineral owner and the rights of  
26 the surface owner to accomplish reasonable development.

27 **Q56. Does this conclude your testimony?**

28 A56. Yes.



**Exhibit 5-1a**

**Ironhead Fairgrounds 2 Unit**

**Oil and Gas Leasing Attempts**

Tract	Owner	Parcel	Land Use	Address
11	Charles Earl Infante and Rebecca Infante, husband and wife	44-0000111.000	Residential	7324 Hawkshead Road Henrico, VA 23231
Date	Comment			
10/24/2022	Alex Garza of OVLS, on behalf of Ironhead Resources, called the Infante residence. No Answer. Left Voicemail			
11/17/2022	Alex Garza called the Infante residence. No Answer. Left Voicemail			
11/18/2022	Alex Garza mailed a copy of the lease with his contact information on it via certified mail.			
11/26/2022	Received signature card back that the lease was received by owners.			
11/30/2022	Alex Garza called the Infante residence. No Answer. Left Voicemail			
12/14/2022	Alex Garza called the Infante residence. No Answer. Left Voicemail			
12/20/2022	Alex Garza called the Infante residence. No Answer. Left Voicemail			
Tract	Owner	Parcel	Land Use	Address
17 66	State of Ohio Transportation	44-0000227.001 44-0000432.000 44-0000433.000 p/o 44-0000990.000	Road	1980 W. Broad Street Columbus, Ohio 43223
Date	Comment			
1/18/2023	Richard Repasky from Ironhead emailed Kim Berridge regarding leasing state owned lands.			
1/18/2023	Richard Repasky called the Oil & Gas Leasing Commission and left a message.			
4/24/2023	Mr. Repasky spoke to Mr. Nathan Moffitt of the Oil and Gas Land Management Comission. He stated that the process is to still go through			
Tract	Owner	Parcel	Land Use	Address
22	Lori J. Maag and Michael J. Magg, husband and wife	44-0000253.001	Residential	65498 Endley Road Cambridge, OH 43725
Date	Comment			

7/20/2022	Alex Garza of OVLS, on behalf of Ironhead Resources, Called the Maag residence. No Answer. Left Voicemail			
7/21/2022	Alex Garza called the Infante residence. No Answer. Left Voicemail. Made field visit and left a copy of the lease with contact information at			
7/25/2022	Alex Garza spoke to Michael and emailed him a copy of the lease.			
8/2/2022	Alex Garza spoke to Mick. Landowner wants fixe times our offer and a higher royalty.			
8/18/2022	Alex Garza spoke to Michael. He stated he has another offer from another operator but would not disclose the details			
10/3/2022	Alex Garza spoke with Michael. He stated he signed a lease with EAP in another area but did not lease the subject property to them.			
11/18/2022	Alex Garza spoke to Mr. Maag. He statred he claims he wants to see our permit to drill the well before he signs. He doesn't believe us when we say			
Tract	Owner	Parcel	Land Use	Address
34	Casey J. Goodpaster and Rachel E. Goodpaster, as joint tenants with right of survivorship	44-0000580.003	Residential	65850 Norris Road Lore City, OH 43755
Date	Comment			
5/29/2022	Mike Garza of OVLS, on behalf of Ironhead Resources spoke with Casey on his cell phone about the proposal. Said he would look at it and get			
6/15/2022	Mike Garza called, no answer. Left Message			
7/2/2022	Mike Garza called, no answer. Left Message			
8/2/2022	Mike Garza called, no answer. Left Message			
9/14/2022	Mike Garza called, no answer. Left Message			
10/2/2022	time, and he didn't answer. Certified Letter mailed making offer to lease minerals. TRACKING: 7020-3160-0001-7337-9830			
10/26/2022	Mike Garza called, no answer. Left Message			
11/8/2022	Mike Garza talked to Shirley Goodpaster, a relative, about trying to get in contact with Casey and Rachel Goodpaster. Shirley says that Casey and			
11/10/2022	Rachel Goodpaster received certified letter on 10/27/2022. Signature receipt documented.			
Tract	Owner	Parcel	Land Use	Address
35	Scott A. Steele	44-000581.000	Residential;	159 Oak Street Leetonia, OH 44431
36		44-000581.001	residential-vacant	
Date	Comment			

6/15/2022	Alex Garza of OVLS, on behalf of Ironhead Resources, called the Steele residence. No Answer. Left Voicemail
6/18/2022	Alex Garza spoke to Mr. Steele and tendered an lease offer. Mr Steele declined the offer to lease.
7/20/2022	Alex Garza spoke to Mr. Steele, he will not lease and may want to participate and sign a JOA. He said to file the unitization for his tract.

#### WI Owner Communications and Efforts

Tract	Owner	Parcel	Land Use	Address
1	R&S Operating	44-0000243.000		1712 Pioneer Avenue
2		44-0000244.000		Suite 1622
3		44-0000245.000		Cheyenne, Wyoming 82001
Date	Comment			
1/26/2023	Brent Svor of Ironhead Resources emailed Chuck Walton offering to trade acreage, selling their leasehold estate of participating in our wells.			
1/26/2023	Chuck Walkton replied stating he would review information and get back in touch with Ironhead Resources			
4/10/2023	Brent Svor followed up by email with Chuck Walton of R&S/EOG regarding WI in unit with no response			
4/19/2023	Brent Svor followed up by email with Chuck Walton of R&S/EOG regarding WI in unit with no response			
Tract	Owner	Parcel	Land Use	Address
24	EAP Ohio, LLC	44-0000298.000		5847 San Felipe Street, Suite 400 Houston, Texas 77057
68		44-0000299.000		
41		44-0000851.000		
6		44-0000026.000		
7		44-0000731.000		
8		44-0000278.000		
Date	Comment			
1/25/2023	Richard Repasky of Ironhead Resources emailed Blake April inquiring about a trade, participation or sale of the acreage.			
1/25/2023	Blake April called Richard Repasky and discussed a possible trade for the acreage in question.			
1/25/2023	Blake April sent an email asking for more information about EAP ownership in two of the tracts within the unit which are HBP from a shallow			
1/26/2023	Richard Repasky sent the Title Opinion verifying EAP ownership.			
2/2/2023	Blake April emailed asking how many wells will be in the unit and if they will be consecutively drilled. Rick Repasky responded answering Blakes			
4/10/2023	Mr. Repasky proposed a trade to Mr. April via email for multiple tracts in Guernsey County including the tracts included in the proposed unit.			
4/20/2023	Mr. April declined the offer to trade via email.			
4/24/2023	Mr. Repasky called Mr. Apil and offered to negotiate a JOA for the acreage within the proposed unit. Mr. April declined and said to go ahead and			

