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

In the Matter of the Application of Merit Energy Company, LLC, for an Order Authorizing the Unitization and Unit Operation of the Napeste Unit to be located in Finney County, Kansas	)	Docket No. 25-CONS-3390-CUNI CONSERVATION DIVISION License No. 32446

APPLICATION

Merit Energy Company, LLC ("Merit") submits this Application requesting an order from the State Corporation Commission of the State of Kansas ("Commission") authorizing the unitization and unit operation of the Napeste Unit in Finney County, Kansas, pursuant to K.S.A. 55-1301, *et seq*. In support of its Application, Merit states and alleges:

1. Merit is a Delaware limited liability company authorized and in good standing with the Kansas Secretary of State's office to do business in Kansas. Merit's business address is 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.

2. The Commission has issued Merit oil and gas operator's License No. 32446, which license is in full force and effect through May 30, 2026.

3. Merit's affiliate, Merit Hugoton, L.P., is the owner of an undivided working interest in certain oil and gas leases covering the pool sought to be unitized pursuant to this Application. Merit operates said leases on behalf of its affiliate, and is authorized to file this Application on its behalf.

4. The proposed Napeste Unit will be comprised of the following described lands ("Unit Area"):

T24S-R32W, Finney County, Kansas
Section 28: W/2 W/2 W/2 E/2 NW/4 & W/2 NW/4
Section 29: N/2
Section 30: E/2 E/2 W/2 NE/4 & E/2 NE/4

which Unit Area contains approximately 510 acres and is depicted on Exhibit A.

5. Merit proposes to unitize and operate the oil and gas leases covering the Unit Area, limited in depth to from the top of the Morrow to the base of the St. Louis formations ("Unitized Formations"), pursuant to K.S.A. 55-1301, *et seq.*, specifically K.S.A. 55-1304(a)(2).

6. Merit intends to conduct a waterflood within the Unitized Formations underlying the Unit Area. Operations will be conducted pursuant to the terms of the Unit Operating Agreement attached as Exhibit C. The waterflood is a direct line drive patterned flood designed to maximize displaced oil within the pool contained within the Unitized Formations. The development plan for the Napeste Unit is attached as Exhibit E to the Unit Operating Agreement (Exhibit C), and describes and depicts the waterflood in greater detail.

7. Oil and gas produced from the Napeste Unit will be allocated across four tracts as depicted on Exhibit A and depicted and described on Exhibit 1 to the Unit Agreement (Exhibit B)

8. Oil and gas produced from the Napeste Unit will be allocated on a weighted basis across the four tracts according to their respective Tract Participations. The Tract Participations are based upon three factors: (1) original-oil-in-place within the Chester formation beneath each tract, (2) cumulative volume of oil produced from the Unitized Formations beneath each tract, and (3) the average oil production rate, measured in barrels per day, over the 30-day time period beginning March 2, 2025 and ending March 31, 2025, which three factors are weighted 60%, 20% and 20%, respectively. The factors are intended to allocate production of oil and gas produced pursuant to the waterflood operations from the pool underlying the Unit Area equitably among the interest owners of each tract. The tract participation factors are described in Section 5.1 of the Unit Agreement (Exhibit B). Exhibit 2 to the Unit Agreement (Exhibit B) summarizes the Tract Participation for each tract, and Exhibit 3 to the Unit Agreement (Exhibit B) demonstrates the

calculation of the Tract Participation for each tract. Exhibit 4 to the Unit Agreement (Exhibit B) describes how produced hydrocarbons will be allocated among the various royalty interest owners of each tract. Exhibit 5 to the Unit Agreement (Exhibit B) describes how produced hydrocarbons will be allocated among various working interest owners of each tract. All costs and expenses incurred in the operation of the Napeste Unit will be allocated to the four tracts on the same basis that production of oil and gas is allocated.

9. Merit will be the unit operator of the proposed Napeste Unit.

10. The pool to be unitized lies within the Unitized Formations beneath the Unit Area. The Unitized Formations beneath the Unit Area are described as the top of the Morrow found at a measured depth of 4,762' (-1,896' subsea true vertical depth) to the top of the Spergen formation found at a measured depth of 4,920' (-2,054' subsea true vertical depth), as shown in the well logs for the Napeste 2-29 well (API No. 15-055-22609) located approximately 1,542' FNL and 2,223' FWL in Section 29-T24S-R32W. The base of the St. Louis formation is the same as the top of the Spergen formation. The intent being that the Unitized Formations include all stratigraphic equivalents between the top of the Morrow and the top of the Spergen, inclusive of the Morrow, Chester, and St. Louis formations. The pool within the Unitized Formations constitutes a single pressure system.

11. Merit's technical staff have determined that the unitized management, operation and further development of the pool sought to be unitized is economically feasible and reasonably necessary to prevent waste within the reservoir and thereby increase substantially the ultimate recovery of oil and gas.

12. Merit's technical staff have also determined that the value of the estimated additional oil and gas reserves that can be recovered from the Unitized Formations substantially

exceeds the estimated additional costs incident to conducting the waterflood operations proposed in this Application.

13. The Unit Agreement and Operating Agreement comprising Merit's Plan for Unit Operations ("Plan"), and are attached hereto as Exhibit B and Exhibit C, respectively. The proposed operations outlined in the Plan are fair, reasonable and equitable to all interest owners.

14. The Plan has been approved in writing by at least 63% of the persons required to pay the costs of the unit operation, and by the owners of at least 75% of the production or proceeds that will be credited to royalties, excluding overriding royalties or other like interests which are carved out of the leasehold estate. Specifically, Merit has obtained approval of the Unit Agreement (Exhibit B) from 76.65% of the owners of the proceeds credited to royalties, and has obtained approved of the Plan from those persons who will pay 88.38% of the costs of unit operations.

15. Exhibit D attached hereto contains a tabular listing of the names and addresses of all oil and gas lessees and other oil and gas interest owners owning interests in the Unitized Formations beneath the Unit Area whose names and addresses Merit has been able to determine after diligent search and inquiry,. which list also includes lessors, mineral owners, overriding royalty interest owners, and mortgagees of oil and gas interests of record. Exhibit D also includes a list of each operator of record within one-half mile of the boundary of the Unit Area. There are no unleased mineral owners within the one-half mile boundary from the Unit Area.

16. Merit has sent a copy of this Application and the Notice of Application by regular mail to all persons listed on Exhibit D, has hand-delivered the same to its affiliate, and is causing the Notice of Application to be published in the *Wichita Eagle,* and the *Garden City Telegram*, the official newspaper for Finney County, Kansas. As a result, notice complies with the requirements of K.S.A. 55-1310, K.S.A. 55-605, and K.A.R. 82-3-135a, 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 of the Notice of Application.

17. Merit requests that the Commission issue an Order authorizing the unitization and unit operation of the Napeste Unit pursuant to K.S.A. 55-1301, *et seq*.

WHEREFORE, Merit prays that the Commission docket this Application and, if no written protest is received within 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 Napeste Unit pursuant to the terms set forth in the Plan. In the event a timely and proper protest is filed, Merit requests that the Commission set this Application for hearing, and upon such hearing grant the requested order and make such other provisions as it deems necessary and proper.

Respectfully submitted,

MORRIS LAING LAW FIRM

By: ______________________

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Attorneys for Merit Energy Company, LLC

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Jonathan A. Schlatter, being of lawful age and being first duly sworn upon his oath, deposes and says:

That he is the attorney for Merit Energy Company, LLC; he has read the above and forgoing Application and is familiar with its contents, and that the statements made therein are true and correct to the best of his knowledge and belief.

____
Jonathan A. Schlatter

SIGNED AND SWORN to before me this 17th day of June, 2025.

____
Notary Public

My Appointment expires: 11/05/2028

CAROL A. HANNON
Notary Public - State of Kansas
My Appt. Expires 11/05/2028

EXHIBIT A

To the Application of Merit Energy Company, LLC (#32446) for an order authorizing the unitization and unit operation of the Napeste Unit

<u>Unit Area and Tracts</u>

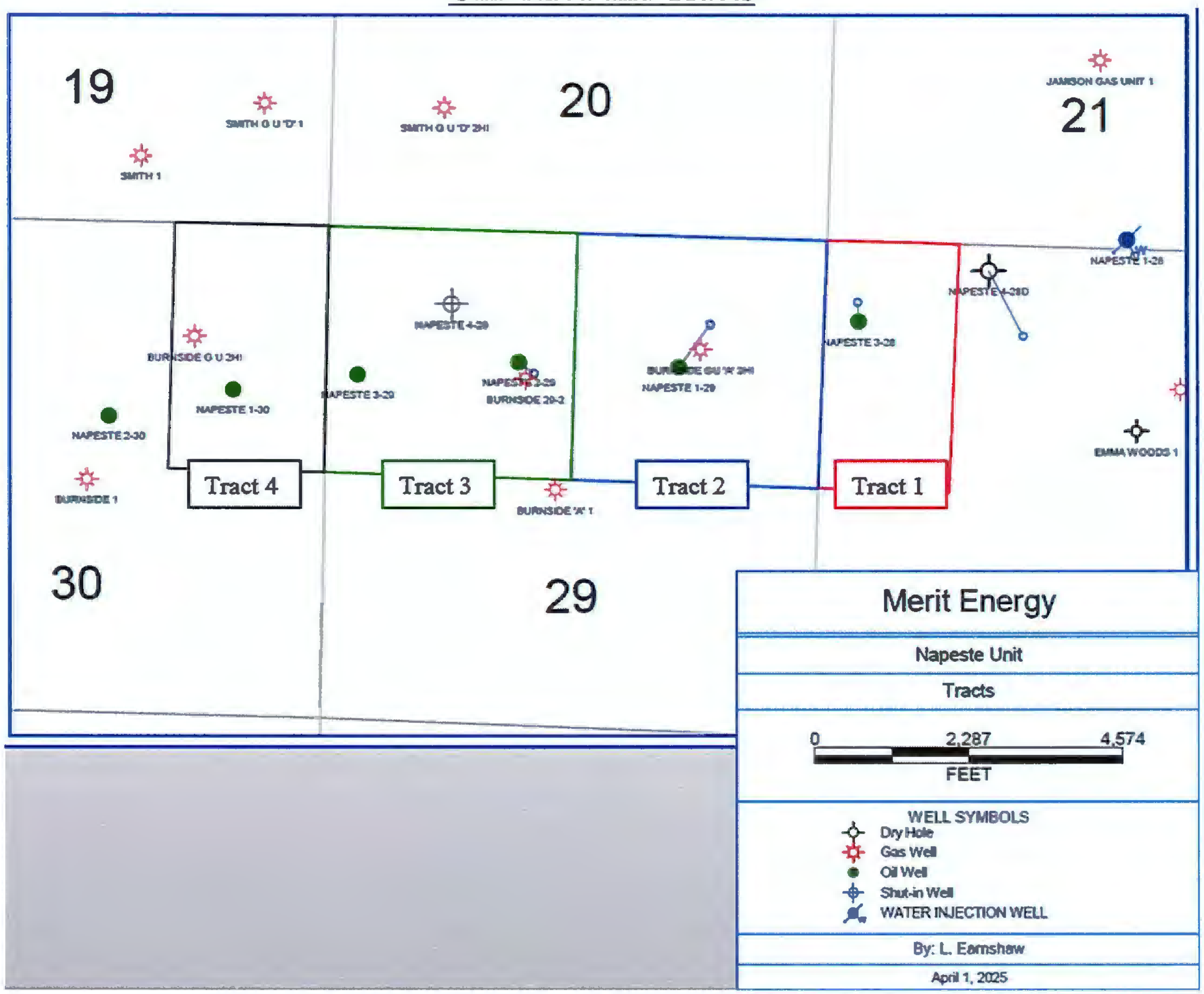

EXHIBIT B

To the Application of Merit Energy Company, LLC (#32446) for an order authorizing the unitization and unit operation of the Napeste Unit

Unit Agreement

ATTACHED

UNIT AGREEMENT
NAPESTE UNIT (NU)

(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W
(NE/4) Section 29-24S-32W
(NW/4) Section 29-24S-32W
(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W

Unit Size: 510 acres

FINNEY COUNTY, KANSAS

Effective Date: ___________________

UNIT AGREEMENT:
NAPESTE UNIT (NU)
FINNEY COUNTY, KANSAS

TABLE OF CONTENTS

ARTICLE 3
CREATION AND EFFECT OF UNIT

ARTICLE 4
PLAN OF OPERATIONS

ARTICLE 5
TRACT PARTICIPATIONS

ARTICLE 6
ALLOCATION OF UNITIZED SUBSTANCES

UNIT AGREEMENT
NAPESTE UNIT (NU)
FINNEY COUNTY, KANSAS

THIS UNIT AGREEMENT ("**Agreement**") is entered into effective as of the Effective Date (defined below), by the Parties who have signed the original, a counterpart, or other instrument agreeing to become a Party hereto, or who are so bound by Order of the State Corporation Commission of the State of Kansas ("**Commission**") issued pursuant to K.S.A. 55-1301, et seq.

