

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

BEFORE COMMISSIONERS: Pat Apple, Chair
Jay Scott Emler, Commissioner
Shari Feist Albrecht, Commissioner

In the Matter of the Amended Application of Lario)	
Oil & Gas Company for an Order Authorizing the)	Docket No. 17-CONS-3516-CUNI
Unitization and Unit Operations of the Feiertag)	Conservation Division
Unit in Scott County, Kansas.)	License No. 5214

AMENDED APPLICATION

COMES NOW, Lario Oil & Gas Company ("Applicant") and for its Amended Application for an Order Authorizing the Unitization and Unit Operations of the Feiertag Unit in Scott County, Kansas, pursuant to K.S.A. 55-1301, *et seq.*, states:

1. The Applicant is a Delaware corporation, duly authorized to conduct business in the State of Kansas and maintaining its principal place of business at 301 South Market Street, Wichita, Kansas 67202. The Applicant holds Kansas Corporation Commission Operator's License No. 5214.

2. The Applicant is an Owner and the operator of undivided oil and gas leasehold working interest in wells producing oil from the Shawnee, Lansing, Kansas City, Marmaton, Cherokee, Morrow, Basal Penn, and Mississippian formations in the Feiertag Unit of the Millrich Southeast Pool in portions of Sections 9, 10, 15, 16, 21, and 22 of Township 19 South, Range 33 West, Scott County, Kansas.

3. The Applicant seeks to establish unit operations for a unit known as the Feiertag Unit pursuant to K.S.A. 55-1301, *et seq.*, to enhance the ultimate recovery of liquid

hydrocarbons therefrom pursuant to the provisions of its unit agreement, unit operating agreement, and the Order of this Commission resulting from this Amended Application.

4. The lands and reservoir or portions thereof which are anticipated to be operated as a unit are described as the interval between the top of the unitized substances in the Topeka Formation at 3,570 feet through the Oread, Lansing-Kansas City, Marmaton, Millrich, Morrow and St. Louis formations at 4,700 feet, as shown on the dual induction lateral log attached to the original Application as Exhibit "A" for the McCoy Petroleum Corporation 2-15 Feiertag Trust well in Section 15, Township 19 South, Range 33 West, Scott County, Kansas and incorporated herein by this reference.

5. The unitized formations as described herein underlying the following lands will be operated as the Feiertag Unit proposed in this Amended Application are:

Section 9: SE/4 SE/4

Section 10: SW/4

Section 15: W/2, W/2 SE/4, S/2 SW/4 NE/4

Section 16: NE/4 NE/4, and the SE/4 SE/4

Section 21: NE/4 NE/4

Section 22: N/2 NW/4, and NW/4 NE/4,

all in Township 19 South, Range 33 West, Scott County, Kansas, consisting of a total of 860 surface acres.

6. The Applicant proposes to conduct secondary recovery operations by the injection of water, gas, or other fluids and substances, or a combination thereof, as reasonably prudent and desirable to increase the ultimate recovery of hydrocarbons principally consisting of liquid hydrocarbons from the unitized lands and above-described Oread, Lansing-Kansas City, Marmaton, Millrich, and St. Louis reservoirs.

7. A copy of the proposed Unit Agreement and Plan of Unitization for the Feiertag Unit, which Applicant considers to be fair, reasonable, and equitable, is attached hereto as Exhibit "B."

8. A copy of the proposed Unit Operating Agreement covering the manner in which the Feiertag Unit will be supervised and operated, as well as the costs allocated and paid, is attached hereto as Exhibit "C."

9. The unitized management, operation, and further development of the Feiertag unitized reservoirs as described herein, which are sought to be unitized, is economically feasible and reasonably necessary to prevent waste within the reservoir and thereby increasing substantially the ultimate recovery of oil and gas. Further, the value of the estimated additional recovery of oil and gas substantially exceeds the estimated additional costs incident to conducting such unitized operations. The proposed operations of the Feiertag Unit is fair and equitable to all interest owners, both royalty and working interest.

10. As of the date of the filing of this Amended Application, the proposed plan of unit operations for the Feiertag Unit as proposed by Applicant herein has been approved in writing by 92.64% of those persons required by the unit operating agreement to pay for the costs of unit operations and by 95.53% of the owners of the Feiertag Unit which are credited to royalties, excluding overriding royalties or other like interests carved out of the leasehold interests.

11. Attached to the original Application as Exhibit "D" (and incorporated herein by this reference) is a plat outlining the boundaries of the Feiertag Unit as will be operated for unit operations by the Applicant.

12. Attached to the original Application as Exhibit "E" (and incorporated herein by this reference) is a list of the names and addresses of lessors, lessees, mineral owners owning oil

and gas interests of record in the proposed Feiertag Unit, together with each operator of record of leased minerals and owners of minerals of any unleased acreage of the Feiertag Unit and those within one-half mile of the proposed unit, which names and addresses Applicant has been able to identify after exercise of due diligence. A copy of this Amended Application and notice of Amended Application in the form attached hereto as Exhibit "F" is being properly mailed via United States postal service, postage prepaid, to all such persons shown on Exhibit E. Notice of this Amended Application will be published pursuant to the Commission's Rules and Regulations as provided in K.A.R. 82-3-135a.

WHEREFORE, the Applicant prays that this Commission set this matter for hearing, and after proper notice and hearing, issue an Order approving the unitization and unit operations for the Feiertag Unit in Scott County, Kansas, as described herein, and grant to the Applicant such further relief as is appropriate.

Respectfully submitted,

By 

Timothy E. McKee, #7135

Amy Fellows Cline, #19995

Triplett Woolf Garretson, LLC

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Wichita, KS 67226

Telephone: (316) 630-8100

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Attorneys for Lario Oil & Gas Company

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Brenten Birk, of lawful age, being first duly sworn upon his oath states that he is the Operations Engineer for Lario Oil & Gas Company and states that the statements made herein are true and correct to the best of his knowledge and belief.

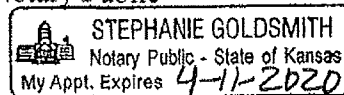
Brenten Birk
BRENTEN BIRK

SUBSCRIBED AND SWORN to before me this 25th day of April, 2017.

Stephanie Goldsmith
Notary Public

My Appointment Expires:

4-11-2020



CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of April, 2017, the above Amended Application was electronically served on:

Jon Myers
Assistant General Counsel
Kansas Corporation Commission
130 S. Market, Room 2078
Wichita, KS 67202-3802

Diana Edmiston
Edmiston Law Office, LLC
200 E. 1st Street, Suite 301
Wichita, KS 67202
Attorney for Protestant Cholla Production, LLC



Amy Fellows Cline, #19995

Attorneys for Lario Oil & Gas Company

**UNIT AGREEMENT
PLAN OF UNITIZATION
FEIERTAG UNIT
SCOTT COUNTY, KANSAS**

THIS AGREEMENT is entered into as of the date set opposite the names of the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto.

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the Millrich Southeast Field, situated in Scott County, Kansas, and to protect the rights of the owners of the interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided.

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

**ARTICLE 1
DEFINITIONS**

As used in this Agreement:

1.1 **Unit Area** is the land described by those Tracts in Exhibit "A" Part 1 and further depicted in Exhibit "B" Part 1 as to which this Agreement becomes effective, or to which it may be extended as herein provided.

1.2 **Unitized Formation** is the subsurface portion of the Unit Area described as the stratigraphic equivalent of the Shawnee, Lansing Kansas City, Marmaton, Cherokee, Morrow, Basal Penn, and Mississippi (ending at the base of the St. Louis "B" formation), as the same is encountered between 3,570 feet and 4,700 feet, inclusive, below the surface (KB) in the Feiertag "A" #2-15 well located in the SE NW of Section 15, Township 19 South, Range 33 West (Sec. 015-T19 S-R33W) Scott County, Kansas.

1.3 **Unitized Substances** are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation.

1.4 **Working Interest** is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which interest is obligated to pay, either in cash, out of production or otherwise, a portion of the Unit Expense; however, oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of **seven-eighths (7/8ths)** thereof and a Royalty Interest created out of a Working Interest subsequent to the execution of 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.

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

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

1.7 **Working Interest Owner** is a Person owning a Working Interest.

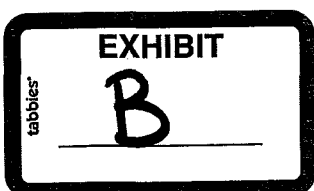
1.8 **Tract** is the land described as such and given a Tract number in Exhibit "A".

1.9 **Unit Operating Agreement** is the Agreement entered into by Working Interest Owners, having the same Effective Date as this Agreement, entitled "Unit Operating Agreement (Operating Plan), Feiertag Unit, Scott County, Kansas".

1.10 **Unit Operator** is the Working Interest Owner or its agent designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not, as a Working Interest Owner.

1.11 **Tract Participation** is the percentage shown on Exhibit "A", Part 3 for allocating Unitized Substances to a Tract

1.12 **Unit Working Interest** of a Working Interest Owner is the sum of the percentages



obtained by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies for inclusion within the Unit Area by the Tract Participation of such Tract.

1.13 **Outside Substances** are substances purchased or otherwise obtained for a consideration by Working Interest Owners and injected into the Unitized Formation.

1.14 **Oil and Gas Rights** are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

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

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

1.17 **Unit Expense** is all cost, expense, expenditure or 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.

1.18 **Effective Date** is the time and date this Agreement becomes effective as provided in Section 16.1.

1.19 **Person** is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, 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 Formation.

ARTICLE 2 EXHIBITS

2.1 **Exhibits.** The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 **Exhibit "A"** is a schedule that describes each Tract in the Unit Area and shows its Tract Participation. The four parts of Exhibit "A" are as follows:

Part 1 - Description of Tracts and Leases

Part 2 - Ownership of Tracts

Part 3 - Tract Participation

Part 4 -- Unit Interests

2.1.2 **Exhibit "B", Part 1** is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.3 **Exhibit "B", Part 2** is a schedule showing the well renumbering for the wells in the Unit Area.

2.2 **Reference to Exhibits.** When reference is made to an Exhibit, it is to the Exhibit as originally attached or, if revised, to the last revision.

2.3 **Exhibits Considered Correct.** Exhibits "A" and "B" shall be considered to be correct until revised as herein provided.

2.4 **Correction of Errors.** The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date, should have been divided into more than one Tract, or that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of the Working Interest owners, shall correct the mistake by revising the Exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of any exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective as of 7:00 A.M. Central Standard Time, on the first day of the calendar month next following the filing of record of the revised Exhibit or on such other date as may be determined by the Working Interest Owners and set forth in the revised Exhibit.

2.5 **Filing Revised Exhibits.** If an Exhibit is revised, Unit Operator shall execute an

appropriate instrument with the revised Exhibit attached and file the same for record in the county or counties in which notice of this Agreement is filed.

ARTICLE 3 CREATION AND EFFECT OF UNIT

3.1 **Leases Ratified; Oil and Gas Rights Unitized.** Each Royalty Owner, by execution hereof, does hereby ratify, adopt and confirm the oil and gas lease(s) described in Exhibit "A", Part I hereof, insofar as said lease (s) cover(s) lands in which said Royalty Owner owns a mineral interest, in all of its (their) terms and provisions, and does hereby agree and declare that said oil and gas lease(s) are binding upon them and are a valid and subsisting lease(s), as of the Effective Date hereof.

In addition, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit "A", and all oil and Gas Rights of the Working Interest Owners in and to said lands, are hereby unitized 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 lessee, and as if the lease contained all of the provisions of this Agreement.

3.2 **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, subject however to the rights and interests therein, as among Working Interest Owners, as are set forth in the Unit Operating Agreement.

3.3 **Amendment of Leases and Other Agreements.** The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom are hereby amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in effect.

3.4 **Continuation of Leases and Term Interests.** Production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, or other Unit Operations, shall be considered as production from, or operations upon, each Tract, and such production or operations shall continue in effect each lease or term mineral or royalty interest as to all lands and formations covered thereby, just as if such operations were conducted on, and as if a well were producing from, each Tract.

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

3.6 **Injection Rights.** Royalty Owners hereby grant Working Interest Owners the right to inject into the Unitized Formation any substances, including, but not limited to water, natural gas, liquefied petroleum gas, and/or carbon dioxide, in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right to drill, use, and maintain injection wells on the Unit Area, and to use for injection purposes any non-producing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formation.