Tract	Owner	Parcel	Land Use	Address
24	Burj Energy	44-0000298.000		1560 Broadway Street, Suite 2050
68		44-0000299.000		Denver, CO 80202
Date	Comment			
1/11/2023	Richard Repasky of Ironhead Resources called Babak Fadaieporr at Burj Energy to discuss obtaining the WI for the tracts in the unit.			
1/11/2023	Richard Repasky send Babak an email depicting the APN as well as the location of the tracts in question. Mr. Repasky proposed a 3 year term			
1/12/2023	Burj Energy requested the AFE to decide if they would rather JOA. AFE sent via email. Colin Scott of Burj energy replied thanking me for the subr			
1/24/2023	Mr. Repasky sent a follow up email.			
1/24/2023	Mr. Scott replied stating they have been too busy to review the AFE. Asked for a follow up in a week or so.			
4/24/2023	Mr. Repasky sent a follow up email.			
4/25/2023	Mr. Scott replied inquiring as to the number of wells to be drilled and how many net acres were owned by Burj. Mr. Repasky replied via email.			

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

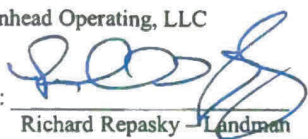
In re the Matter of the Application of :  
Ironhead Operating, LLC, for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

**AFFIDAVIT OF UNLEASED MINERAL OWNERS, OWNERS OF NON-CONFORMING LEASE AND NON-CONSENTING WORKING INTEREST EFFORTS**

I, Richard Repasky, being first duly cautioned and sworn, do hereby depose and state as follows:

1. Affiant, Richard Repasky, is employed by Ironhead Operating, LLC (“Ironhead” or “Applicant”) as Landman. My day-to day responsibilities include assisting with our oil and gas development program in Ohio for the Applicant. Affiant has personal knowledge of the facts stated herein, and the following information is true to the best of Affiant’s knowledge and belief.
2. Affiant has personal knowledge of the matters set forth in this affidavit, including the attachments hereto, and the following information is true to the best of Affiant’s knowledge and belief.
3. Tracts 11, 17, 22, 34, 35, 36 and 66 are owned in whole or in part by unleased mineral owners.
4. The Applicant has made diligent efforts to obtain a lease with each unleased mineral owner. Those efforts are documented in the attached chart and include making in-person visits, telephone calls, e-mail correspondence and mail correspondence.
5. Tracts 1, 2, 3, 6, 7, 8, 24, 41 and 68 are owned in whole or in part by outstanding working interest owners who have not entered into an operating agreement or other joint development agreement.
6. The Applicant has made diligent efforts to obtain the consent of each outstanding working interest owner.

FURTHER AFFIANT SAYETH NAUGHT.

Ironhead Operating, LLC  
By:   
Richard Repasky – Landman

ACKNOWLEDGMENT

STATE OF Pennsylvania  
COUNTY OF Allegheny

)  
)ss:

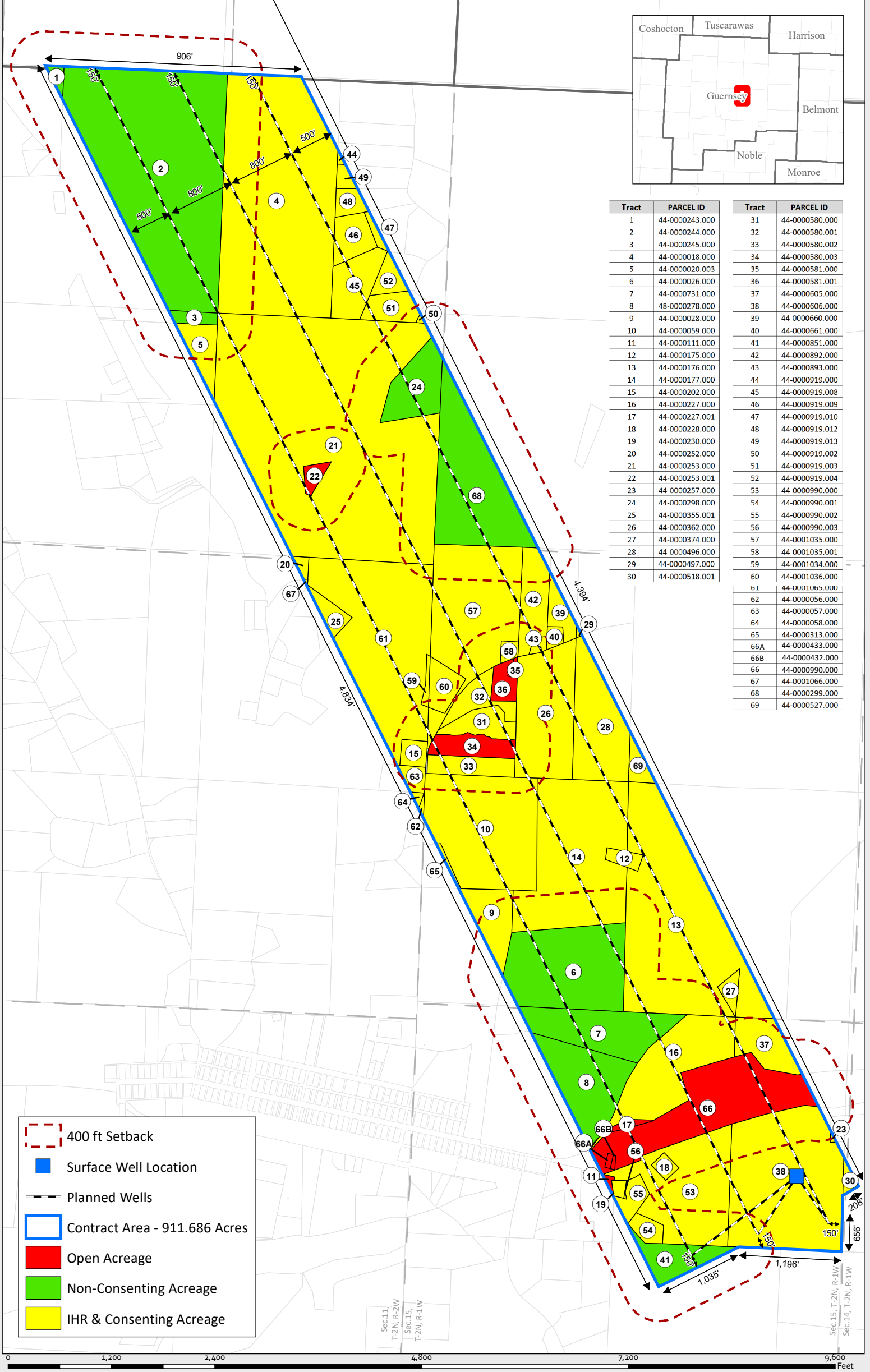
Sworn to and subscribed before me this 9th day of May, 2023, by Richard Repasky, Landman for Ironhead Operating, LLC.

