

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

**REQUEST FOR CHANGE OF OPERATOR
TRANSFER OF INJECTION OR SURFACE PIT PERMIT**

*Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act,
MUST be submitted with this form.*

Form T-1
April 2019
Form must be Typed
Form must be Signed
All blanks must be Filled

Check applicable boxes:

- ☐ Oil Lease: No. of Oil Wells _____ **
- ☐ Gas Lease: No. of Gas Wells _____ **
- ☐ Gas Gathering System: _____
- ☐ Saltwater Disposal Well - Permit No.: _____
- Spot Location: _____ feet from ☐ N / ☐ S Line
_____ feet from ☐ E / ☐ W Line
- ☐ Enhanced Recovery Project Permit No.: _____
- Entire Project: ☐ Yes ☐ No
- Number of Injection Wells _____ **

Field Name: _____

**** Side Two Must Be Completed.**

Effective Date of Transfer: _____

KS Dept of Revenue Lease No.: _____

Lease Name: _____

____ - ____ - ____ - ____ Sec. ____ Twp. ____ R. ____ ☐ E ☐ W

Legal Description of Lease: _____

County: _____

Production Zone(s): _____

Injection Zone(s): _____

Surface Pit Permit No.: _____
(API No. if Drill Pit, WO or Haul)

_____ feet from ☐ N / ☐ S Line of Section

_____ feet from ☐ E / ☐ W Line of Section

Type of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☐ Drilling

Past Operator's License No. _____

Contact Person: _____

Past Operator's Name & Address: _____

Phone: _____

Title: _____

Date: _____

Signature: _____

New Operator's License No. _____

Contact Person: _____

New Operator's Name & Address: _____

Phone: _____

New Operator's Email: _____

Oil / Gas Purchaser: _____

Date: _____

Title: _____

Signature: _____

Acknowledgment of Transfer: The above request for transfer of injection authorization, surface pit permit # _____ has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

_____ is acknowledged as
the new operator and may continue to inject fluids as authorized by
Permit No.: _____. Recommended action: _____

Date: _____
Authorized Signature

_____ is acknowledged as
the new operator of the above named lease containing the surface pit
permitted by No.: _____.
Date: _____
Authorized Signature

DISTRICT _____ EPR _____ PRODUCTION _____ UIC _____

KDOR Lease No.: _____

* Lease Name: _____ * Location: _____

A separate sheet may be attached if necessary.

* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1

July 2014

Form Must Be Typed

Form must be Signed

All blanks must be Filled

CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: ☐ **C-1** (Intent) ☐ **CB-1** (Cathodic Protection Borehole Intent) ☐ **T-1** (Transfer) ☐ **CP-1** (Plugging Application)

OPERATOR: License # _____

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

Contact Person: _____

Phone: (_____) _____ Fax: (_____) _____

Email Address: _____

Well Location:

____ - ____ - ____ Sec. ____ Twp. ____ S. R. ____ ☐ East ☐ West

County: _____

Lease Name: _____ Well #: _____

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

Surface Owner Information:

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

☐ I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.

☐ I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: _____ Signature of Operator or Agent: _____ Title: _____

ASSIGNMENT AND BILL OF SALE OF OIL AND GAS LEASES

Date: August 1, 2021

Assignor: COLT ENERGY, INC. & COLT NATURAL GAS, L.L.C.

Assignee: EXO DRILL FUND I, LP

For the one dollar and other consideration, receipt and sufficiency of which are acknowledged, Assignor does hereby sell, assign, transfer and convey to Assignee all of Assignor's right, title and interest in and to the following oil and gas leases:

LEASES DESCRIBED IN EXHIBIT "A" ATTACHED HERETO

together with the rights incident thereto, the wells, personal property, equipment and fixtures thereon or appurtenant thereto. All of such wells, property, equipment and fixtures are sold, conveyed and transferred "as is" and "where is". Except for the limited warranty of title set forth below, Assignor makes no warranties, including warranty of merchantability or fitness for a particular purpose, express, implied, or statutory, concerning same.