3.7 **Disposal Rights.** Royalty Owners hereby grant Working Interest Owners the right to dispose of excess salt water produced from the Unitized Formation, together with the right to drill, use and maintain salt water disposal wells on the Unit Area, and to use for such disposal purposes any non-producing or abandoned wells, dry holes, or well drilled for salt water disposal purposes. Such salt water may be disposed of into any formation or formations allowed by the Kansas Corporation Commission.

3.8 **Border Agreements.** Unit Operator, upon approval of the Working Interest Owners, subject to the provisions of the Unit Operating Agreement, as a prudent means in the interest of conservation and to increase the ultimate recovery of Unitized Substances, may execute an agreement or agreements with the working interest owners in lands outside the Unit Area for cooperative development, operation, fluid or gas injection or similar programs. Any such Agreement shall be subject to approval by the Working Interest Owners and shall in no way affect or alter percentages or participation established hereunder as to the Persons hereto, nor shall the same provide for the sharing or allocation of production as between the Unit Area, as herein defined, and any outside lands.

ARTICLE 4 PLAN OF OPERATIONS

4.1 **Unit Operator.** Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement, designating Lario Oil & Gas Company as the 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. If there is any conflict between such agreements, this Agreement shall govern.

4.2 **Method of Operation.** To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence, and in accordance with good engineering and production practices, engage in secondary recovery operations by injecting water, gas or other fluids or substances, or combinations thereof, deemed necessary or desirable to attempt to increase ultimate recovery of Unitized Substances.

4.3 **Change of Method of Operation.** Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time, if determined by them to be feasible, necessary or desirable to increase the ultimate recovery of Unitized Substances; including, without limitation, methods of operation for tertiary recovery and other enhanced recovery operations.

ARTICLE 5 TRACT PARTICIPATION AND ALLOCATION OF PRODUCTION

5.1 **Tract Participation and Allocation of Production.** Beginning at 7:00 A.M. Central Standard Time, on the Effective Date, the Tract Participation of each Tract shall be based upon the following factors and formula:

$$[\text{Cumulative Oil Production} * 0.45] + [\text{Remaining Primary Reserves} * 0.40] + [\text{Tract Acreage} * 0.025] + [\text{Total Net Pay Phi-Volume} * 0.10] + [\text{Active Wellbores} * 0.025]$$

5.2 **Relative Tract Participation.** If the Unit Area is enlarged or reduced the revised Tract Participation of the Tracts remaining in the Unit Area, and which were within the Unit Area prior to the enlargement or reduction, shall remain in the same ratio to one another.

ARTICLE 6 ALLOCATION OF UNITIZED SUBSTANCES

6.1 **Allocation to Tracts.** All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participation. 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.

6.2 **Distribution Within Tracts.** The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the Persons entitled to share in the production from such Tract 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 are, or hereafter become, divided and owned in severalty as to different parts of the Tract, the owners of the divided interest, 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 the proportion that the acreage owned by each separate Owner bears to the total acreage included in the Tract so divided. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one such well thereon.

6.3 **Taking Unitized Substances in Kind.** The Unitized Substances allocated to each Tract may be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties who elect

to take in kind shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for the purpose, provided such facilities are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the owner of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner or Owners whose Working Interest(s) is (are) subject to such Royalty Interest shall be entitled to take in kind their proportionate part of such share of Unitized Substances.

6.4 **Failure to Take in Kind.** If any Person fails to take in kind or separately dispose of such Person's share of Unitized Substances, Unit Operator shall have the option, but not the obligation, subject to revocation at will by the Person owning the share, to purchase or sell to others such share of Unitized Substances; however, all contracts for sale by Unit Operator of any other Person's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year.

6.5 **Responsibility for Royalty Settlements.** Any person receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract shall be responsible for the payment of all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances, and shall indemnify all Persons, including Unit Operator, against any liability for such payment.

6.6 **Royalty on Outside Substances.** If any Outside Substance consisting of natural gases is injected into the Unitized Formation, one hundred percent (100%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total volume deemed to be such Outside Substance equals the total volume of such Outside Substance so injected. If any Outside Substance which prior to injection is liquefied petroleum gas or other liquid hydrocarbons is injected into the Unitized Formation, fifty percent (50%) of all Unitized Substances produced and sold after the time the injection of such outside Substance was commenced shall be deemed to be a part of the Outside Substances so injected until the total value of the production deemed to be such Outside Substance equals the total cost of the Outside Substance so injected. Such fifty percent (50%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as hereinabove provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7 PRODUCTION AS OF THE EFFECTIVE DATE

7.1 **Oil and Liquid Hydrocarbons in Lease Tanks.** Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that are in lease tanks as of 7:00 A.M. Central Standard Time on the Effective Date. Oil and other liquid hydrocarbons in treating vessels, separation equipment, and tanks below pipeline connections shall not be considered to be merchantable. Any merchantable oil or other liquid hydrocarbons that are a part of, or attributable to, the wells from which they were produced shall remain the property of the parties entitled thereto as if this Agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto who shall pay or cause to be paid all royalty due thereon under the provisions of applicable lease(s) or other contract(s).

ARTICLE 8 USE OR LOSS OF UNITIZED SUBSTANCES

8.1 **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.

8.2 **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 9

TITLES

9.1 **Warranty and Indemnity.** Each Person who, by acceptance of produced Unitized Substances or the proceeds 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 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.

9.2 **Working Interest Titles.** If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure of title shall be governed by the Unit Operating Agreement.

9.3 **Royalty Interest Titles.** If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the person whose title failed shall not be entitled to share hereunder with respect to such interest.

9.4 **Production Where Title is in Dispute.** If the title or right of any Person claiming the right to receive all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the Person to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefore to the rightful owner if the title or right of such Person fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final un-appealable judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the Person rightfully entitled thereto.

9.5 **Payment of Taxes to Protect Title.** The owner of surface rights to lands within the Unit Area, and/or severed mineral interests or Royalty Interests in such lands, and/or in the lands outside the Unit Area on which Unit Equipment may be located, is responsible for the payment of any ad valorem taxes on all such surface, mineral and royalty rights and interests. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may pay the tax and discharge any tax lien. Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the cost of such payment, such withholding to be credited to Working Interest Owners. Such withholding shall be without prejudice to any other remedy available to Unit Operator or Working Interest Owners.

ARTICLE 10

EASEMENTS OR USE OF SURFACE

10.1 **Grant of Easements.** The Working Interest Owners shall have the right to use as much of the surface of the land within the Unit Area (including but not limited to, the right to lay, maintain, alter, repair, inspect, operate and remove any and all existing and future pipelines) as may be reasonably necessary for Unit Operations and the production and removal of Unitized Substances from the Unit Area.

10.2 **Use of Water.** Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations from wells heretofore or hereafter drilled, or otherwise owned, by the Working Interest Owners. Working Interest Owners shall not have the right to use water from any well, lake, pond, or irrigation ditch owned by a Royalty Owner. Working Interest Owners shall also have the right to bring water from sources outside the Unit Area onto the premises for Unit Operations. Such off premises water will be used for injection purposes only and will be injected only into Unit Area injection wells.

10.3 **Surface Damages.** Working Interest Owners shall pay the Person entitled thereto for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 11

AMENDMENTS TO UNIT AREA

11.1 **Unit Area.** The Unit Area may be amended from time to time to include acreage

reasonably proved to be productive, exclude acreage no longer considered to be productive, or for any other reason, upon such terms as may be approved by the working Interest Owners in accordance with the voting procedure of Article 4.3.2 of the Unit Operating Agreement, provided:

(a) the participation to be allocated to all acreage shall be fair and reasonable, considering all available information; and

(b) there shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the amendment

11.2 **Determination of Tract Participation.** Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as amended, and shall revise Exhibits "A" and "B" accordingly.

11.3 **Effective Date.** The effective date of any amendment to the Unit Area shall be 7 A.M. Central Standard Time, on the first day of the calendar month following compliance with conditions for amendment as specified by Working Interest Owners, and the filing for record of a revised notice of this Agreement in the county or counties in which the original notice of Agreement is recorded.

ARTICLE 12 TRANSFER OF TITLE - PARTITION

12.1 **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. Central Standard Time, 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.

12.2 **Waiver of Rights to Partition.** Each Person hereto agrees that, during the existence of this Agreement, it will not resort to any action to partition the Unitized Formation or the Unit Equipment, and to that extent hereby waives the benefits of all laws authorizing such partition.

ARTICLE 13 RELATIONSHIP OF PARTIES

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

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

13.3 **Royalty Owners Free of Cost.** This Agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise obligated; provided, however, that any interest created out of a Working Interest shall be subject to the security rights provided by the Unit Operating Agreement. The owner of any such interest shall be subrogated to the security rights available against the Working Interest out of which such interest was created.

ARTICLE 14 LAWS AND REGULATIONS

14.1 **Laws and Regulations.** This Agreement shall be subject to all applicable federal, state, and municipal laws, rules, regulations, and orders.

ARTICLE 15 FORCE MAJEURE

15.1 **Force Majeure.** All obligations imposed by this Agreement, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a

labor dispute, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials, or by any other cause or causes, whether similar or dissimilar, beyond reasonable control of the Person. No Person shall be required against their will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 16

EFFECTIVE DATE

16.1 **Effective Date.** This Agreement shall become effective as of 7:00 A.M., Central Standard Time on the first day of the calendar month following the issuance of the order approving this Unit by the Kansas Corporation Commission, or the first day of the calendar month following the execution of this Unit Agreement in accordance with K.S.A. 55-1317, whichever first occurs.

16.2 **Certificate of Effectiveness.** Unit operator shall file for record in the county in which the land affected is located a notice and certificate of unitization stating the Effective Date.

ARTICLE 17

DETERMINATIONS BY WORKING INTEREST OWNERS

17.1 **Determination 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.

ARTICLE 18

TERM

18.1 **Term.** The term of this Agreement shall be for the period of time that the Unit Operations are conducted without a cessation of more than one hundred and eighty (180) consecutive days, unless terminated at an earlier date by Working Interest Owners in the manner herein provided.

18.2 **Termination by Working Interest Owners.** This Agreement may be terminated by Working Interest Owners owning a combined Unit Working Interest of more than fifty percent (50%) or more whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 **Effect of Termination.** Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall cease. Each oil and gas lease and other agreements 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 thereafter for such further period as is provided by the lease or other agreement.

18.4 **Salvaging Equipment Upon Termination.** Royalty Owners hereby grant Working Interest Owners a period of nine (9) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

18.5 **Certificate of Termination.** Upon Termination of this Agreement, Unit Operator shall file for record in the county in which the land affected is located, a certificate that this Agreement has terminated, stating its termination date.

ARTICLE 19

GENERAL

19.1 **Unit Agreement and Unit Operating Agreement.** As provided for in Section 4.1, Unit Operator shall have the right to conduct Unit Operations, which shall conform to the provisions of the Unit Agreement and the Unit Operating Agreement. If there is any conflict between such agreements, the Unit Agreement shall govern.

19.2 **Lien and Security Interest.** Unit Operator shall have a lien and security interest upon the interests of the Working Interest Owners and upon any interests carved out of a Working Interest to the extent provided in the Unit Operating Agreement.

19.3 **Conflicts with Existing Instrument.** This Agreement shall supersede all existing agreements between the parties hereto covering the Unit Area to the extent that the

provisions of such existing agreements conflict with the provisions of this Agreement.

**ARTICLE 20
SUCCESSORS AND ASSIGNS**

20.1 **Successors and Assigns.** This Agreement shall extend to, be binding upon, and insure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases and interests covered thereby.

**ARTICLE 21
EXECUTION**

21.1 **Original, Counterpart, or Other Instrument.** This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above-described Unit Area.

21.2 **Joinder in Dual Capacity.** In the event any of the parties hereto own both Working Interest and Royalty Interests, it shall not be necessary for such party to execute this Agreement in both capacities in order to commit both classes of interest. Execution hereby by any such party in one capacity shall also constitute execution in the other capacity.

IN WITNESS WHEREOF, this Agreement is approved on the dates of execution, but effective as of the Effective Date.

