

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the Matter of the Application of Slawson)
Exploration Company, Inc., for an Order)
Authorizing the Unitization and Unit)
Operation of the West Jimmy Unit in)
Thomas County, Kansas)

Docket No. 19-CONS- 3255 -CUNI

CONSERVATION DIVISION

License No. 3988

APPLICATION

Slawson Exploration Company, Inc. ("SECI") submits this Application for an order from the State Corporation Commission of the State of Kansas ("Commission") authorizing the unitization and unit operation of the West Jimmy Unit in Thomas County, Kansas pursuant to K.S.A. 55-1301, *et seq.* In support of its Application, SECI alleges and states:

1. SECI is a Kansas corporation and is duly licensed, authorized, and active and in good standing with the Kansas Secretary of State's office to do business in Kansas. SECI's business address is 727 N. Waco, Wichita, Kansas 67203.
2. The Commission issued SECI operator's license #3988, which is in full force and effect.
3. SECI, Icenine Properties LLC, Mike Logan Oil Properties LLC, Kent C. Thompson, U.S. Energy Development Corporation, AG Andrikopoulos Resources, Inc., Alameda Energy, Inc., Omega 2009 Drilling Program 2, LP, Omega 2009 Drilling Program 3, LP, Omega 2009 Drilling Program 4, LP, Genesis Drilling Program II LP, Stewart Farms, LC, Murfin Drilling Company, Inc., SOG Investors, LLC, Muirfield Resources Company, Childress Family Investments, L.P., Simpson Oil & Gas LLC, Razor Creek, LLC, JB3 Investments, LLC, James K. Snook Revocable Trust, Linda S. Davidson Revocable Trust, CH4 Producers, Inc., T. Warren Hall Revocable Trust, JFH Investment

Properties, L.L.C., Funk Petroleum, LLC, Seamark Investments, Inc., Hartman Oil Co., Inc., Norstar Petroleum Inc., ALG Corporation, Brace Fox LLC, Dome Resources, Inc., David Reichman, Donald J. & Joan M. Reichenberger Trust, David B. Pauly, Jr. Revocable Trust, Reichman Resources, LLC, Jett Rink, LLC, Arnold S. & Patricia L. Hess Family Trust, Dick Hess Family Trust No. 2, Bryan K. Hess Family Trust, James C. Hess Trust, Messelt, LLC, NSR Associates, LLC, Pickrell Acquisitions, Inc., CH Todd, Inc. (collectively, “Lessees”), are the owners of oil and gas leases covering the pool sought to be unitized by this Application. SECI has been designated the operator of the leases by Lessees. The leases are currently operated by SECI, Murfin Drilling Company, Inc. and Norstar Petroleum, Inc.

4. The proposed West Jimmy Unit would contain 1,400 contiguous acres located in Thomas County, Kansas (“Unit Area”), which acreage is depicted in Exhibit B to the Unit Agreement (Exhibit A), and more particularly described as follows:

- TRACT 1: NW/4 Section 24-T10S-R34W, Thomas County
- TRACT 2: SE/4 Section 23-T10S-R34W, Thomas County
- TRACT 3: NE/4 Section 23-T10S-R34W, Thomas County
- TRACT 4: NE/4 Section 26-T10S-R34W, Thomas County
- TRACT 5: SW/4 Section 23-T10S-R34W, Thomas County
- TRACT 6: NW/4 Section 26-T10S-R34W, Thomas County
- TRACT 7: NW/4 Section 25-T10S-R34W, Thomas County
- TRACT 8: SW/4 Section 24-T10S-R34W, Thomas County
- TRACT 9: NE/4 NE/4 Section 27-T10S-R34W, Thomas County
- TRACT 10: E/2 NW/4 Section 23-T10S-R34W, Thomas County

5. SECI proposes to unitize and operate the leasehold interests owned by Lessees as to oil rights only insofar as they cover the Johnson, Myrick Station, Pawnee and Lansing-Kansas City

formations (“Unitized Formations”) underlying the Unit Area pursuant to K.S.A. 55-1304(a)(2). SECI intends to conduct an enhanced oil recovery project within the Unitized Formations underlying the Unit Area. The enhanced recovery project would involve injecting water, gas or other fluids, or any combination thereof, into the Unitized Formations in a patterned flood to increase reservoir pressure and displace oil from injection wells towards producing wellbores to efficiently and economically increase the ultimate recovery of oil from the pool within the Unitized Formations underlying the Unit Area.

6. Oil produced from the West Jimmy Unit will be allocated across the 20 wells on the above-described tracts on a per-well basis based upon three weighted well participation factors. The three well participation factors and weight afforded to each are described in Article 5 of the Unit Agreement (Exhibit A). The oil production to be allocated to each of the 20 wells is set forth in Exhibit A-III to the Unit Agreement (Exhibit A).

7. SECI will be the unit operator.

8. The pool to be unitized is within the Unitized Formations, the stratigraphic equivalent of which is shown to be between the depths of 4,114 feet and 4,720 feet on the well log of the James BE #2 well, located in the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 23, Township 10 South, Range 34 West, Thomas County, Kansas.

9. The unitized management, operation and further development of the pool within the Unitized Formations is economically feasible and reasonably necessary to prevent waste, and thereby increase substantially the ultimate recovery of oil.

10. The value of the estimated additional recovery of the oil from the Unitized Formations substantially exceeds the estimated additional cost incident to conducting the proposed enhanced recovery operations.

11. The Unit Agreement and Unit Operating Agreement comprising SECI's plan for unit operations ("Plan") are attached hereto as "Exhibit A" and "Exhibit B." The proposed operations outlined in the Plan are fair, reasonable and equitable to all interest owners.

12. As of the date of this Application, the Plan has been approved by 87.026% of the persons required to pay the costs of unit operations and by 91.473% of the owners of the production or proceeds that will be credited to royalties, excluding overriding royalties or other like interests carved out of the leasehold estate. SECI and its affiliate, Alameda Energy, Inc., own a combined 65.97% of the working interest in the oil and gas leases covering the Unit Area and Unitized Formations.

13. Attached hereto as "Exhibit C" is a list of the names and addresses of all oil and gas lessees, lessors, mineral owners and mortgagees of oil and gas interests having an interest in the Unit Area whose names and addresses SECI has been able to determine after diligent search and inquiry.

14. SECI has sent a copy of this Application and the Notice of Application by regular mail to all parties listed on "Exhibit C," and is causing the Notice of Application to be published in *The Wichita Eagle* and *The Colby Free Press*, the official newspaper for Thomas County, Kansas. As a result, notice complies with K.S.A. 55-1310 and K.A.R. 82-3-135a(d), and is lawful and proper in all respects. Each publisher's affidavit will be provided to the Commission upon and after the date of publication.

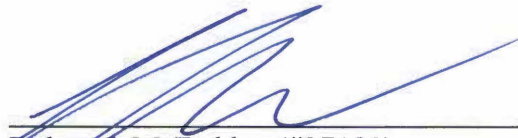
15. SECI requests that, after due notice and hearing, the Commission issue an Order providing for the unitization and unit operation of the West Jimmy Unit pursuant to K.S.A. 55-1301, *et seq.*

WHEREFORE, SECI prays that the Commission docket this Application and, if no written protest is received by the Commission within fifteen (15) days after Notice of the Application is published and has been duly provided to all interested parties, administratively grant this Application

and issue an Order providing for the unitization and unit operation of the West Jimmy Unit comprised of the above-described lands pursuant to Unit Agreement and Unit Operating Agreement. In the event timely and proper protest is filed, SECI requests that the Commission set this Application for hearing and, upon such hearing, grant the requested order and provide for such other further relief as the Commission deems necessary and proper.

Respectfully submitted,

FOULSTON SIEFKIN LLP

A handwritten signature in blue ink, appearing to read 'Robert J. McFadden', is written over a horizontal line.

Robert J. McFadden (#27180)
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(316) 267-6371
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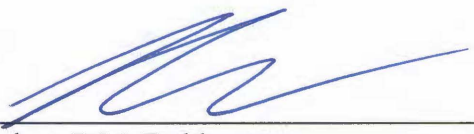
Attorneys for Slawson Exploration Company, Inc.

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SEDGWICK)

Robert J. McFadden, of lawful age, being first duly sworn upon oath states:

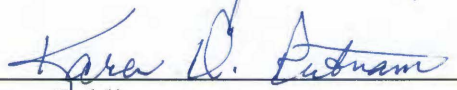
That he is the attorney for Slawson Exploration Company, Inc., and he has read the foregoing Application and is familiar with the contents and the statements made therein are true and correct to the best of his knowledge and belief.



Robert J. McFadden

SUBSCRIBED AND SWORN TO before me this 28th day of January, 2019.

My Commission Expires:



Notary Public



CERTIFICATE OF SERVICE

I, Robert J. McFadden, hereby certify that on this 28th day of January, 2019, I caused true and correct copies of the Notice of Application and the foregoing Application to be mailed via United States mail, postage prepaid, to all interested parties as set out in Exhibit C to the Application.



Robert J. McFadden, #27180

Exhibit A

**to the Application of Application of Slawson Exploration Company, Inc. (#3988) for an Order
Authorizing the Unitization and Unit Operation of the West Jimmy Unit**

UNIT AGREEMENT

**UNIT AGREEMENT
(PLAN OF UNITIZATION)
WEST JIMMY UNIT
THOMAS COUNTY, KANSAS**

THIS UNIT AGREEMENT ("Agreement") is entered as of the ____ day of _____, 2018, by the parties who have signed the original of this instrument, a counterpart of it, or other instrument agreeing to be bound by its provisions.

WITNESSETH:

WHEREAS, in the interest of the public welfare, to promote conservation and increase the ultimate recovery of oil, gas, and associated minerals from the West Jimmy Field, situated in Thomas County, Kansas, and to protect the rights of the owners of interests in the lands included in the Unit Area, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formations in order to conduct secondary recovery, pressure maintenance or other recovery program.

NOW, THEREFORE, in consideration of the mutual benefits herein, it is agreed as follows:

**ARTICLE 1
DEFINITIONS**

As used in this Agreement, the following terms shall have the following meaning:

1.1 **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 from such production.

1.2 **Outside Substances** means all substances obtained from any source other than the Unitized Formations and which are injected into the Unitized Formations.

1.3 **Royalty Interest** is a right to, or interest in, any portion of the Unitized Substances, or proceeds from them, other than a Working Interest, and including severed mineral interests.

1.4 **Royalty Interest Owner** is a party who owns a Royalty Interest.

1.5 **Tract** is a portion of the land making up the Unit Area and given a Tract number in Exhibit A.