WITNESSETH:

WHEREAS, to achieve greater ultimate recovery of Unitized Substances, to prevent waste, and to protect correlative rights of interest owners, the signatory Parties have entered into this Unit Agreement applicable to the Napeste Unit, Finney County, Kansas. The purpose of the Agreement is to unitize Oil and Gas Rights in and to the Unitized Formations in order to conduct Unit Operations as provided herein.

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

ARTICLE 1
DEFINITIONS

As used in this Agreement:

1.1 **Effective Date** is the time and date this Agreement becomes effective, as provided in Article 15.1.

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

1.3 **Outside Substances** are all substances purchased or otherwise obtained for a consideration by Unit Operator and introduced into the Unitized Formations.

1.4 **Party** is any individual, corporation, company, partnership, limited partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formations, and enters into this Agreement or otherwise becomes bound by this Agreement.

1.5 **Royalty Interest** is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest, or overriding royalty interests and other like interests which are carved out of the oil and gas leasehold estate.

1.6 **Royalty Owner** is a Party hereto who owns a Royalty Interest.

1.7 **Tract** is the land described as such and depicted and identified by number in “Exhibit 1.”

1.8 **Tract Participations** are the percentages shown on "Exhibit 2” and “Exhibit 3” for allocating Unitized Substances to a Tract, as described in Article 5.1.

1.9 **Unit Area** is the land described by Tracts in “Exhibit 2” and depicted on “Exhibit 1.”

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

1.11 **Unit Expense** is all cost, expense, or indebtedness incurred by the Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.12 **Unit Operations** are any and all operations conducted pursuant to this Agreement and the Unit Operating Agreement, regardless of whether such operations constitute enhanced recovery methods.

1.13 **Unit Operating Agreement** is the agreement entered into, if applicable, by the Working Interest Owners and the operator thereof, having the same Effective Date as this Agreement, and titled “Napeste Unit Operating Agreement.” The Unit Operating Agreement and this Agreement constitute the Plan for Unit Operations.

1.14 **Unit Operator** is the Party designated as the operator under the Unit Operating Agreement.

1.15 **Unit Participation** is the total Tract Participations percentage interest in the Unit Area associated with a particular Royalty Interest Owner as shown on “Exhibit 4,” and with a particular Working Interest Owner as shown on “Exhibit 5.”

1.16 **Unitized Formations** means the subsurface portion of the Unit Area described as the common source of supply of oil underlying the Unit Area formations. The top of the unitized interval is defined as the top of the Morrow, found at a measured depth of 4,762 feet (-1,896 subsea true vertical depth) in the Napeste 2-29 well (API 15-055-22609). The base of the unitized interval is defined as the top of the Spergen formation, found at a measured depth of 4,920 feet (-2,054 feet SSTVD) in the same Napeste 2-29 well. The Base of the St Louis formation is the same as the top of the Spergen formation. With it being intended that the covered depths include all stratigraphic equivalents of the between the Morrow formation and the Spergen formation.

1.17 **Unitized Substances** are all oil and gas and associated and constituent parts, including casinghead or solution gas, within or produced from the Unitized Formations, other than Outside Substances.

1.18 **Working Interest** is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, the owner of which is obligated to pay, either in cash or out of production or otherwise, all or a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof.

1.19 **Working Interest Owner** is a Party hereto who owns a Working Interest.

ARTICLE 2
EXHIBITS

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

2.1.1 **"Exhibit 1"** consists of a map showing the boundary lines of the Unit Area and the identified Tracts therein.

2.1.2 **"Exhibit 2"** is a schedule that describes each Tract in the Unit Area and shows its Tract Participations.

2.1.3 **"Exhibit 3"** is a schedule that shows the calculation of Tract Participations for each Tract.

2.1.4 **"Exhibit 4"** is a tabulation of the owners of the production proceeds of Unitized Substances that will be credited to royalties (referred to therein as "Royalty Owners").

2.1.5 **"Exhibit 5"** is a tabulation of the Parties who will be required to pay the costs of Unit Operations (referred to therein as "Working Interest Owners").

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

2.3 **Exhibits Considered Correct.** "Exhibit 1", "Exhibit 2", "Exhibit 3", "Exhibit 4" and "Exhibit 5" shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse Working Interest or Royalty Interest ownership on the Effective Date, should have been divided into more than one Tract, or that any mechanical miscalculation or clerical error has been made, the Unit Operator shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participations. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 9:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Unit Operator and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised, the Unit Operator shall execute an appropriate instrument stating the effective date for the revised exhibit with the revised exhibit attached stating the effective date for the revised exhibit and file the same with the Commission.

ARTICLE 3
CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands depicted in "Exhibit 1" and described in "Exhibit 2", and all Oil and Gas Rights of the Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formations, so that Unit Operations may be conducted with respect to the Unitized Formations as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of the Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

3.2 Personal Property Excepted. All Unit Equipment, including lease and well equipment, materials, and other property, heretofore or hereafter placed by the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. Title to all equipment, materials and other property installed or in place on the Unit Area prior to the Effective Date, and which is contributed by the owners thereof for use in conducting Unit Operations shall remain vested with the Parties contributing such property for Unit Operations.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts, or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in full force and effect. Royalty Owners agree that any default, forfeiture, or penalty provision in any such oil and gas lease or other contract shall be suspended and of no force or effect during the term of this Agreement, insofar and only insofar as it relates to the Unitized Formations described in Article 1.16 above. Further, any provision in any such oil and gas lease that requires the lessee to restore or re-establish production of oil and gas after a cessation of production from the lease shall be suspended and of no force or effect during the term of this Agreement.

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

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

3.6 Unitized Operation Rights. Royalty Owners hereby grant the Working Interest Owners the right to conduct unitized management, operation and further development of the Unitized Formations as economically feasible and reasonably necessary to prevent the waste of Unitized Substances in the Unitized Formations and thereby substantially increase the ultimate recovery of Unitized Substances together with the right to drill, use, and maintain injection and disposal wells, and non-potable water supply wells on the Unit Area, including as provided in Article 10.2, and to use for injection, disposal or water supply purposes any nonproducing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formations, or which can be recompleted into the Unitized Formations.

3.7 Development Obligation. Nothing herein shall relieve the Working Interest Owners from any obligation to reasonably develop the lands and leases committed hereto, insofar and only insofar as it relates to the

Unitized Formations described in Article 1.16 above, except as the same may conflict with the provisions hereof and Unit Operations which may be conducted hereunder.

ARTICLE 4
PLAN OF OPERATIONS

4.1 Unit Operator. MERIT ENERGY COMPANY, LLC is hereby designated as the initial Unit Operator. The Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such Agreements, this Agreement shall govern.

4.2 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, the Unit Operator shall, with diligence and in accordance with good engineering and production practices, engage in unitized management, operation and further development of the Unitized Formations to efficiently and economically increase the ultimate recovery of Unitized Substances. The Unit Operator may employ enhanced recovery methods deemed, in its discretion, necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances, and may include any of the following activities:

(a) Drilling one or more wells for the purpose of injecting water, gas, or other fluids, or combinations thereof, into the Unitized Formations;

(b) Utilizing one or more existing wells for the purpose of injecting water, gas, or other fluids, or combinations thereof, into the Unitized Formations;

(c) Drilling one or more water source wells to support enhanced recovery;

(d) Drilling or working over one or more wells for the purpose of producing Unitized Substances from the Unitized Formations; and

(e) Drilling one or more wells for the purpose of saltwater disposal.

Unit Operator may utilize more than a single tank battery for storage of Unitized Substances.

4.3 Change of Method of Operation. Nothing herein shall prevent the Unit Operator from discontinuing or changing in whole or in part any method of operation which, in its opinion, is no longer appropriate or in accord with good engineering or production practices. Other methods of operation may be conducted, or changes may be made by the Unit Operator from time to time if determined to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5
TRACT PARTICIPATIONS

5.1 Tract Participations. The Tract Participations of each Tract are scheduled on "Exhibit 2" and calculated on "Exhibit 3." Beginning on the Effective Date the Tract Participations for each Tract shall be based upon the following factors and formula:

Unit Production will be allocated based upon three (3) factors:

(1) The original oil-in-place (OOIP) in the Chester Formation beneath each Tract as a percentage of the total Chester OOIP in the Unitized Formation beneath the Unit Area.

(2) Cumulative production from each Tract, which is defined as the volume of oil produced by wells within each Tract (beginning from the field's discovery date through the end of March 2025) as a percentage of the total volume of oil produced by all wells on all Tracts (beginning from the field's discovery date through the end of March 2025).

(3) The average oil production rate, measured in barrels per day, from each Tract as a percentage of the total average oil production rate from the Unitized Formations. The average oil production factor is based upon oil production from the 30-day period as follows, March 2, 2025 through March 31, 2025, from producing wells in each Tract.

Tract Participations will be calculated using a weighted average of the three factors listed above, wherein Chester original oil in place will be weighted 60% and the average oil production rate will be weighted 20%, and the cumulative production will be weighted 20%.

The Tract Participations as scheduled on "Exhibit 2" and calculated on "Exhibit 3" are accepted and approved by the signatory Parties hereto as being fair and equitable.

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

ARTICLE 6
ALLOCATION OF UNITIZED SUBSTANCES

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

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the 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 Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Parties entitled thereto by virtue of the ownership of Oil Rights therein or by purchase from such owners. Such Parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion of 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 right, but not the obligation, for the time being and subject to revocation at will by the Party owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other Party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Parties entitled thereto.

6.5 Responsibility for Royalty Payments. The Unit Operator or the purchaser of Unitized Substances shall be responsible for the payment of all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of the proceeds from the sale of Unitized Substances, or from taking unitized substances in kind. The Unit Operator shall not indemnify any Party against any liability for such payment except to the extent that such liability is caused by or attributable to the willful misconduct of Unit Operator. The Unit Operator shall have complete and sole discretion in determining whether The Unit Operator or the purchaser of Unitized Substances is responsible for any or all of the production payments described herein.

6.6 Royalty on Outside Substances. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formations that are deemed to be Outside Substances.

6.7 Subsequently Created Interests. A Royalty Interest, overriding royalty or other like interest carved out of a Working Interest after to the Effective Date of this Agreement shall continue to be subject to the obligations of the Working Interest prescribed by this Agreement and the Unit Operating Agreement, of which obligations shall be borne by the Working Interest Owners creating such subsequent interest.

6.8 Overriding Royalty Interests. The production of Unitized Substances attributable to overriding royalty interests or other like interests carved out of the oil and gas leasehold estates shall be allocated and paid pursuant to the terms of this Agreement. Such owners who enter into or who become bound by this Agreement consent and agree to such allocation and hereby approve the Plan of Unit Operations.

6.9 Unit Expense. At all times while this Agreement is in effect, all Unit Expense shall be allocated to, and borne by, the Working Interest Owners in accordance with the Tract Participations.

ARTICLE 7
PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. Unit Operator shall gauge or otherwise determine the amount of oil or other liquid hydrocarbons produced from the Unitized Formations that are in lease tanks as of 9:00 a.m. on the Effective Date, less a reasonable deduction for basic sediment and water ("BS&W"). Any such 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 oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto. The Working Interest Owners shall pay all royalty due thereon under the provisions of applicable leases or other contracts.

ARTICLE 8
USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. The 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 account of 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 any such interest.

9.2 Production Where Title is in Dispute. If the title or right of any Party claiming the right to receive in kind 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 thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction, an agreement among the affected parties, or otherwise, whereupon the proceeds so impounded shall be paid to the Party rightfully entitled thereto.

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

9.4 Transfer of Title. Any conveyance of all or any part of any interest owned by any Party hereto with respect to any Tract shall be made expressly subject to this Agreement. No change of title shall be binding upon Unit Operator, or upon any Party hereto other than the Party so transferring, until 9:00 a.m. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change in ownership.