Sara J. Simmons  
Notary Public

My commission expires:

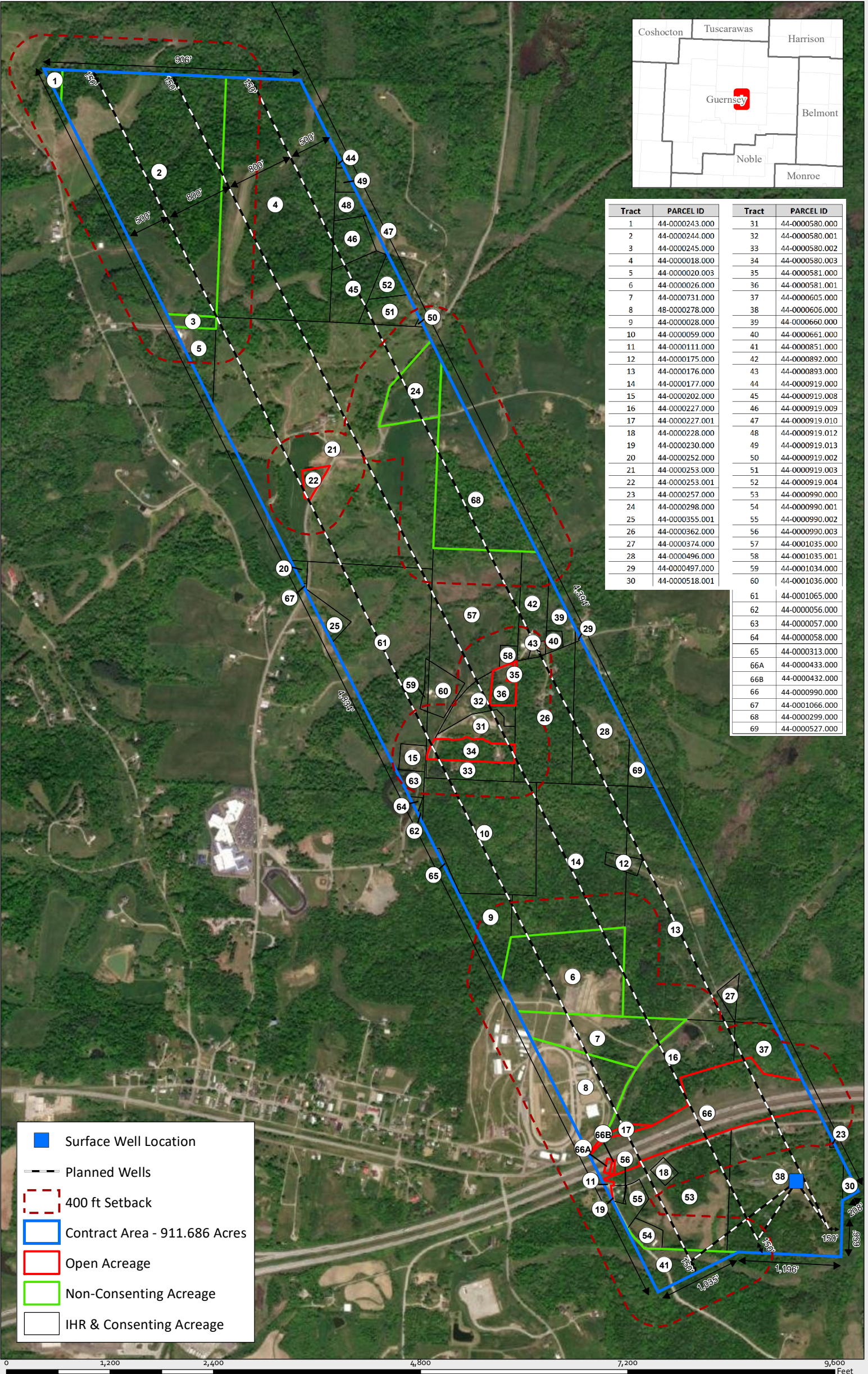
Commonwealth of Pennsylvania - Notary Seal  
Sara J. Simmons, Notary Public  
Washington County  
My commission expires March 4, 2026  
Commission number 1236370  
Member, Pennsylvania Association of Notaries

Exhibit 5-1b



## Fairgrounds 2 (Exhibit 5-2)





## Fairgrounds 2 (Exhibit 5-3)

This map is the property of Ironhead Resources and should be used for internal use only. Ironhead shall not be held liable for any errors or omissions herein.