1.6 **Well Participation** is the percentage shown in Exhibit A, Part 3 for allocating Unitized Substances to a given well.

1.7 **Unit Area** is the land making up the entire unit to which this Agreement becomes effective or extended, and is described by Tracts in Exhibit A, Part 1 and shown in Exhibit B.

1.8 **Unit Equipment** is all personal property, leases and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for use in Unit Operations.

1.9 **Unit Expenses** are all costs, expenses or indebtedness incurred by the Working Interest Owners or Unit Operator for or on account of Unit Operations, or as designated in this Agreement.

1.10 **Unit Operating Agreement** is that certain agreement entitled "Unit Operating Agreement, West Jimmy Unit, Thomas County, Kansas," of the same effective date as this Agreement, and which is entered into by the Working Interest Owners.

1.11 **Unit Operations** are all operations conducted by the Working Interest Owners or Unit Operator for or on account of the development and operation of the Unit Area for the production of Unitized Substances.

1.12 **Unit Operator** is the Working Interest Owner designated by the Working Interest Owners under the Unit Operating Agreement to develop and operate the Unit Area.

1.13 **Unit Participation** of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each well by the Well Participation of such well.

1.14 **Unitized Formations** is the subsurface portion of the Unit Area, including, but not limited to, the Johnson, Myrick Station, Pawnee and Lansing-Kansas City formations, and commonly known or described as follows: that stratigraphic interval between the top of the Lansing Formation, of Pennsylvanian age, and the base of the Johnson Formation, at a depth of 4720 feet. The top of the Lansing Formation is defined as that point located at a depth of 4114 feet below the surface (KB) in the James BE #2 Well located in the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 23, Township 10 South, Range 34 West, Thomas County, Kansas.

1.15 **Unitized Substances** are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formations.

1.16 **Working Interest** is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unit Area. Any interest in Unitized Substances which is a Working Interest as of the date the owner executes or ratifies this Agreement, or which, at any later time, becomes a Working Interest, shall then be treated as a Working Interest for all purposes of this Agreement.

1.17 **Working Interest Owner** is a party who owns a Working Interest. The owner of Oil and Gas Rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of that interest in Unitized Substances, and as a Royalty Interest Owner with respect to the remaining one-eighth (1/8) interest.

ARTICLE 2 EXHIBITS

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

Part 1 – Description of Tracts and Leases

Part 2 – Ownership of Wells

Part 3 – Well Participation

Part 4 – Unit Interests

2.2 **Exhibit B** is a map that shows the boundary lines of the Unit Area.

2.3 **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.

2.4 **Exhibits Considered Correct.** An Exhibit shall be considered correct until revised as provided for in this Agreement.

2.5 **Correcting Errors.** The shapes and descriptions of the Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse Royalty Interest or Working Interest ownership on the Effective Date, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of the Working Interest Owners, may 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 Well Participation. Each such revision of an Exhibit shall be effective at 7:00 a.m. Central Standard Time on the first day of the calendar month following the filing for record of the revised Exhibit, or on any other date as may be determined by the Working Interest Owners and set forth in the revised Exhibit.

2.6 **Filing Revised Exhibits.** If an Exhibit is revised pursuant to this Agreement, Unit Operator shall certify and file the revised Exhibit for record in the county or counties in which notice of this Agreement is filed.

ARTICLE 3 CREATION AND EFFECT OF UNIT

3.1 **Oil and Gas Rights Unitized.** All Oil and Gas Rights of the Royalty Interest Owners and the Working Interest Owners in and to the Unit Area are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formations, so that Unit Operations may be conducted as if the Unit Area had been included in a single lease executed by all Royalty Interest Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

3.2 **Personal Property Excepted.** Subject to the terms of the Unit Operating Agreement, all lease and well equipment, materials, and other facilities placed by any of the Working Interest Owners in the Unit Area, whether before or after the Effective Date, shall be deemed to be and shall remain personal property belonging to, and may be removed by, such Working Interest Owner.

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

3.4 **Continuation of Leases and Term Interests.** Unit Operations conducted on any part of the Unit Area, or production from any part of the Unit Area, shall be considered as production from, or operations upon, each Tract, and such production or operations shall continue in effect, each lease and each term Royalty Interest as to all lands within the Unit Area, just as if such operations were conducted on, and as if a well had been drilled on, and was produced 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 to any other party or to Unit Operator. The intention of this Agreement is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances.

3.6 **Injection Rights.** Unit Operator has the right to inject into the Unit Area any substances, in whatever amounts Unit Operator deems expedient for Unit Operations, together with the right to drill, use and maintain injection wells in the Unit Area, and to use any non-producing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formations.

3.9 **Development Obligation.** Nothing in this Agreement shall relieve the Working Interest Owners from the obligation to reasonably develop, as a whole, the lands and leases committed to and included in the Unit Area.

3.10 **Leases Ratified.** Each Royalty Interest Owner, by execution hereof, does hereby ratify, adopt and confirm the oil and gas lease(s) described in Exhibit A, Part 1, insofar as the leases(s) cover(s) lands in which such Royalty Interest Owner owns a mineral interest, including any reversionary interest(s), in all of its/their terms and provisions, and does hereby agree and declare that the oil and gas lease(s) is/are binding upon them and is/are valid and subsisting, as of the Effective Date.

ARTICLE 4 PLAN OF OPERATIONS

4.1 **Unit Operator.** The Working Interest Owners are concurrently entering into the Unit Operating Agreement, designating Slawson Exploration Company, Inc. as the Unit Operator. Unit Operator shall have, subject to the Unit Operating Agreement, the exclusive right to conduct Unit Operations. If there is any conflict between this Agreement and the Unit Operating Agreement, this Agreement will govern.

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

4.3 **Change of Method of Operation.** Nothing herein shall prevent Unit Operator from discontinuing or changing in whole or in part any method of operation which, in its 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 Unit Operator from time to time, if determined 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 recover operations.

ARTICLE 5 WELL PARTICIPATION AND ALLOCATION OF PRODUCTION

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

20%	Usable well bores open in the Unitized Formations
65%	Cumulative production thru 6/30/2018
15%	Current production, 1/1/2018 through 6/30/2018

The Well Participation of each well is shown on Exhibit A, Part 3.

ARTICLE 6 ALLOCATION OF UNITIZED SUBSTANCES

6.1 **Allocation to Tracts.** All Unitized Substances produced and saved shall be allocated to the wells in accordance with the respective Well Participation. The amount of Unitized Substances allocated to each Tract, regardless 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, the parties 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 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 proportion to the acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on

the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall for the purpose of this determination, be deemed to have one 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. The parties who elect to take in kind shall have the right to construct, maintain and operate, within the Unit Area, all necessary facilities for that purpose, provided such facilities are 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 receiving party. If a Royalty Interest Owner has the right to take a share of Unitized Substances in kind 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 their proportionate part of such share of Unitized Substances in kind and pay the Royalty Interest Owner for such Unitized Substances.

6.4 **Failure to Take in Kind.** If any party fails to take in kind or separately dispose of such party's share of Unitized Substances, Unit Operator shall have the option, but not the obligation, subject to revocation at will by the party owning the share, to purchase or sell to others such share at not less than the market price prevailing in the area and not less than the price Unit Operator receives for its share of Unitized Substances; however, all contracts for sale by Unit Operator of any other party's share of Unitized Substances that such party failed to take in kind or separately dispose of, after an election to take in kind, 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 (1) year.

6.5 **Responsibility for Royalty Settlements.** Any party receiving in kind or separately disposing of all or part of the Unitized Substances, or receiving the proceeds from it, shall be responsible for the payment of those proceeds to the party entitled to them, and shall indemnify all parties to this Agreement, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances.

6.6 **Royalty on Outside Substances.** If any Outside Substance consisting of natural gases is injected into the Unitized Formations, 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 Formations, fifty percent (50%) of all Unitized Substances produced and sold after the time of the injection of such Outside Substances 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. No payment shall be due or payable to Royalty Interest Owners on substances 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 determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formations that is in lease tanks as of 7:00 a.m. Central Standard Time on the Effective Date. Any 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 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.** Unit Operator may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formations.

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

ARTICLE 9
TITLES

9.1 **Warranty and Indemnity.** Each party 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 parties in interest from any loss due to failure, in whole or in part, of its title to such interest.

9.2 **Working Interest Titles.** If title to a Working Interest fails, the rights and obligations of the 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 parties 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 party claiming the right to receive all, or any portion of, the Unitized Substances allocated to a Tract is in dispute, Unit Operator shall either:

(a) require that the party to whom such Unitized Substances are delivered, or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party 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 until such time as the title or right thereto is established by a final, unappealable judgment of a court of competent jurisdiction, or otherwise to the satisfaction of the Unit Operator, at which time the proceeds so impounded shall be paid to the party rightfully entitled to them.

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

ARTICLE 10 EASEMENTS OR USE OF SURFACE

10.1 **Grant of Easements.** The Unit Operator has 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.

10.2 **Use of Water.** Unit Operator has 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 will not have the right to use water from any well, lake, pond, or irrigation ditch owned by a Royalty Interest Owner. Unit Operator may bring water onto the premises from sources outside the Unit Area for Unit Operations; however, such imported water may only be used for injection purposes into the Unitized Formations.

10.3 **Surface Damages.** Unit Operator shall pay, as a Unit Expense, the party 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 Section 4.3 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.

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

11.3 **Effective Date.** The effective date of any amendment to the Unit Area shall be 7:00 a.m. Central Standard Time on the first day of the calendar month following: (i) compliance with all conditions for amendment as specified by the Working Interest Owners, (ii) approval of the amendment by the appropriate governmental authority, if required, and (iii) 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 **Covenant Running With the Land.** This Agreement shall extend to, be binding on, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors and assigns of the parties, and shall constitute a covenant running with the lands, leases and interests covered by this Agreement.

12.2 **Transfer of Title.** Any conveyance of all or any part of any interest owned by any party 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 party other than the party 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.

12.3 **Waiver of Rights to Partition.** Each party agrees that, during the existence of this Agreement, it will not resort to any action to partition the Unitized Formations, the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing a partition.

ARTICLE 13 RELATIONSHIP OF PARTIES

13.1 **No Partnership.** The duties, obligations and liabilities arising under this Agreement 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 party shall be individually responsible for its own obligations.

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, marketing or sale of Unitized Substances.

13.3 **Royalty Interest Owners Free of Costs.** This Agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Interest Owner any obligation to pay Unit Expenses unless such Royalty Interest Owner is otherwise obligated.

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; federal, state, or municipal laws; any rule, regulation, or order of a governmental agency; inability to secure materials; or any other cause or causes, whether similar or dissimilar, beyond the reasonable control of the party. No party shall be required against their will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject to it shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article 15.