ARTICLE 10
EASEMENTS OR USE OF SURFACE

10.1 Grant of Easements. The Unit Operator shall have the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area, including the installation of equipment and other infrastructure necessary for injection of water and other fluids into the Unitization Formations.

10.2 Use of Water and Other Substances. The Unit Operator shall have and is hereby granted free use of non-potable water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner. The Unit Operator may bring Outside Substances, including water, gas and other fluids and other substance, onto the Unit Area for use in Unit Operations and may inject such Outside Substances into the Unitized Formations, by implementing activities including but not limited to those activities authorized in Article 4.2.

ARTICLE 11
CHANGES AND AMENDMENTS

11.1 Changes and Amendments. The Unit Area may be changed and this Agreement or the Unit Operating Agreement may be amended. Any such change or amendment shall be in accordance with K.S.A. 55-1301, et seq.

ARTICLE 12
RELATIONSHIP OF PARTIES

12.1 No Partnership. The duties, obligations, and liabilities of the Parties hereto are intended to 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, a partnership, joint venture or mining partnership, or to impose a partnership or fiduciary duty, obligation, or liability with regard to any one or more of the Parties hereto. Each Party hereto shall be individually responsible for its own obligations as herein provided.

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

12.3 Royalty Owners Free of Unit Expense. This Agreement shall not be construed to impose upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

ARTICLE 13
LAWS AND REGULATIONS

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

13.2 Governing Law. This Agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the laws of the state of Kansas.

ARTICLE 14
FORCE MAJEURE

14.1 Force Majeure. If any Party is rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments, such Party shall give to all other Parties prompt written notice of the force majeure with reasonably full particulars concerning the force majeure. Thereupon, the obligations of the Party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected Party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable, but neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of the suspension of Unit Operations due to the occurrence of any event(s) of force majeure. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party involved, contrary to its wishes, and the manner in which all such difficulties shall be handled shall be entirely within the discretion of the Party concerned. The term "force majeure," as here employed, shall mean any act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockage, public riot, lightning, fire, storm, flood, earthquake, explosion, governmental laws, rules, regulations, orders, action, delay, restraint or inaction, unavailability of equipment, or inability to secure materials, or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

ARTICLE 15
EFFECTIVE DATE

15.1 Effective Date. This Agreement shall become effective at 9:00 a.m. on the first day of the calendar month next following: (i) the date the Commission issues its Order approving the Plan of Unit Operations as set forth in this Agreement and the Unit Operating Agreement, (ii) the date prescribed by K.S.A. 55-1317 for the contract for the unit operation of a pool or part thereof, should the requisite percentage of Royalty Owners and Working Interest Owners approve this Agreement in writing, or (iii) the date Unit Operator commences Unit Operations should all Royalty Owners and Working Interest Owners enter into this Agreement, whichever the foregoing events is earlier. If the applicable foregoing event shall fall on the first of the month, then that shall be the effective date.

15.2 Ipso Facto Termination. If this Unit is not made effective within twelve (12) months after the date of issuance of the Order of the Commission approving same, because prior thereto the requisite percentage, based on Unit Participation, of Working Interest Owners and Royalty Owners, have not become Parties to this Agreement, this Agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect. If the Unit Operator seeks from the Commission for good cause an extension of the termination date for a period not to exceed sixty (60) days, and the termination date is so extended, but this Unit is not made effective on or before the extended termination date, this Agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect.

15.3 Notice of Unit. Unit Operator is authorized to file this Unit Agreement of record, or a notice or memorandum thereof, in the office of the Register of Deeds in all Counties in which the Unit Area is situated. In the event this Plan of Unitization is approved by order of the Kansas Corporation Commission, the Unit Operator may cause the Certificate of Unit provided by the Kansas Corporation Commission to be filed of record.

15.4 Unit Participation. For the purposes of this Article 15, Unit Participation shall be based on the Tract Participations shown on the original "Exhibit 2" and "Exhibit 3."

ARTICLE 16
TERM

16.1 Term. The term of this Agreement, unless sooner terminated in the manner hereinafter provided, shall be for and during the time that Unitized Substances are produced in paying quantities without a cessation of more than 180 consecutive days, or so long as other Unit Operations are conducted without a cessation of more than 180 consecutive days.

16.2 Termination by Unit Operator. This Agreement may be terminated at any time by (i) the affirmative vote of Working Interest Owners who, in the aggregate, are responsible for more than fifty percent (50%) of the Unit Expense, or (ii) for any reason the Unit Operator, in its sole discretion, upon determining that Unit Operations are no longer profitable or feasible.

16.3 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. Each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for sixty (60) days after the date on which this Agreement terminates, and for such further period as is provided by the lease or other agreement. Unit Operator shall gauge or otherwise determine the amount of oil or other liquid hydrocarbons in the unit tanks as of 9:00 a.m. on the date the Unit Operations cease, which oil shall remain the property of the Parties hereto and shall be allocated among the Parties as provided for herein.

16.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting the separate Tracts, the Unit Operator shall have a period of twelve (12) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

16.5 Notice of Termination. Upon termination of this Agreement, Unit Operator is authorized to file a notice of record in the office of the Register of Deeds in all Counties in which the Unit Area is situated, to place third parties on notice that the unit has been terminated. In the event, this Plan of Unitization was approved by order of the Kansas Corporation Commission, the Unit Operator is also authorized to notify the Kansas Corporation Commission that it has been terminated, and to file such pleadings, motions, and orders, and other filings as may be required to effectuate the termination of the unit.

ARTICLE 17
EXECUTION

17.1 Original, Counterpart, or Other Instrument. An owner of Oil Rights may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of this Agreement or any such instrument shall have the same effect as if all Persons had signed this Agreement and shall constitute approval of the entire plan for unit operations comprised of this Agreement and the Unit Operating Agreement.

17.2 Joinder in Dual Capacity. Execution as herein provided by any Party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such Party.

ARTICLE 18
DETERMINATIONS BY WORKING INTEREST OWNERS

18.1 Determinations by Unit Operator. All decisions, determinations, or approvals by Unit Operator shall be made pursuant to this Agreement and consistent with the Unit Operating Agreement, as may be applicable, unless otherwise provided herein.

ARTICLE 19
GENERAL

19.1 Lien and Security Interest of Unit Operator. The Unit Operator shall have a lien upon and a security interest in the interests of the other Working Interest Owners and the Royalty Owners in the Unit Area only to any extent provided by law. Notwithstanding the foregoing, the Unit Operator shall have the lien and security interest described in the Unit Operating Agreement.

19.2 Headings for Convenience. Except for the headings contained in Article 1, the headings and table of contents used in this Agreement are inserted for convenience only and shall be disregarded in construing this Agreement.

19.3 Severability of Provisions. The provisions of this Agreement are severable and if any article, section, sentence, clause or part thereof is held to be invalid for any reason, such invalidity shall not be construed to affect the validity of the remaining provisions of this Agreement. In the event any provision now or later becomes inconsistent with any law, rule or regulation of the applicable governing body, or is modified by order of the applicable governing body, this Agreement shall be modified to the extent necessary to comply with said law, rule, regulation or order.

19.4 Construction. When reading this Agreement, the use of the plural indicates the singular, and the use of the singular indicates the plural. When an Agreement refers to time, such time shall be read and interpreted as United States Central Time. This Agreement is to be read together with its exhibits, as amended.

19.5 Obligations to the Commission. Where this Agreement creates an obligation on the part of Unit Operator or Working Interest Owner to report, file, notify or otherwise communicate with the Commission, such action shall only be required in the event this Agreement is authorized by the Commission pursuant to K.S.A. 55-1301, et seq. Likewise, any requirement that this Agreement be performed in accordance with K.S.A. 55-1301, et seq. shall only be applicable if this Agreement is authorized by the Commission pursuant to such statutes.

ARTICLE 20
SUCCESSORS AND ASSIGNS

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

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates opposite their respective signatures.

UNIT OPERATOR:

MERIT ENERGY COMPANY, LLC

By: ______________________________
Name: Christopher S. Hagge
Title: Vice President

STATE OF TEXAS)
) **SS**
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _______________, 2025, by Christopher S. Hagge, as Vice President of Merit Energy Company, LLC, on behalf of said company.

____
Notary Public

WORKING INTEREST OWNERS:

MERIT HUGOTON, L.P.

By: Merit Management Partners GP, LLC, its General Partner

By: ______________________________
Name: Christopher S. Hagge
Title: Vice President,
Merit Management Partners GP, LLC

STATE OF TEXAS)
) **SS**
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of _________, 2025, by Christopher S. Hagge, as Vice President of Merit Management Partners GP, LLC, the General Partner of Merit Hugoton, L.P., a Delaware limited partnership, on behalf of said company and partnership.

____
Notary Public

EXHIBIT "1"
UNIT BOUNDARY MAP

<u>NAPESTE UNIT (NU)</u>

TRACT #1: (W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Sec. 28-24S-32W
TRACT #2: (NE/4) Sec. 29-24S-32W
TRACT #3: (NW/4) Sec. 29-24S-32W
TRACT #4: (E/2 E/2 W/2 NE/4, E/2 NE/4) Sec. 30-24S-32W
Unit Size: 510 acres
FINNEY COUNTY, KANSAS

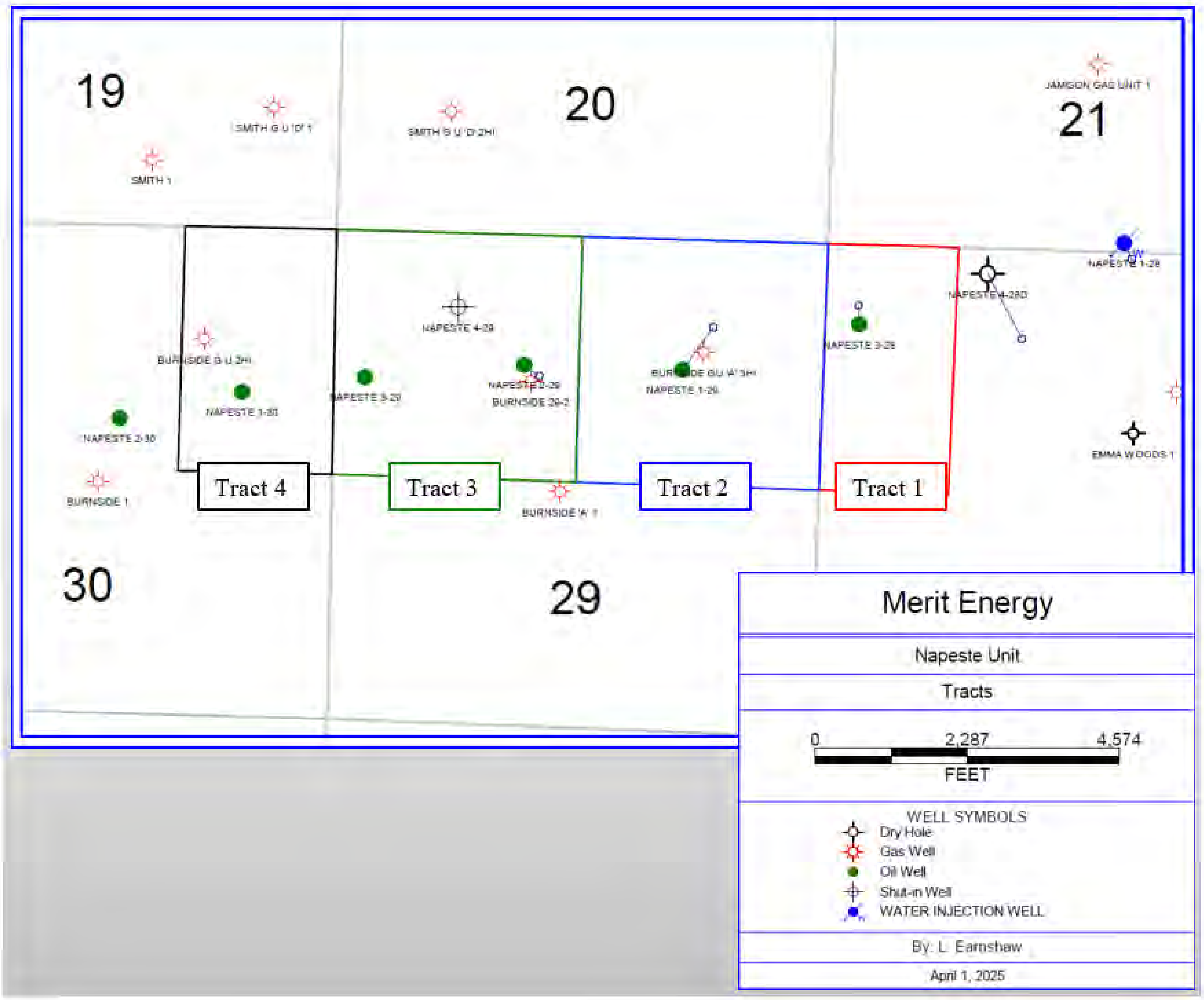

EXHIBIT "2"