Guernsey County  
Ohio

Coordinate System: NAD 1983 UTM Zone 18N  
Projection: Transverse Mercator  
Datum: North American 1983  
Linear Units: Meter

Map Scale Units:  
1:15,000  
1 inch = 1,250 feet

Map Document Credits:  
Map Date: 5/8/2023 9:09:16 PM



WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

FAIRGROUNDS 2 UNIT

Guernsey County, Ohio

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Ironhead Operating, LLC ("Applicant") has prepared and/or filed an application asking the Chief of the Division of Oil and Gas Resources Management to issue an order authorizing Applicant to operate the Fairgrounds 2 Unit, located in Guernsey County, Ohio, and consisting of sixty-nine (69) separate tracts of land covering approximately 911.686 acres, according to the Unit Plan attached thereto (the "Application"); and

WHEREAS, the Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Fairgrounds 2 Unit, Wills Township, Guernsey County, Ohio," (the "Unit Agreement"); and an agreement entitled, "A.A.P.L. Form 610-2015 Model Form Operating Agreement," also regarding the Fairgrounds 2 Unit and of like date (the "Unit Operating Agreement"); and,

WHEREAS, the Applicant is an owner (as that term is defined in Ohio Revised Code § 1509.01(K)) of 53 tracts of land covering approximately 336.1155 acres contained in the Fairgrounds 2 Unit, or 36.867463% of the lands in the unit, as more specifically described on attached Exhibit 6.1a.

NOW, THEREFORE, pursuant to Ohio Revised Code § 1509.28(A), the Applicant hereby approves and supports the making of the Application (including without limitation the Unit Plan attached thereto) and further commits its acreage to the Fairgrounds 2 Unit.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

Ironhead Operating, LLC

Date 5/9/2023

By:   
Chris Rowntree, Manager

Ironhead Resources III, LLC

Date 5/9/2023

By:   
Chris Rowntree, Manager

Exhibit 6a

**Exhibit 6.1a**

<b>Tract Number</b>	<b>Lessor and/or Current Mineral Owner</b>	<b>Surface Acres in Unit</b>	<b>Tax Map Parcel ID</b>
4	David Coblentz	79.452000	44-0000018.000
4	Don R. Miller	79.452000	44-0000018.000
4	James A. Miller	79.452000	44-0000018.000
4	Jeffrey E. Miller	79.452000	44-0000018.000
5	James W. Baird	5.139000	44-0000020.003
9	W. Baker Holdings, LLC	7.573000	44-0000028.000
10	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	35.140000	44-0000059.000
12	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	1.600000	44-0000175.000
13	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	61.208000	44-0000176.000
14	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	41.860000	44-0000177.000
15	Gladys J. Hogan	2.070000	44-0000202.000
16	Lance Freeze	21.780000	44-0000227.000
18	Scott M. Robinson and Jennifer L. Robinson, H/W, Survivorship Tenants	1.190000	44-0000228.000
19	Charlene L. Jones	0.578000	44-0000230.000
20	John R. Martin	0.737000	44-0000252.000
21	John R. Martin	137.460000	44-0000253.000
23	Larry D. Marlatt and Deborah S. Marlatt, H/W, Survivorship Tenants	0.108000	44-0000257.000
25	Richard L. Smith, Jr.	2.426000	44-0000355.001
25	Christina G. Smith	2.426000	44-0000355.001
26	Norman Gonder	23.110000	44-0000362.000
27	William R. Johnson and Tammy Marie Johnson, H/W, Survivorship Tenants	1.560000	44-0000374.000
28	Karen J. Hughes, Trustee of The DJH Trust, dated August 20, 2009	17.767000	44-0000496.000
28	Karen J. Hughes, Trustee of The Karen Hughes Trust, dated August 20, 2009	17.767000	44-0000496.000



Tract Number	Lessor and/or Current Mineral Owner	Surface Acres in Unit	Tax Map Parcel ID
29	Edsel K. Todd and Bobbie G. Todd, H/W, Survivorship Tenants	0.141000	44-0000497.000
30	Ann E. Byrne	0.921000	44-0000518.001
30	Donna M. Davis	0.921000	44-0000518.001
30	Elizabeth J. Eggleston	0.921000	44-0000518.001
30	Joseph E. Hosfeld	0.921000	44-0000518.001
30	Kathryn R. Hosfeld	0.921000	44-0000518.001
30	Carol R. Macedonia	0.921000	44-0000518.001
31	Ronald D. Goodpaster	5.120000	44-0000580.000
31	Shirley J. Goodpaster	5.120000	44-0000580.000
32	Tracey L. Mclosky, f/k/a Tracey L. Goodpaster	5.000000	44-0000580.001
33	Stacey L. Knouff, f/k/a Stacey L. Walker	5.001000	44-0000580.002
37	Alvin H. Fuller and Doris E. Fuller, H/W, Survivorship Tenants	7.422000	44-0000605.000
38	William E. Pyle and Judy A. Pyle, H/W, Survivorship Tenants	46.218000	44-0000606.000
39	Fred A. Steele	3.167000	44-0000660.000
40	Fred A. Steele	1.000000	44-0000661.000
42	Fred A. Steele	8.124000	44-0000892.000
43	Fred A. Steele	0.732000	44-0000893.000
44	Thomas F. McFarland	0.142000	44-0000919.000
45	Thomas F. McFarland	8.000000	44-0000919.008
46	Thomas F. McFarland	5.000000	44-0000919.009
47	Thomas F. McFarland	0.798000	44-0000919.010
48	Thomas F. McFarland	2.202000	44-0000919.012
49	Thomas F. McFarland	1.031000	44-0000919.013
50	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	0.142000	44-0000919.002
51	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	4.494000	44-0000919.003
52	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	2.653000	44-0000919.004
53	Janice E. Laughman	27.006000	p/o 44-0000990.000