ARTICLE 16 EFFECTIVE DATE

16.1 **Effective Date.** This Agreement shall become binding on each party as of the date the party signs the instrument by which it becomes a party to this Agreement. Unless sooner terminated as provided in Section 16.2, this Agreement shall become effective as of 7:00 a.m. Central Standard Time, on the first day of the calendar month following the Kansas Corporation Commission (“KCC”) issuing an order approving unitization and Unit Operations as contemplated by this Agreement (“Effective Date”).

16.2 **Ipso Facto Termination.** If the KCC has not issued an order approving unitization and Unit Operations as contemplated by this Agreement within one hundred twenty (120) days of being submitted to the KCC, this Agreement shall terminate (“Termination Date”) unless, prior to that time, the Working Interest Owners owning a combined Unit Participation of at least sixty percent (60%) have become parties to this Agreement and at least one hundred percent (100%) of those committed Working Interest Owners extend the Termination Date for a period not to exceed one year (“Extended Termination Date”). If KCC approval is not obtained by the Extended Termination Date, this Agreement shall ipso facto terminate and be of no further effect.

16.3 **Certificate of Unitization.** Unit Operator shall file for record in the county or counties in which the Unit Area 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.** Unless otherwise provided in this Agreement, all decisions, determinations or approvals by the Working Interest Owners shall be made pursuant to the voting procedure of Section 4.3 of the Unit Operating Agreement.

ARTICLE 18

TERM

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

18.2 **Termination by Working Interest Owners.** This Agreement may be terminated by the Working Interest Owners owning a combined Unit Participation of more than sixty percent (60%) 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 Formations as a unit shall be abandoned and Unit Operations shall cease. The parties agree that, regardless of its specific terms, each oil and gas lease and all other agreements effecting the Unit Area shall remain in full force and effect for the longer of (i) one hundred eighty (180) days after the date on which this Agreement terminates, or (ii) the lease or other agreement terminates on its own terms.

18.4 **Salvaging Equipment Upon Termination.** Unit Operator will have a period of twelve (12) months after this Agreement terminates 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 or counties in which the Unit Area is located, a certificate that this Agreement has terminated, stating its termination date.

ARTICLE 19

GENERAL

19.1 **Amendments Affecting Working Interest Owners.** Amendments to this Agreement, relating wholly to the Working Interest Owners, may be made if signed by all Working Interest Owners.

19.2 **Action by Working Interest Owners.** Any action or approval required by the Working Interest Owners shall be in accordance with the provisions of the Unit Operating Agreement.

19.3 **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 for in the Unit Operating Agreement.

19.4 **Conflicts.** To the extent the provisions of any existing agreement between the parties relating to the Unit Area conflicts with the provisions of this Agreement, this Agreement shall control. If there is any conflict between this Agreement and the Unit Operating Agreement, this Agreement shall control.

ARTICLE 20 NEW INTEREST

20.1 **New Interest.** If any Working Interest Owner shall, after executing this Agreement, create any overriding royalty, production payment or other similar interest (each a “New Interest”), out of its interest subject to this Agreement, the new interest will be subject to all terms and provisions of this Agreement. In the event the Working Interest Owner owning the interest from which the New Interest was created withdraws from this Agreement under the terms of the Unit Operating Agreement, or fails to pay any expenses or costs chargeable to it under this Agreement, and the production of the Working Interest Owner is insufficient for that purpose, the owner of the New Interest will be liable for the prorated portion of all costs and expenses for which the Working Interest Owner creating the New Interest would have been liable had the same not been transferred. In this event, the lien provided in Section 19.3 may be enforced against the New Interest. If the owner of the New Interest bears a portion of the costs and expenses or is enforced against the New Interest, the owner of the New Interest will be subrogated to the rights of Unit Operator with respect to the interest primarily chargeable with those costs and expenses.

ARTICLE 21 EXECUTION

21.1 **Original, Counterpart, or Other Instrument.** A person may become a party to this Agreement by signing the original of this Agreement, a counterpart to it, or other instrument agreeing to be bound by the provisions of this Agreement. The signing of any of these instruments shall have the effect as if all the parties had signed the same instrument.

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

[SIGNATURES ON FOLLOWING PAGES]

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

By: _____

Printed Name: _____

Title: _____

Date: _____

(repeat as necessary)

EXHIBIT A, PART I
to Unit Agreement, Plan of Unitization, West Jimmy Unit

Description of Tracts and Leases

TRACT 1:

Lease #: KS 13210
Date: 4/28/2006
Lessor: SOUCIE, ROBERT L & CARRIE A (H&W)
Lessee: SLAWSON EXPLORATION CO., INC.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 24: NW/4
Recording: 180, 691; 199, 704

TRACT 2:

Lease #: KS 13213
Date: 4/28/2006
Lessor: JAMES, JOHN V & JAYNE A, H/W ET AL
Lessee: SLAWSON EXPLORATION CO., INC.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 23: SE/4
Recording: 181, 748

TRACT 3:

Lease #: KS 13215
Date: 10/2/2006
Lessor: JAMES, JOHN V & JAYNE A, H/W ET AL
Lessee: SLAWSON EXPLORATION CO., INC.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 23: NE/4
Recording: 184, 789; 200, 438; 224, 31

TRACT 4:

Lease #: KS 13220
Date: 4/5/2007
Lessor: JAMES, JOHN V & JAYNE A, H/W ET AL
Lessee: SLAWSON EXPLORATION CO., INC.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 26: NE/4
Recording: 187, 122; 205, 260

TRACT 5:

Lease #: KS 13227
Date: 3/5/2008
Lessor: JAMES, JOHN V & JAYNE A, H/W ET AL
Lessee: SLAWSON EXPLORATION CO., INC.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 23: SW/4
Recording: 192, 678

TRACT 6:

Lease #: KS 13243
Date: 10/5/2010

Lessor: HILLS, PHYLLIS TRUST #1
Lessee: SLAWSON EXPLORATION CO., INC
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 26: NW/4
Recording: 210, 47

TRACT 7:

Lease #: KS 13261
Date: 10/27/2014
Lessor: DUMLER, RAYMOND WARD & JOANNE
Lessee: SLAWSON EXPLORATION CO., INC
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 25: NW/4
Recording: 242, 270

TRACT 8:

Lease #:
Date: 9/17/2012
Lessor: Richard L. Epard Trust #1, dated August 1, 1995
Lessee: Norstar Petroleum Inc.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 24: SW/4
Recording: 228, 02

TRACT 9:

Lease #:
Date: 5/26/2005
Lessor: Epard Farms, a Kansas General Partnership
Lessee: Petex, Inc.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 27: NE/4
Recording: 173, 848

TRACT 10:

Lease #:
Date: 5/20/2011
Lessor: James Family, LLC
Lessee: Murfin Drilling Company, Inc.
Lands: TOWNSHIP 10 SOUTH, RANGE 34 WEST, SECTION 23: NW/4
Recording: 214, 867; 239, 300

EXHIBIT A, PART II
to Unit Agreement, Plan of Unitization, West Jimmy Unit

Ownership of Wells

Interest Owner	Type	WI	NRI
Tract 1 (NW/4 24-10S-34W) - Soucie #1			
Robert L. Soucie Revocable Trust	RI		0.0625000
Carrie A. Soucie Revocable Trust	RI		0.0625000
Bernal Resources LLC	ORR		0.0050000
Mary Powell	ORR		0.0100000
Rainy Day LLC	ORR		0.0075000
Stephen B. Slawson Revocable Trust	ORR		0.0075000
Slawson Exploration Company	WI	0.75000	0.6337500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.12000	0.1014000
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
		100%	1.0000000
Tract 1 (NW/4 24-10S-34W) - Soucie #2			
Robert L. Soucie Revocable Trust	RI		0.0625000
Carrie A. Soucie Revocable Trust	RI		0.0625000
Bernal Resources LLC	ORR		0.0080000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0080000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Slawson Exploration Company	WI	0.75000	0.6337500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.12000	0.1014000
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
		100%	1.0000000
Tract 2 (SE/4 23-10S-34W) - James AY #1			
James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0050000
Mary Powell	ORR		0.0100000
Rainy Day LLC	ORR		0.0100000
Craig A. Slawson Revocable Trust	ORR		0.0006667
Todd Slawson Trust	ORR		0.0006667
Stephen B. Slawson Revocable Trust	ORR		0.0106667
Slawson Exploration Company	WI	0.95000	0.7980000
Stewart Farms, LC	WI	0.05000	0.0400000
		100%	1.0000000

Tract 2 (SE/4 23-10S-34W) - James AY #2

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0080000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0080000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Slawson Exploration Company	WI	0.75000	0.6337500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.03480	0.0294060
Omega 2009 Drilling Program 2 LP	WI	0.02130	0.0179985
Omega 2009 Drilling Program 3 LP	WI	0.04260	0.0359970
Omega 2009 Drilling Program 4 LP	WI	0.02130	0.0179985
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
		100%	1.0000000

Tract 3 (NE/4 23-10S-34W) - James AY #3

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0080000
Kelley Natural Resources LLC	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0065000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Alameda Energy, Inc.	WI	0.75000	0.6337500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.12000	0.1014000
		100%	1.0000000

Tract 3 (NE/4 23-10S-34W) - James AY #4

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0075000
Christopher P. Gough	ORR		0.0050000
Kelley Natural Resources LLC	ORR		0.0005000
Stuart M. Kowalski Revocable Trust	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Rainy Day LLC	ORR		0.0060000
Stephen B. Slawson Revocable Trust	ORR		0.0075000
Wildboyz Consulting LLC	ORR		0.0020000
Slawson Exploration Company	WI	0.75000	0.6337500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000

U.S. Energy Development Corporation	WI	0.12000	0.1014000
		100%	1.0000000

Tract 4 (NE/4 26-10S-34W) - James 1-26 & James 2-26

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0080000
Kelley Natural Resources LLC	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0065000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Slawson Exploration Company	WI	0.75000	0.6337500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.03480	0.0294060
Omega 2009 Drilling Program 2 LP	WI	0.03408	0.0287976
Omega 2009 Drilling Program 3 LP	WI	0.04260	0.0359970
Omega 2009 Drilling Program 4 LP	WI	0.00852	0.0071994
		100%	1.0000000

Tract 4 (NE/4 26-10S-34W) - James 2-26

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0080000
Kelley Natural Resources LLC	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0065000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Slawson Exploration Company	WI	0.75000	0.6337500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.01680	0.0141960
Genesis Drilling Program II LP	WI	0.10320	0.0872040
		100%	1.0000000