TRACT PERCENTAGE PARTICIPATION

NAPESTE UNIT (NU) - FINNEY COUNTY, KANSAS

Tract Number:	Legal Description:	Acres:	Tract Participation:
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	90	18.70%
2	(NE/4) Section 29-24S-32W	160	23.20%
3	(NW/4) Section 29-24S-32W	160	40.10%
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	100	18.00%
	TOTALS:	**510**	**100.00%**

EXHIBIT "3"
CALCULATION OF TRACT PARTICIPATION FACTORS
NAPESTE UNIT (NU) - FINNEY COUNTY, KANSAS

Tract Participations:

Napeste Unit (NU) Waterflood Unitization Participation Factor Weighting %		Tract Variables			Tract Allocation			Tract Participation
		60%	20%	20%	% of Subtotal			
Tract No.	Description	Chester OOIP, mbo	Cumulative Production, mbo	30- day Avg Oil Rate, bopd	Chester OOIP, mbo	Cumulative Production, mbo	30- day Avg Oil Rate, bopd	
1	(W2 W2 W2 E2 NW4, W2 NW4) Sec. 28-24S-32W	222	39	34	17%	28%	13%	18.7%
2	(NE4) Sec. 29-24S R32W	396	25	15	31%	18%	6%	23.2%
3	(NW4) Sec. 29-24S-32W	458	69	109	36%	50%	43%	40.1%
4	(E2 E2 W2 NE4, E2 NE4) Sec. 30-24S-32W	211	5	94	16%	3%	37%	18.0%
Unit Total:		1,287	136	251	100%	100%	100.0%	100.0%

The Tract Variables are rounded to the nearest Mmbo. The Tract Allocations and Tract Participations reflect percentages calculated based upon the Tract Variables prior to being rounded.

EXHIBIT “4”
ROYALTY OWNERS
NAPESTE UNIT (NU) - FINNEY COUNTY, KANSAS

TRACT #:	LEGAL DESCRIPTION:	ROYALTY OWNERS:	Unit NRI:	ADDRESS:
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	SNYDER ROYALTY LLC	0.2919%	12605 OAKLAND HILLS LANE, UNIT #1 BERLIN, MD 21811
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	WILLIAM H & ERMA C DAMME FARMS LLC	1.1677%	P.O. BOX 36 TALMAGE, NE 68448
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	KATHRYN S MAXWELL TRUST	0.2919%	1034 E. WHITTON AVE. PHOENIX, AZ 85014
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	CAROLYN A KELLER T.O.D.	0.2919%	2926 VALLEJO ST. DENVER, CO 80211
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	LUCILLE E RAMSEY	0.2919%	786 S. NELSON ST. LAKEWOOD, CO 80226-3864
Tract 1 Total:			**2.3354%**	
2	NE/4 Section 29-24S-32W	MOBIL OIL CORPORATION	1.4525%	P.O. BOX 841065 DALLAS, TX 75284-1065
2	NE/4 Section 29-24S-32W	BROOKOVER LAND ENTERPRISES LP	0.7764%	50 GRANDVIEW DR. GARDEN CITY, KS 67846-0917
2	NE/4 Section 29-24S-32W	JANE B ALSOP TRUST DTD 12/15/2015	0.0451%	484 UPPER MILL HEIGHTS SALINA, KS 67401
2	NE/4 Section 29-24S-32W	BARBARA L BURNSIDE	0.0451%	1710 CHATEAU BEND CT. KATY, TX 77450
2	NE/4 Section 29-24S-32W	JOE R BURNSIDE (JT)	0.0901%	207 BULLARD DRIVE GARDEN CITY, KS 67846
2	NE/4 Section 29-24S-32W	ROBERT G SUMMERBELL	0.0250%	512 PINE ST. MADISON, WI 53715
2	NE/4 Section 29-24S-32W	JON K SUMMERBELL	0.0250%	382 LORRAINE ST. GLEN ELLYN, IL 60137
2	NE/4 Section 29-24S-32W	KATHLEEN COCO	0.0250%	4712 PERSHING AVE. SE ALBUQUERQUE, NM 87108
2	NE/4 Section 29-24S-32W	REBECCA E DEATON	0.0751%	4548 N PAULINA ST. CHICAGO, IL 60640
2	NE/4 Section 29-24S-32W	ADAM A DEATON	0.0751%	437 E 84TH ST. NEW YORK CITY, NY 10028
2	NE/4 Section 29-24S-32W	ERIN HASKELL ROSS REVOCABLE TRUST	0.0563%	720 DORSET ST. CHARLOTTE, VT 5445

2	NE/4 Section 29-24S-32W	E BROOKE DANIELSON HASKELL	0.0563%	P.O. BOX 808 BAYSIDE, CA 95524
2	NE/4 Section 29-24S-32W	CILLE BURNSIDE WILLIAMS	0.1127%	300 GILPIN ST. DENVER, CO 80218
2	NE/4 Section 29-24S-32W	SHIRLEY A BURNSIDE	0.0451%	P.O. BOX 70 BUFFALO, OK 73834
Tract 2 Total:			**2.9050%**	
3	NW/4 Section 29-24S-32W	BROOKOVER LAND ENTERPRISES LP	5.0155%	50 GRANDVIEW DR. GARDEN CITY, KS 67846-0917
Tract 3 Total:			**5.0155%**	
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	KOCH EXPLORATION COMPANY, LLC	1.1221%	PO BOX 201734 HOUSTON, TX 77216-1734
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	AMERICAN WARRIOR, INC.	0.2454%	P.O. Box 399 Garden City, KS 67846
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	O'BRATE ROYALTY INC	0.5610%	P.O. BOX 399 GARDEN CITY, KS 67846
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	PERCIVAL C. KEITH TESTAMENTARY TRUST	0.3156%	c/o Travis Gist, Wells Fargo Wealth Management 201 Main Street, Suite 400, Fort Worth, TX 76102
Tract 4 Total:			**2.2441%**	
		UNIT TOTAL:	**12.5000%**	

EXHIBIT "5"
WORKING INTEREST OWNERS
NAPESTE UNIT (NU) - FINNEY COUNTY, KANSAS

TRACT #:	LEGAL DESCRIPTION:	WORKING INTEREST OWNERS:	UNIT WI:	UNIT NRI:	ADDRESS:
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	MERIT HUGOTON, L.P.	10.6123%	9.2857%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	EIGER RESOURCES LLC	8.0713%	7.0624%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 1 Total:			**18.6835%**	**16.3481%**	
2	NE/4 Section 29-24S-32W	MERIT HUGOTON, L.P.	6.6001%	5.7751%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
2	NE/4 Section 29-24S-32W	EIGER RESOURCES LLC	5.0198%	4.3923%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
2	NE/4 Section 29-24S-32W	PERCIVAL C. KEITH TESTAMENTARY TRUST	4.3575%	3.8128%	c/o Travis Gist, Wells Fargo Wealth Management 201 Main Street, Suite 400, Fort Worth, TX 76102
2	NE/4 Section 29-24S-32W	AMERICAN WARRIOR, INC.	3.9944%	3.4951%	P.O. Box 399 Garden City, KS 67846
2	NE/4 Section 29-24S-32W	ELSR, L.P.	1.0894%	0.9532%	8080 N. Central Expwy #1420 Dallas, TX 75080
2	NE/4 Section 29-24S-32W	LINKSLAND OPERATING, LLC	1.0894%	0.9532%	1202 Richardson Dr #115 Richardson, TX 75080
2	NE/4 Section 29-24S-32W	JOHN FREDERICK ALEXANDER	0.5447%	0.4766%	2406 52nd St S Gulfport, FL 33707
2	NE/4 Section 29-24S-32W	DANIEL C. ALEXANDER	0.5447%	0.4766%	3710 Wingate Dr Carmichael, CA 95608
Tract 2 Total:			**23.2400%**	**20.3349%**	
3	NW/4 Section 29-24S-32W	MERIT HUGOTON, L.P.	22.7903%	19.9415%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240

3	NW/4 Section 29-24S-32W	EIGER RESOURCES LLC	17.3335%	15.1668%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 3 Total:			**40.1237%**	**35.1083%**	
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	MERIT HUGOTON, L.P.	10.1972%	8.9226%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	EIGER RESOURCES LLC	7.7556%	6.7862%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 4 Total:			**17.9529%**	**15.7088%**	
		UNIT TOTAL:	**100.00%**	**87.50%**	

EXHIBIT C

To the Application of Merit Energy Company, LLC (#32446) for an order authorizing the unitization and unit operation of the Napeste Unit

Operating Agreement

ATTACHED

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

NAPTESTE UNIT (NU) - WATERFLOOD

OPERATING AGREEMENT

DATED

________________ , 2025 ,
Year

Effective as of the "effective date"

OPERATOR MERIT ENERGY COMPANY, LLC

CONTRACT AREA Township 24 South, Range 32 West:

See Exhibit "A"

COUNTY OF FINNEY STATE OF KANSAS

TABLE OF CONTENTS

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Merit Energy Company, LLC 13727 Noel Road, Suite 1200, Dallas, TX 75240, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to further explore and develop these leases and/or oil and gas interests pursuant to unit operations utilizing enhanced oil recovery methods in order to produce oil to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated. Specifically, the term "oil" shall mean oil and its associated and constituent parts, including casinghead gas or solution gas, and other liquid or gaseous hydrocarbons attributable to the oil estate.

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

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

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A". The term "Contract Area", insofar as it pertains to surface area, shall have the same meaning prescribed to the term "Unit Area" by K.S.A. 55-1305(a).

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the governmental quarter-section, or part thereof, covered by the oil and gas lease or interest upon which a proposed well is to be located.

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

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

I. The term "unit operations" shall mean the operations described and contemplated by Article VI.A.

J. The term "Enhanced Oil Recovery" or "EOR" means any process involving the injection of water, gas or other fluids, or combinations thereof, in order to introduce artificial energy into a pool or part thereof to increase the ultimate recovery of oil and gas.

K. The term "KCC" shall mean the State Corporation Commission of the State of Kansas.

L. The term "majority in interest" shall mean any Party or Parties holding, in aggregate, more than fifty percent (50%) of the ownership interests shown on Exhibit "A."

M. The term "Unit Agreement" shall mean that certain agreement titled, "Unit Agreement Napeste Unit."

N. The term "pool" shall have the same meaning prescribed by K.S.A. 55-1302(b).

O. The term "effective date" shall be the effective date of the Unit Agreement.

P. The term "unitized formation" shall mean the subsurface portion of the Unit Area described as the common source of supply of oil underlying the Unit Area formations. The top of the unitized interval is defined as the top of the Morrow, found at a measured depth of 4,762 feet (-1,896 subsea true vertical depth) in the Napeste 2-29 well (API 15-055-22609). The base of the unitized interval is defined as the top of the Spergen formation, found at a measured depth of 4,920 feet (-2,054 feet SSTVD) in the same Napeste 2-29 well. The Base of the St Louis formation is the same as the top of the Spergen formation. With it being intended that the covered depths include all stratigraphic equivalents of the between the Morrow formation and the Spergen formation.

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

ARTICLE II.
EXHIBITS

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

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

☑ B. Exhibit "B", Form of Lease.

☑ C. Exhibit "C", Accounting Procedure.

☑ D. Exhibit "D", Insurance.

☑ E. Exhibit “E”, Development Plan.

☑ G. Exhibit “G”, Memorandum of Operating Agreement and Notice of Security Interest.

If any provision of any exhibit, except Exhibits “E” and “G”, is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail. All terms and words used in the above-described Exhibits, and any supporting schedules, shall have the same meanings prescribed in this agreement unless otherwise defined therein.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

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

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A".* In the same manner, the parties shall also own all production of oil from the Contract Area subject to the payment of royalties to the extent of one-eighth (1/8) which shall be borne as hereinafter set forth.
* Title to all equipment, materials, fixtures and other property appurtenant to, or used in connection with existing oil and gas operations that is situated on any leasehold or oil and gas interest, all or a portion of which is included in the Contract Area, and which is utilized in unit operations pursuant to this agreement, shall remain owned and title 100% vested with the party(ies) contributing such leasehold or oil and gas interest during the term of this agreement and thereafter its termination, unless otherwise agreed to in writing.