ROYALTY OWNERS

Brent A Haupt

Deidra A Haupt

Cedric Ellison

Chris V Hansen

Dedric T Ellison

Donald J Hansen

Eric A Hansen

Eric C Ellison

Gary L Haupt

Nina A Haupt

James D Turner

Jennifer L Turner

Jeff Ellison

Jeffrey T Ellison

Jennifer A Adams

Jennifer Adams

Joann Whitham, Life Estate

Kurt L Hansen

Taylor G Haupt

Clawson Land Partnership

Vulgamore Trust u/t/d 3/7/1996

By: _____

By: _____

Sarah C Feiertag Trust

David L Metzger Trust dated 4/1/16

By: _____

By: _____

OVERRIDING ROYALTY OWNERS

AA & Mary Hammersmith Revocable
Trust dtd 7/19/01

By: _____

Barbara J Deenihan

Danny J McCarty

David Munro

Deborah E Brinegar Revocable
Trust dtd 8/24/06

By: _____

Diane L Huffman

Diane L Huffman Trust

By: _____

Emily Hundley Goff

Eric D. Stinson Trust dtd 1/27/09

Estate of Thomas E Ray

By: _____

F Louise Brinegar Revocable
Trust dtd 6/28/04

By: _____

Hanging Rock, Inc.

By: _____

James L Downing

Jennings Living Trust dtd 12/12/05.

By: _____

Jon R Stewart

Kirby W Schmitz

Pamela Rappard

Robert E O'Dell

Sandra L Muller

William T Goff

Glen D Gamble

Hastings Oil & Gas Properties, LLC

By: _____

Jay G Schweikert

K&E Drilling, Inc.

By: _____

Kraft Oil & Gas Properties LLC

By: _____

Mark S Jennings

Paula Sullivan

Sandra K Henson

William Miller

WORKING INTEREST OWNERS

Lario Oil & Gas Company

Sweetman Investments, LLC

By: _____

E. D. Stinson
Senior Vice President – Land & Legal

By: _____

Cholla Production, LLC

By: _____

Eugene Saloga

Kenneth R. Lang, Sr.

Jan E. Helen

Dyret Energy, LLC

JD Resources, LLC

By: _____

By: _____

Kylon Oil & Gas Inc.

Roaring River Resources, LLC

By: _____

By: _____

Western Interior Energy, Inc.

Wexford Resources, Inc.

By: _____

By: _____

Wood Energy, Inc.

By: _____

EXHIBIT "A"

Attached to and made a part of the Feiertag Unit Agreement, Scott County, Kansas

Part 1 - Description of Tracts and Leases

Part 2 - Ownership of Tracts

Part 3 - Tract Participation

Part 4 - Unit Interests

EXHIBIT "A", Part 1
Description of Tracts and Leases

Tract	Twtnshp	Range	Sec	Description	Lease
1	19S	33W	9	SESE	Hansen
2	19S	33W	10	SW	Feiertag Trust
3	19S	33W	15	NW	Feiertag A - North
4	19S	33W	15	S/2SWNE & N/2NWSE	Collingwood
5	19S	33W	15	SWSE & S/2NW SE	Haupt A
6	19S	33W	15	SW	Feiertag A - South
7	19S	33W	16	NENE	Hutchins
8	19S	33W	16	SESE	Metzger
9	19S	33W	21	NENE	Vulgamore
10	19S	33W	22	N/2NW & NWNE	Clawson

EXHIBIT "A", Part 2
Ownership of Tracts

Interest Owner	Type	WI	NRI
Tract 1 - SESE Sec 9-19S-33W			
Jeff Ellison	RI		0.00390625
Cedric Ellison	RI		0.00390625
Eric Ellison	RI		0.00390625
Jennifer Adams	RI		0.00390625
Donald J Hansen	RI		0.04687500
Chris V Hansen	RI		0.01562500
Eric A Hansen	RI		0.01562500
Kurt L Hansen	RI		0.01562500
Joann Whitham, Life Estate	RI		0.01562500
David Munro	ORR		0.00250000
Jay G Schweikert	ORR		0.00250000
Eric D Stinson Trust	ORR		0.00250000
Robert E O'Dell	ORR		0.03750000
Paula Sullivan	ORR		0.00250000
Hastings Oil & Gas Properties, LLC	ORR		0.00500000
Hanging Rock, Inc.	ORR		0.03750000
Lario Oil & Gas Company	WI	93.945312%	0.73747069
Eugene Saloga	WI	0.242188%	0.00190118
Sweetman Investments LLC	WI	5.812500%	0.04562813
		100.0000%	1.00000000
Tract 2 - SW/4 Sec 10-19S-33W			
Sarah C Feiertag Trust	RI		0.18750000
Hanging Rock, Inc.	ORR		0.00625000
Robert E O'Dell	ORR		0.00625000
Eric D. Stinson Trust dtd 1/27/09	ORR		0.00500000
Hastings Oil & Gas Properties, LLC	ORR		0.00500000
David Munro	ORR		0.00250000
Jay G Schweikert	ORR		0.00250000
Lario Oil & Gas Company	ORR		0.00500000
Lario Oil & Gas Company	WI	93.945312%	0.73277343
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments LLC	WI	5.812500%	0.04533750
		100.0000%	1.00000000
Tract 3 - NW/4 Sec 15-19S-33W			
Sarah C Feiertag Trust	RI		0.18750000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.00625000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.00625000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000
Tract 4 - S/2SWNE & N/2WNSE Sec 15-19S-33W			
Gary L Haupt & Nina A Haupt, H/W	RI		0.04375000
Sarah C Feiertag Trust	RI		0.09375000
Brent A Haupt & Deidra A Haupt,	RI		0.00625000
Taylor G Haupt	RI		0.00625000
James D Turner & Jennifer L Turner,	RI		0.00625000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.02187500

Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.02187500
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 5 - SWSE & S/2NW SE & NWNWSE Sec 15-19S-33W

Gary L Haupt & Nina A Haupt, H/W	RI		0.08750000
Brent A Haupt & Deidra A Haupt,	RI		0.01250000
Taylor G Haupt	RI		0.01250000
James D Turner & Jennifer L Turner,	RI		0.01250000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.03750000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.03750000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 6 - SW/4 Sec 15-19S-33W

Sarah C Feiertag Trust	RI		0.18750000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.00625000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.00625000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 7 - NENE Sec 16-19S-33W

David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI		0.10937500
Jennifer A Adams	RI		0.00390625
Deric T Ellison	RI		0.00390625
Eric C Ellison	RI		0.00390625
Jeffrey T Ellison	RI		0.00390625
Pamela Rappard	ORR		0.01875000
Jennings Living Trust dtd 12/12/05	ORR		0.00350000
James L. Downing	ORR		0.00300000
K & E Drilling, Inc	ORR		0.00250000
Barbara J Deenihan	ORR		0.00250000
Sandra L Henson	ORR		0.00250000
Diane L Huffman	ORR		0.00250000
Mark S Jennings	ORR		0.00250000
Danny J McCarty	ORR		0.00250000
Jon R Stewart	ORR		0.00250000
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR		0.00225000
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR		0.00225000
Glen D Gamble	ORR		0.00150000
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR		0.00125000
Kenneth R Lang Sr.	WI	100.0000%	0.82500000
		100.0000%	1.00000000

Tract 8 - SESE Sec 16-19S-33W

David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI		0.12304680
Cedric Ellison	RI		0.00048828
Eric C Ellison	RI		0.00048828

Jeffrey T. Ellison	RI		0.00048832
Jennifer A. Adams	RI		0.00048832
Pamela Rappard	ORR		0.01875000
Jennings Living Trust dtd 12/12/05	ORR		0.00350000
James L. Downing	ORR		0.00300000
Diane L Huffman Trust	ORR		0.00250000
Barbara J Deenihan	ORR		0.00250000
Jon R Stewart	ORR		0.00250000
Danny J McCarty	ORR		0.00250000
Diane L Huffman	ORR		0.00250000
Mark S Jennings	ORR		0.00250000
K & E Drilling, Inc	ORR		0.00250000
Sandra L Henson	ORR		0.00500000
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR		0.00225000
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR		0.00225000
Glen D Gamble	ORR		0.00150000
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR		0.00125000
William T. Goff	ORR		0.00750000
Emily Hundley Goff	ORR		0.00375000
Kirby W Schmitz	ORR		0.00375000
William Miller	ORR		0.00375000
Cholla Production , LLC	WI	9.3750%	0.07511719
Wood Energy, Inc.	WI	37.5000%	0.30046875
Kenneth R Lang Sr.	WI	25.0000%	0.20031250
KyKon Oil & Gas Inc.	WI	5.6250%	0.04507031
Dyret Energy, LLC	WI	3.7500%	0.03004688
Western Interior Energy, Inc.	WI	3.7500%	0.03004688
JD Resources, LLC	WI	3.7500%	0.03004688
Wexford Resources, Inc.	WI	3.7500%	0.03004688
Roaring River Resources, LLC	WI	3.7500%	0.03004688
Jan E Helen	WI	3.7500%	0.03004688
		100.0000%	0.99999999
Tract 9 - NENE Sec 21-19S-33W			
Larry G Vulgamore	RI		0.06152344
Larry G Vulgamore or Judith A Vulgamore, Trustees UTD 3/7/1996	RI		0.06152344
Cedric Ellison	RI		0.00048828
Eric C Ellison	RI		0.00048828
Jeffrey T. Ellison	RI		0.00048828
Jennifer Adams	RI		0.00048828
Cholla Production , LLC	WI	100.0000%	0.87500000
		100.0000%	1.00000000
Tract 10 - N/2NW/4 & NW/4EW/4			
Clawson Land Partnership	RI		0.21500000
Lario Oil & Gas Company	WI	100.000000%	0.78500000
		100.000000%	1.00000000

EXHIBIT "A", Part 3
Tract Participation

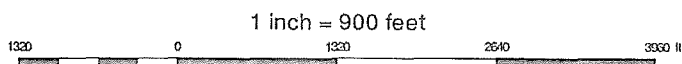
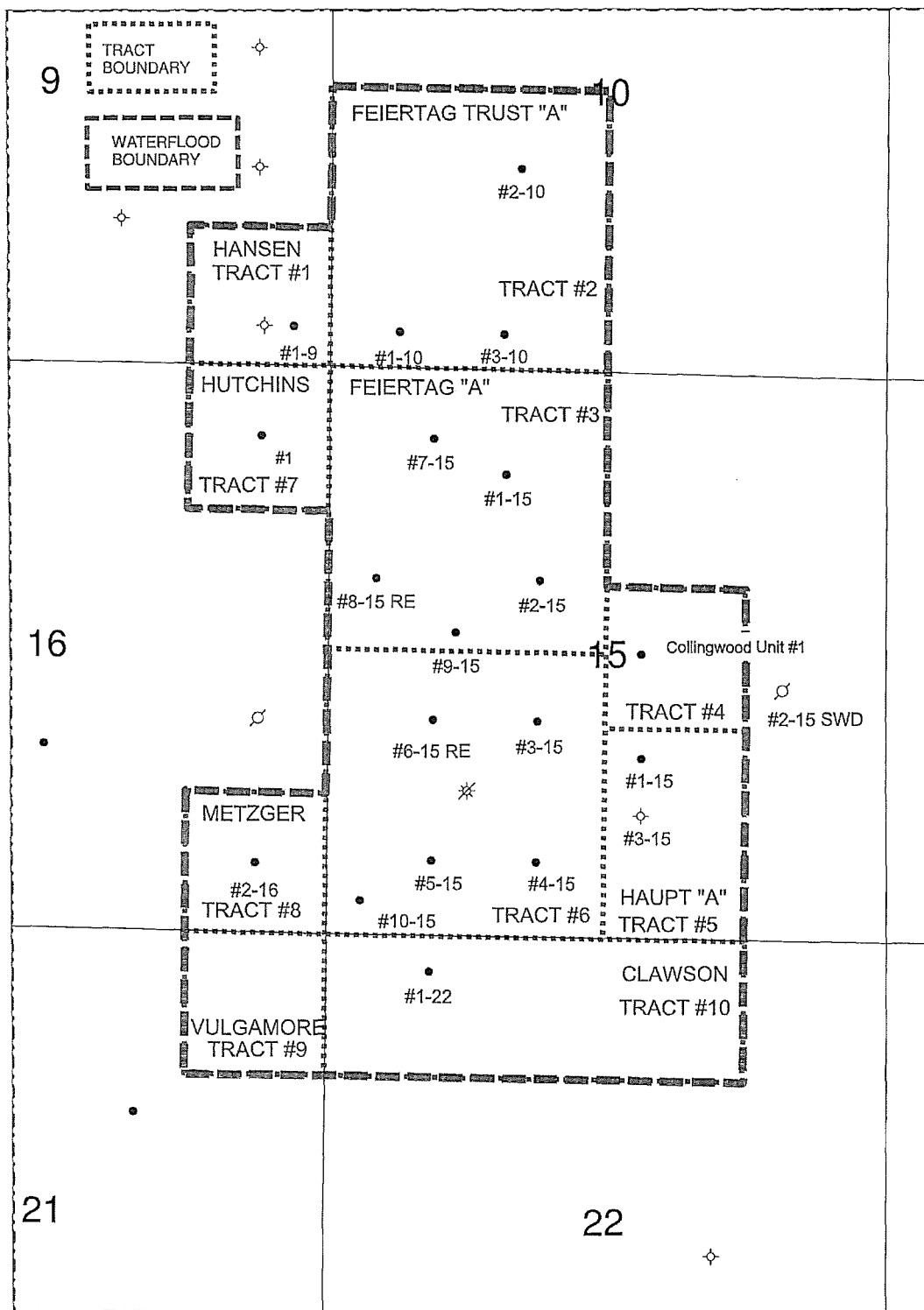
Lease	Tract	Participation
Hansen	1	0.01859174
Feiertag Trust	2	0.09757539
Feiertag A - North	3	0.29922532
Collingwood	4	0.03303014
Haupt A	5	0.22064670
Feiertag A - South	6	0.30068586
Hutchins	7	0.00954018
Metzger	8	0.00645099
Vulgamore	9	0.00127807
Clawson	10	0.01297562
		<hr/> 1.00000000