Tract 4 (NE/4 26-10S-34W) - James 3-26

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0080000
Kelley Natural Resources LLC	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0065000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Alameda Energy, Inc.	WI	0.75000	0.6337500

AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.12000	0.1014000
		100%	1.0000000

Tract 5 (SW/4 23-10S-34W) - James BE #1

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0090000
Mary Powell	ORR		0.0180000
Rainy Day LLC	ORR		0.0090000
Stephen B. Slawson Revocable Trust	ORR		0.0090000
Slawson Exploration Company	WI	0.75000	0.6187500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.12000	0.1014000
		100%	1.0000000

Tract 5 (SW/4 23-10S-34W) - James BE #2

James Family, LLC	RI		0.1250000
Bernal Resources LLC	ORR		0.0120000
Kelley Natural Resources LLC	ORR		0.0007500
Limestone Creek LLC	ORR		0.0015000
Mary Powell	ORR		0.0090000
Rainy Day LLC	ORR		0.0097500
Stephen B. Slawson Revocable Trust	ORR		0.0120000
Slawson Exploration Company	WI	0.75000	0.6187500
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0422500
Icenine Properties, LLC	WI	0.05000	0.0422500
Mike Logan Oil Properties LLC	WI	0.01000	0.0084500
Kent C. Thompson	WI	0.02000	0.0169000
U.S. Energy Development Corporation	WI	0.01680	0.0141960
Genesis Drilling Program II LP	WI	0.10320	0.0872040
		100%	1.0000000

Tract 6 (NW/4 26-10S-34W) - Hills Trust #1 & Hills Trust #3

Michael J. & Cynthia A. Moses	RI		0.0625000
Nancy L. Schiefen	RI		0.0625000
Bernal Resources LLC	ORR		0.0075000
Michael J. & Cynthia A. Moses	ORR		0.0273438
Nancy L. Schiefen	ORR		0.0273438
Mary Powell	ORR		0.0180000
Rainy Day LLC	ORR		0.0075000
Stephen B. Slawson Revocable Trust	ORR		0.0075000
Slawson Exploration Company	WI	0.75000	0.5822344

AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0395156
Icenine Properties, LLC	WI	0.05000	0.0395156
Mike Logan Oil Properties LLC	WI	0.01000	0.0079031
Kent C. Thompson	WI	0.02000	0.0158062
U.S. Energy Development Corporation	WI	0.12000	0.0948375
		100%	1.0000000

Tract 6 (NW/4 26-10S-34W) - Hills Trust #5-26

Michael J. & Cynthia A. Moses	RI		0.0625000
Nancy L. Schiefen	RI		0.0625000
Bernal Resources LLC	ORR		0.0080000
Michael J. & Cynthia A. Moses	ORR		0.0273438
Nancy L. Schiefen	ORR		0.0273438
Mary Powell	ORR		0.0060000
Rainy Day LLC	ORR		0.0080000
Stephen B. Slawson Revocable Trust	ORR		0.0080000
Slawson Exploration Company	WI	0.75000	0.5927344
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0395156
Icenine Properties, LLC	WI	0.05000	0.0395156
Mike Logan Oil Properties LLC	WI	0.01000	0.0079031
Kent C. Thompson	WI	0.02000	0.0158062
U.S. Energy Development Corporation	WI	0.03480	0.0275029
Omega 2009 Drilling Program 2 LP	WI	0.02130	0.0168336
Omega 2009 Drilling Program 3 LP	WI	0.04260	0.0336673
Omega 2009 Drilling Program 4 LP	WI	0.02130	0.0168336
		100%	1.0000000

Tract 6 (NW/4 26-10S-34W) - Hills Trust #2

Michael J. & Cynthia A. Moses	RI		0.0312500
Nancy L. Schiefen	RI		0.0312500
James Family, LLC	RI		0.0625000
Bernal Resources LLC	ORR		0.0075000
Michael J. & Cynthia A. Moses	ORR		0.0136719
Nancy L. Schiefen	ORR		0.0136719
Mary Powell	ORR		0.0180000
Rainy Day LLC	ORR		0.0075000
Stephen B. Slawson Revocable Trust	ORR		0.0075000
Slawson Exploration Company	WI	0.75000	0.6027422
AG Andrikopoloulos Resources Inc.	WI	0.05000	0.0408828
Icenine Properties, LLC	WI	0.05000	0.0408828
Mike Logan Oil Properties LLC	WI	0.01000	0.0081766
Kent C. Thompson	WI	0.02000	0.0163531
U.S. Energy Development Corporation	WI	0.12000	0.0981187
		100%	1.0000000

Tract 7 (NW/4 25-10S-34W) - Dumler 1-25

Raymond W. & Joanne Dumler	RI		0.1250000
Bernal Resources LLC	ORR		0.0075000

Christopher P. Gough	ORR		0.0050000
Kelley Natural Resources LLC	ORR		0.0005000
Stuart M. Kowalski Revocable Trust	ORR		0.0005000
Limestone Creek LLC	ORR		0.0010000
Rainy Day LLC	ORR		0.0060000
Stephen B. Slawson Revocable Trust	ORR		0.0075000
Wildboyz Consulting LLC	ORR		0.0020000
Slawson Exploration Company	WI	1.00000	0.8450000
		100%	1.0000000

Tract 8 (SW/4 24-10S-34W) - Epard Farms 1-24

Richard L. Epard Trust No.1	RI		0.1250000
Patsy L. Botts	ORR		0.0029700
David B. Pauly, Jr. Revocable Trust	ORR		0.0084325
Elevate Energy Ltd.	ORR		0.0033000
Robert E. Elder	ORR		0.0250000
GS Investments, Inc.	ORR		0.0084325
PACK Energy, Inc.	ORR		0.0168650
Norstar Petroleum, Inc.	WI	0.13200	0.1069200
ALG Corporation	WI	0.04000	0.0324000
Brace Fox, LLC	WI	0.05000	0.0405000
Dome Resources, Inc.	WI	0.07000	0.0567000
David Reichman	WI	0.02500	0.0202500
Donald & Joan Reichenberger Trust	WI	0.02000	0.0162000
David B. Pauly, Jr. Revocable Trust	WI	0.02000	0.0162000
Reichman Resources, LLC	WI	0.01238	0.0100238
Jett Rink LLC	WI	0.05000	0.0405000
Arnold & Patricia Hess Family Trust	WI	0.06000	0.0486000
Dick Hess Family Trust No. 2	WI	0.10000	0.0810000
Bryan K. Hess Family Trust	WI	0.06000	0.0486000
James C. Hess Trust	WI	0.02000	0.0162000
Messelt LLC	WI	0.03000	0.0243000
NSR Associates LLC	WI	0.01262	0.0102262
Pickrell Acquisitions, Inc.	WI	0.10000	0.0810000
CH Todd, Inc.	WI	0.19800	0.1603800
		100%	1.0000000

Tract 8 (SW/4 24-10S-34W) - Epard Farms 2-24

Richard L. Epard Trust No.1	RI		0.1250000
Patsy L. Botts	ORR		0.0029700
David B. Pauly, Jr. Revocable Trust	ORR		0.0084325
Elevate Energy Ltd.	ORR		0.0033000
Robert E. Elder	ORR		0.0250000
GS Investments, Inc.	ORR		0.0084325
PACK Energy, Inc.	ORR		0.0168650
Norstar Petroleum, Inc.	WI	0.13200	0.1069200
ALG Corporation	WI	0.04000	0.0324000
Brace Fox, LLC	WI	0.05000	0.0405000

Dome Resources, Inc.	WI	0.07000	0.0567000
David Reichman	WI	0.02500	0.0202500
Donald & Joan Reichenberger Trust	WI	0.02000	0.0162000
David B. Pauly, Jr. Revocable Trust	WI	0.02000	0.0162000
Reichman Resources, LLC	WI	0.01238	0.0100238
Jett Rink LLC	WI	0.05000	0.0405000
Arnold & Patricia Hess Family Trust	WI	0.06000	0.0486000
Dick Hess Family Trust No. 2	WI	0.10000	0.0810000
Bryan K. Hess Family Trust	WI	0.06000	0.0486000
James C. Hess Trust	WI	0.02000	0.0162000
Messelt LLC	WI	0.03000	0.0243000
NSR Associates LLC	WI	0.01262	0.0102262
Pickrell Acquisitions, Inc.	WI	0.10000	0.0810000
CH Todd, Inc.	WI	0.19800	0.1603800
		100%	1.0000000

Tract 9 (NE/4 27-10S-34W) - Epard Farms 1-27

Epard Farms	RI		0.1250000
Jesse N. Tucker	ORR		0.0031200
Tamara A. Rodak	ORR		0.0046800
Childress Family LP	ORR		0.0125000
Robert D. Young	ORR		0.0015600
John L. Fitz-Simons	ORR		0.0002280
Doyle Creek LLC	ORR		0.0053040
Thomas J. Funk	ORR		0.0200000
David Doyel & Tammy Doyel	ORR		0.0068640
Kenneth M. Dean	ORR		0.0031200
Colleen M. O'Callaghan	ORR		0.0007800
Key Pool	ORR		0.0049920
William A. Miller	ORR		0.0013000
Kathleen A. Teel	ORR		0.0007800
Rich Phannenstiel	ORR		0.0200000
Murfin Drilling Company Inc.	WI	0.46550	0.3677450
SOG Investors LLC	WI	0.02280	0.0180120
Muirfield Resources Co.	WI	0.02280	0.0177840
Childress Family LP	WI	0.02280	0.0180120
Simpson Oil & Gas LLC	WI	0.02850	0.0225150
Razor Creek LLC	WI	0.03420	0.0270180
JB3 Investments LLC	WI	0.02280	0.0180120
James K. Snook Rev. Trust	WI	0.01140	0.0090060
Linda S. Davidson Rev. Trust	WI	0.01140	0.0090060
CH4 Producers Inc.	WI	0.03420	0.0270180
T. Warren Hall Rev. Trust	WI	0.04750	0.0375250
Hartman Oil Company Inc.	WI	0.14820	0.1170780
JFH Investment Properties LLC	WI	0.01900	0.0150100
Funk Petroleum LLC	WI	0.05000	0.0395000
Seamark Investments Inc.	WI	0.05890	0.0465310
		100%	1.0000000