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

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

C. Excess Royalties, Overriding Royalties and Other Payments:

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

D. Subsequently Created Interests:

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

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,

2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. Title examination shall mean an examination of title conducted by the staff of Operator, including its landmen and staff attorneys, and/or Operator contracted third-party landmen and outside attorneys sufficient to clear title for drilling purposes to the reasonable satisfaction of Operator. The examination will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Copies of all title opinions shall be furnished to each party hereto upon request. The cost incurred by Operator in this title program shall be borne as follows:

ARTICLE IV
continued

☑ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid to landmen, and outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions, division order title opinions and costs associated with any title opinion already obtained by Operator) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing, pooling or unitization orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

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

B. Loss of Title:

All losses incurred shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Merit Energy Company, LLC shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but it shall have no liability as Operator to the other parties or any of their respective officers, employees, or agents for any claims, whether or not due to the negligence of Operator for losses sustained or liabilities incurred in connection with authorized or approved operations under this agreement, except such as may result from gross negligence or willful misconduct.

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

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, or is no longer reasonably capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" . Such resignation or removal shall not become effective until 9:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator, unless Operator owns no interest in the Contract Area, in which case its rights and obligations hereunder shall terminate, except as to those liabilities that accrued prior to such termination. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

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

C. Employees:

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

D. Drilling Contracts:

Contracts for all wells drilled reworked, deepened, plugged back, or converted for injection or some other purposes on the Contract Area shall be bid on a competitive contract basis consistent with practices prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling reworking, deepening, plugging-back or conversion of wells, but its charges therefor shall not exceed the prevailing rates in the area, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Unit Operations:

Operator shall commence to implement the Enhanced Oil Recovery operations described in the Development Plan attached as Exhibit "E" within the unitized formation on the Contract Area not later than ninety (90) days after the Effective Date. All parties hereby acknowledge and agree that Operator shall have, in its sole discretion, the authority to implement all or a portion of the Development Plan as hereinafter provided.

If Operator determines that the production of oil resulting from ongoing Enhanced Oil Recovery operations is inadequate to economically continue implementation of the Development Plan, or that the production of oil resulting from further implementation of the Development Plan is no longer necessary or advisable, then Operator shall not be required to continue implementation of the Development Plan and may suspend or terminate the Development Plan.

If Operator determines the unit operations as a whole should be abandoned it shall follow the procedures set forth in Article VI.E as to the plugging and abandonment of all wells utilized in unit operations, and the parties rights and obligations shall be as set forth in said Article VI.E as to all of such wells, and the associated salvageable material, equipment and property used in connection therewith.

All parties hereby further acknowledge and agree that Operator may revise, modify, amend, replace, in whole or in part, or otherwise change the Development Plan at any time while this agreement is in force and effect, provided such changes are consistent with the purpose and objective of the EOR operations contemplated thereby, when in Operator's sole discretion it is necessary or advisable to do so in order to maximize the efficient and economic recovery of oil from the unitized formation, and any such revised, modified, amended, replaced or otherwise changed Development Plan shall thereafter be treated as if it were the original Development Plan adopted pursuant to this agreement and will be implemented as Initial Unit Operations hereunder.

See Article XV.G for provisions governing consent to the Initial Unit Operations described herein this Article VI.A.

ARTICLE VI
continued

B. Subsequent Operations:

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

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, / and, if Operator declines, (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.A, shall comply with all terms and conditions of this agreement.

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

If a majority of the Consenting Parties agree, some or all of the Non-Consenting Parties' interest in the proposed subsequent operation may be offered to one or more third parties for the sole purpose of participating in the proposed operation up and until the Non-Consenting Parties' interests are recovered pursuant to this Article VI.B. Any such third party shall be required to become a party to this agreement, and shall be treated as a Consenting Party while a participant in the subsequent operation.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear under the / same terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,

ARTICLE VI
continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, and ________ 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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

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

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of / a majority in interest, no wells shall be completed in or produced from the unitized formation, unless drilled, completed, or recompleted pursuant to Article VI.A.

The provisions of this Article shall have no application whatsoever to / the Initial Unit Operations described in Article VI.A except to the extent a party non-consents to the Initial Unit Operations in which case this Article shall apply as provided for in Article XV.G.

No well drilled pursuant to this Article shall be deemed to be part of the Initial Unit Operations absent the Operator's express written consent.

3. <u>Stand-By Time:</u> When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2., shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

4. <u>Sidetracking:</u> Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

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

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Subject to Article XV.C.

ARTICLE VI
continued

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

ARTICLE VI
continued

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

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator shall be charged to the Non-Operator that requests the Information. Notwithstanding anything in this agreement to the contrary, Operator shall have no obligation to Non-Operators to furnish, make available, or otherwise share any trade secrets or any information Operator deems to be confidential or proprietary.

Any Non-Operator in default under Article VII.B. shall have no rights under this Article VI.D.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned
a majority in interest of the participating parties
without the consent of / . Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a
a majority in interest of the participating parties a majority in
interest of the participating parties
producer shall not be plugged and abandoned without the consent of / . * If / consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within
a majority in interest of the participating parties
thirty (30) days after receipt of notice of the proposed abandonment of any well, / do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B".

* Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply with in thirty (30) days after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment.

ARTICLE VI
continued

ARTICLE VI
continued

The assignments or leases so limited shall encompass the "drillsite" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

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

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

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

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

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

C. Payments and Accounting:

Operator shall at all times have the right to offset any party's respective proportionate share of expenses incurred in the development and operation of the Contract Area pursuant to this agreement against the value of such party's respective share of oil and/or gas production from the Contract Area. Operator may exercise this right without notice and may do so in the ordinary course of operations, and such setoff will be reflected on monthly billings submitted pursuant to Exhibit "C."

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

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

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

ARTICLE VI
continued

ARTICLE VII
continued

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

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2. Rework or Plug Back: Without the consent of the participating parties , no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement / or a well reworked or plugged backed or converted pursuant to Article VI.A . Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of / a majority in interest, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of One Hundred Thousand Dollars ($ 100,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement, / and except as to the Enhanced Oil Recovery operations described in Article VI.A ; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties.

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

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2. Operator may, in its sole discretion and without prior notice, pay the rental, shut-in well payment or minimum royalty payment on or before the date it becomes due in order to continue a lease in force in force and effect, and such payment shall become an obligation of the party or parties who contributed the lease to this agreement along with any costs associated therewith and Operator will charge the account of such party accordingly.

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

F. Taxes:

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

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

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

ARTICLE VIII
continued

G. Insurance:

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

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

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless / all parties consent thereto.

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

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

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

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

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

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

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

D. Maintenance of Uniform Interests:

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

ARTICLE VIII
continued

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

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

E. Waiver of Rights to Partition:

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

F. Preferential Right to Purchase:

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

For purposes of avoiding the application of the rule against perpetuities to the rights granted hereby, in the event this preferential right of first purchase is entered into and enforceable among two or more persons (their successors and assigns) none of which are a “life in being” for purposes of the rule against perpetuities, this preferential right of first purchase shall continue in effect for a period of 20 years following the date of death of the individual signing on behalf of operator, on which date it shall expire as to the parties hereto.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter “K”, Chapter 1, Subtitle “A”, of the Internal Revenue Code of 1986, as amended (“Code”) / , as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter “K”, Chapter 1, Subtitle “A”, of the Code , under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty Thousand Dollars ($ 50,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term “force majeure”, as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given / by email or in writing by mail, postage or charges prepaid to the parties to whom the notice is given at the addresses listed on Exhibit “A”. The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed / or if sent by email, the date the email was sent and delivery of such was either (i) acknowledged or (ii) a read receipt was declined, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when / sent, if by email, or deposited in the mail, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☑ Option No. 2: In the event / any well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 180 days from the date of abandonment of said well.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

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

B. Governing Law:

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

C. Regulatory Agencies:

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

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy / the Environmental Protection Agency, the KCC or the Kansas Department of Health and Environment or their predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

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

ARTICLE XV.
OTHER PROVISIONS

A. Default. If in the course of conducting unit operations, including drilling, reworking, deepening, testing, completing, converting, or plugging back operations upon any well on the Contract Area, any Non-Operator fails or is unable to pay for its proportionate share of the costs of such operation, Operator shall have, in addition to the rights provided for in this agreement, the right, which may be exercised before or after completion of said operation, upon thirty (30) days prior written notice, to treat such defaulting party as having made a non-consent election and being subject to the non-consent provisions of Article VI.B.2 and XVI.G, effective as of the date such party defaulted in its payment obligations, unless the defaulting party cures in full within said thirty (30) day prior notice time period. If Operator elects to treat the defaulting party as having made a non-consent election, Operator may not enforce the lien rights provided for in Article VII.B herein.

Moreover, while any Non-Operator is in default, it shall have no further access to the Contract Area or information obtained in connection with operations hereunder and shall not be entitled to vote on any matter hereunder. As to any proposed operation in which it would otherwise have the right to participate, such party shall have the right to be a Consenting Party herein only if it cures the default in full (including the payment of interest and costs of collection, including attorneys' fees) before the operation is commenced; otherwise, such Non-Operator in default shall automatically be deemed a Non-Consenting Party to that operation.

B. Memorandum of Operating Agreement. Operator is authorized to file a Memorandum of Operating Agreement and Notice of Security Interest in form substantially similar to that attached as Exhibit "G" to secure the lien and security interest provided by Article VII.B and to place third-parties on notice of this agreement. The Memorandum of Operating Agreement and Notice of Security Agreement may be filed of record to perfect the lien and security interest after this agreement becomes effective.

C. Marketing. Operator agrees, subject to Non-Operator's right to take its production in kind or to separately market or dispose of its proportionate share thereof, to market, process, gather, and/or transport Non-Operator's share of production of the oil and gas from the Contract Area on the identical terms and conditions as Operator markets, processes, gathers, and/or transports its own share, with no additional fees or costs of any kind to be charged by Operator to Non-Operators for said marketing, processing, gathering, and/or transporting other than Non-Operator's proportionate share of the identical fees or costs paid by Operator for the marketing, processing, gathering, and/or transporting of its own production under an arm's length transaction, even if such services are provided by an affiliate of Operator. In doing so, Operator shall not enter into any agreement to sell the Non-Operator's share of oil and gas for a period equal to or greater than twelve (12) months without Non-Operator's prior written consent. Notwithstanding anything herein to the contrary, Operator shall not have the right to hedge any portion of Non-Operator's share of Oil and Gas.

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

E. Execution. This Agreement shall be binding upon a party when this agreement or a counterpart thereof has been executed by such party or when a party is deemed to be a party to this agreement by order of the KCC or operation of law, notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all parties who are or have become bound by this agreement, given at any time prior to the commencement of unit operations, terminate this agreement if Operator, in its sole discretion, determines that there is insufficient participation to justify commencement of unit operations. In the event of such a termination by Operator, all further obligations of the parties shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of any costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest.

F. Waiver of Notice. Merit Energy Company, LLC, as operator, and Merit Hugoton, L.P., as non-operators, hereby agree to waive any and all requirements to provide written notice to the other under the terms of this agreement, and hereby agree to accept whatever form of notice as may be mutually agreed upon by such parties.

G. Consent to Initial Unit Operations. Each Non-Operator who has entered into this agreement, or who has become bound by this agreement by order of the KCC, operation of law, or by order or ruling from any other administrative or judicial body, shall have twenty (20) days after the effective date to notify Operator whether it elects to participate in the cost of the Initial Unit Operations described in Article VI.A. Such election shall be made in writing, and the failure of a Non-Operator to reply within this time period shall constitute an election by that party not to participate in Initial Unit Operations.