<b>Tract Number</b>	<b>Lessor and/or Current Mineral Owner</b>	<b>Surface Acres in Unit</b>	<b>Tax Map Parcel ID</b>
54	Helen M. Fogle	2.187000	44-0000990.001
55	Paul A. Gonder	2.576000	44-0000990.002
56	Charlene L. Jones	0.061000	44-0000990.003
57	Douglas A. Smith	34.071000	44-0001035.000
58	Douglas A. Smith	1.000000	44-0001035.001
59	Holly K. Smith	0.733000	44-0001034.000
60	Holly K. Smith	3.934000	44-0001036.000
61	Richard L. Smith, Jr.	47.757000	44-0001065.000
61	Christina G. Smith	47.757000	44-0001065.000
62	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.234000	44-0000056.000
63	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	1.752000	44-0000057.000
64	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.275000	44-0000058.000
65	Simeon C. Bonnell and Morgan N. Bonnell, H/W, Survivorship Tenants	0.347000	44-0000313.000
67	Richard L. Smith, Jr. and Christina G. Smith, H/W, Survivorship Tenants	0.067000	44-0001066.000
69	David W. Smith	2.165000	44-0000527.000
69	Robert E. Smith	2.165000	44-0000527.000
69	John W. Smith	2.165000	44-0000527.000
69	Dayle W. Smith	2.165000	44-0000527.000

End of "Exhibit 6.1a"

WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

FAIRGROUNDS 2 UNIT

Guernsey County, Ohio

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Ironhead Operating, LLC (“Applicant”) has prepared and/or filed an application asking the Chief of the Division of Oil and Gas Resources Management to issue an order authorizing Applicant to operate the Fairgrounds 2 Unit, located in Guernsey County, Ohio, and consisting of sixty-nine (69) separate tracts of land covering approximately 911.686 acres, according to the Unit Plan attached thereto (the “Application”); and

WHEREAS, the Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, “Unit Agreement, The Fairgrounds 2 Unit, Wills Township, Guernsey County, Ohio,” (the “Unit Agreement”); and an agreement entitled, “A.A.P.L. Form 610-2015 Model Form Operating Agreement,” also regarding the Fairgrounds 2 Unit and of like date (the “Unit Operating Agreement”); and,

WHEREAS, Collins Utica, LLC (“Collins”) is an owner (as that term is defined in Ohio Revised Code § 1509.01(K)) of 53 tracts of land covering approximately 168.0578 acres contained in the Fairgrounds 2 Unit, or 18.433732% of the lands in the unit, as more specifically described on attached Exhibit 6.1b.


NOW, THEREFORE, pursuant to Ohio Revised Code § 1509.28(A), Collins hereby approves and supports the making of the Application (including without limitation the Unit Plan attached thereto) and further commits its acreage to the Fairgrounds 2 Unit.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

Collins Utica, LLC

By: Collins Resources, LLC, Member  
By Collins Interests GP, LLC, Member

May 9, 2023  
Date \_\_\_\_\_

By:  \_\_\_\_\_  
Kendall Talbott, Chief Executive Officer  
Collins Interests, GP, LLC

**Exhibit 6.1b**

<b>Tract Number</b>	<b>Lessor and/or Current Mineral Owner</b>	<b>Surface Acres in Unit</b>	<b>Tax Map Parcel ID</b>
4	David Coblentz	79.452000	44-0000018.000
4	Don R. Miller	79.452000	44-0000018.000
4	James A. Miller	79.452000	44-0000018.000
4	Jeffrey E. Miller	79.452000	44-0000018.000
5	James W. Baird	5.139000	44-0000020.003
9	W. Baker Holdings, LLC	7.573000	44-0000028.000
10	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	35.140000	44-0000059.000
12	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	1.600000	44-0000175.000
13	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	61.208000	44-0000176.000
14	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	41.860000	44-0000177.000
15	Gladys J. Hogan	2.070000	44-0000202.000
16	Lance Freeze	21.780000	44-0000227.000
18	Scott M. Robinson and Jennifer L. Robinson, H/W, Survivorship Tenants	1.190000	44-0000228.000
19	Charlene L. Jones	0.578000	44-0000230.000
20	John R. Martin	0.737000	44-0000252.000
21	John R. Martin	137.460000	44-0000253.000
23	Larry D. Marlatt and Deborah S. Marlatt, H/W, Survivorship Tenants	0.108000	44-0000257.000
25	Richard L. Smith, Jr.	2.426000	44-0000355.001
25	Christina G. Smith	2.426000	44-0000355.001
26	Norman Gonder	23.110000	44-0000362.000
27	William R. Johnson and Tammy Marie Johnson, H/W, Survivorship Tenants	1.560000	44-0000374.000
28	Karen J. Hughes, Trustee of The DJH Trust, dated August 20, 2009	17.767000	44-0000496.000
28	Karen J. Hughes, Trustee of The Karen Hughes Trust, dated August 20, 2009	17.767000	44-0000496.000

Tract Number	Lessor and/or Current Mineral Owner	Surface Acres in Unit	Tax Map Parcel ID
29	Edsel K. Todd and Bobbie G. Todd, H/W, Survivorship Tenants	0.141000	44-0000497.000
30	Ann E. Byrne	0.921000	44-0000518.001
30	Donna M. Davis	0.921000	44-0000518.001
30	Elizabeth J. Eggleston	0.921000	44-0000518.001
30	Joseph E. Hosfeld	0.921000	44-0000518.001
30	Kathryn R. Hosfeld	0.921000	44-0000518.001
30	Carol R. Macedonia	0.921000	44-0000518.001
31	Ronald D. Goodpaster	5.120000	44-0000580.000
31	Shirley J. Goodpaster	5.120000	44-0000580.000
32	Tracey L. Mclosky, f/k/a Tracey L. Goodpaster	5.000000	44-0000580.001
33	Stacey L. Knouff, f/k/a Stacey L. Walker	5.001000	44-0000580.002
37	Alvin H. Fuller and Doris E. Fuller, H/W, Survivorship Tenants	7.422000	44-0000605.000
38	William E. Pyle and Judy A. Pyle, H/W, Survivorship Tenants	46.218000	44-0000606.000
39	Fred A. Steele	3.167000	44-0000660.000
40	Fred A. Steele	1.000000	44-0000661.000
42	Fred A. Steele	8.124000	44-0000892.000
43	Fred A. Steele	0.732000	44-0000893.000
44	Thomas F. McFarland	0.142000	44-0000919.000
45	Thomas F. McFarland	8.000000	44-0000919.008
46	Thomas F. McFarland	5.000000	44-0000919.009
47	Thomas F. McFarland	0.798000	44-0000919.010
48	Thomas F. McFarland	2.202000	44-0000919.012
49	Thomas F. McFarland	1.031000	44-0000919.013
50	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	0.142000	44-0000919.002
51	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	4.494000	44-0000919.003
52	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	2.653000	44-0000919.004
53	Janice E. Laughman	27.006000	p/o 44-0000990.000