Tract 10 (NW/4 23-10S-34W) - James B 1-23

James Family LLC	RI		0.1250000
Childress Family LP	ORR		0.0187500
Robert D. Young	ORR		0.0018000
Michael T. Runnion	ORR		0.0018000
MCS Royalty Interests LLC	ORR		0.0015000
John L. Fitz-Simons	ORR		0.0002280
Doyle Creek LLC	ORR		0.0061200
Thomas J. Funk	ORR		0.0187500
David Doyel & Tammy Doyel	ORR		0.0079200
Kenneth M. Dean	ORR		0.0036000
Leon W. Rodak	ORR		0.0054000
Michael A. Pisciotte & Victoria J.	ORR		0.0036000
Key Pool	ORR		0.0057600
Murfin Drilling Company Inc.	WI	0.61370	0.4909600
SOG Investors LLC	WI	0.02280	0.0182400
Muirfield Resources Co.	WI	0.02280	0.0180120
Childress Family LP	WI	0.02280	0.0182400
Simpson Oil & Gas LLC	WI	0.02850	0.0228000
Razor Creek LLC	WI	0.03420	0.0273600
JB3 Investments LLC	WI	0.02280	0.0182400
James K. Snook Rev. Trust	WI	0.01140	0.0091200
Linda S. Davidson Rev. Trust	WI	0.01140	0.0091200
CH4 Producers Inc.	WI	0.03420	0.0273600
T. Warren Hall Rev. Trust	WI	0.04750	0.0380000
JFH Investment Properties LLC	WI	0.01900	0.0152000
Funk Petroleum LLC	WI	0.05000	0.0400000
Seamark Investments Inc.	WI	0.05890	0.0471200
		100%	1.0000000

EXHIBIT A, PART III
to Unit Agreement, Plan of Unitization, West Jimmy Unit

Well Participation

Well	Tract	Participation
Dumler 1-25	7	0.01724654759345
Hills Trust #1	6	0.07659849681429
Hills Trust #2	6	0.05939416980978
Hills Trust #3	6	0.02025095440678
Hills Trust #5	6	0.04398609046608
James 1-26	4	0.05652137575166
James 2-26	4	0.01696931819282
James 3-26	4	0.03541197516531
James BE #1	5	0.12065147332288
James BE #2	5	0.04502457485744
James AY #1	2	0.09270069500732
James AY #2	2	0.05084185173955
James AY #3	3	0.03613931704549
James AY #4	3	0.08985369053038
Soucie #1	1	0.07219391133820
Soucie #2	1	0.01529305507395
Epard Farms 1-24	8	0.03111643753354
Epard Farms 2-24	8	0.00000000000000
Epard 1-27	9	0.10241251340996
James B 1-23	10	0.01739355194112

EXHIBIT A, PART IV
to Unit Agreement, Plan of Unitization, West Jimmy Unit

Unit Interests

Interest Owner	Interest	Unit WI	Unit NRI
Slawson Exploration Company	WI	0.60599643	0.50050645
Alameda Energy, Inc.	WI	0.05366347	0.04534563
US Energy Development Corp.	WI	0.07404944	0.06165760
AG Andrikopoulos Resources Inc.	WI	0.03695651	0.03076195
Mike Logan Oil Properties LLC	WI	0.00739130	0.00615239
Icenine Properties, LLC	WI	0.03695651	0.03076195
Kent C. Thompson	WI	0.01478261	0.01230478
Omega 2009 Drilling Program 2 LP	WI	0.00394608	0.00328320
Omega 2009 Drilling Program 3 LP	WI	0.00644748	0.00534565
Omega 2009 Drilling Program 4 LP	WI	0.00250140	0.00206244
Genesis Drilling Program II LP	WI	0.00175123	0.00147979
Stewart Farms, LC	WI	0.00463503	0.00370803
Murfin Drilling Company Inc.	WI	0.05834745	0.04620123
SOG Investors LLC	WI	0.00273158	0.00216191
Muirfield Resources Co.	WI	0.00273158	0.00213460
Childress Family LP	WI	0.00273158	0.00376820
Simpson Oil & Gas LLC	WI	0.00341447	0.00270239
Razor Creek LLC	WI	0.00409737	0.00324287
JB3 Investments LLC	WI	0.00273158	0.00216191
James K. Snook Rev. Trust	WI	0.00136579	0.00108096
Linda S. Davidson Rev. Trust	WI	0.00136579	0.00108096
CH4 Producers Inc.	WI	0.00409737	0.00324287
T. Warren Hall Rev. Trust	WI	0.00569079	0.00450398
JFH Investment Properties LLC	WI	0.00227632	0.00180159
Funk Petroleum LLC	WI	0.00599030	0.00474104
Seamark Investments Inc.	WI	0.00705658	0.00558494
Hartman Oil Company Inc.	WI	0.01517753	0.01199025
Norstar Petroleum, Inc.	WI	0.00410737	0.00332697
ALG Corporation	WI	0.00124466	0.00100817
Brace Fox, LLC	WI	0.00155582	0.00126022
Dome Resources, Inc.	WI	0.00217815	0.00176430
David Reichman	WI	0.00077791	0.00063011
Donald J. & Joan M. Reichenberger Trust	WI	0.00062233	0.00050409
David B. Pauly, Jr. Revocable Trust	WI/ORR	0.00062233	0.00076648
Reichman Resources, LLC	WI	0.00038507	0.00031190
Jett Rink LLC	WI	0.00155582	0.00126022

Arnold S. & Patricia L. Hess Family Trust	WI	0.00186699	0.00151226
Dick Hess Family Trust No. 2	WI	0.00311164	0.00252043
Bryan K. Hess Family Trust	WI	0.00186699	0.00151226
James C. Hess Trust	WI	0.00062233	0.00050409
Messelt LLC	WI	0.00093349	0.00075613
NSR Associates LLC	WI	0.00039284	0.00031820
Pickrell Acquisitions, Inc.	WI	0.00311164	0.00252043
CH Todd, Inc.	WI	0.00616105	0.00499045
Raymond W. & Joanne Dumler	RI		0.00215582
James Family, LLC	RI		0.07390061
Robert L. Soucie Revocable Trust	RI		0.00546794
Carrie A. Soucie Revocable Trust	RI		0.00546794
Epard Farms	RI		0.01280156
Michael J. & Cynthia A. Moses	RI/ORR		0.01532129
Nancy L. Schiefen	RI/ORR		0.01532129
Richard L. Epard Trust No. 1	RI		0.00388955
Bernal Resources LLC	ORR		0.00646701
Mary Powell	ORR		0.00856926
Rainy Day LLC	ORR		0.00663148
The Stephen Bradford Slawson Rev. Trust	ORR		0.00717280
Limestone Creek LLC	ORR		0.00031968
Kelley Natural Resources LLC	ORR		0.00015984
Christopher P. Gough	ORR		0.00053550
Wildboyz Consulting LLC	ORR		0.00021420
Stewart M. Kowalski Rev. Trust	ORR		0.00005355
Craig A. Slawson 2014 Rev. Trust	ORR		0.00006180
Todd Slawson Trust	ORR		0.00006180
Robert D. Young	ORR		0.00019107
Michael T. Runnion	ORR		0.00003131
MCS Royalty Interests LLC	ORR		0.00002609
John L. Fitz-Simons	ORR		0.00002732
Doyle Creek LLC	ORR		0.00064964
Thomas J. Funk	ORR		0.00237438
David Doyel & Tammy Doyel	ORR		0.00084072
Kenneth M. Dean	ORR		0.00038214
Leon W. Rodak	ORR		0.00009393
Michael A. Pisciotte & Victoria J.	ORR		0.00006262
Key Pool	ORR		0.00061143
Jesse N. Tucker	ORR		0.00031953
Tamara A. Rodak	ORR		0.00047929
Colleen M. O'Callaghan	ORR		0.00007988
William A. Miller	ORR		0.00013314

Kathleen A. Teel	ORR	0.00007988
Rich Phannenstiel	ORR	0.00204825
Patsy L. Botts	ORR	0.00009242
Elevate Energy Ltd.	ORR	0.00010268
Robert E. Elder	ORR	0.00077791
GS Investments, Inc.	ORR	0.00026239
PACK Energy, Inc.	ORR	0.00052478

EXHIBIT B
to Unit Agreement, Plan of Unitization, West Jimmy Unit
Unit Area Map

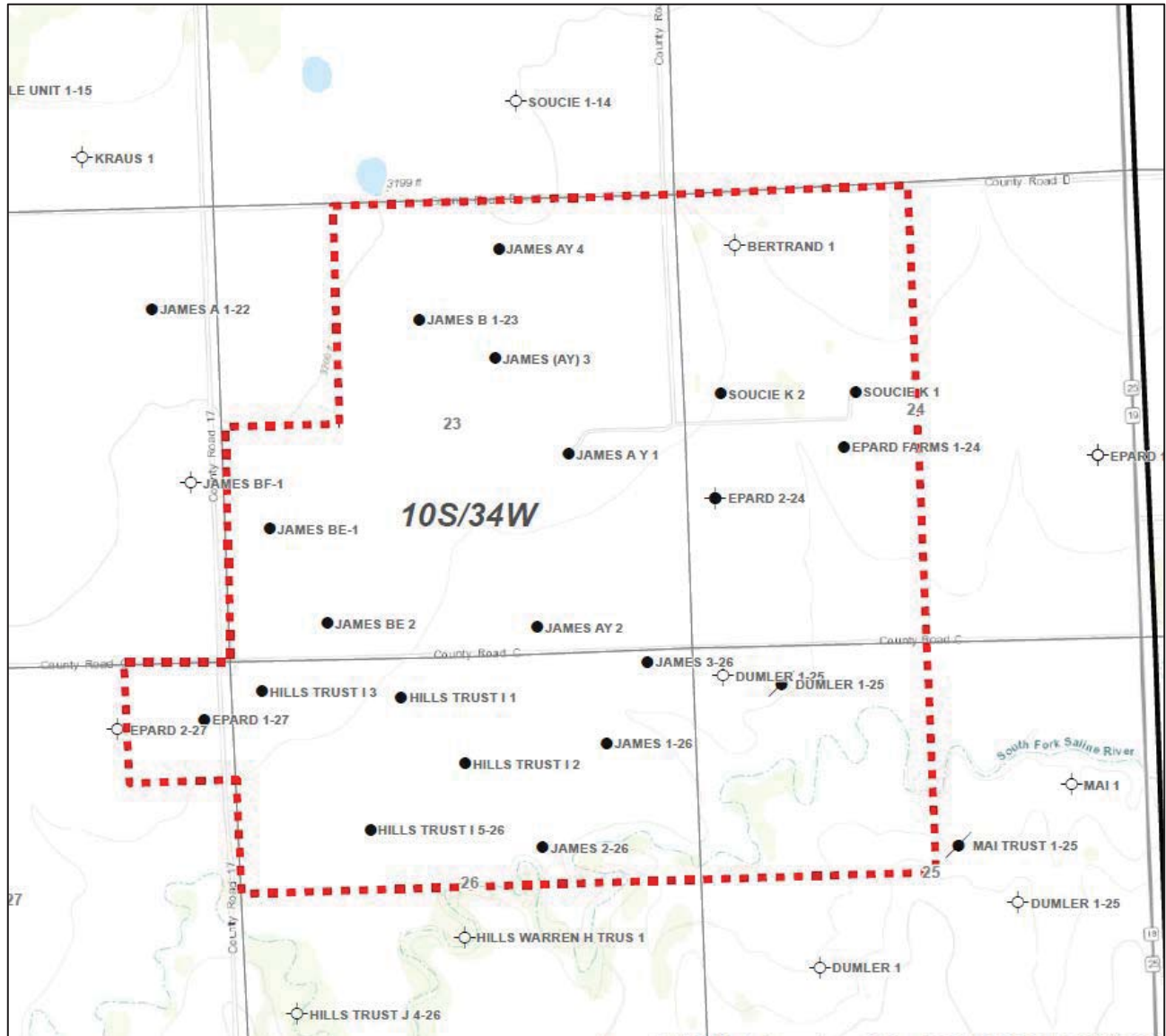


Exhibit B

**to the Application of Application of Slawson Exploration Company, Inc. (#3988) for an Order
Authorizing the Unitization and Unit Operation of the West Jimmy Unit**