RESERVATION OF OVERRIDING ROYALTY. Assignor reserves unto itself, its successors or assigns, and excepts from this assignment, an overriding royalty interest of an undivided **TWO AND ONE HALF PERCENT (2.50%) OF ALL (8/8)** oil, gas, products of oil and/or gas, and all other hydrocarbons, produced, saved and sold from the leases described in EXHIBIT A. Such overriding royalty interest shall be free of all development, production, and operating expenses and charges of any other nature and shall not be reduced by, or otherwise share in discharging, any Lease burdens. Such overriding royalty interest shall constitute a burden or obligation with respect to each lease included in EXHIBIT A, and shall exist for the life of each such lease plus any extensions or renewals thereof. For purposes hereof, "extension or renewal" includes but is not limited to any leasehold interest covering any portion of the lands described in EXHIBIT A, acquired by or for the benefit of Assignee or its successors or assigns within one (1) year following the termination, cancellation or surrender of any lease described in EXHIBIT A.

As material consideration for this assignment, and by its acceptance hereof, Assignee expressly assumes and agrees to comply with, from and after the effective date of this assignment, all lease terms and conditions, the express and implied covenants created by the lease, and the statutory and regulatory duties, obligations and liabilities of the operator and owner of the leasehold interest and the wells, personal property, equipment and fixtures thereon, appurtenant thereto, or used or obtained in connection therewith. Assignee expressly assumes all costs, risks or expenses incident to or resulting from operations on said lease, production of oil or gas, the abandonment or plugging of any well or wells thereon, and the removal of any materials therefrom or cleanup or restoration thereof, from and after the effective date of this assignment. Assignee agrees to forever indemnify and hold Assignor harmless from and against any liability, claim, demand, action, damage, penalty or cost arising from Assignee's failure to comply with the provisions of this paragraph, including reasonable attorney fees, litigation and administrative costs incurred by Assignor to defend any matter covered by this paragraph or to enforce Assignee's obligation to indemnify Assignor. Responsibility is hereby transferred to and accepted by

Assignee for all wells located on the oil and gas leases transferred hereby, specifically including, but not limited to those wells described on Exhibit 'B' attached hereto.


Assignor covenants with Assignee and its heirs, successors, legal representatives and assigns, that the interests and titles herein assigned are free and clear of liens and encumbrances made, suffered or incurred by, through or under Assignor; and that Assignor will forever warrant and defend the title to said interests against all persons whomsoever lawfully claiming or to claim the same by, through, or under Assignor, but not otherwise. Except for such limited warranty of title herein expressly provided, this assignment is made without warranties of any kind, either express or implied, and Assignor neither represents nor warrants the validity of any lease nor any right, title or interest of the lessee thereunder or incident thereto.

The provisions hereof shall be binding upon, and inure to the benefit of, Assignor and Assignee and their respective heirs, successors, affiliates, legal representatives and assigns.

EXECUTED and EFFECTIVE, as of the 1st day of August, 2021.


"ASSIGNOR"

Colt Energy, Inc.

By: 
David Powell, President - Colt Energy, Inc.
David Powell, President - Colt Energy, Inc.,
Managing Member of Colt Natural Gas, LLC.

"ASSIGNEE"

EXO Drill Fund I, LP

By: 
Landy Doyel, Partner

STATE OF Kansas

ss: **ACKNOWLEDGMENT FOR CORPORATION**

COUNTY OF Johnson

Be it remembered that on this 30th day of July, 2021, before me, the undersigned, a Notary Public, duly commissioned, in and for the county and state aforesaid, came David Powell, President of **Colt Energy, Inc.**, a corporation of the State of Kansas on its own behalf and also as managing member of **Colt Natural Gas, LLC**, a Kansas Limited Liability Company personally known to me to be such officer, and to be the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation and limited liability company, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year last above written.

My commission expires: May 9, 2025

Stephanie L. Wofford
Notary Public Stephanie L. Wofford



STATE OF OKLAHOMA

ss: **ACKNOWLEDGMENT FOR A DELAWARE LIMITED PARTNERSHIP**

COUNTY OF TULSA

This instrument was acknowledged before me this 9TH day of AUGUST, 2021, by Landy Doyel, known to me to be the Partner of **EXO Drill Fund I, LP**, a Delaware Limited Liability Partnership, who affirmed that the foregoing instrument was signed on behalf of such company and that the execution of this instrument was the free act and deed of such company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year last above written.

My commission expires: 6/4/2025

Don L. Williams
Notary Public



EXHIBIT "A"
OF
ASSIGNMENT AND BILL OF SALE OF OIL AND GAS LEASES

NORTH SCHULTZ
LEASE

100% W.I.; .850000 N.R.I.