EXHIBIT "A", Part 4
Unit Interests

Interest Owner	Type	Tracts	Unit WI	Unit NRI
Royalty Interests				
Brent A Haupt & Deidra A Haupt,	RI	4, 5		0.00296452
Cedric Ellison	RI	1, 8, 9		0.00007640
Chris V Hansen	RI	1		0.00029050
Clawson Land Partnership	RI	10		0.00278976
David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI	7, 8		0.00183723
Deric T Ellison	RI	7		0.00003727
Donald J Hansen	RI	1		0.00087149
Eric A Hansen	RI	1		0.00029050
Eric C Ellison	RI	1, 7, 8, 9		0.00011366
Gary L Haupt & Nina A Haupt, H/W	RI	4, 5		0.02075165
James D Turner & Jennifer L Turner,	RI	4, 5		0.00296452
Jeffrey T Ellison	RI	1, 7, 8, 9		0.00011366
Jennifer A Adams	RI	1, 7, 8, 9		0.00011366
Joann Whitham, Life Estate	RI	1		0.00029050
Kurt L Hansen	RI	1		0.00029050
Larry G Vulgamore	RI	9		0.00007863
Larry G Vulgamore or Judith A Vulgamore, Trustees UTD 3/7/1996	RI	9		0.00007863
Sarah C Feiertag Trust	RI	2,3,4,6		0.13387531
Taylor G Haupt	RI	4, 5		0.00296452
Overriding Royalty Interests				
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR	7, 8		0.00001999
Barbara J Deenihan	ORR	7, 8		0.00003998
Cholla Production , LLC	ORR			0.00000959
Danny J McCarty	ORR	7, 8		0.00003998
David Munro	ORR	1, 2		0.00029042
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR	7, 8		0.00003598
Diane L Huffman	ORR	7, 8		0.00003998
Diane L Huffman Trust	ORR	8		0.00001613
Emily Hundley Goff	ORR	7, 8		0.00002994
Eric D Stinson Trust	ORR	1,2,3,4,5,6		0.00156800
Estate of Thomas E Ray	ORR	3,4,5,6		0.00103364
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR	7, 8		0.00003598
Glen D Gamble	ORR	7, 8		0.00002399
Hanging Rock, Inc.	ORR	1,2,3,4,5,6		0.01405327
Hastings Oil & Gas Properties, LLC	ORR	1, 2		0.00058084
James L. Downing	ORR	7, 8		0.00004797
Jay G Schweikert	ORR	1, 2		0.00029042
Jennings Living Trust dtd 12/12/05	ORR	7, 8		0.00005597
Jon R Stewart	ORR	7, 8		0.00003998
K & E Drilling, Inc	ORR	7, 8		0.00003998
Kirby W Schmitz	ORR	8		0.00002994
Kraft Oil Properties LLC	ORR	3,4,5,6		0.00077523
Lario Oil & Gas Company	ORR	2		0.00048788
Mark S Jennings	ORR	7, 8		0.00003998
Pamela Rappard	ORR	7, 8		0.00029983
Paula Sullivan	ORR	1		0.00004648
Robert E O'Dell	ORR	1,2,3,4,5,6		0.01405327
Sandra L Henson	ORR	7, 8		0.00005611
William Miller	ORR	8		0.00002994
William T Goff	ORR	8		0.00005988
Working Interests				
Cholla Production , LLC	WI	8, 9	0.00202663	0.00172151

Dyret Energy, LLC	WI	8	0.00029942	0.00023909
Eugene Saloga	WI	1,2,3,4,5,6,	0.00234863	0.00183216
Jan E Helen	WI	8	0.00029942	0.00023909
JD Resources, LLC	WI	8	0.00029942	0.00023909
Kenneth R Lang Sr.	WI	7, 8	0.01000269	0.00821392
KyKon Oil & Gas Inc.	WI	8	0.00044914	0.00035863
Lario Oil & Gas Company	WI	1,2,3,4,5,6,10	0.92401511	0.73511323
Roaring River Resources, LLC	WI	8	0.00029942	0.00023909
Sweetman Investments LLC	WI	1,2,3,4,5,6,	0.05636702	0.04397168
Western Interior Energy, Inc.	WI	8	0.00029942	0.00023909
Wexford Resources, Inc.	WI	8	0.00029942	0.00023909
Wood Energy, Inc.	WI	8	0.00299424	0.00239088
			1.00000000	1.00000000

EXHIBIT "B", Part 1
Map of Unit




	LARIO OIL & GAS COMPANY FEIERTAG UNIT MILLRICH SOUTHEAST POOL T 19 S - R 33 W SCOTT COUNTY, KANSAS
	Tract Map-Revision 1 Date: 11 April 2017 Geologists: Christine Goodrich

EXHIBIT "B"
Part 2 - Well Renumbering

Current Well Name

Hansen #1-9
Feiertag Trust #1-10
Feiertag Trust #2-10
Feiertag Trust #3-10
Feiertag "A" #1-15
Feiertag "A" #2-15
Feiertag "A" #3-15
Feiertag "A" #4-15
Feiertag "A" #5-15
Feiertag "A" #6-15
Feiertag "A" #7-15
Feiertag "A" #8-15
Feiertag "A" #9-15
Feiertag "A" #10-15
Collingwood Unit #1
Haupt "A" #1-15
Haupt "A" #3-15
Hutchins #1
Metzger #2-16
Clawson #1-22

Unit Well Name

Feiertag Unit #1-1
Feiertag Unit #2-1
Feiertag Unit #2-2
Feiertag Unit #2-3
Feiertag Unit #3-1
Feiertag Unit #3-2
Feiertag Unit #6-1
Feiertag Unit #6-2
Feiertag Unit #6-3
Feiertag Unit #6-4
Feiertag Unit #3-3
Feiertag Unit #3-4
Feiertag Unit #3-5
Feiertag Unit #6-5
Feiertag Unit #4-1
Feiertag Unit #5-1
Feiertag Unit #5-2 WSW
Feiertag Unit #7-1
Feiertag Unit #8-1
Feiertag Unit #10-1

**UNIT OPERATING AGREEMENT
(OPERATING PLAN)
FEIERTAG UNIT
SCOTT COUNTY, KANSAS**

THIS AGREEMENT is entered into as of the date set opposite the names of the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto.

WHEREAS, an agreement entitled "Unit Agreement, Plan of Unitization, Feiertag Unit, Scott County, Kansas", herein referred to as "Unit Agreement" has been made which, among other things, provides for a separate agreement to govern Unit Operations as therein defined.

NOW, THEREFORE, it is provided as follows:

**ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT**

1.1 **Confirmation of Unit Agreement.** The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern. This Agreement shall supersede all existing agreements by and among the parties hereto covering the Unit Area to the extent that the provisions of such existing agreements conflict with the provisions of this Agreement.

**ARTICLE 2
EXHIBITS**

2.1 **Exhibits.** The following are incorporated herein by reference or attachment:

2.1.1 **Exhibits "A" (Parts I through 4) and "B" (Parts 1 and 2),** as described in the Unit Agreement.

2.1.2 **Exhibit "C",** attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit "C", this Agreement shall govern.

2.1.3 **Exhibit "D"** attached hereto, contains insurance provisions applicable to Unit Operations.

2.2 **Reference to Exhibits.** When reference is made herein to an Exhibit, it is to the original Exhibit or, if revised, to the last revision.

**ARTICLE 3
SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS**

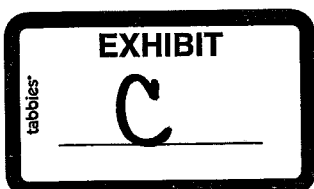
3.1 **Overall Supervision.** Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 **Specific Authority and Duties.** The matters with respect to which Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 **Method of Operation.** The method of operation, including any type of pressure maintenance, secondary recovery, tertiary recovery or other recovery program to be employed.

3.2.2 **Drilling of Wells.** The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 **Well Recompletions and Change of Status.** The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.



3.2.4. **Unit Operator's Tools and Equipment.** The use by Unit Operator of its own tools and equipment in the drilling of a well or in any other operation. The charges by Unit Operator, for use of tools, equipment or crews which are owned, fully or partially by Unit Operator or a related party thereof shall not unreasonably exceed the prevailing rates in the area, and any such work shall be performed under the same general terms and conditions as are customary and usual in the area under contracts of independent contractors who *are* doing work of a similar nature.

3.2.5 **Expenditures.** The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00); however, approval by Working Interest Owners of the drilling, reworking, deepening or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing and equipping the well, including necessary flow lines, separators, and lease tankage.

3.2.6 **Disposition of Unit Equipment.** The selling or otherwise disposing of any item of surplus Unit Equipment, if the current price of new equipment similar thereto is in excess of Fifty Thousand Dollars (\$50,000.00).

3.2.7. **Appearance Before a Court or Regulatory Agency.** The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner, at its own expense, from appearing in person or from designating another representative in its own behalf

3.2.8 **Audit Exceptions.** The settlement of unresolved audit exceptions.

3.2.9 **Inventories.** The taking of periodic inventories as provided by Exhibit "C".

3.2.10 **Technical Services.** The authorizing of charges to the Joint Account for services by consultants or Unit Operator's technical personnel not covered by the charges provided by Exhibit "C".

3.2.11 **Assignments to Committees.** The appointment of committees to study any problems in connection with Unit Operations.

3.2.12 **Changes and Amendments.** The amending of this Agreement, or as provided for in Article 11 of the Unit Agreement, the amending of the Unit Area.

3.2.13 **Investment Adjustments.** The adjustment and readjustment of investments.

3.2.14 **Termination of Unit Agreement.** The termination of the Unit Agreement as provided therein.

ARTICLE 4 MANNER OF EXERCISING SUPERVISION

4.1 **Designation of Representatives.** Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 **Meetings.** All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owner having a total Unit Working Interest of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days advance written notice, with agenda for the meeting attached, provided, however, any such meeting may be requested by Unit Operator or such Working Interest Owners upon 48-hours' notice where an emergency situation exists. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 **Voting Procedure.** Working Interest Owners shall determine all matters coming

before them

4.3.1 **Voting Interest.** Each Working Interest Owner shall have a voting interest equal to its Unit Working

4.3.2 **Vote Required.** Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of one (1) or more Working Interest Owner or Owners having a combined voting interest of more than fifty percent (50%) of the total Unit Working Interest.

4.3.3 **Vote at Meeting by Nonattending Working Interest Owner.** Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter, facsimile or electronic transmission addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting. Such vote shall not be counted with respect to any item on the agenda which is amended at the meeting.