<b>Tract Number</b>	<b>Lessor and/or Current Mineral Owner</b>	<b>Surface Acres in Unit</b>	<b>Tax Map Parcel ID</b>
54	Helen M. Fogle	2.187000	44-0000990.001
55	Paul A. Gonder	2.576000	44-0000990.002
56	Charlene L. Jones	0.061000	44-0000990.003
57	Douglas A. Smith	34.071000	44-0001035.000
58	Douglas A. Smith	1.000000	44-0001035.001
59	Holly K. Smith	0.733000	44-0001034.000
60	Holly K. Smith	3.934000	44-0001036.000
61	Richard L. Smith, Jr.	47.757000	44-0001065.000
61	Christina G. Smith	47.757000	44-0001065.000
62	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.234000	44-0000056.000
63	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	1.752000	44-0000057.000
64	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.275000	44-0000058.000
65	Simeon C. Bonnell and Morgan N. Bonnell, H/W, Survivorship Tenants	0.347000	44-0000313.000
67	Richard L. Smith, Jr. and Christina G. Smith, H/W, Survivorship Tenants	0.067000	44-0001066.000
69	David W. Smith	2.165000	44-0000527.000
69	Robert E. Smith	2.165000	44-0000527.000
69	John W. Smith	2.165000	44-0000527.000
69	Dayle W. Smith	2.165000	44-0000527.000

End of “Exhibit 6.1b”



WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

FAIRGROUNDS 2 UNIT

Guernsey County, Ohio

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Ironhead Operating, LLC ("Applicant") has prepared and/or filed an application asking the Chief of the Division of Oil and Gas Resources Management to issue an order authorizing Applicant to operate the Fairgrounds 2 Unit, located in Guernsey County, Ohio, and consisting of sixty-nine (69) separate tracts of land covering approximately 911.686 acres, according to the Unit Plan attached thereto (the "Application"); and

WHEREAS, the Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Fairgrounds 2 Unit, Wills Township, Guernsey County, Ohio," (the "Unit Agreement"); and an agreement entitled, "A.A.P.L. Form 610-2015 Model Form Operating Agreement," also regarding the Fairgrounds 2 Unit and of like date (the "Unit Operating Agreement"); and,

WHEREAS, Wallace Family Partnership, LP ("Wallace") is an owner (as that term is defined in Ohio Revised Code § 1509.01(K)) of 53 tracts of land covering approximately 168.0578 acres contained in the Fairgrounds 2 Unit, or 18.433732% of the lands in the unit, as more specifically described on attached Exhibit 6.1c.

NOW, THEREFORE, pursuant to Ohio Revised Code § 1509.28(A), Wallace hereby approves and supports the making of the Application (including without limitation the Unit Plan attached thereto) and further commits its acreage to the Fairgrounds 2 Unit.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

Wallace Family Partnership, LP

By: Michael Wallace Management, LLC, its general partner

Date

5/9/2023

By:

Michael W. Wallace

Michael W. Wallace, Member

Exhibit 6c

**Exhibit 6.1c**

<b>Tract Number</b>	<b>Lessor and/or Current Mineral Owner</b>	<b>Surface Acres in Unit</b>	<b>Tax Map Parcel ID</b>
4	David Coblentz	79.452000	44-0000018.000
4	Don R. Miller	79.452000	44-0000018.000
4	James A. Miller	79.452000	44-0000018.000
4	Jeffrey E. Miller	79.452000	44-0000018.000
5	James W. Baird	5.139000	44-0000020.003
9	W. Baker Holdings, LLC	7.573000	44-0000028.000
10	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	35.140000	44-0000059.000
12	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	1.600000	44-0000175.000
13	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	61.208000	44-0000176.000
14	Princess S. Showers, f/k/a Princess Sis-Qui Dailey Runyon	41.860000	44-0000177.000
15	Gladys J. Hogan	2.070000	44-0000202.000
16	Lance Freeze	21.780000	44-0000227.000
18	Scott M. Robinson and Jennifer L. Robinson, H/W, Survivorship Tenants	1.190000	44-0000228.000
19	Charlene L. Jones	0.578000	44-0000230.000
20	John R. Martin	0.737000	44-0000252.000
21	John R. Martin	137.460000	44-0000253.000
23	Larry D. Marlatt and Deborah S. Marlatt, H/W, Survivorship Tenants	0.108000	44-0000257.000
25	Richard L. Smith, Jr.	2.426000	44-0000355.001
25	Christina G. Smith	2.426000	44-0000355.001
26	Norman Gonder	23.110000	44-0000362.000
27	William R. Johnson and Tammy Marie Johnson, H/W, Survivorship Tenants	1.560000	44-0000374.000
28	Karen J. Hughes, Trustee of The DJH Trust, dated August 20, 2009	17.767000	44-0000496.000
28	Karen J. Hughes, Trustee of The Karen Hughes Trust, dated August 20, 2009	17.767000	44-0000496.000

Tract Number	Lessor and/or Current Mineral Owner	Surface Acres in Unit	Tax Map Parcel ID
29	Edsel K. Todd and Bobbie G. Todd, H/W, Survivorship Tenants	0.141000	44-0000497.000
30	Ann E. Byrne	0.921000	44-0000518.001
30	Donna M. Davis	0.921000	44-0000518.001
30	Elizabeth J. Eggleston	0.921000	44-0000518.001
30	Joseph E. Hosfeld	0.921000	44-0000518.001
30	Kathryn R. Hosfeld	0.921000	44-0000518.001
30	Carol R. Macedonia	0.921000	44-0000518.001
31	Ronald D. Goodpaster	5.120000	44-0000580.000
31	Shirley J. Goodpaster	5.120000	44-0000580.000
32	Tracey L. Mclosky, f/k/a Tracey L. Goodpaster	5.000000	44-0000580.001
33	Stacey L. Knouff, f/k/a Stacey L. Walker	5.001000	44-0000580.002
37	Alvin H. Fuller and Doris E. Fuller, H/W, Survivorship Tenants	7.422000	44-0000605.000
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47	Thomas F. McFarland	0.798000	44-0000919.010
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50	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	0.142000	44-0000919.002
51	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	4.494000	44-0000919.003
52	Thomas R. Love and Lorie A. Love, H/W, Survivorship Tenants	2.653000	44-0000919.004
53	Janice E. Laughman	27.006000	p/o 44-0000990.000