LESSOR: Fred W. Schultz and Donna V. Schultz, H & W
LESSEE: Mack C. Colt, Inc.
DATE: May 13, 1989
RECORDED: Book 431, Page 1228
DATE RECORDED: May 15, 1989
PROPERTY: The South 100 acres of the Southwest (SW/4) of Section Twelve (12), Township Fourteen (14) South, Range Twenty (20) East of the 6th P.M.; LESS the following tracts: (1) beginning 1117.02 feet East of the Southwest corner of said SW/4, thence North 712.0 feet, thence East 925.48 feet, thence South 712.0 feet to the South line of said SW/4, thence West along said South line 925.48 feet to the point of beginning, containing 15.12 acres, more or less, and (2) beginning at the Southeast corner of said SW/4, thence West 527.5 feet, thence North 578 feet, thence East 527.5 feet to the East line of SW/4, thence South 578 feet to the point of beginning, containing 6.97 acres, more or less in Douglas County, Kansas.

H. SHEPHARD-WEBSTER
LEASE

100% W.I.; .850000 N.R.I.

LESSOR: Harold C. Shephard and Marla Jo Webster, joint tenants
LESSEE: Colt Energy, Inc.
DATE: September 8, 2011
RECORDED: Book 1078, Page 2411
DATE RECORDED: September 23, 2011
PROPERTY: W/2 NE/4 Section 13, Township 14 South, Range 20 East, Douglas County, Kansas.

CAROLINE
SHEPHARD LEASE

100% W.I.; .850000 N.R.I.

LESSOR: Caroline B. Shephard, Trustee under the Caroline B. Shephard Trust
Dated December 17, 2004
LESSEE: Colt Natural Gas, LLC
DATE: January 14, 2011
RECORDED: Book 1071, Page 415
DATE RECORDED: January 19, 2011
PROPERTY: NW/4 Section 13, Township 14 South, Range 20 East, Douglas County, Kansas.

EXHIBIT "B"
OF
ASSIGNMENT AND BILL OF SALE OF OIL AND GAS LEASES

<u>Well Count</u>	<u>API Number</u>	<u>Lease Number</u>	<u>Well Number</u>
1	15-045-21089	North Schultz	3
2	15-045-21162	North Schultz	4
3	15-045-20981	Harold Shephard	7
4	15-045-20939	Harold Shephard	1
5	15-045-20982	Harold Shephard	8
6	15-045-20983	Harold Shephard	9
7	15-045-21074	Harold Shephard	11
8	15-045-20969	Harold Shephard	3
9	15-045-20984	Harold Shephard	10
10	15-045-21001	Harold Shephard	SWD-1
11	15-045-20970	Caroline Shephard	4
12	15-045-21088	Caroline Shephard	14
13	15-045-20943	Caroline Shephard	2
14	15-045-20972	Caroline Shephard	6
15	15-045-20971	Caroline Shephard	5
16	15-045-21076	Caroline Shephard	13
17	15-045-21075	Caroline Shephard	12

CONTRACT OPERATING AGREEMENT

THIS CONTRACT OPERATING AGREEMENT (this “**Contract Operating Agreement**” or this “**Agreement**”) is entered into on the 13th day of August, 2021 to be effective as of the 1st day of August, 2021 (“**Effective Date**”), by and between **EXO Drill Fund I, LP**, a Delaware limited liability company (“**Customer**”), Party of the First Part for which the Services are to be performed, and **E2 Operating LLC**, an Oklahoma limited liability company (“**Operator**”), Party of the Second Part performing the Services for the Party of the First Part, with Customer and Operator sometimes herein being referred to together as the “**Parties**” and individually as a “**Party**.”