If any Non-Operator elects (or is deemed to have elected) not to participate in Initial Unit Operations, then the provisions set forth Article VI.B.2. concerning operations by less than all parties and the provisions of Article VI.E. governing abandonment of non-consent operations shall apply as to the rights and obligations of the Consenting Parties and Non-Consenting Parties in and to the Initial Unit Operations, including, without limitation, the provisions governing the Consenting Party's continued participation in Initial Unit Operations, the elections and allocations of the Non-Consenting party's proportionate part of Initial Unit Operations and its share of production therefrom, and the percentage carry calculations as to the Non-Consenting party's interest in Initial Unit Operations. In this regard, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests in the Initial Unit Operations (after elections and participations have been made with respect to the Non-Consenting Party's proportionate share) all of the Non-Consenting Party's interest in Initial Unit Operations and share of production therefrom as more specifically provided for in Article VI.B.2, except that the costs of Initial Unit Operations that the Consenting Parties shall be entitled to recover before the Non-Consenting Party's interest in Initial Unit Operations shall revert to the Non-Consenting Party shall be the Non-Consenting Party's proportionate share of the aggregate cost of preparing, implementing, and conducting Enhanced Oil Recovery (after applying the percentage carry calculations) operations as described the Development Plan, as amended or modified, to its conclusion (it being understood and agreed that for purposes of applying the percentage carry calculations, the "well" shall refer to the aggregate of all wells associated with Initial Unit Operations, and "production" from a well shall refer to production from the aggregate of all wells associated with Initial Unit Operations), *provided, however*, that the Non-Consenting Party's interest in Initial Unit Operations shall revert to the Non-Consenting Party's on the date that is (5) years and ninety (90) days after the effective date, regardless of whether the aggregate cost of the Initial Unit Operations (after applying the percentage carry calculations) have been recovered by the Consenting Party's.

The parties acknowledge and agree that the costs and expenses incident and to be accrued in preparing, implementing, and conducting the Enhanced Oil Recovery operations described in the Development Plan, and which constitute the Initial Unit Operations set forth in Article VI.A., are substantial, and capital, operational and administratively expensive, and involve a certain amount of risk for which the Consenting Parties should be compensated for as above-described. Moreover, the parties acknowledge and agree that it would be inequitable to allow a party who elects not to participate in Initial Unit Operations to benefit from said operations at a later date without incurring the costs and risks associated with preparing, implementing and conducting Initial Unit Operations, and further agree that the application of the provisions of Article VI.B.2. and VI.E.3 to the party who elects not to participate in Initial Unit Operations is a reasonable, fair, and equitable manner in which to compensate the parties electing to participate in Initial Unit Operations for their investment and risk.

H. Coordination with Joint Operating Agreement. All or certain of the parties hereto are parties to that certain Operating Agreement dated December 15, 2023, and First Amendment to Operating Agreement dated December 3, 2024, by and between Merit Energy Company, LLC, as Operator, and Merit Hugoton, L.P. and Eiger Resources, LLC, as Non-Operators, covering the contract area as described therein, including the Unit Area covered by this Agreement (the "Senior JOA"). Under Article XVI.Q of the Senior JOA, one or more unit areas may be formed within the contract area covered by the Senior JOA, and in such event, the terms of the Senior JOA will be deemed to apply separately with respect to such unit area (such separate application, a "Junior JOA"). Notwithstanding anything to the contrary set forth in the Senior JOA, with respect to the Unit Area (i.e. the Unit Area covered by this Agreement), insofar as it covers and includes the Unitized Formations, this Agreement shall apply in lieu of and shall supersede the terms and provisions of the Senior JOA and any Junior JOA in their entirety.

I. Construction. Whenever the phrases "drill of a well," "drilling any well," "rework, deepen or plug back" a well, or similar language are used in this agreement, such language shall be interpreted to mean, in addition to its plain meaning, any operation to convert an existing well into an injection, disposal or water source well, or to convert an existing injection, disposal or water source well into a well producing oil and/or gas, whether such operation to convert the well is a drilling, deepening, reworking, plugging back or other operation, provided such well is utilized in the Enhanced Oil Recovery operations described in Article VI.A.

J. Oil Rights. The parties acknowledge and agree that the oil and gas leases and oil and gas interests that are subject to this agreement are limited to the oil rights in and to such interests and leases, and that the joint development and exploration of such leases and interests are limited to the oil rights, and the oil rights only, and that no party hereto shall own or be entitled to take its proportionate share of the production of any gas that is not part of the oil estate, or the proceeds thereof such gas.

,K. Meetings. Upon a Non-Operator's written request at least thirty (30), but not more than sixty (60), days prior to the end of a calendar quarter, as soon as practicable after the end of each calendar quarter, and in any event within thirty (30) days thereafter, the parties shall conduct a meeting hosted by the Operator, which such meeting may, at the discretion of Operator, be hosted virtually. Operator shall designate appropriate personnel, including the responsible operational and technical personnel, to attend the meeting. At the meeting, Operator shall present to, furnish to, and discuss with each Non-Operator the following:

a) A report describing the status and outcome of operations and activities within the Unit Area during the preceding quarter;

b) An analysis of capital expenses, operating expenses, and revenues within the Unit Area during the preceding quarter;

c) A plan identifying and explaining Operator's plans, objectives, and priorities for operations and activities within the Unit Area for the ensuing quarter, including good-faith estimates of the capital expenses, operating expenses, and revenues for such quarter, together with a projection of the timing of such operations and the expenses associated therewith, provided that for purposes of this Article XV.K.c., the plans, objectives, and priorities for operations and activities of Operator shall include those of a Non-Operator affiliate of the Operator.;

d) A report describing any events and developments materially affecting the rights and interests of the parties; and

e) A report summarizing or containing any seismic, geological, geochemical, and geophysical data collected during the preceding year and any interpretations thereof with respect to the Unit Area.

f) Operator shall, promptly upon acquiring actual knowledge thereof, notify Non-Operator of (i) any accident or event resulting in the death or injury of any person upon or in connection with operations within the Contract Area, (ii) any event, incident, or development (including any spill, discharge, or event that gives rise to a reporting obligation to a governmental body) that is reasonably anticipated to require an expense of more than one hundred thousand dollars ($100,000), and (iii) any proceeding, arbitration, action, suit, investigation, or other legal proceeding.

The obligations of the Operator under the foregoing meeting may be conducted concurrently with a meeting conducted pursuantto the Senior JOA.

L. Records. Operator shall keep correct books, accounts and records of the Unit Operations, including an account showing the charges paid and credits received in the conduct of Unit Operations, exclusive of proceeds attributable to unitized formations produced hereunder.

ARTICLE XVI.
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of / the effective date

O P E R A T O R

MERIT ENERGY COMPANY, LLC

By:____ ____
Christopher S. Hagge
Vice President

N O N - O P E R A T O R S

MERIT HUGOTON, L.P.

By:____
Christopher S. Hagge
Vice President

EIGER RESOURCES, LLC

By:____
Mickey Friedrich
President & CEO

PERCIVAL C. KEITH TESTAMENTARY TRUST

By:____

AMERICAN WARRIOR, INC.

By:____

ELSR, L.P.

By:____

LINKSLAND OPERATING, LLC

By:____

JOHN FREDERICK ALEXANDER

By:____

DANIEL C. ALEXANDER

By:____

ARTICLE XVI.
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of the effective date

OPERATOR

MERIT ENERGY COMPANY, LLC

By:______________________ ______________________
Christopher S. Hagge
Vice President

NON-OPERATORS

MERIT HUGOTON, L.P.

By:______________________
Christopher S. Hagge
Vice President

EIGER RESOURCES, LLC

By:______________________
Mickey Friedrich
President & CEO

Exhibit "A-1"

Attached to and made part of that certain Operating Agreement dated ________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "A-1," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

IDENTIFICATION OF LANDS SUBJECT TO THIS AGREEMENT

UNIT BOUNDARY MAP

NAPESTE UNIT (NU)

TRACT #1: (W2 W2 W2 E2 NW4, W2 NW4) Sec. 28-24S-32W
TRACT #2: (NE4) Sec. 29-24S-32W
TRACT #3: (NW4) Sec. 29-24S-32W
TRACT #4: (E2 E2 W2 NE4, E2 NE4) Sec. 30-24S-32W
insofar and only insofar as such lands cover and include the Unitized Formations as described in Exhibit A-2
Unit Size: 510 acres
FINNEY COUNTY, KANSAS

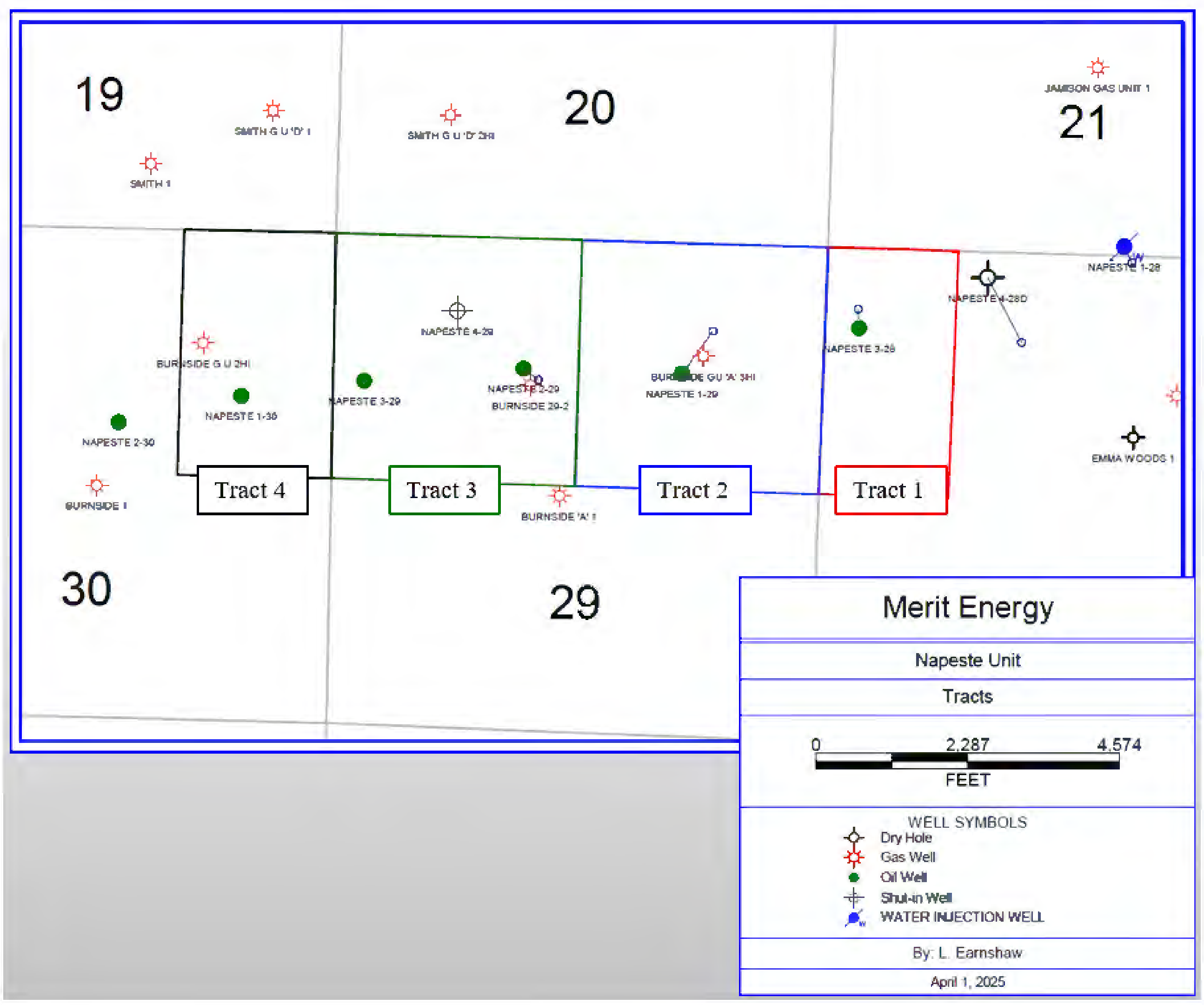


Exhibit "A-2"

Attached to and made part of that certain Operating Agreement dated ___________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "A-2," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

RESTRICTIONS TO DEPTHS, FORMATIONS AND SUBSTANCES

NAPESTE UNIT (NU)

Unitized Formations means the subsurface portion of the Unit Area described as the common source of supply of oil underlying the Unit Area formations. The top of the unitized interval is defined as the top of the Morrow, found at a measured depth of 4,762 feet (-1,896 subsea true vertical depth) in the Napeste 2-29 well (API 15-055-22609). The base of the unitized interval is defined as the top of the Spergen formation, found at a measured depth of 4,920 feet (-2,054 feet SSTVD) in the same Napeste 2-29 well. The Base of the St Louis formation is the same as the top of the Spergen formation. With it being intended that the covered depths include all stratigraphic equivalents of the between the Morrow formation and the Spergen formation.