Tract Number	Lessor and/or Current Mineral Owner	Surface Acres in Unit	Tax Map Parcel ID
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55	Paul A. Gonder	2.576000	44-0000990.002
56	Charlene L. Jones	0.061000	44-0000990.003
57	Douglas A. Smith	34.071000	44-0001035.000
58	Douglas A. Smith	1.000000	44-0001035.001
59	Holly K. Smith	0.733000	44-0001034.000
60	Holly K. Smith	3.934000	44-0001036.000
61	Richard L. Smith, Jr.	47.757000	44-0001065.000
61	Christina G. Smith	47.757000	44-0001065.000
62	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.234000	44-0000056.000
63	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	1.752000	44-0000057.000
64	Benjamin R. Bonnell, Trustee of The Bonnell Principal Protection Trust dated February 21, 2019	0.275000	44-0000058.000
65	Simeon C. Bonnell and Morgan N. Bonnell, H/W, Survivorship Tenants	0.347000	44-0000313.000
67	Richard L. Smith, Jr. and Christina G. Smith, H/W, Survivorship Tenants	0.067000	44-0001066.000
69	David W. Smith	2.165000	44-0000527.000
69	Robert E. Smith	2.165000	44-0000527.000
69	John W. Smith	2.165000	44-0000527.000
69	Dayle W. Smith	2.165000	44-0000527.000

End of "Exhibit 6.1c"

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

In re the Matter of the Application of :  
Ironhead Operating, LLC, for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

LEASE AFFIDAVIT

I, Richard Repasky, being first duly cautioned and sworn, do hereby depose and state as follows:

- 1. Affiant, Richard Repasky, is employed by Ironhead Operating, LLC (“Ironhead” or “Applicant”) as Landman for Ironhead. My day-to day responsibilities include assisting with our oil and gas development program for the Applicant. Affiant has personal knowledge of the facts stated herein, and the following information is true to the best of Affiant’s knowledge and belief.
- 2. Pursuant to Ohio Revised Code § 1509.28, the Applicant has filed an application with the Chief of the Division of Oil and Gas Resources Management requesting an order authorizing Applicant to operate the Unitized Formation and applicable land area, identified as the Fairgrounds 2 Unit, according to the Unit Plan attached thereto (the “Application”) (as those terms are used and defined therein). The Fairgrounds 2 Unit is located in Guernsey County, Ohio, and consists of sixty-nine (69) separate tracts of land covering approximately 911.686 acres.
- 3. To my knowledge, the Applicant holds oil and gas leases (or equitable title thereto or operational rights thereto) for all of the acreage that the Applicant claims to have under lease in the Fairgrounds 2 Unit as outlined on Exhibit A-2 of the Unit Operating Agreement attached to this Application

FURTHER AFFIANT SAYETH NAUGHT.

Ironhead Operating, LLC

By: [Signature]  
Richard Repasky – Landman

ACKNOWLEDGMENT

STATE OF Pennsylvania )  
 )ss:  
COUNTY OF Allegheny )

Sworn to and subscribed before me this 9<sup>th</sup> day of may, 2023, by Richard Repasky, Landman for Ironhead Operating, LLC.

[Signature]  
Notary Public

My commission expires:

Commonwealth of Pennsylvania - Notary Seal  
Sara J. Simmons, Notary Public  
Washington County  
My commission expires March 4, 2026  
Commission number 1236370  
Member, Pennsylvania Association of Notaries

Exhibit 6-2



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

In re the Matter of the Application of :  
Ironhead Operating, LLC, for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

**AFFIDAVIT OF OWNERSHIP**

I, Richard Repasky, being first duly cautioned and sworn, do hereby depose and state as follows:

1. Affiant, Richard Repasky, is employed by Ironhead Operating, LLC ("Ironhead" or "Applicant") as Landman for Ironhead's assets. My day-to day responsibilities include assisting with our oil and gas development program in Ohio for the Applicant. Affiant has personal knowledge of the facts stated herein, and the following information is true to the best of Affiant's knowledge and belief.
2. Pursuant to Ohio Revised Code § 1509.28, the Applicant has filed an application with the Chief of the Division of Oil and Gas Resources Management requesting an order authorizing Applicant to operate the Unitized Formation and applicable land area, identified as the Fairgrounds 2 Unit, according to the Unit Plan attached thereto (the "Application") (as those terms are used and defined therein). The Fairgrounds 2 Unit is located in Guernsey County, Ohio, and consists of sixty-nine (69) separate tracts of land covering approximately 911.686 acres.
3. As of the Application Date set forth above, the Applicant and other committed working interest owners are the owners, as that term is defined in Ohio Revised Code § 1509.01(K), of at least 65% of the land overlying the Unitized Formation, as outlined on Exhibit A-2.

FURTHER AFFIANT SAYETH NAUGHT.

Ironhead Operating, LLC

By:   
Richard Repasky – Landman

**ACKNOWLEDGMENT**

STATE OF Pennsylvania )  
COUNTY OF Allegheny ) ss:

Sworn to and subscribed before me this 9th day of May, 2023, by  
Richard Repasky, Landman for Ironhead Operating, LLC.