WHEREAS, Customer is an owner and the operator of various oil, gas and mineral leases located within certain Areas of Mutual Interest (“**AMIs**”) lying and being situated in the States of Kansas, all as more fully defined in Paragraph 1 below and more fully described in Exhibit “A” attached hereto and made a part hereof (the “**O&G Properties**”) and has developed certain prospects on said O&G Properties all as more fully defined in Paragraph 1 below and more fully described in Exhibit “A” attached hereto and made a part hereof (the “**O&G Prospects**”);

WHEREAS, Customer and Operator desire that, for the duration of the Contract Operating Term, Customer shall act as operator of record for all O&G Properties described on Exhibit “A” attached hereto;

WHEREAS, Customer and Operator desire that Operator shall perform certain Operating Services (as defined in Paragraph 2 below) for any wells currently producing and now operated by Customer (“**Operated Properties**”) as well as for any wells hereafter drilled by Operator as Contract Operator on the O&G Properties from the Effective Date for the duration of the Contract Operating Term (including any extension thereof), in each case in the manner and to the extent that such Operating Services are (i) appropriate for the safe, efficient, and productive operation of the business of Customer; (ii) consistent with best industry practices; (iii) in accordance with applicable Federal and State laws; (iv) consistent with being a reasonable prudent operator as such term is commonly used in the oil and gas industry; and (v) in accordance with the terms and conditions of this Contract Operating Agreement (all of which standards enumerated in (i), (ii), (iii), (iv), and (v) above shall be individually or collectively, as applicable, referred to herein as “**Applicable Operating Standards**”); and

WHEREAS, the parties desire that Operator participate in, drill, and operate as Contract Operator of one or more exploratory wells on the O&G Prospects under the terms and conditions set forth in this Contract Operating Agreement in fulfillment of Contractual Obligations and in accordance with Applicable Operating Standards.

NOW, THEREFORE, for and in consideration of the mutual covenants herein, the Parties stipulate and agree as follows:

1. **DEFINITIONS.** Unless otherwise defined in this Contract Operating Agreement, capitalized terms used herein have the meanings given to such terms below.

- (a) The term “**AFE**” shall mean Authorization for Expenditure.
- (b) The term “**Claims**” shall mean all claims, demands, causes of action, liabilities, damages, judgments, fines, penalties, awards, losses, costs, expenses (including, without limitation, attorneys’ fees and costs of litigation) of any kind or character arising out of, or related to, the performance of or subject matter of this Agreement or any work by Customer or Operator, as the case may be, negligent or otherwise, including, without limitation, property loss (whether above ground or below ground), pollution (whether above ground or below ground and however defined at law or otherwise), remediation, environmental damage, destruction or damage, personal or bodily injury, sickness, disease or death, loss of services and/or wages, loss of consortium or society, loss of use, business interruption, action over, third party action over and any and all other claims however brought.
- (c) The term “**Contract**” shall mean any joint operating agreement (“**JOA**”), Marketing Contract, or other contractual agreement to which Customer was a party prior to the Effective Date or which Customer enters into after the Effective Date.
- (d) The term “**Customer Group**” shall mean, individually or in any combination, Customer, the Customer’s parent, affiliates, subsidiaries, joint venturers, joint interest owners, partners, co-owners, co-lessees and each of their respective directors, officers, agents, representatives, employees and invitees.
- (e) The term “**Defend**” shall mean the obligation of the indemnitor at the indemnitees’ election (i) to defend the indemnitees at its sole expense or (ii) to reimburse the indemnitees’ reasonable expenses incurred in defending themselves. Notwithstanding the indemnitee’s election of option (i) above, the indemnitee shall be entitled to participate in its defense.
- (f) The terms “**Operated Properties**” or “**Properties**” shall consist of the O&G Properties, whether described under named Wells or as properties within an AMI, but not yet in a unit, on attached Exhibit “A”.
- (g) The term “**Operator Group**” shall mean, individually or in any combination, Operator, the Operator’s parent, affiliates, subsidiaries and subcontractors, and each of their respective directors, officers, agents, representatives, employees and invitees.

2. **SCOPE OF SERVICES.** As of the Effective Date, Operator will begin overseeing daily operations, in the name of, on behalf of, and for the benefit of Customer, by providing Operating Services and Accounting Services for the Operated Properties as an independent contractor acting in the role of Contract Operator, subject to the terms, conditions, and limitations

set forth in this Contract Operating Agreement (as the context indicates, individually or collectively, the “**Operating Services**”, “**Accounting Services**”, or the “**Services**”).