4.3.4 **Poll Votes.** Working Interest Owners may vote by letter, facsimile or electronic transmission on any matter submitted in writing to all Working Interest Owners. If a meeting is not called, as provided in Article 4.2, within seven (7) days after a written proposal is sent to Working Interest Owners, the vote taken by letter, facsimile or electronic transmission shall control. Failure by a Working Interest Owner to vote on any matter submitted in writing to the Working Interest Owners, within twenty (20) days from receipt of such proposal, shall be deemed a vote approving the matter. Unit Operator shall give prompt notice of the results of such voting to each Working Interest Owner.

4.3.5 **Approved Action Binding Upon All Parties.** Any action, determination or decision which has been approved by the Working Interest Owners pursuant to this Article 4 shall be binding upon each and every Working Interest Owner, even though any such owner has not voted, or has voted to the contrary.

ARTICLE 5 INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 **Reservation of Rights.** Working interest Owners retain all their rights, except as otherwise provided in this Agreement or the Unit Agreement.

5.2 **Specific Rights.** Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 **Access to Unit Area.** Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 **Reports.** The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

5.2.3 **Audits.** The right to audit the accounts of Unit Operator pertaining to Unit Operations according to the provisions of Exhibit "C"

ARTICLE 6 UNIT OPERATOR

6.1 **Unit Operator.** Lario Oil & Gas Company is hereby designated as the initial Unit Operator.

6.2 **Resignation.** Unit Operator, or any successor Unit Operator, may resign at any time by giving written notice to the Working Interest Owners. Such resignation shall not become effective for a period of three (3) months, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.

If Unit Operator terminates its legal existence, becomes insolvent, bankrupt, or is placed in receivership, or is no longer capable of serving as Unit Operator, Unit Operator shall be

deemed to have resigned without any action except the selection of a successor Unit Operator in the manner set forth in Article 6.3. A change of corporate name or structure by Lario Oil & Gas Company a transfer of operations by Lario Oil & Gas Company one or more affiliated, subsidiary or parent corporation(s), or any merger shall not be the basis for its resignation as Unit Operator hereunder.

6.3 **Selection of Successor.** Upon the resignation of Unit Operator, a successor Unit Operator shall be selected by the affirmative vote of one (1) or more Working Interest Owner or Owners having a combined voting interest of more than fifty percent (50%) of the Unit Working Interest.

ARTICLE 7 AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 **Exclusive Right to Operate Unit.** Subject to the provisions of this Agreement, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 **Workmanlike Conduct.** Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 **Liens and Encumbrances.** Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations.

7.4 **Employees.** The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator.

7.5 **Records.** Unit Operator shall keep correct books, accounts and records of Unit operations.

7.6 **Reports to Working Interest Owners.** Unit Operator shall furnish annual reports of Unit Operations to all Working Interest Owners who request same.

7.7 **Reports to Governmental Authorities.** Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 **Engineering and Geological Information.** Unit Operator shall furnish to a Working Interest Owner, upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 **Expenditures.** Unit Operator is authorized to make single expenditures not in excess of Fifty Thousand Dollars (\$50,000.00) without prior approval of Working Interest Owners. In the event of an emergency, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 **Border Agreements.** Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to land adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 8 TAXES

8.1 **Property and Ad Valorem. Taxes.** Beginning with the first rendition due after the Effective Date hereof, Unit operator shall amend and file all necessary property and ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. Unit Operator shall collect or cause to be

collected from each Working Interest Owner all such taxes.

8.2 **Other Taxes.** Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

8.3 **Income Tax Election.** It is agreed that the provisions of this agreement are not intended to create, and shall not be considered or construed as creating, a joint venture, mining or other partnership, and that each Working Interest Owner shall only be liable for its proportionate share of any costs, losses and expenses incurred pursuant to the provisions hereof. If, for Federal Income Tax purposes, this Agreement and the operations hereunder are regarded as a partnership, then each Person 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, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is authorized and directed to execute on behalf of each Person hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations. Should there be any requirement that each Person hereby affected give further evidence of this election, each such Person 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 Person 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 Unit Area is located or future income tax laws of the United States contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, under which an election similar to that provided by Section 761 of the Code is permitted, each Person hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such Person states the income derived by such Person from Unit Operations can be adequately determined without the computation of partnership taxable income.

ARTICLE 9 INSURANCE

- 9.1 **Insurance.** Unit Operator, with respect to Unit Operations, shall:
- (a) comply with the Workman's Compensation Laws of the state of Kansas,
 - (b) comply with the Employer's Liability and other insurance requirements of the laws of the State of Kansas, and
 - (c) provide insurance or other protection as set forth in Exhibit "D".

ARTICLE 10 ADJUSTMENT OF INVESTMENTS

10.1 **Property Taken Over.** Upon the Effective Date, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 **Wells.** All wells completed in the Unitized Formation.

10.1.2 **Equipment.** The casing and tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which Unit Operator determines is necessary or desirable for conducting Unit Operations. Unit Operator shall have up to one hundred twenty (120) days subsequent to the commencement date of injection within which to make all such determinations. Upon Unit Operator determining that any equipment is surplus, such equipment shall be returned to the operator for the Working Interest Owners who delivered same to Unit Operator, and such equipment shall not be considered to have been taken over under this Article.

10.1.3 **Records.** A copy of all production and well records for such wells; and any other pertinent information and records requested by Unit Operator.

10.2 **Inventory and Evaluation.** An Inventory Committee shall, at Unit Expense, inventory and evaluate the personal property taken over and shall submit such inventory to the Working Interest Owners for approval.

10.2.1 **Equipment and Materials.** The inventory and evaluation shall include, but shall not be limited to, those items of equipment and material normally considered controllable by operators of oil and gas properties, excluding casing, as indicated in the latest revision of the Material Classification Manual by the Council of Petroleum Accountants Societies of North America.

10.2.2 **Non-Usable and Junk Equipment.** Non-usable and junk equipment and material will not be taken over by Unit Operator, but such items will remain the property of the Working Interest Owner(s) owning same prior to the Effective Date. Such Working Interest Owner(s) shall be responsible for the disposal of such non-usable and junk equipment and other materials within thirty (30) days of written request by Unit Operator. In the event such Working Interest Owner(s) does/do not dispose of such equipment within the aforescribed time period, Unit Operator shall dispose of such equipment and invoice the individual Working Interest Owner(s) owning same for the cost of disposal, which invoice shall, as to such Working Interest Owner(s), be considered an item of Unit Expense.

10.2.3 **Loaned Equipment Provision.** Unit Operator shall have the use of such items of equipment not needed in the conduct of Unit Operations under this Agreement, but necessary to continue operating practices employed prior to the Effective Date. All lease and well equipment not required for Unit Operations, and which will not be evaluated as provided herein, including that equipment retained by Unit Operator, shall be returned within one hundred twenty (120) days subsequent to the commencement date of injection to the Working Interest Owner(s) who owned same prior to the Effective Date.

10.2.9 **Inventory Expense.** The cost of performing and compiling the physical inventory shall be an item of Unit Expense. The costs incurred by employees of the individual Working Interest Owners in witnessing the physical inventory or participating on the Inventory Committee shall be borne by such Working Interest Owners.

10.3 **Investment Adjustment.** Upon approval by Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all wells, equipment and materials taken over under Article 10.1, and shall be charged with an amount equal to that obtained by multiplying the total value of all wells, equipment and materials taken over under Article 10.1 by such Working Interest Owner's Unit Working Interest. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 **General Facilities.** The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be negotiated by the Unit Operator, subject to the approval of Working Interest Owners.

10.5 **Ownership of Property and Facilities.** Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, in all personal property and facilities acquired by the Unit Operator pursuant to this Agreement equal to its Unit Working Interest.

ARTICLE 11 UNIT EXPENSE

11.1 **Basis of Charge to Working Interest Owners.** Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense. Each Working Interest Owner's share of Unit Expense shall be the same as its Unit Working Interest. Each Working Interest owner's share of all capital expenditures shall be the same as its Unit Working Interest. All charges, credits and accounting for Unit Expense shall be in accordance with Exhibit "C".

11.2 **Advance Billings.** Unit Operator shall have the right to require Working Interest Owners to advance their respective shares of estimated Unit Expense by submitting to Working Interest Owners, on or before the 1st day of any month, an itemized estimate thereof for the

succeeding month, with a request for payment in advance. Within thirty (30) days thereafter, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.3 **Commingling of Funds.** Funds received by Unit Operator under this Agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.4 **Unpaid Unit Expense.** If any Working Interest Owner fails or is unable to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the unpaid balance shall, if Unit Operator so elects, be paid to Unit Operator by the non-defaulting Working Interest Owners as if it were Unit Expense, in the proportion that the Unit Working interest of each such non-defaulting Working Interest Owner bears to the total Unit Working Interest owned by all such non-defaulting working interest Owners. Such unpaid amount shall bear interest at the maximum rate permitted by applicable usury laws. Working Interest Owners so paying the same shall be reimbursed therefor, together with interest thereon, when the amount so carried and the interest thereon are collected from the Working Interest Owner primarily chargeable therewith. The amount carried shall be due and payable out of the proceeds from the defaulting Working Interest Owner's share of Unit sales. During the time that any Working Interest Owner fails to pay its share of Unit Expense, the Unit Operator shall be entitled to collect and receive from the purchaser the proceeds from such Working Interest Owner's share of the Unit sales and any such purchaser shall be entitled to rely, without liability, upon Articles 11.4 and 11.5 hereof as full and complete authorization to release such funds to Unit Operator; and, further, to rely, without liability, upon Unit Operator's statement of any and all amounts due from such Working Interest Owner. All credits to any such defaulting Working Interest Owner on account of the sale or disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Expense charged against such Working Interest Owner.

11.5 **Security Rights.** In addition to any other security rights and remedies provided for by the laws of the State of Kansas with respect to services rendered, or materials and equipment furnished under this Agreement, each Working Interest Owner grants to Unit Operator a first and prior lien upon each Working interest including its Oil and Gas Rights in the Unit Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment to secure payment of its share of Unit Expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of oil and gas until the amount owed by such Working Interest Owner, plus interest, has been paid. This paragraph shall serve as legal notice to any purchaser of oil and/or gas of Unit Operator's right to collect proceeds when accompanied by Unit Operator's written statement concerning the amount of any default. Unit Operator grants a lien and security interest to the Working Interest Owners in the Unit Operator's interests to secure payment of Unit Operator's proportionate share of Unit Expense. Each Person shall have a lien upon and a security interest in the interests of each other.

If any Working interest Owner fails or is unable to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the non-defaulting Working Interest owners shall, upon request by Unit Operator, pay the unpaid amount in the proportion that the interest of each such Working Interest Owner bears to the interest of all such non-defaulting Working Interest Owners. Each Working Interest Owner so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

11.6 **Default.** In addition to the foregoing, in the event a Working Interest Owner fails to pay any billing within sixty (60) days of its receipt of invoice, Unit Operator shall have the option at any time thereafter while such billing remains unpaid to notify said Working Interest Owner of Unit Operator's intention to deem said Working Interest Owner as a Non-Consenting Working Interest Owner under the provisions of Article 20.1 below in the event payment of such

billing is not made. Any such notice by Unit Operator shall be sent by certified mail, return receipt requested, and shall provide the notified Working Interest Owner fifteen (15) days from receipt of the notice in which to make payment. Upon failure of said Working Interest Owner to pay in full within the fifteen (15) day period, Unit Operator shall notify said Working Interest Owner that it has been deemed a Non-Consenting Working Interest Owner under the provisions of Article 20.1.

11.7 **Carved-out Interests.** Any overriding royalty, production payment, net proceeds interest, carried interest or any other interest carved out of a Working Interest shall be subject to this Agreement, if a Working interest Owner does not pay its share of Unit Expense and the proceeds from the sale of Unitized Substances are insufficient for that purpose, the security rights provided for in this Unit Operating Agreement may be applied against such carved-out interests with which such Working Interest is burdened. In such event, the owner of such carved-out interest shall be subrogated to security rights granted by Article 11.5.

ARTICLE 12 NONUNITIZED FORMATIONS

12.1 **Right to Operate.** Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals from a formation underlying the Unit Area other than the Unitized Formation shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising the right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator shall produce Unitized Substances. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not be affected adversely.

ARTICLE 13 TITLES

13.1 **Warranty and Indemnity.** Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit "A", Part 2 of the Unit Agreement, and agrees to indemnify and hold harmless the other Working Interest owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 A.M. Central Standard Time on the first day of the calendar month in which such failure is finally determined and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of title failure.