UNIT OPERATING AGREEMENT

**UNIT OPERATING AGREEMENT
(OPERATING PLAN)
WEST JIMMY UNIT
THOMAS COUNTY, KANSAS**

THIS UNIT OPERATING AGREEMENT ("Agreement") is entered into as of the Effective Date. The parties to this Agreement are those who have signed the original of it, a counterpart, or other instrument agreeing to become a party to this Agreement.

WITNESSETH:

WHEREAS, the parties, as Working Interest Owners, have executed an agreement entitled "Unit Agreement, Plan of Unitization, West Jimmy Unit, Thomas County, Kansas," herein referred to as "Unit Agreement" which provides for a separate agreement by the Working Interest Owners to govern Unit Operations as defined in the Unit Agreement.

NOW, THEREFORE, in consideration of the mutual agreements provided in this Agreement, the parties agree as follows:

**ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT**

1.1 **Confirmation of Unit Agreement.** The Unit Agreement is hereby ratified and 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. Other than the Unit Agreement, this Agreement shall supersede all existing agreements between the parties covering the Unit Area to the extent the provisions of such existing agreements conflict with the provisions of this Agreement.

1.2 **Amendment of Joint Operating Contracts and Other Agreements.** The provisions of existing joint operating contracts and other agreements pertaining to the Unitized Substances, the Unitized Formations or the Unit Area, or their operations, are amended to the extent necessary to make them conform to the provisions of this Agreement. Otherwise, all those contracts and agreements shall remain in effect as between the parties to those contracts and agreements.

**ARTICLE 2
EXHIBITS**

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

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

2.1.2 **Exhibit C** 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** 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.** The 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 on 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 the Working Interest Owners shall decide 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 enhanced recovery program to be employed.

3.2.2 **Drilling of Wells.** The drilling of any well 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, deepening, abandonment or change of status of any well; the use of any well for injection, saltwater disposal or other purposes; or the acquisition of wells for Unit Operations.

3.2.4 **Unit Operator's Tools and Equipment.** Unit Operator's use of its own tools, equipment and crew in the drilling of a well or in any other Unit Operations. Charges for Unit Operator's use under this Section, whether fully- or partially-owned, shall not unreasonably exceed the prevailing rates in the area.

3.2.5 **Expenditures.** The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00); however, approval by the Working Interest Owners of the drilling, reworking, deepening or plugging back of a well shall include approval of all necessary expenditures required, including, but not limited to, the costs of completing, testing and equipping the well and the costs of all necessary flow lines, separators, and lease tankage. No separate approval shall be required for any expenditure authorized as part of another expenditure.

3.2.6 **Disposition of Unit Equipment.** Selling or otherwise disposing of any major item of surplus Unit Equipment, if the current price of new similar equipment is more than 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 from appearing, at its own expense, in person or from designating another representative in its own behalf.

3.2.8 **Audits.** The auditing of the accounts of Unit Operator pertaining to Unit Operations. Audits shall:

(a) not be conducted more than once each year, except on the resignation or removal of Unit Operator;

(b) be made on the approval of the owner(s) of a majority of the Working Interest other than that of the Unit Operator, at the expense of all Working Interest Owners other than Unit Operator; and

(c) be made only after thirty (30) days' written notice to Unit Operator.

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

3.2.10 **Technical Services.** The authorizing of charges 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 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 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 (1) or more Working Interest Owners having a total Unit Participation of not less than fifteen percent (15%). No meeting shall be called on less than fourteen (14) days' advance written notice, with an 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. The representative of Unit Operator will be chairman of each meeting.

4.3 **Voting Procedure.** Working Interest Owners shall determine all matters coming before them as follows:

4.3.1 **Voting Interest.** Each Working Interest Owner shall have a voting interest equal to its Unit Participation at the time of the vote.

4.3.2 **Vote Required.** Unless otherwise provided herein or in the Unit Agreement, the Working Interest Owners shall determine all matters by the affirmative vote of one (1) or more Working Interest Owners having a combined voting interest of more than seventy percent (70%) of the Unit Participation.

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 or facsimile addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting.

4.3.4 **Poll Votes.** Working Interest Owners may vote by letter, email or facsimile on any matter submitted in writing to all Working Interest Owners. If a meeting is not called, as provided in Section 4.2, within seven (7) days after a written proposal is sent to the Working Interest Owners, the vote taken by letter, email or facsimile 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 disapproving 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 every Working Interest Owner, even though any such owner has not voted, or has voted to the contrary.

ARTICLE 5 RIGHTS OF INDIVIDUAL WORKING INTEREST OWNERS

5.1 **Reservation of Rights.** The 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.

ARTICLE 6 UNIT OPERATOR

6.1 **Unit Operator.** Slawson Exploration Company, Inc. ("SECI") is hereby designated as the Unit Operator.

6.2 **Resignation.** 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 Section 6.3. A change of corporate name or structure by SECI, a transfer of operations by SECI to one or more affiliated, subsidiary or parent corporation(s), or any merger by SECI, shall not be the basis for its resignation as Unit Operator.

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 Owners having a combined voting interest of more than sixty percent (60%) of the Unit Participation.

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 third-party 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 Governmental Authorities.** Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.7 **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 after the Effective Date for Unit Operations.

7.8 **Expenditures.** Unit Operator is authorized to make single expenditures not more than Fifty Thousand Dollars (\$50,000.00) without prior approval of the 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 the Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

ARTICLE 8 TAXES

8.1 **Property and Ad Valorem Taxes.** Beginning with the first rendition due after the Effective Date, 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. All ad valorem taxes shall be paid, as a Unit Expense, by Unit Operator.

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 assessed against the production or handling of its share of Unitized Substances.

8.3 **Income Tax Election.** 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 each Working Interest Owner shall only be liable for its proportionate share of any costs, losses or expenses incurred pursuant to this Agreement. If, for Federal Income Tax purposes, this Agreement and the operations hereunder are regarded as a partnership, then each party hereby elects to be excluded from the application of all of the provisions of Sub-chapter 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 party such evidence of this election as may be required by the Secretary of 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 a party give further evidence of this election, that party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No party shall give any notices or take any other action inconsistent with this election. If any present or future income tax laws of the State of Kansas, 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 party hereby makes such election as may be permitted or required by such laws. In making the foregoing election, each party states the income derived by such party from Unit Operations can be adequately determined without the computation of partnership taxable income.

ARTICLE 9 INSURANCE

9.1 **Insurance.** As a Unit Expense, 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, the Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 **Wells.** All wells completed in the Unit Area ("Unit Wells").

10.1.2 **Equipment.** The casing and tubing in each Unit Well, the wellhead connections, and all other lease and operating equipment used in the operation of Unit Wells which Unit Operator determines 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 Working Interest Owners who delivered same to Unit Operator, and such equipment shall not be considered to have been taken over under this Section.

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

10.2 **General Facilities.** The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, field operating systems and office buildings necessary for Unit Operations shall be negotiated between the Unit Operator and the respective owner thereof.

10.3 **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 Participation.

ARTICLE 11 UNIT EXPENSE

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

11.2 **Advance Billings.** Unit Operator will have the right to require the Working Interest Owners to advance their respective shares of estimated Unit Expenses by submitting to the 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 fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expenses shall be made by Unit Operator at the close of each calendar month, and the accounts of the 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 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 a Unit Expense, in the proportion that the Unit Participation of each such non-defaulting Working Interest Owner bears to the total Unit Participation owned by all such non-defaulting Working Interest Owners. Such unpaid amount shall bear interest at the maximum rate permitted by applicable usury laws. The Working Interest Owners so paying shall be reimbursed, together with interest, when collected from the defaulting Working Interest Owner. The amount carried shall be due and payable out of the proceeds from the defaulting Working Interest Owner's share of production. 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 production and any such purchaser shall be entitled to rely, without liability, upon Section 11.4 of this Agreement 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.** To secure payment of its share of Unit Expense, together with interest thereon at the rate provided in Exhibit C, and 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 (i) a first and prior lien upon each Working Interest, including its Oil and Gas Rights, in the Unit Area, and (ii) a security interest in its share of Unitized Substances when extracted, and (iii) a security interest in its interest in the Unit Equipment. To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State of Kansas ("UCC"), Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the UCC. 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.

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 will have the option, at any time thereafter and while such billing remains unpaid, to notify the defaulting Working Interest Owner of Unit Operator's intention to deem it a Non-Consenting Working Interest Owner under the provisions of Section 19.1. Any such notice by Unit Operator shall be sent by certified mail, return receipt requested, and shall provide the defaulting Working Interest Owner fifteen (15) days from receipt of the notice in which to make full payment. Upon failure of the defaulting Working Interest Owner to pay in full within the fifteen (15) day period, Unit Operator shall notify the defaulting Working Interest Owner that it has been deemed a Non-Consenting Working Interest Owner under the provisions of Section 19.1.