In the performance of the Services contemplated hereunder, Operator shall perform (or shall cause the employees, consultants, and representatives of Operator to perform) the Services in the name of Customer and in accordance with Applicable Operating Standards, which Services shall consist of the following duties to the extent and only to the extent such Services are rendered in conjunction with the contract operatorship of the Properties:

(a) Operating the Operated Properties; provided, however, that Customer will remain as the operator of record for the Operated Properties and that Customer will continue to be responsible under law and in fact for the performance of certain functions and activities for which Customer is not responsible as described in Paragraph 5;

(b) Performing all functions in the name of Customer and, except as limited in Paragraph 5 below, in the role of a Contract Operator as generally understood in the oil and gas industry and in accordance with Applicable Operating Standards and duties imposed under any Contracts to which Customer is a party, including without limitation performing the duties of Operator under any JOA or as Operator in a manner consistent with JOA standards in the event that Customer has no partners in particular wells and leases (“**Contract Operator**”);

(c) Overseeing marketing, nominations, oil and gas control, and other similar services under existing contracts entered into by Customer to gather, transport, market, store, or sell the oil and gas production from the Properties (individually or collectively, “**Marketing Contracts**”) or under Marketing Contracts hereafter entered into on a spot or month-to-month basis and (with Customer's prior written approval) to receive proceeds from (i) the sale of production attributable to the Properties (to the extent not paid by the purchasers of production directly to Customer); (ii) gathering, compressing, transporting, drilling, or other services rendered by Operator on behalf of Customer; and/or (iii) payments not encompassed within (i) or (ii) immediately above, such as gas balancing payments in lieu of in kind volumes, overpayments of AFEs, cash calls, insurance, taxes or items similar or dissimilar to those enumerated in (e) below in which Customer is entitled to payment, or other payments for the benefit of Customer or for which Customer is responsible;

(d) Overseeing land administration, landman, regulatory compliance, production reporting, geoscience, technical, operational, secretarial, and other duties and responsibilities performed by Customer personnel, including its employees, consultants, contractors, and subcontractors, regardless of whether it would otherwise be encompassed within the general and administrative overhead of Customer;

(e) Administering the books, records and accounts associated with ownership of the Properties, including, but not limited to, providing Customer with copies of daily drilling, workover and safety incident reports; preparing and filing all appropriate forms and reports for governmental agencies; and preparing and sending reports, change of operator notices or designations to third party co-owners as necessary;

(f) Causing to be paid severance, production and similar taxes, lease rentals, shut-in royalties, minimum royalties, payments in lieu of production, royalties, overriding royalties, production payments, net profit payments and other similar burdens associated with the ownership of the Properties, to the extent that, prior to Effective Date, such amounts were paid directly by Customer and not by either the operators of the Properties or by the purchasers of production from the Properties;

(g) Paying operating costs associated with ownership of the Properties or the operation of the Operated Properties;

(h) Sending joint interest billings and cash calls to owners of the Operated Properties and receive cash calls and billings from joint interest owners attributable to the Operated Properties;

(i) Submitting reports regarding royalty payments to federal or state authorities concerning the Properties, as appropriate;

(j) Submitting production and severance tax reports with respect to the Operated Properties to federal or state authorities, with contemporaneous copies to Customer concerning the Properties, as appropriate; and

(k) Preparing a Contract Operating Term Final Report that summarizes, with copies of appropriate supporting documentation, Operator's activities on behalf of Customer during the Contract Operating Term within not more than ninety (90) days after the expiration of the Contract Operating Term.

Services described in clauses (a), (b), (c), (d), and (e), except to the extent that a portion of such Services also constitute Accounting Services, shall be referred to herein as “**Operating Services.**” Services described in clauses (f), (g), (h), (i), (j), and (k) shall be referred to herein as “**Accounting Services.**” As used in this Agreement, the “**Contract Operating Term Final Report**” shall mean the final report that will be prepared by Operator based upon all actual production, sales proceeds, joint interest billings, and cash calls attributable to Customer, all actual expenses and costs attributable to Customer pursuant to this Contract Operating Agreement, and all other amounts attributable to Customer that are accrued or owed, but are not yet paid or payable during the Contract Operating Term. As soon as practicable, but in any event within thirty (30) days after receipt of the Contract Operating Term Final Report, Operator shall prepare and deliver a written response either: (1) acknowledging receipt of and agreement with the Contract Operating Term Final Report or (2) containing any proposed changes to the Contract Operating Term Final Report, together with an explanation of any such changes and the reasons therefore. To the extent that Customer may suggest changes to the Contract Operating Term Final Report with which Operator does not agree, the Parties shall endeavor in good faith to reconcile their respective divergent positions with respect to such Report.