13.2 **Failure because of Unit Operations.** The failure of title of any Working interest in any Tract by reason of Unit Operations, including non-production from such Tract, shall not change the Unit Working Interest of the Working Interest Owner whose title failed in relation to the Unit Working interest of the other Working Interest Owners at the time of the title failure.

13.3 **Individual Loss.** Any Working Interest Owner whose title fails shall alone bear the loss, and hereby expressly agrees to indemnify all other Working Interest Owners, against any claim for damages arising from such failure which may be asserted against them. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder, except failure that may be caused by or results from the gross negligence or willful misconduct of Unit Operator.

ARTICLE 14 LIABILITY, CLAIMS AND SUITS

14.1 **Individual Liability.** The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 **Settlements.** Unit Operator may settle any single claim or suit involving Unit Operations if the expenditure does not exceed Fifty Thousand Dollars (\$50,000.00). If the amount required for settlement exceeds the above amount, Working Interest Owners shall determine the further handling of the claim or suit. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

14.3 **Notice of Loss.** Unit Operator shall make its best efforts to report to Working Interest Owners as soon as practicable after each occurrence, damage or loss to Unit Equipment, and each accident, occurrence, claim, or suit involving third party bodily injury or property damage exceeding Fifty Thousand Dollars (\$50,000.00), but shall have no liability for failure to do so.

14.4 **Force Majeure.** Any obligation imposed by this Agreement on each Person, except for the payment of money, shall be suspended while compliance therewith is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by Federal, state or municipal laws; by any rule, regulation or order of a governmental agency; by inability to secure material or by any other cause beyond the reasonable control of such Person. No Person shall be required against its will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject thereto shall be terminated by reason of suspension of Unit Operations due to any of the causes set forth in this Article.

ARTICLE 15 NONDISCRIMINATION

15.1 **Nondiscrimination.** During the performance of work under this Agreement, Unit Operator agrees to comply with all of the provisions of subsections (1) through (7) of Section 202, Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and as subsequently amended, which are hereby incorporated by reference in this Agreement.

ARTICLE 16 NOTICES

16.1 **Notices.** All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, facsimile or electronic transmission to the address/fax number of the representative of each Working Interest Owner furnished to Unit Operator in accordance with Article 4.

16.2 **Notice of Transfer of Title.** A Working Interest Owner transferring, assigning or conveying all or any part of its interest in and to its Oil and Gas Rights shall notify Unit operator of such transfer, assignment or conveyance within fifteen (15) days of the effective date of such transfer, assignment or conveyance. No change of title shall be binding upon the Unit or Unit Operator until the first day of the calendar month following the month of receipt by Unit Operator of evidence, satisfactory to Unit Operator, of such change of ownership. Each such transfer, assignment or conveyance, whether so stating or not, shall operate to impose upon the party or parties acquiring such interest the obligations of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant the party or parties acquiring such interest all benefits attributable hereunder to such interest.

ARTICLE 17 WITHDRAWAL OF WORKING INTEREST OWNER

17.1 **Withdrawal.** A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw, all of its Oil and Gas Rights, exclusive of Royalty interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer,

including, but not limited to any and all environmental liability or remedial obligations. The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred interest shall be owned by the transferees in proportion to their respective Unit Working Interest. The transferees, in proportion to the respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, less its share of the estimated cost of salvaging same, the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations, estimated environmental liability, if any, and the estimated cost of all environmental remediation in the Unit Area, as determined by Working interest Owners. In the event such withdrawing owner's interest in the aforesaid salvaged equipment is less than such owner's share of such estimated liability and costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value as determined by Working Interest Owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after rendering of such final statement by the Unit Operator as of such effective date, the withdrawing owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

17.2 **Limitation on Withdrawal.** Without regard to the provisions of Article 17.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working interest in excess of twenty percent (20%) royalty, unless the other Working Interest Owners are willing to accept the assignment and agree to accept the Working Interest subject to such burdens.

ARTICLE 18 ABANDONMENT OF WELLS

18.1 **Rights of Former Owners.** If Working Interest Owners determine to abandon any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and, they shall have the option for a period of sixty (60) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the Joint Account, the amount determined by the Working Interest Owners to be the net salvage value of the casing and equipment, through the wellhead, in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized Formation, and upon abandonment to plug the well and complete all environmental remediation relative to the well and the surface utilized in conjunction therewith in compliance with applicable laws and regulations. A failure to respond to notice within the sixty (60) day period set forth hereunder shall be deemed an election by the Working Interest Owners of said Tract not to take over the said well.

18.2 **Plugging.** If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

ARTICLE 19 EFFECTIVE DATE AND TERM

19.1 **Effective Date.** This Agreement shall become effective when the Unit Agreement becomes effective.

19.2 **Term.** This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 21; (b) all Unit Equipment and real property acquired for the Joint Account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) all amounts owed to Unit Operator by any Person have been fully paid including accrued interest; and (d) there has been a

final accounting.

ARTICLE 20 NON-CONSENTING WORKING INTEREST OWNERS

20.1 **Non-Consent.** Any Working Interest Owner who does not execute this Unit Operating Agreement prior to the Effective Date shall be deemed to have elected not to participate in Unit Operations. Each such Working Interest Owner (hereinafter referred to as "Non-Consenting Working Interest Owner"), shall be deemed to have relinquished to the Working Interest Owners who have executed this Unit Operating Agreement (hereinafter referred to as "Committed Working interest Owners"), as of the Effective Date, and the Committed Working Interest Owners shall own and be entitled to receive, in proportions as hereinafter set forth, all of each such Non-Consenting Working Interest Owner's share of the Oil and Gas Rights in the Unit and share of production therefrom until the proceeds of sale of such share, calculated at the well (after deducting production taxes, excise taxes, royalty, overriding royalty and other interest payable out of or measured by the production from the Unit accruing with respect to such interest until it reverts) shall equal the total of the following:

a. **200%** of each Non-Consenting Working Interest Owner's share of the cost and expense of any acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment, surface injection equipment and piping), plus **200%** of each such Non-Consenting Working Interest Owner's share of the cost of Unit Operations, together with interest thereon at the maximum rate permitted by the applicable usury laws of the State of Kansas, plus attorney's fees, court costs, and other costs in connection with the collection of the unpaid balance, if any, and;

b. **500%** of each such Non-Consenting Working Interest Owner's share of the costs and expenses of staking, wellsite preparation, drilling (production and/or injection wells), reworking, deepening, plugging back, testing, completing, converting existing wells to injection wells, and **500%** of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), together with interest thereon at the maximum rate permitted by the applicable usury laws of the State of Kansas, plus attorney's fees, court costs and other costs in connection with the collection of the unpaid balance, if any.

Each month, the Unit Operator shall be reimbursed by the Committed Working Interest Owners for the share of Unit Expense chargeable to a Non-Consenting Working interest Owner. Each Committed Working Interest Owner's share of the carried interest shall be treated as any other Unit Expense chargeable to such Committed Working Interest Owner and shall be in the ratio that such Committed Working Interest Owner's interest bears to the total interest of the Committed Working Interest Owners.

Recovery by the Committed Working Interest Owners of the monies advanced on behalf of a Non-Consenting Working Interest Owner, plus penalty as aforesaid, shall be recoverable from such Non-Consenting Working Interest Owner's share of production.

Any Working Interest Owner deemed non-consent under the provisions of Article 11.6 shall be deemed to have elected not to participate in Unit Operations from and after the date from which said working Interest Owner has failed to pay its share of Unit Expense. Such Working Interest owner shall thereafter be subject to the penalties and interest charges as set forth above on all unpaid Unit Expense.

Notwithstanding the foregoing, Unit Operator shall have the option, but not the obligation, to elect to assume the interest of any Non-Consenting Working Interest Owners(s) in lieu of having all Committed Working Interest Owners participate. Unit Operator upon such election shall be entitled to recovery of the money advanced on behalf of any Non-Consenting Working Interest Owner(s), plus penalty and interest as provided herein.

ARTICLE 21 ABANDONMENT OF OPERATIONS

21.1 **Termination.** Upon termination of the Unit Agreement, the following will occur:

21.1.1 **Oil and Gas Rights.** Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms

and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

21.1.2 **Right to Operate.** Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint Account, the net salvage value, as determined by Working Interest Owners, of the casing and equipment, through the wellhead, in and on the wells taken over and by agreeing upon abandonment to plug and abandon each well and to assess all environmental liability and complete all environmental remediation relative to the Tract in compliance with applicable laws and regulations.

21.1.3 **Salvaging Wells.** Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned and all environmental remediation to be completed in compliance with applicable laws and regulations.

21.1.4 **Cost of Abandonment.** Working Interest Owners shall share the cost of salvaging, liquidation or other distribution of assets and properties used in Unit Operations in the proportions to their respective Unit Working Interest, and the benefit of such salvage operations shall be credited to the Joint Account.

21.1.5 **Distribution of Assets.** Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Working Interest.

ARTICLE 22 APPROVAL

22.1 **Original, Counterpart, or Other Instrument.** An owner of a Working Interest may approve this Agreement by suing the original, a counterpart thereof, or a ratification agreeing to be bound by the terms hereof, or any other written instrument approving this Agreement. The assigning of any such instrument shall have the same effect as if all Working Interest Owners had signed the same instrument.

ARTICLE 23 SUCCESSORS AND ASSIGNS

23.1 **Successors and Assigns.** This Agreement shall extend to, be binding upon, and inure to the benefit of the Persons hereto and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

ARTICLE 24 ASSIGNABILITY

24.1 **Limitation on Assignment.** Any Working Interest Owner is prohibited from assigning any of its interest hereunder unless said interest is a partial undivided interest herein or is that Working Interest Owner's entire undivided interest under this Agreement. If at any time subsequent to the Effective Date, the Working Interest of any Working Interest Owner is divided among and owned by two (2) or more co-owners, Unit 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 Unit Expense, 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 Unitized Substances produced from the Unit Area.

ARTICLE 25 PRE-UNITIZATION EXPENSES

25.1 **Pre-Unitization Expenses.** Unit Operator anticipates incurring direct and indirect pre-unitization costs and expenses of no less than Twenty Five Thousand Dollars (\$25,000.00). The afore described costs and expenses shall be treated as a Unit Expense of each Working Interest Owner and shall be borne solely by each such Working Interest Owner as to such Working Interest Owner's Unit Working Interest.

ARTICLE 26
UNLEASED INTERESTS

26.1 **Treated as Leased.** If a Working Interest Owner owns in fee all or a part of the Oil and Gas Rights in any Tract within the Unit Area which are not subject to any oil and gas lease, or other contract in the nature thereof, such Working Interest Owner shall be deemed to own a Working Interest in such Tract to the extent of seven-eighths (7/8ths) of its interest therein and a Royalty interest with respect to the remaining one-eighth (1/8th) interest therein.

ARTICLE 27
JOINDER IN DUAL CAPACITY

28.1 **Joinder in Dual Capacity.** In the event that the parties hereto own both Working interest and Royalty Interests, it shall not be necessary for such party to execute this Agreement in both capacities in order to commit both classes of interests. Execution hereby by any such party in one capacity shall also constitute execution in the other capacity.

IN WITNESS WHEREOF, this Agreement is approved on the dates of execution, but effective as of the Effective Date.

Lario Oil & Gas Company (Operator)

Sweetman Investments, LLC

By: _____
E. D. Stinson
Senior Vice President – Land & Legal

By: _____

Eugene Saloga

Cholla Production, LLC

By: _____

Dyret Energy, LLC

Jan E. Helen

By: _____

Kenneth R. Lang, Sr.

JD Resources, LLC

By: _____

Kylon Oil & Gas Inc.

Roaring River Resources, LLC

By: _____

By: _____

Western Interior Energy, Inc.

Wexford Resources, Inc.

By: _____

By: _____

Wood Energy, Inc.