  
Notary Public

My commission expires:

Commonwealth of Pennsylvania - Notary Seal  
Sara J. Simmons, Notary Public  
Washington County  
My commission expires March 4, 2026  
Commission number 1236370  
Member, Pennsylvania Association of Notaries

Exhibit 6-3

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


In re the Matter of the Application of :  
Ironhead Operating, LLC, for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

**RIGHT TO DRILL AND PRODUCE AFFIDAVIT**

I, Richard Repasky, being first duly sworn and cautioned, affirm and state as follows:

1. Affiant is competent to testify on the matters contained in this affidavit.
2. I am employed at Ironhead Operating, LLC ("Ironhead") as a Landman and my job duties included assisting with its oil and gas development program in Ohio. Affiant has the authority to sign this Affidavit on behalf of Ironhead.
3. Pursuant to Ohio Revised Code § 1509.28, Ironhead has filed an application with the Chief of the Division of Oil and Gas Resources Management (the "Division") requesting an order authorizing Ironhead to operate the Unitized Formation and applicable land area, identified as the Fairgrounds 2 Unit, according to the Unit Plan attached thereto (the "Application") (as those terms are used and defined therein). The Fairgrounds 2 Unit is located in Guernsey County, Ohio, and as a unit of an entire pool or part thereof consists of sixty-nine (69) separate tracts of land covering approximately 911.686 acres.
4. As a result of Affiant's job duties, Affiant, or persons under Affiant's direction or supervision, has personal knowledge of the matters set forth in this affidavit. Further, Affiant has thoroughly reviewed all documents on which Ironhead claims its legal right to conduct oil and gas exploration and production operations in the Fairgrounds 2 Unit for all tracts that Ironhead has the right to drill into and produce in the Unitized Formation by virtue of a lease, operating agreement, fee title, or otherwise.
5. Affiant further states that by submitting the Application for the Fairgrounds 2 Unit, Ironhead has the right to drill into and produce from all formations proposed in the Application and to appropriate the oil or gas produced from all tracts that it claims to have the right to drill into and produce from by virtue of a lease, operating agreement, fee title, or as otherwise stated in its Application.
6. Affiant understands that the Division is relying on the statements and representations contained in this Affidavit to verify that Ironhead has the legal right to drill into and produce from all formations proposed in the Fairgrounds 2 Unit and that Ironhead has the right to drill into and produce from all tracts identified in the proposed Fairgrounds 2 by virtue of a lease, operating agreement, fee title, or otherwise.
7. Affiant states that the above is true and accurate to the best of Affiant's knowledge and belief and that no part of it is false.

FURTHER AFFIANT SAYETH NAUGHT.

Ironhead Operating, LLC  
By:   
Richard Respasky – Landman

**ACKNOWLEDGMENT**

STATE OF Pennsylvania )  
 )ss:  
COUNTY OF Allegheny )

Sworn to and subscribed before me this 9<sup>th</sup> day of may, 2023, by Richard Repasky, Landman for Ironhead Operating, LLC.

  
Notary Public

My commission expires:

Commonwealth of Pennsylvania - Notary Seal  
Sara J. Simmons, Notary Public  
Washington County  
My commission expires March 4, 2026  
Commission number 1236370  
Member, Pennsylvania Association of Notaries

Exhibit 6-4



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

In re the Matter of the Application of :  
Ironhead Operating, LLC, for :  
Unit Operation :  
:  
Fairgrounds 2 Unit :

**DUE DILIGENCE AFFIDAVIT**

I, Richard Repasky, being first duly sworn and cautioned, affirm and state as follows:

1. Affiant is competent to testify on the matters contained in this affidavit.
2. Affiant, Richard Repasky is employed at Ironhead Operating, LLC ("Ironhead" or "Applicant") as Landman for Ironhead's assets. My day-to day responsibilities include assisting with our oil and gas development program in Ohio for the Applicant. Affiant has personal knowledge of the facts stated herein, and the following information is true to the best of Affiant's knowledge and belief.
3. Affiant has the authority to sign this Affidavit on behalf of Ironhead.
4. Pursuant to Ohio Revised Code § 1509.28, Ironhead is filing an application with the Chief of the Division of Oil and Gas Resources Management ("DOGRM") requesting an order authorizing Ironhead to operate the Unitized Formation and applicable land area, identified as the Fairgrounds 2 Unit ("Application"). The Fairgrounds 2 Unit is located in Guernsey County, Ohio, and consists of sixty-nine (69) separate tracts of land covering approximately 911.686 acres.
5. As a function of Affiant's job duties, Affiant, or persons under Affiant's direction or supervision, has personal knowledge of the matters set forth in this affidavit. Further, Affiant, or persons under Affiant's direction or supervision, has reviewed all documents which reflect Ironhead's efforts to identify and locate mineral interest owners within the proposed unit.
6. Affiant attests that Ironhead exercised reasonable due diligence to identify all mineral interest owners within the proposed unit and ascertain their current addresses prior to filing its Application with DOGRM. These efforts included performing title work, court records, reviewing marriage and birth records, death records, searching county auditor tax records, searching records maintained by the United States Postal Service, utilizing electronic resources, etc. Affiant further attests that all mineral interest owners' identities and addresses have been identified.
7. Affiant further attests that, to the best of its knowledge and belief, the names and addresses of mineral interest owners it provided to DOGRM were accurate at the time Affiant filed its Application with DOGRM.
8. Affiant understands that the DOGRM is relying on the statements and representations contained in this Affidavit to verify that Ironhead has acted using ordinary standards of due diligence to identify and locate mineral interest owners for tracts contained within the proposed unit. Further, Ironhead understands DOGRM expects Ironhead to provide to DOGRM updated mineral interest owner's information, if any, as soon as is practicable, and understands that updated information may result in a new or rescheduled unitization hearing.
9. Nothing in this Affidavit shall constitute a waiver of right in law or equity by the DOGRM or Ironhead.

Exhibit 7

10. Affiant states that the above statements are true and accurate to the best of Affiant's knowledge and belief.

FURTHER AFFIANT SAYETH NAUGHT.

Ironhead Operating, LLC  
By:   
Richard Repasky – Landman

ACKNOWLEDGMENT

STATE OF Pennsylvania )  
COUNTY OF Allegheny )ss:

Sworn to and subscribed before me this 9<sup>th</sup> day of May, 2023, by Richard Repasky, Landman for Ironhead Operating, LLC.

  
Notary Public

My commission expires:

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