Exhibit "A-3"

Attached to and made part of that certain Operating Agreement dated ____________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "A-3," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

PERCENTAGE INTERESTS OF PARTIES

NAPESTE UNIT (NU)

TRACT PERCENTAGE PARTICIPATION

Tract Number:	Legal Description:	Acres:	Tract Participation:
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	90	18.70%
2	(NE/4) Section 29-24S-32W	160	23.20%
3	(NW/4) Section 29-24S-32W	160	40.10%
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	100	18.00%
	TOTALS:	**510**	**100.00%**

WORKING INTEREST OWNERS

TRACT #:	LEGAL DESCRIPTION:	WORKING INTEREST OWNERS:	UNIT WI:	UNIT NRI:	ADDRESS:
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	MERIT HUGOTON, L.P.	10.6123%	9.2857%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
1	(W/2 W/2 W/2 E/2 NW/4, W/2 NW/4) Section 28-24S-32W	EIGER RESOURCES LLC	8.0713%	7.0624%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 1 Total:			**18.6835%**	**16.3481%**	
2	NE/4 Section 29-24S-32W	MERIT HUGOTON, L.P.	6.6001%	5.7751%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
2	NE/4 Section 29-24S-32W	EIGER RESOURCES LLC	5.0198%	4.3923%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
2	NE/4 Section 29-24S-32W	PERCIVAL C. KEITH TESTAMENTARY TRUST	4.3575%	3.8128%	c/o Travis Gist, Wells Fargo Wealth Management 201 Main Street, Suite 400, Fort Worth, TX 76102
2	NE/4 Section 29-24S-32W	AMERICAN WARRIOR, INC.	3.9944%	3.4951%	P.O. Box 399 Garden City, KS 67846
2	NE/4 Section 29-24S-32W	ELSR, L.P.	1.0894%	0.9532%	8080 N. Central Expwy #1420 Dallas, TX 75080
2	NE/4 Section 29-24S-32W	LINKSLAND OPERATING, LLC	1.0894%	0.9532%	1202 Richardson Dr #115 Richardson, TX 75080
2	NE/4 Section 29-24S-32W	JOHN FREDERICK ALEXANDER	0.5447%	0.4766%	2406 52nd St S Gulfport, FL 33707
2	NE/4 Section 29-24S-32W	DANIEL C. ALEXANDER	0.5447%	0.4766%	3710 Wingate Dr Carmichael, CA 95608
Tract 2 Total:			**23.2400%**	**20.3349%**	
3	NW/4 Section 29-24S-32W	MERIT HUGOTON, L.P.	22.7903%	19.9415%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240

3	NW/4 Section 29-24S-32W	EIGER RESOURCES LLC	17.3335%	15.1668%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 3 Total:			**40.1237%**	**35.1083%**	
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	MERIT HUGOTON, L.P.	10.1972%	8.9226%	13727 NOEL ROAD, SUITE 1200 DALLAS, TX 75240
4	(E/2 E/2 W/2 NE/4, E/2 NE/4) Section 30-24S-32W	EIGER RESOURCES LLC	7.7556%	6.7862%	2525 KNIGHT STREET, STE 300 DALLAS, TX 75219
Tract 4 Total:			**17.9529%**	**15.7088%**	
		UNIT TOTAL:	**100.00%**	**87.50%**	

Exhibit "A-4"

Attached to and made part of that certain Operating Agreement dated ____________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "A-4," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

OIL AND GAS LEASES AND/OR OIL AND GAS INTERESTS SUBJECT TO THIS AGREEMENT

NAPESTE UNIT (NU)

TRACT #1:

Lessor:	Emma C.C. Damme Wood and Charles E. Wood her husband and Henry H. Damme, Lucille Damme his wife and William H. Damme single man, and Theodore F. Damme and Mary Damme his wife.
Lessee:	Fred C. Koch
Date:	September 8, 1944
Bk/Pg:	Bk. 14/ Pg. 200
Legal:	INSOFAR AS SAID LEASE COVERS: W/2 W/2 W/2 E/2 NW/4, W/2 NW/4 of Section 28-24S-32W, Finney County, Kansas

TRACT #2:

Lessor:	John H. Burnside and Olive Bell Burnside, husband and wife and Magnolia Petroleum Company.
Lessee:	O.F. Beatty
Date:	March 18, 1944
Bk/Pg:	Bk. 13/ Pg. 256
Legal:	INSOFAR AS SAID LEASE COVERS: NE/4 of Section 29-24S-32W, Finney County, Kansas

TRACT #3:

Lessor:	John H. Burnside and Olive Bell Burnside, husband and wife.
Lessee:	Fred C. Koch
Date:	April 5, 1944
Bk/Pg:	Bk. 13/ Pg. 251
Legal:	INSOFAR AS SAID LEASE COVERS: NW/4 of Section 29-24S-32W, Finney County, Kansas

TRACT #4:

Lessor:	Fred C. Koch and Mary R. Koch, husband and wife.
Lessee:	E.G. Bradley
Date:	August 28, 1946
Bk/Pg:	Bk. 15/ Pg. 465
Legal:	INSOFAR AS SAID LEASE COVERS: E/2 E/2 W/2 NE/4, E/2 NE/4 of Section 30-24S-32W, Finney County, Kansas

Exhibit "A-5"

Attached to and made part of that certain Operating Agreement dated ____________________("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "A-5," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

ADDRESSES OF PARTIES FOR NOTICE PURPOSES

NAPESTE UNIT (NU)

Parties:	UNIT WI%
Merit Hugoton, L.P. 13727 Noel Road, Suite 1200 Dallas, Texas 75240	50.1999%
Eiger Resources, LLC 2525 Knight Street, Suite 300 Dallas, Texas 75219	38.1802%
PERCIVAL C. KEITH TEST TRUST c/o Travis Gist, Wells Fargo Wealth Management 201 Main Street, Suite 400 Fort Worth, TX 76102	4.3575%
AMERICAN WARRIOR, INC. P.O. Box 399 Garden City, KS 67846	3.9944%
ELSR, L.P. 8080 N. Central Expwy #1420 Dallas, TX 75080	1.0894%
LINKSLAND OPERATING, LLC 1202 Richardson Dr #115 Richardson, TX 75080	1.0894%
JOHN FREDERICK ALEXANDER 2406 52nd St S Gulfport, FL 33707	0.5447%
DANIEL C. ALEXANDER 3710 Wingate Dr Carmichael, CA 95608	0.5447%

Exhibit "B"

Attached to and made part of that certain Operating Agreement dated _________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "B," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

FORM OF LEASE

PROD 88 (REV 11/03) **PAID UP OIL AND GAS LEASE**

PRINTED IN USA

THIS LEASE AGREEMENT is made as of the ______ day of ______ 20__ between_______________________________ as "Lessor" (whether one or more), and **MERIT HUGOTON, L.P., 13727 Noel Road, Suite 1200, Dallas, TX 75240**, as "Lessee".

1. **Description.** Lessor in consideration of a cash bonus and other good and valuable consideration, in hand paid and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises (use Exhibit "A" for long description):

in the County of ___________________, State of ________________, containing _____________ gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of __One (1)____ year from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are capable of being produced in paying quantities from the leased premises or from lands pooled or unitized therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-eighth (1/8) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of any ad valorem taxes and production, severance or other excise taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil or other liquid hydrocarbons, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be one-eighth (1/8) of the market value of such gas or substances determined at the well, which value is less a proportionate part of any ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances. Royalties may be paid based on an index price derived from Inside FERC or other valid oil and gas industry publications, adjusted for transportation costs and related fees, and such index price shall constitute market value for the purposes of this clause. Lessee shall have the continuing right to sell such production to itself or an affiliate; and (c) If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. **Depository Agent.** All shut-in royalty payments under this lease shall be paid or tendered Directly to Lessor at Lessor's address herein, or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument, naming another institution as depository agent to receive payments.

5. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well (other than a horizontal completion) shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for

an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 15,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 15,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to
pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require: and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall he subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

14. **In the event the term of this lease has not been extended by production or some other provision contained in the lease, Lessee is hereby given the exclusive right and option to extend the primary term of this lease as to all or any portion of the land covered hereby for an additional two (2) years from the date of expiration of the original primary term. This option may be exercised by Lessee at any time during the last year of the original primary term hereof by paying or tendering to Lessor, or its successor, the sum of Fifty and No/100 Dollars ($50.00) per net mineral acre covered by this lease. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a paid-up primary term of five (5) years. Payment shall be considered made and option exercised by mailing payment to last known address of Lessor or its assigns.**

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

__________________________________ ______________________________________

ACKNOWLEDGEMENTS

STATE OF __________________________________

INDIVIDUAL

COUNTY OF _______________________________ (For use in all states)

On this _______________ day of _______________, **20___**, before me, the undersigned Notary Public in and for said county and state, personally appeared____, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal an of the date hereinabove stated.

____
My Commission Expires

____
Notary Public

Exhibit " C "
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that certain Operating Agreement, Napeste Unit (NU), between Merit Energy Company, LLC, as Operator, and Merit Hugoton, L.P., and Eiger Resources, LLC, as Non-Operators thereto. All terms and words in this Exhibit "C" shall have the same meaning as prescribed in the operating agreement unless otherwise defined herein.

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

3. ADVANCES AND PAYMENTS BY THE PARTIES

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

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

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

4. ADJUSTMENTS

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

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

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

5. EXPENDITURE AUDITS

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

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

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

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

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

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

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

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

C. AFFILIATES

For the purpose of administering any / voting procedure, if Parties to this Agreement are Affiliates of each other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates.

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

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

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

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

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

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

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

Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by a majority in interest of the Parties.

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

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

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

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

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

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

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

3. MATERIAL

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

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

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

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ______twelve______ percent (____12____%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 100,000 If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of a majority in interest of / the Parties.

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of a majority in interest of / the Parties, if the charges exceed $ 100,000 in a given calendar year.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens / Including reasonable attorneys' fees and costs incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement.

Costs for procuring abstracts, fees paid to / ~~Landmen, whether third party contracted or employed by Operator,~~ outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

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

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

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters.

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

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

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

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

- human resources
- management
- supervision not directly charged under Section II.2 (*Labor*)
- legal services not directly chargeable under Section II.9 (*Legal Expense*)
- taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)

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

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

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

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

A. TECHNICAL SERVICES

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

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

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

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

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

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

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

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

B. OVERHEAD—FIXED RATE BASIS

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

Drilling Well Rate per month $ 10,000 (prorated for less than a full month)

Producing Well Rate per month $ 300

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

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

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

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

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

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

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

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

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

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

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

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

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

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

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

(1) ____5_____% of total costs if such costs are less than $100,000; plus

(2) ____3_____% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ____2_____% of total costs in excess of $1,000,000.

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

(1) ____3_____% of total costs if such costs are less than $100,000; plus

(2) ____2_____% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) ____1_____% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

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

2. TRANSFERS

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

A. PRICING

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

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

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

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

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

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

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

B. FREIGHT

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

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

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

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

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

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

C. TAXES

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

D. CONDITION

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

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

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

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

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

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

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

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

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

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

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

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

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

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

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

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

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

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

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

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

1. DIRECTED INVENTORIES

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

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

A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by a majority in interest of / the Parties. The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

Exhibit "D"

Attached to and made part of that certain Operating Agreement dated ____________________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "D," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

INSURANCE

Operator shall carry the following insurance coverage:

a) Worker's Compensation Insurance complying with the statutes in states in which operations are to be performed and Employer's Liability Insurance with limits of not less than $500,000.00.