11.7 **Carved-out Interests.** All overriding royalties, production payments, net proceeds interests, carried interests or any other interests carved out of a Working Interest after the Effective Date (each a “Carved-Out Interest”) shall be subject to this Agreement. If a Working Interest Owner does not pay its share of Unit Expense, and the defaulting Working Interest Owner’s share of the proceeds from the sale of Unitized Substances is insufficient to cover such unpaid share, the security rights provided for in this Agreement may be applied against the Carved-Out Interest with which such Working Interest is burdened. In such event, the owner of the Carved-Out Interest shall be subrogated to the security rights granted by Section 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 Formations, the Unitized Formations shall be protected in a manner satisfactory to Unit Operator and the 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 as set forth in Exhibit A, Part 2 of the Unit Agreement, and agrees to indemnify and hold harmless the other Working Interest Owners from any loss or claim due to failure, in whole or in part, of its title to its interest; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Additionally, Unit Operator 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. 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; however, the Working Interest Owner whose title has failed shall reimburse, to the Unit Operator, any payments made to such Working Interest Owner relating to such failed interest.

13.2 **Title Examination.** Unit Operator is authorized, but not obligated, to conduct title examination and title curative work on any interest in any Tract it deems necessary or advisable for purposes of Unit Operations. Each Working Interest Owner agrees to cooperate in such title examination and agrees to furnish Unit Operator all records affecting title, including, but not limited to, title opinions and abstracts of title that may be in the Working Interest Owner’s possession or control. All costs and expenses incurred in title examination and curative work conducted after the Effective Date shall be treated as a Unit Expense.

13.3 **Waiver of Rights to Partition.** Each party agrees that, during the existence of this Agreement, it will not resort to any action to partition the Unitized Formation, the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing a partition.

ARTICLE 14

LIABILITY, CLAIMS, AND SUITS

14.1 **Individual Liability.** The duties, obligations, and liabilities of the Working Interest Owners under this Agreement 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 the 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 this amount, the Working Interest Owners shall determine the further handling of the claim or suit. All costs and expenses 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 the 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 the 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.** 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 strike, fire, war, civil disturbance, act of God; Federal, state or municipal laws; any rule, regulation or order of a governmental agency; inability to secure material or any other cause beyond the reasonable control of such party. No party shall be required against its will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject to it shall be terminated by reason of suspension of Unit Operations due to any of the causes set forth in this Article 14.

ARTICLE 15

NOTICES

15.1 **Notices.** All notices will be in writing and shall be deemed to have been properly served when sent by mail or facsimile transmission to the address/fax number of the representative of each Working Interest Owner furnished to Unit Operator in accordance with Section 4.1.

15.2 **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 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 bind the party or parties acquiring such interest to the obligations related to such interest hereunder.

ARTICLE 16

WITHDRAWAL OF WORKING INTEREST OWNER

16.1 **Withdrawal.** A Working Interest Owner may withdraw from this Agreement by transferring 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, without warranty of title, either express or implied, to the Working Interest Owners who do not desire to withdraw ("Transferees"). Such transfer will not relieve the transferring Working Interest Owner ("Transferor") from any obligation or liability, including, but not limited to, any and all environmental liability or remedial obligations, incurred prior to the first day of the month following Unit Operator receiving notice of such transfer. The delivery of the transfer shall be made to Unit Operator for the benefit of the Transferees. The transferred interest shall be owned by Transferees in proportion to their respective Unit Participation. Transferees, in proportion to the respective interests so acquired, shall pay Transferor for its interest in Unit Equipment, less Transferor's share of the estimated cost, as determined by the Working Interest Owners, of (i) salvaging Unit Equipment, (ii) plugging and abandoning all wells then being used or held for Unit Operations, (iii) environmental liability, if any, and (iv) all environmental remediation in the Unit Area, if any (collectively "Salvaging Cost"). In the event Transferor's interest in the Unit Equipment is less than Transferor's share of the Salvaging Costs ("Deficiency"), Transferor, as a condition to withdrawal, will pay Unit Operator, for the benefit of Transferees, a sum equal to the Deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to Transferor for its share, as determined by the Working Interest Owners, of Unit Expense, including any Deficiency, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense and Deficiency, if any, due from Transferor have been paid in full within thirty (30) days after receiving a final statement from Unit Operator, Transferor shall be relieved from all further obligations and liabilities under this Agreement and the Unit Agreement, and the rights of Transferor under this Agreement and the Unit Agreement shall cease insofar as they related to the interest transferred.

16.2 **Limitation on Withdrawal.** Notwithstanding anything set forth in Section 16.1, the 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 sixteen and sixty-seven hundredths percent (16.67%), unless the other Working Interest Owners are willing to accept the assignment and agree to accept the Working Interest subject to such burdens.

ARTICLE 17

ABANDONMENT OF WELLS

17.1 **Rights of Former Owners.** If the 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 Owner(s) 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 Owner(s) 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. Upon taking over the well, such Working Interest Owner(s) will seal off the Unitized Formation prior to beginning any other operations on such well. Additionally, by taking over the well, such Working Interest Owner(s) agrees to, upon abandonment, and in compliance with all applicable laws and regulations, plug the well and complete all environmental remediation relative to the well and the surface utilized in conjunction therewith. A failure to respond to notice within the sixty (60) day period shall be deemed an election not to take over the well.

17.2 **Plugging.** If the Working Interest Owner(s) of a Tract do not elect to take over a well located within the Unit Area that is approved for abandonment, Unit Operator shall, as a Unit Expense, plug and abandon the well in compliance with all applicable laws and regulations.

ARTICLE 18 EFFECTIVE DATE AND TERM

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

18.2 **Term.** This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and so long thereafter until (a) all wells used in Unit Operations have been plugged and abandoned or turned over to a Working Interest Owner in accordance with Article 17; (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of the Working Interest Owners; and (c) all amounts owed to Unit Operator by any party have been fully paid, including accrued interest; and (d) there has been a final accounting.

ARTICLE 19 NON-CONSENTING WORKING INTEREST OWNERS

19.1 **Non-Consent.** Any Working Interest Owner who does not execute this Agreement prior to the Effective Date shall be deemed to have elected not to participate in Unit Operations. Each such Working Interest Owner ("Non-Consenting Working Interest Owner") shall be deemed to have relinquished to the Working Interest Owners who have executed this Agreement ("Committed Working Interest Owners"), as of the Effective Date, and the Committed Working Interest Owners shall own and be entitled to receive, in the proportions set forth below, all of each Non-Consenting Working Interest Owner's share of the Oil and Gas Rights in the Unit Area, and share of production therefrom, until the proceeds 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 production) equal the total of the Non-Consenting Working Interest Owner's share of the costs multiplied by the respective percentage as follows:

- a) 200% 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);
- b) 100% of the cost of Unit Operations;

- c) 400% 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;
- d) 300% of the cost of newly acquired equipment in the well (to and including the wellhead connections); and
- e) Interest on all the above, charged 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 Committed Working Interest Owners will reimburse Unit Operator for the share of Unit Expense chargeable to a Non-Consenting Working Interest Owner ("Carried Interest"). 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.

The Committed Working Interest Owners will recover the monies advanced on behalf of a Non-Consenting Working Interest Owner, plus the above penalties, from such Non-Consenting Working Interest Owner's share of production.

Any Working Interest Owner deemed non-consent under Section 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 as required in Article 11. Such Working Interest Owner shall thereafter be subject to the penalties and interest charges as set forth above on all unpaid Unit Expenses.

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 Owner(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 above.

ARTICLE 20

ABANDONMENT OF OPERATIONS

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

20.1.1 **Oil and Gas Rights.** The Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 **Right to Operate.** The Working Interest Owner(s) 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 the Working Interest Owners, of the casing and equipment, through the wellhead in and on the wells taken over. Additionally, by taking over a well, the Working Interest Owner becomes responsible for, upon abandonment, plugging the well, assessing all environmental liability and completing

all environmental remediation relative to the Tract in compliance with all applicable laws and regulations.

20.1.3 **Salvaging Wells.** Unit Operator will salvage as much of the casing and equipment in or on wells not taken over by a Working Interest Owner 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 all applicable laws and regulations.

20.1.4 **Cost of Abandonment.** The cost of abandonment of Unit Operations shall be a Unit Expense.

20.1.5 **Distribution of Assets.** The Working Interest Owners will share in the distribution of Unit Equipment, or the proceeds of the sale of Unit Equipment, in proportion to their Unit Participations.

ARTICLE 21 RIGHTS OF WAY AND EASEMENTS

21.1 **Assignment to Unit Operator.** Each Working Interest Owner having rights of way, easements or leasehold interests in surface sites necessary for Unit Operations agrees to assign a nonexclusive right and interest in and to those interests to Unit Operator for the benefit of the Working Interest Owners. A Working Interest Owner having such interest will, within thirty (30) days of the Effective Date, execute and deliver to Unit Operator, in recordable form, as assignment of those rights and interests, with copies of the instruments creating the interests and any available maps or plats describing and depicting the premises.

21.2 **Rental Payments.** The Working Interest Owners agree to make any rental or other payments that may become due, and take any other action necessary, in order to prevent termination of the interest(s) due to lack of payment. These payments shall be a Unit Expense.

ARTICLE 22 APPROVAL

22.1 **Original, Counterpart, or Other Instrument.** A Working Interest Owner may approve this Agreement by signing the original, a counterpart thereof, a ratification agreeing to be bound by the terms hereof, or any other written instrument approving this Agreement. The signing 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 parties 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.** If at any time, subsequent to the Effective Date, the Working Interest of any Working Interest Owner is divided among and owned by two 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 (i) receive notices, approve expenditures, receive billings for and approve and pay such co-owners' share of Unit Expense, and (ii) to deal generally with, and with the power to bind, the co-owners within the scope of the operations embraced in this Agreement.

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 Thirty-Five Thousand Dollars (\$35,000.00), which shall be treated as a Unit Expense.

ARTICLE 26
UNLEASED INTERESTS

26.1 **Treated as Leased.** If a Working Interest Owner owns fee to all or a part of the Oil and Gas Rights in any Tract which are not subject to an 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 (7/8) of its interest therein and a Royalty Interest with respect to the remaining one-eighth (1/8) interest therein.

ARTICLE 27
JOINDER IN DUAL CAPACITY

27.1 **Joinder in Dual Capacity.** If a party owns both a Working Interest and a Royalty Interest, it shall not be necessary for such party to execute this Agreement in both capacities to commit both classes of interests. Execution by any such party in one capacity shall also constitute execution in the other capacity.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, this Unit Operating Agreement is approved on the dates of execution by the Working Interest Owners and Unit Operator.

By: _____

Printed Name: _____

Title: _____

Date: _____

(repeat as necessary)

EXHIBIT C

to Unit Operating Agreement, Operating Plan, West Jimmy Unit



COPAS
445 Union Blvd #207
Lakewood, CO 80228
(303) 300-1131

COPAS - 1984-1 - ONSHORE
(revised April 23, 2004)
Recommended by the Council
of Petroleum Accountants
Societies

COPAS

Attached to and made a part of that certain Unit Operating Agreement dated _____, 2018, between Slawson Exploration Company, Inc. and the signatory parties thereto.