By: _____

EXHIBIT "A"

Attached to and made a part of the Feiertag Unit Operating Agreement, Scott County, Kansas

Part 1 - Description of Tracts and Leases

Part 2 - Ownership of Tracts

Part 3 - Tract Participation

Part 4 - Unit Interests

EXHIBIT "A", Part 1
Description of Tracts and Leases

Tract	Twtnshp	Range	Sec	Description	Lease
1	19S	33W	9	SESE	Hansen
2	19S	33W	10	SW	Feiertag Trust
3	19S	33W	15	NW	Feiertag A - North
4	19S	33W	15	S/2SWNE & N/2NWSE	Collingwood
5	19S	33W	15	SWSE & S/2NW SE	Haupt A
6	19S	33W	15	SW	Feiertag A - South
7	19S	33W	16	NENE	Hutchins
8	19S	33W	16	SESE	Metzger
9	19S	33W	21	NENE	Vulgamore
10	19S	33W	22	N/2NW & NWNE	Clawson

**EXHIBIT "A", Part 2
Ownership of Tracts**

Interest Owner	Type	WI	NRI
Tract 1 - SESE Sec 9-19S-33W			
Jeff Ellison	RI		0.00390625
Cedric Ellison	RI		0.00390625
Eric Ellison	RI		0.00390625
Jennifer Adams	RI		0.00390625
Donald J Hansen	RI		0.04687500
Chris V Hansen	RI		0.01562500
Eric A Hansen	RI		0.01562500
Kurt L Hansen	RI		0.01562500
Joann Whitham, Life Estate	RI		0.01562500
David Munro	ORR		0.00250000
Jay G Schweikert	ORR		0.00250000
Eric D Stinson Trust	ORR		0.00250000
Robert E O'Dell	ORR		0.03750000
Paula Sullivan	ORR		0.00250000
Hastings Oil & Gas Properties, LLC	ORR		0.00500000
Hanging Rock, Inc.	ORR		0.03750000
Lario Oil & Gas Company	WI	93.945312%	0.73747069
Eugene Saloga	WI	0.242188%	0.00190118
Sweetman Investments LLC	WI	5.812500%	0.04562813
		100.0000%	1.00000000
Tract 2 - SW/4 Sec 10-19S-33W			
Sarah C Feiertag Trust	RI		0.18750000
Hanging Rock, Inc.	ORR		0.00625000
Robert E O'Dell	ORR		0.00625000
Eric D. Stinson Trust dtd 1/27/09	ORR		0.00500000
Hastings Oil & Gas Properties, LLC	ORR		0.00500000
David Munro	ORR		0.00250000
Jay G Schweikert	ORR		0.00250000
Lario Oil & Gas Company	ORR		0.00500000
Lario Oil & Gas Company	WI	93.945312%	0.73277343
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments LLC	WI	5.812500%	0.04533750
		100.0000%	1.00000000
Tract 3 - NW/4 Sec 15-19S-33W			
Sarah C Feiertag Trust	RI		0.18750000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.00625000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.00625000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000
Tract 4 - S/2SWNE & N/2WNSE Sec 15-19S-33W			
Gary L Haupt & Nina A Haupt, H/W	RI		0.04375000
Sarah C Feiertag Trust	RI		0.09375000
Brent A Haupt & Deidra A Haupt,	RI		0.00625000
Taylor G Haupt	RI		0.00625000
James D Turner & Jennifer L Turner,	RI		0.00625000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.02187500

Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.02187500
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 5 - SWSE & S/2NW SE & NWNWSE Sec 15-19S-33W

Gary L Haupt & Nina A Haupt, H/W	RI		0.08750000
Brent A Haupt & Deidra A Haupt,	RI		0.01250000
Taylor G Haupt	RI		0.01250000
James D Turner & Jennifer L Turner,	RI		0.01250000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.03750000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.03750000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 6 - SW/4 Sec 15-19S-33W

Sarah C Feiertag Trust	RI		0.18750000
Eric D Stinson Trust	ORR		0.00121094
Robert E O'Dell	ORR		0.00625000
Kraft Oil Properties LLC	ORR		0.00090820
Estate of Thomas E Ray	ORR		0.00121094
Hanging Rock, Inc.	ORR		0.00625000
Eugene Saloga	WI	0.242188%	0.00188907
Sweetman Investments, LLC	WI	5.812500%	0.04533750
Lario Oil & Gas Company	WI	93.945312%	0.74944335
		100.0000%	1.00000000

Tract 7 - NENE Sec 16-19S-33W

David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI		0.10937500
Jennifer A Adams	RI		0.00390625
Deric T Ellison	RI		0.00390625
Eric C Ellison	RI		0.00390625
Jeffrey T Ellison	RI		0.00390625
Pamela Rappard	ORR		0.01875000
Jennings Living Trust dtd 12/12/05	ORR		0.00350000
James L. Downing	ORR		0.00300000
K & E Drilling, Inc	ORR		0.00250000
Barbara J Deenihan	ORR		0.00250000
Sandra L Henson	ORR		0.00250000
Diane L Huffman	ORR		0.00250000
Mark S Jennings	ORR		0.00250000
Danny J McCarty	ORR		0.00250000
Jon R Stewart	ORR		0.00250000
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR		0.00225000
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR		0.00225000
Glen D Gamble	ORR		0.00150000
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR		0.00125000
Kenneth R Lang Sr.	WI	100.0000%	0.82500000
		100.0000%	1.00000000

Tract 8 - SESE Sec 16-19S-33W

David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI		0.12304680
Cedric Ellison	RI		0.00048828
Eric C Ellison	RI		0.00048828

Jeffrey T. Ellison	RI		0.00048832
Jennifer A. Adams	RI		0.00048832
Pamela Rappard	ORR		0.01875000
Jennings Living Trust dtd 12/12/05	ORR		0.00350000
James L. Downing	ORR		0.00300000
Diane L. Huffman Trust	ORR		0.00250000
Barbara J Deenihan	ORR		0.00250000
Jon R Stewart	ORR		0.00250000
Danny J McCarty	ORR		0.00250000
Diane L. Huffman	ORR		0.00250000
Mark S Jennings	ORR		0.00250000
K & E Drilling, Inc	ORR		0.00250000
Sandra L. Henson	ORR		0.00500000
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR		0.00225000
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR		0.00225000
Glen D Gamble	ORR		0.00150000
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR		0.00125000
William T. Goff	ORR		0.00750000
Emily Hundley Goff	ORR		0.00375000
Kirby W Schmitz	ORR		0.00375000
William Miller	ORR		0.00375000
Cholla Production , LLC	WI	9.3750%	0.07511719
Wood Energy, Inc.	WI	37.5000%	0.30046875
Kenneth R Lang Sr.	WI	25.0000%	0.20031250
KyKon Oil & Gas Inc.	WI	5.6250%	0.04507031
Dyret Energy, LLC	WI	3.7500%	0.03004688
Western Interior Energy, Inc.	WI	3.7500%	0.03004688
JD Resources, LLC	WI	3.7500%	0.03004688
Wexford Resources, Inc.	WI	3.7500%	0.03004688
Roaring River Resources, LLC	WI	3.7500%	0.03004688
Jan E Helen	WI	3.7500%	0.03004688
		100.0000%	0.99999999
Tract 9 - NENE Sec 21-19S-33W			
Larry G Vulgamore	RI		0.06152344
Larry G Vulgamore or Judith A Vulgamore, Trustees UTD 3/7/1996	RI		0.06152344
Cedric Ellison	RI		0.00048828
Eric C Ellison	RI		0.00048828
Jeffrey T. Ellison	RI		0.00048828
Jennifer Adams	RI		0.00048828
Cholla Production , LLC	WI	100.0000%	0.87500000
		100.0000%	1.00000000
Tract 10 - N/2NW/4 & NW/4EW/4			
Clawson Land Partnership	RI		0.21500000
Lario Oil & Gas Company	WI	100.000000%	0.78500000
		100.0000000%	1.00000000

**EXHIBIT "A", Part 3
Tract Participation**

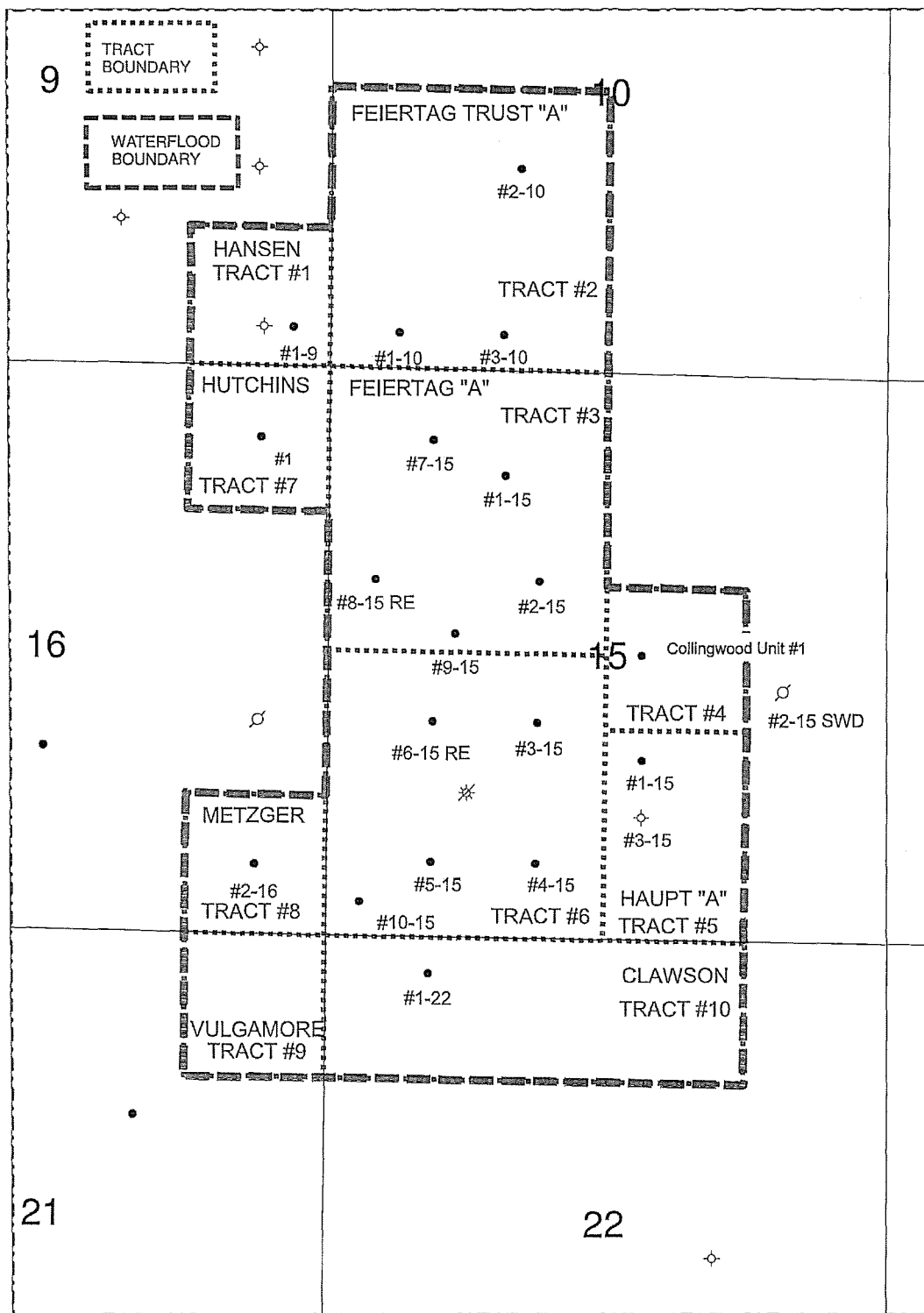
Lease	Tract	Participation
Hansen	1	0.01859174
Feiertag Trust	2	0.09757539
Feiertag A - North	3	0.29922532
Collingwood	4	0.03303014
Haupt A	5	0.22064670
Feiertag A - South	6	0.30068586
Hutchins	7	0.00954018
Metzger	8	0.00645099
Vulgamore	9	0.00127807
Clawson	10	0.01297562
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EXHIBIT "A", Part 4
Unit Interests