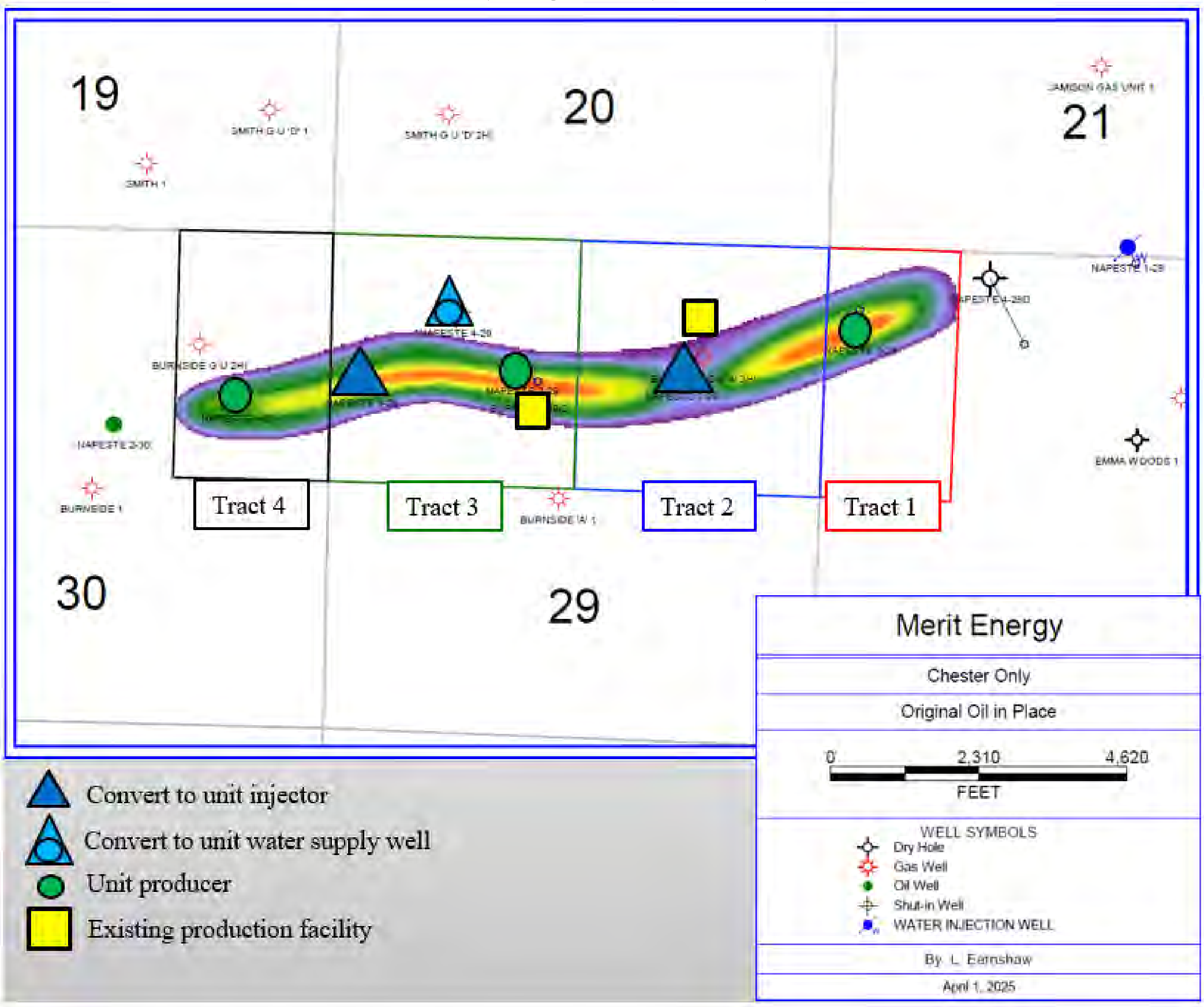
b) Commercial General Liability Insurance of $1,000,000.00 per occurrence.

c) Automobile Liability Insurance of $500,000.00 per occurrence.

EXHIBIT "E"

Attached to and made part of that certain Operating Agreement dated _______________ ("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "E," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

DEVELOPMENT PLAN



Summary of Development Plan:
Operator proposes to form the Napeste Unit for the purpose of increasing oil recovery in the unitized formation through water injection ("waterflooding").

The development plan is a direct line drive patterned flood designed to maximize displaced oil within the development as currently mapped. The waterflood plan requires the following operations:

- Conversion of two wells to injection: the Napeste 1-29 and the Napeste 3-29
- Deepening of one inactive well for water supply: the Napeste 4-29
- Modification of two existing production facilities and installation of injection equipment
- Modification of an existing Water Supply Line to tie into the Napeste 1-29 facility
- Construction of a ~0.25-mile water supply line from the Napeste 4-29

The two facilities will manage and distribute injection water to their respective injection wells. Other surface and subsurface facilities will be installed, operated and maintained as needed. These facilities are located directly next to the Napeste 2-29 and Napeste 1-29, within the proposed unit.

Modifications to this development plan may occur to optimize economics and/or operations with the overriding goal of preventing waste and increasing the volume of oil ultimately recovered from the unitized formation.

Exhibit "G"

Attached to and made part of that certain Operating Agreement dated ____________________("Agreement") between Merit Energy Company, LLC, Operator, and the Non-Operators thereto. All terms and words in this Exhibit "G," and any of its supporting schedules, shall have the same meanings as set forth or otherwise described in the Agreement.

MEMORANDUM OF OPERATING AGREEMENT
AND NOTICE OF SECURITY INTEREST

This Memorandum of Operating Agreement and Notice of Security Interest is executed by Merit Energy Company, LLC, 13727 Noel Road, Suite 1200, Dallas, Texas 75240, as Operator, to be effective on the Effective Date of the Operating Agreement described herein.

Operator hereby gives notice to all interested parties, that Operator has entered into that certain Napeste Unit Operating Agreement, dated the ___ day of _________, 20__ ("Operating Agreement"), by and between Operator and other owners of working interests in and to the Oil and Gas Leases described on Exhibit A attached hereto, as Non-Operators, governing unit operations under such Leases insofar as they cover the lands and depths described on Exhibit A, and that Non-Operators' interests in the Oil and Gas Leases described on Exhibit A hereto are subject to the terms and provisions of the Operating Agreement. The names and addresses of Non-Operators are set forth on Exhibit A attached hereto.

Operator further gives notice that the Operating Agreement includes (1) a provision wherein each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment and personal property, to secure payment of its obligations under the Operating Agreement.

This instrument is to be recorded in the land records, and is intended as a Financing Statement covering as-extracted collateral, and equipment and personal property acquired in unit operations. The names of the owners of the real property described on Exhibit A attached hereto are listed on Exhibit A attached hereto.

IN WITNESS WHEREOF, Operator has executed this Notice the date of the acknowledgement below.

MERIT ENERGY COMPANY, LLC

By__________________________________
Name: Christopher S. Hagge
Title: Vice President

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

This instrument was acknowledged before me on this _____ day of ______________, 2025, by Christopher S. Hagge, as Vice President of Merit Energy Company, LLC, a Delaware limited liability company, on behalf of said company.

____________________ ______________________________
My commission expires: Notary Public

EXHIBIT D

To the Application of Merit Energy Company, LLC (#32446) for an order authorizing the unitization and unit operation of the Napeste Unit

Merit Hugoton, L.P. *via hand-delivery* 13727 Noel Road, Suite 1200 Dallas, Texas 75240	Eiger Resources LLC 2525 Knight Street, Suite 300 Dallas, TX 75219
American Warrior, Inc. P.O. Box 399 Garden City, KS 67846	Scout Energy Management, LLC 13800 Montfort Drive Dallas, TX 75254
Snyder Royalty, LLC 12605 Oakland Hills Lane, Unit #1 Berlin, MD 21811	William H & Erma C Damme Farms, LLC P. O. Box 36 Talmage, NE 68448
Kathryn S. Maxwell Trust 1034 E. Whitton Ave. Phoenix, AZ 85014	Carolyn A. Keller 2926 Vallejo St. Denver, CO 80211
Lucille E. Ramsey 786 S. Nelson St. Lakewood, CO 80226-3864	Mobil Oil Corporation P. O. Box 841065 Dallas, TX 75284-1065
Brookover Land Enterprises, LP 50 Grandview Dr. Garden City, KS 67846-0917	Jane B Alsop Trust 484 Upper Mill Heights Salina, KS 67401
Barbara L. Burnside 1710 Chateau Bend Ct. Katy, TX 77450	Joe R Burnside 207 Bullard Drive Garden City, KS 67846
Robert G. Summerbell 512 Pine St. Madison, WI 53715	Jon K. Summerbell 382 Lorraine St. Glen Ellyn, IL 60137
Kathleen Coco 4712 Pershing Ave. SE Albuquerque, NM 87108	Rebecca E. Deaton 4548 N. Paulina St. Chicago, IL 60640
Adam A. Deaton 437 E. 84^{th} St. New York City, NY 10028	Erin Haskell Ross Rev Trust 720 Dorset St. Charlotte, VT 05445
E. Brooke Danielson Haskell P. O. Box 808 Bayside, CA 95524	Cille Burnside Williams 300 Gilpin St. Denver, CO 80218
Shirley A. Burnside P. O. Box 70 Buffalo, OK 73834	Koch Exploration Company, LLC P. O. Box 201734 Houston, TX 77216-1734
The Jennie Perelman Foundation 1 Bala Avenue, Suite 310 Bala Cynwyd, PA 19004	O'Brate Royalty Inc. P. O. Box 399 Garden City, KS 67846
Percival C. Keith Trust Wells Fargo Bank SAO P. O. Box 40909 Austin, TX 78704	ELSR, L.P. 8080 N. Central Expwy #1420 Dallas, TX 75080
Linksland Operating, LLC 1202 Richardson Dr., #115 Richardson, TX 75080	John F. Alexander 2406 52^{nd} St. S. Gulfport, FL 33707
Daniel C. Alexander 3710 Wingate Dr. Carmichael, CA 95608	

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Merit	)	Docket No. 25-CONS-3390-CUNI
Energy Company, LLC, for an Order	)	
Authorizing the Unitization and Unit	)	CONSERVATION DIVISION
Operation of the Napeste Unit to be	)	
located in Finney County, Kansas	)	License No. 32446

NOTICE OF APPLICATION

TO: ALL OIL AND GAS OPERATORS, PRODUCERS AND LESSEES, OIL AND GAS LESSORS AND ROYALTY OWNERS, MINERAL INTEREST OWNERS, LANDOWNERS, OVERRIDING ROYALTY INTEREST OWNERS, OTHER OWNERS OF OIL AND GAS INTERESTS, MORTGAGEES OF OIL AND GAS INTERESTS, AND ALL OTHER PERSONS CONCERNED:

You and each of you are hereby notified that Merit Energy Company, LLC ("Merit") has filed an Application with the Kansas Corporation Commission ("Commission") pursuant to K.S.A. 55-1301, et seq., seeking an order authorizing the unitization and unit operation of the Napeste Unit ("Unit"). The area of the proposed Unit, which will be operated by Merit, includes the W/2 W/2 W/2 E/2 NW/4 & W/2 NW/4 of Section 28, the N/2 of Section 29, and the E/2 E/2 W/2 NE/4 & E/2 NE/4 of Section 30, all in Township 24 South, Range 32 West, Finney County, Kansas.

Merit proposes to unitize the oil and gas rights to a pool within the Unitized Formations underlying the area of the Unit. The Unitized Formations are described as the top of the Morrow found at a measured depth of 4,762' (-1,896' subsea) to the top of the Spergen formation (i.e, base of the St. Louis formation) found at a measured depth of 4,920' (-2,054' subsea) as shown in the well logs for the Napeste 2-29 well (API No. 15-055-22609), located approximately 1,542' FNL and 2,223' FWL in Section 29-T24S-R32W. Merit intends to conduct a secondary recovery waterflood operation within said pool in order to increase the recovery of oil and gas reserves, and will allocate such production, and the costs thereof, from the Unit across four tracts within the Unit on a fair, reasonable and equitable basis.

The Application is pending with the Commission. Any persons who object or protest to the granting of the Application shall be required to file their objections or protests in writing with the Commission within 15 days after the date of this publication. If a written protest is not timely filed, the Application may be determined administratively by the Commission and may thereby be granted without hearing or further notice to any interested party. All objections and protests shall clearly state the reasons why granting the Application will violate correlative rights, cause waste, or pollute water resources. Objections or protests shall be mailed to the Kansas Corporation Commission, Conservation Division, 266 N. Main St., Ste. 220, Wichita, KS 67202, with a copy to Merit's attorneys listed below. All parties in any way interested or concerned shall take notice of the foregoing and govern themselves accordingly.

Jonathan A. Schlatter, #24848
MORRIS LAING LAW FIRM
300 N. Mead, Suite 200
Wichita, KS 67202-2745
Office (316) 262-2671
Fax (316) 262-6226
Attorneys for Merit Energy Company, LLC

CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 17th day of June, 2025, I caused the original of the foregoing Application with its attached Exhibits A, B, C, and D, and the Notice of Application to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and caused true and correct copies of the same to be deposited in the United States Mail, first class, postage prepaid, and properly addressed to the parties listed on Exhibit D to the Application.

Jonathan A. Schlatter