ACCOUNTING PROCEDURE

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-Operators.

"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 operating conditions 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, Wichita, Kansas on the first day of the month in which delinquency occurs plus 2% 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

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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 sections 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.

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Accounting Procedure can be amended by an affirmative vote of one (1) or more Parties, one of which is the Operator, having a combined working interest of at least sixty percent (60%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

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 governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. 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 Paragraphs 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 Paragraphs 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 eight percent (8%) 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. 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, 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:

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

Costs of professional consultant services and contract services of technical personnel assigned to secure drilling permits and rights-of-way shall not be covered by the overhead rates and shall be a direct charge to the joint account.

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 three (3) 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 charge 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.

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- (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 by the percent increase or decrease published by COPAS.
- 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 Paragraphs 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. DELETED.**
- 3. DELETED.**
- 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) DELETED.
- (2) DELETED.
- (3) New 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 shall be priced at current market price.

- (1) DELETED.
- (2) DELETED.
- (3) DELETED.

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 current market price. 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 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 currently 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
to Unit Operating Agreement, Operating Plan, West Jimmy Unit

Insurance Provisions

I. INSURANCE CARRIED BY OPERATOR AND BILLED TO JOINT ACCOUNT

Operator shall carry on behalf of and charge to the Joint Account, insurance of the types and in at least the amounts as follows:

- A. 1) Workers' Compensation Insurance in full compliance with all applicable state and federal laws and regulations; and
- 2) Employers Liability Insurance:
 - \$500,000 each accident
 - \$500,000 each employee (disease)
 - \$500,000 each policy limit (disease)
- B. Comprehensive or Commercial General Liability Insurance with a combined single limit of \$1,000,000 per occurrence, for bodily injury and property damage.
- C. Automobile Liability Insurance covering owned, non-owned, and hired automotive equipment with limits of \$1,000,000 combined single limit for bodily injury and property damage.
- D. Cost of Well Control Insurance, limited to only the time periods during which drilling, completion and workover operations are being conducted on the unit, with limits of a minimum of \$1,000,000 per occurrence on land. Limits and deductibles are scaled to the interest covered by Operator. Each non-operating working interest owner shall pay its pro rata share of the Cost of Well Control Insurance, including any premium assessed based on a loss and the reinstatement of limits, unless a certificate of insurance, with a company acceptable to Operator, evidencing comparable coverages to that carried by Operator and approved by Operator, accompanies return of that working interest owner's executed Joint Operating Agreement. A working interest owner who fails to execute the Joint Operating Agreement will be charged for its pro rata share of the cost of such insurance applicable to its proportionate participating interest in the covered operation.

It is understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom any insurance is carried, and that except for willful misconduct, Operator shall not be liable to Non-Operators for any loss suffered on account of the insufficiency of the insurance carried or of the insurers with whom carried.

Operator retains the right in its sole discretion to determine the level of deductibles to be borne by the joint account on an 8/8ths basis, unless separate written notice is given to the joint account parties. If Operator elects to self-insure any of the above risks below the stated limits, or to materially reduce the limits of coverage obtained from third party insurers, then Operator will give written notice to all parties to this agreement of such events. Written notice required by this Exhibit will be given by mailing, by regular United States Postage Service mail, a substitute Exhibit "D" bearing a new effective date, to all parties then being billed by Operator for costs in the unit, at the current address available for such parties as listed on Operator's then current billing division of interest. Such written notice will be binding on the parties for all purposes.

II. INSURANCE NOT CARRIED BY OPERATOR; UNINSURED LOSSES ARE JOINT LOSSES

Operator expressly hereby gives notice that it will not carry insurance for the benefit of the Joint Account covering a) loss or damage to the jointly owned property or production therefrom caused by fire, explosion, windstorm, tornado, flood, vandalism, malicious mischief, or other extended perils, b) a loss of any of the jointly owned property or the wellbore itself during the producing life of the well, including the period when the well is temporarily abandoned, or awaiting workover or formal plugging; or c) underground equipment.

The Joint Account shall be charged with all losses and expenditures caused or incurred as the result of such causes and/or during such time periods or as the result of any other casualty for which the Operator is not required to carry insurance hereunder. Operator shall notify the then participating Non-Operating working interest owners of any and all losses of this description. To the extent of any 3rd party insurance coverage, each party waives its rights of subrogation against all other parties, and/or their insurance provider, for any such loss or expenditure.

Operator expressly gives notice that any policies it obtains for the benefit of the joint account will contain standard terms and conditions, and exclusions from coverage, that are common for the industry, as such evolve from time to time. Operator will furnish copies of applicable insurance policies from time to time, if requested to do so by a written notice from a non-operator signatory party.

Liability except that covered by insurance, against any of the parties for damages to property of third persons, or injury to or death of third persons, or injury to or death of third persons arising out of the joint operations, including expenses incurred in defending claims or actions asserting liability of this character, shall be borne by each of the parties hereto in proportion to their respective undivided interest in the joint operations.

Exhibit C

**to the Application of Application of Slawson Exploration Company, Inc. (#3988) for an Order
Authorizing the Unitization and Unit Operation of the West Jimmy Unit**

INTERESTED OWNERS

Slawson Exploration Company, Inc.
727 N. Waco, Ste. 4000
Wichita, KS 67203

Norstar Petroleum Inc.
88 Inverness Circle East, Unit F104
Englewood, CO 80112

Alameda Energy, Inc.
727 N. Waco, Ste. 4000
Wichita, KS 67203

ALG Corporation
PO Box 659
Denver, CO 80201

US Energy Development Corporation
Attn: Douglas Walch
2350 N. Forest Road, Ste. 14-A
Getzville, NY 14068

SOG Investors, LLC
Attn: Michael B. Stubbs
420 Lexington Ave., Ste. 402
New York, NY 10170

AG Andrikopoulos Resources, Inc.
PO Box 788
Cheyenne, WY 82003

Dome Resources, Inc.
9050 Greenville Ave.
Dallas, TX 75243

Mike Logan Oil Properties LLC
2355 Cherryville Road
Greenwood Village, CO 80121

David Reichman
299 Milwaukee Street, Ste. 322
Denver, CO 80206

Icenine Properties LLC
191 University Blvd. #839
Denver, CO 80206

Donald J. & Joan M. Reichenberger Trust
1448 Briarwood Lane
McPherson, KS 67460

Kent C. Thompson
401 B Street, Ste. 2400
San Diego, CA 92101

David B. Pauly, Jr. Revocable Trust
100 S. Main Street, Ste. 415
Wichita, KS 67202

Omega 2009 Drilling Program 2, LP
2350 North Forest Road
Getzville, NY 14068

Reichman Resources, LLC
3993 Old Santa Fe Trail
Santa Fe, NM 87505

Omega 2009 Drilling Program 3, LP
2350 North Forest Road
Getzville, NY 14068

Jett Rink, LLC
PO Box 1009
McPherson, KS 67460

Omega 2009 Drilling Program 4, LP
2350 North Forest Road
Getzville, NY 14068

Arnold S. & Patricia L. Hess Family Trust
PO Box 40
Ransom, KS 67572

Genesis Drilling Program II LP
2350 North Forest Road
Getzville, NY 14068

Stewart Farms, LC
PO Box 2
Wellington, KS 67152

Murfin Drilling Company, Inc.
250 N. Water, Ste. 300
Wichita, KS 67202

Brace Fox LLC
2700 SW Butler Road
Benton, KS 67017

Muirfield Resources Company
PO Box 3166
Tulsa, OK 74101

Childress Family Investments, L.P.
Attn: Larry Childress
2733 E. Battlefield Rd., #104
Springfield, MO 65804

Pickrell Acquisitions, Inc.
100 S. Main Street, Ste. 505
Wichita, KS 67202

Razor Creek, LLC
Attn: David R. Doyel
PO Box 782530
Wichita, KS 67278

JB3 Investments, LLC
Attn: John H. Beury
3500 N. Rock Road, #800
Wichita, KS 67226

James K. Snook Rev. Trust
14800 W. Maple
Wichita, KS 67235

Linda S. Davidson Rev. Trust
1200 S. 119th St. W.
Wichita, KS 67235

Dick Hess Family Trust No. 2
PO Box 1009
McPherson, KS 67460

Bryan K. Hess Family Trust
PO Box 1009
McPherson, KS 67460

James C. Hess Trust
225 N. Market, Ste. 300
Wichita, KS 67202

Messelt, LLC
88 Inverness Circle East, Unit F104
Englewood, CO 80112

NSR Associates, LLC
299 Milwaukee Street, Ste. 322
Denver, CO 80206

Simpson Oil & Gas LLC
Attn: Tina Simpson
1515 Commerce Parkway
Hays, KS 67601

CH Todd, Inc.
1000 N. Tyler Rd., Ste. 100
Wichita, KS 67212

JFH Investment Properties, L.L.C.
Attn: J. Fred Hambright
125 N. Market, Ste. 1415
Wichita, KS 67202

Seamark Investments, Inc.
Attn: Rod Burke
1617 Williams Dr.
Georgetown, TX 78628

Funk Petroleum, LLC
2110 N. 1184 Rd.
Eudora, KS 66025

Hartman Oil Co., Inc.
10500 E. Berkeley Square Pkwy., Ste. 100
Wichita, KS 67206

CH4 Producers, Inc.
Attn: Lawrence Cohen
PO Box 7561
Boulder, CO 80306

Michael J. & Cynthia A. Moses
1601 County Road T
Colby, KS 67701

Nancy L. Schiefen
5868 Westheimer Rd., #262
Houston, TX 77057

Raymond W. & Joanne Dumler
20470 N. Date Palm Way
Surprise, AZ 85387

James Family, LLC
804 Central Avenue
Nebraska City, NE 68410

Intrust Bank
Attn: Jay Smith
105 N. Main
Wichita, KS 67202

Bank of America, Legal Order Processing
DE5-024-02-08
PO Box 15047
Wilmington, DE 19850-5047

Epard Farms
Attn: Richard Epard
1380 County Road 21
Colby, KS 67701

Robert L. Soucie Revocable Trust
Box 25
Upland, NE 68981

Carrie A. Soucie Revocable Trust
Box 25
Upland, NE 68981

T. Warren Hall Rev. Trust
3015 Thunderbird Ct.
Hays, KS 67601

Richard L. Epard Trust No.1
1380 County Road 21
Colby, KS 67701

CrossFirst Legal Department
Attn: Katie O'Connor
1440 Tomahawk Creek Pkwy.
Leawood, KS 66211