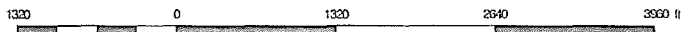
Interest Owner	Type	Tracts	Unit WI	Unit NRI
Royalty Interests				
Brent A Haupt & Deidra A Haupt,	RI	4, 5		0.00296452
Cedric Ellison	RI	1, 8, 9		0.00007640
Chris V Hansen	RI	1		0.00029050
Clawson Land Partnership	RI	10		0.00278976
David Metzger Trust dtd 4/1/16, David Metzger, Trustee	RI	7, 8		0.00183723
Deric T Ellison	RI	7		0.00003727
Donald J Hansen	RI	1		0.00087149
Eric A Hansen	RI	1		0.00029050
Eric C Ellison	RI	1, 7, 8, 9		0.00011366
Gary L Haupt & Nina A Haupt, H/W	RI	4, 5		0.02075165
James D Turner & Jennifer L Turner,	RI	4, 5		0.00296452
Jeffrey T Ellison	RI	1, 7, 8, 9		0.00011366
Jennifer A Adams	RI	1, 7, 8, 9		0.00011366
Joann Whitham, Life Estate	RI	1		0.00029050
Kurt L Hansen	RI	1		0.00029050
Larry G Vulgamore	RI	9		0.00007863
Larry G Vulgamore or Judith A Vulgamore, Trustees UTD 3/7/1996	RI	9		0.00007863
Sarah C Feiertag Trust	RI	2,3,4,6		0.13387531
Taylor G Haupt	RI	4, 5		0.00296452
Overriding Royalty Interests				
A.A. & Mary E Hammersmith Revoable Trust dtd 7/19/01	ORR	7, 8		0.00001999
Barbara J Deenihan	ORR	7, 8		0.00003998
Cholla Production , LLC	ORR			0.00000959
Danny J McCarty	ORR	7, 8		0.00003998
David Munro	ORR	1, 2		0.00029042
Deborah E Brinegar Revocable Trust dtd 8/24/06	ORR	7, 8		0.00003598
Diane L Huffman	ORR	7, 8		0.00003998
Diane L Huffman Trust	ORR	8		0.00001613
Emily Hundley Goff	ORR	7, 8		0.00002994
Eric D Stinson Trust	ORR	1,2,3,4,5,6		0.00156800
Estate of Thomas E Ray	ORR	3,4,5,6		0.00103364
F Louise Brinegar Revocable Trust dtd 6/28/04	ORR	7, 8		0.00003598
Glen D Gamble	ORR	7, 8		0.00002399
Hanging Rock, Inc.	ORR	1,2,3,4,5,6		0.01405327
Hastings Oil & Gas Properties, LLC	ORR	1, 2		0.00058084
James L. Downing	ORR	7, 8		0.00004797
Jay G Schweikert	ORR	1, 2		0.00029042
Jennings Living Trust dtd 12/12/05	ORR	7, 8		0.00005597
Jon R Stewart	ORR	7, 8		0.00003998
K & E Drilling, Inc	ORR	7, 8		0.00003998
Kirby W Schmitz	ORR	8		0.00002994
Kraft Oil Properties LLC	ORR	3,4,5,6		0.00077523
Lario Oil & Gas Company	ORR	2		0.00048788
Mark S Jennings	ORR	7, 8		0.00003998
Pamela Rappard	ORR	7, 8		0.00029983
Paula Sullivan	ORR	1		0.00004648
Robert E O'Dell	ORR	1,2,3,4,5,6		0.01405327
Sandra L Henson	ORR	7, 8		0.00005611
William Miller	ORR	8		0.00002994
William T Goff	ORR	8		0.00005988
Working Interests				
Cholla Production , LLC	WI	8, 9	0.00202663	0.00172151

Dyret Energy, LLC	WI	8	0.00029942	0.00023909
Eugene Saloga	WI	1,2,3,4,5,6,	0.00234863	0.00183216
Jan E Helen	WI	8	0.00029942	0.00023909
JD Resources, LLC	WI	8	0.00029942	0.00023909
Kenneth R Lang Sr.	WI	7, 8	0.01000269	0.00821392
KyKon Oil & Gas Inc.	WI	8	0.00044914	0.00035863
Lario Oil & Gas Company	WI	1,2,3,4,5,6,10	0.92401511	0.73511323
Roaring River Resources, LLC	WI	8	0.00029942	0.00023909
Sweetman Investments LLC	WI	1,2,3,4,5,6	0.05636702	0.04397168
Western Interior Energy, Inc.	WI	8	0.00029942	0.00023909
Wexford Resources, Inc.	WI	8	0.00029942	0.00023909
Wood Energy, Inc.	WI	8	0.00299424	0.00239088
			1.00000000	1.00000000

EXHIBIT "B", Part 1
Map of Unit



1 inch = 900 feet



	<p>LARIO OIL & GAS COMPANY FEIERTAG UNIT MILLRICH SOUTHEAST POOL T 19 S - R 33 W SCOTT COUNTY, KANSAS</p>
<p>Tract Map- Revision 1</p>	<p>Date: 19 April, 1997</p>
<p>Drawn by: [Name]</p>	<p>Checked by: [Name]</p>

EXHIBIT "B"
Part 2 - Well Renumbering

Current Well Name

Hansen #1-9
Feiertag Trust #1-10
Feiertag Trust #2-10
Feiertag Trust #3-10
Feiertag "A" #1-15
Feiertag "A" #2-15
Feiertag "A" #3-15
Feiertag "A" #4-15
Feiertag "A" #5-15
Feiertag "A" #6-15
Feiertag "A" #7-15
Feiertag "A" #8-15
Feiertag "A" #9-15
Feiertag "A" #10-15
Collingwood Unit #1
Haupt "A" #1-15
Haupt "A" #3-15
Hutchins #1
Metzger #2-16
Clawson #1-22

Unit Well Name

Feiertag Unit #1-1
Feiertag Unit #2-1
Feiertag Unit #2-2
Feiertag Unit #2-3
Feiertag Unit #3-1
Feiertag Unit #3-2
Feiertag Unit #6-1
Feiertag Unit #6-2
Feiertag Unit #6-3
Feiertag Unit #6-4
Feiertag Unit #3-3
Feiertag Unit #3-4
Feiertag Unit #3-5
Feiertag Unit #6-5
Feiertag Unit #4-1
Feiertag Unit #5-1
Feiertag Unit #5-2 WSW
Feiertag Unit #7-1
Feiertag Unit #8-1
Feiertag Unit #10-1

EXHIBIT " C "

Attached to and made a part of that certain Unit Operating Agreement – Feiertag Unit, Scott County, Kansas between Lario Oil & Gas Company, as Operator, and non-operators.

ACCOUNTING PROCEDURES JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operator.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operations and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Bank of America, NA on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make

every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. 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 Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of a governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operators. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.

(4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.

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 Paragraph 3A of this Section II. Such costs under this Paragraph 3B 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 Paragraph 3A of this Section II. 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 which are applicable to Operator's costs chargeable to the Joint Account under Paragraph 3A and 3B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraph 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

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

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is

normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph I, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed ten percent (10 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, title materials and examination of title, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. 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.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III 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.

III. OVERHEAD

1. Overhead – Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(x) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

() shall be covered by the overhead rates, or
(x) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(x) shall be covered by the overhead rates, or
() shall not be covered by the overhead rates.

A. Overhead – Fixed Rate Basis

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

Drilling Well Rate \$ 4,000.00
(Prorated for less than a full month)
Producing Well Rate \$ 400.00

- (2) Application of Overhead – Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the

agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead—Percentage Basis

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

(a) Development

_____ Percent (____%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (____%) of the cost of operating the Joint Property exclusive of costs provided under Paragraph 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead—Major Construction

To compensate Operator for overhead costs incurred in 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, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$ 50,000.00 :

- A. 5 % of first \$100,000 or total cost if less, plus
- B. 3 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2 % of 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 project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the even causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 5 % of total costs through \$100,000; plus
- B. 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no

obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
 - (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

(a) 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.

(b) 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.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April of each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of

reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT " D "
Insurance Provisions

At all times while operations are conducted under this Agreement, Operator shall maintain for the benefit of all parties hereto, insurance of the types and in the maximum amounts as provided below. Premiums for such insurance shall be charged to the Joint Account.

Non-operating working interest owners shall be included as Additional Insureds on the liability insurance policies, but only with respect to the performance of all work hereunder.

All such insurance shall be carried by a reasonably acceptable company or companies; shall be maintained in full force and effect during the term of this Agreement; and shall not be canceled, altered or amended without 30 days prior written notice. If so required, Operator agrees to have its own insurance carrier furnish Certificates of Insurance evidencing such insurance coverages.

Operator and non-operating working interest owners agree to mutually waive subrogation in favor of each other on all insurance carried by each party and/or to obtain such waiver from the insurance carrier if so required by the insurance contract. If such waiver is not obtained, the party failing to do so shall indemnify the other party for any claim by an insurance carrier arising out of subrogation.

Non-operating working interest owners agree that the limits and coverage carried by Operator are adequate and shall hold Operator harmless if any claim exceeds such limit *or* is not covered by such policy. Such coverage's and limits may change or be unavailable from time to time and Operator does not guarantee their continuance but will use all reasonable efforts to provide coverages and limits at reasonable costs.

- a. Worker's Compensation Insurance in full compliance with all-applicable state and federal laws and regulations
- b. Employer's Liability Insurance in the limits of \$500,000 per accident covering injury or death to any employee who may be outside the scope of the Workers' Compensation statute of the state in which the work is performed.
- c. Comprehensive General Liability Insurance with Limits per occurrence of \$1,000,000 Combined Single Limit for Bodily Injury and Property Damage, including Property Damage by Blowout and Cratering, Completed Operations, and Broad Form Contractual Liability as respects any contract into which the Operator may enter under the terms of the Agreement.
- d. Automotive Liability Insurance covering owned, non-owned and hired automotive equipment with limits of \$500,000.
- e. Umbrella Liability with limit of \$5,000,000 per occurrence combined single limit.
- f. Operator shall carry Operator Extra Expense insurance covering the costs of controlling a Blowout, the expenses involved in redrilling the well, certain other related costs and Seepage and Pollution Liability. (These are descriptive terms only and exact coverage can be found only in the policy). The limit for this insurance is \$3,000,000 per occurrence. Non-operating working interest owners not wishing to be covered under this policy must notify operator prior to spud date, and by such refusal of coverage each non-operating working interest owner agrees to be responsible for this proportionate share of such loss, anything in the agreement to the contrary notwithstanding.
- g. Such other coverage for the joint account as Operator shall deem reasonable and necessary in connection with the conduct of operations hereunder.

Notwithstanding anything contained herein to the contrary each non-operating working interest owner may at their option provide the Operator with a Certificate of Insurance showing that the party maintains insurance independently covering the risks set forth in subparagraph C, D, E and F with limits of coverage at least equal to those specified with Operator named as an additional insured but only with respect to the performance of all work hereunder. Any party providing evidence of such coverage shall not be a named insured under policies maintained by Operator shall not be charged with premiums charged to the joint account for coverage specified by subparagraphs C,D, E and F above, and Operator may to the extent it deems appropriate reduce the limits of coverage specified abo

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Pat Apple, Chair
 Shari Feist Albrecht
 Jay Scott Emler

In the Matter of the Application of Lario Oil & Gas)
Company for an Order Authorizing the Unitization) License No. 5214
and Unit Operations of the Feiertag Unit in Scott)
County, Kansas.) CONSERVATION DIVISION
_____)

NOTICE OF PENDING AMENDED APPLICATION

TO: ALL OIL AND GAS PRODUCERS, UNLEASED MINERAL INTEREST OWNERS,
 LANDOWNERS AND ALL PERSONS WHOMSOEVER CONCERNED.

Please take notice that the above-entitled Amended Application was filed with the Kansas Corporation Commission Conservation Division by Lario Oil & Gas Company seeking an order authorizing the unitization and unit operations of the Feiertag Unit in Scott County, Kansas, in portions of:

Section 9: SE/4 SE/4
Section 10: SW/4
Section 15: W/2, W/2 SE/4, S/2 SW/4 NE/4
Section 16: NE/4 NE/4, and the SE/4 SE/4
Section 21: NE/4 NE/4
Section 22: N/2 NW/4, and NW/4 NE/4,

all in Township 19 South, Range 33 West, Scott County, Kansas, consisting of a total of 860 surface acres.

Any person protesting this Application shall be required to file their written protest with the Conservation Division of the State Corporation Commission of the State of Kansas within fifteen (15) days of the publication of this Notice. Any protest must be filed pursuant to the Commission's regulations and must state specific reasons why the grant of the Application may cause waste, violation of correlative rights or pollution of natural resources of the State of Kansas. If any valid protests are timely filed, the Application will be set for hearing by the Commission. If no protests are received, this Application may be granted through a summary proceeding.

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