3. **BILLINGS TO OTHERS.** During the Contract Operating Term,

(a) Operator shall oversee, prepare and send, in the name of and on behalf of Customer, all joint interest billings for the Operated Properties to joint interest owners of the Operated Properties;

(b) If Operator receives any subsequent invoices that pertain to the operations of the Operated Properties after the Contract Operating Term, and those invoices pertain to charges subsequent to the expiration of the Term, Operator shall forward all such invoices to Customer for payment by Customer;

(c) Customer shall reimburse Operator for all invoices paid by Operator, if any, on behalf of Customer, incurred hereunder within ten (10) business days of receipt of notice of such payments and supporting documentation; and

(d) The Parties contemplate that all monies to be paid or received during the Contract Operating Term shall be paid or received by and in the name of Customer, but Operator agrees to promptly turn over any funds it inadvertently may receive in the course of performing Services hereunder and Customer agrees to reimburse Operator for any funds, if any, that Operator has paid on Customer's behalf.

4. **CONTRACT OPERATING TERM AND EARLY TERMINATION.** This Agreement commences as of the Effective Date and shall continue for a period of an initial period of five (5) years from the Effective Date and, year to year thereafter on an evergreen basis unless terminated by either Party at the end of the initial term or any year extension thereof by giving at least sixty (60) days advance notice the other Party prior to the expiration of the initial term or any year extension thereof. Operator shall secure and thereafter retain possession and control in its office of all records and files of Customer at such time as Operator deems desirable or reasonably necessary for providing Operating Services and Accounting Services, and Operator shall be provided with immediate electronic access to and furnish physical access to and/or copies of all records and files to Customer as deemed desirable or necessary by Operator or Customer to perform the Services contemplated under this Contract Operating Agreement.

5. **LIMITATION ON SERVICES.** The following limitations apply with respect to the Services contemplated hereunder in connection with performing the Operating Services:

(a) Other than this Contract Operating Agreement, Customer shall not enter into any Contract in its own name or on its own behalf having a duration in excess of three (3) calendar months and/or with respect to any proposed capital expenditures in excess of \$25,000.00 with respect to the operations of the Operated Properties during the Contract Operating Term without the prior consent of Operator, but rather Operator shall be obligated to secure, for formal execution by Customer upon Operator's recommendation, all Contracts reasonably acceptable to Operator and Customer that may be necessary for the operation of the Operated Properties or to otherwise perform the Services. Each of Operator and Customer agree to consult with other Party with respect to any Contract having a duration in excess of three (3) calendar months and/or with respect to any proposed capital expenditures in excess of \$25,000.00. Upon request, Operator agrees to join with Customer in the execution of any Contract requiring Operator's joinder, if any, that may be necessary for the operation of the Operated Properties during the Contract Operating Term of this Contract Operating Agreement; **provided, however, that Operator shall have no contractual liability under any such Contract and shall be entitled to indemnification from Customer pursuant to Paragraph 7(c) below.**

(b) The scope of Operating Services shall include, but Operator shall not be responsible for the results of or any liability associated with, providing in good faith any technical evaluation regarding any drilling, reworking or other capital expenditure projects. Operator shall be responsible for timely forwarding notices to Customer to enable Customer to make informed responses and to direct Operator to make such responses on Customer's behalf. After receiving Operator's written recommendations, Customer shall be responsible for making, or directing Operator to make, any response or non-responses to any elections (including AFEs) pertaining to the Operated Properties, but Operator shall have no responsibility or liability therefore if Operator does not receive Customer's directions regarding an election to be made by Operator. **Operator (including for all purposes hereunder its officers, directors, employees, agents, consultants, or representatives) shall not be responsible for the accuracy of any information furnished in good faith by Operator or any of its Subsidiaries to Customer, and shall not be liable to Customer or to any third parties for any (i) claims based upon the inclusion of any inaccurate information furnished by Operator to Customer and used by Customer in any reports or (ii) results obtained from any other use by Customer of any inaccurate information so furnished.** Customer acknowledges and agrees that its employees and the employees of Operator's subsidiaries shall be required to, and will in fact, devote substantial time in assist Operator in the performance of Services to Customer and its subsidiaries to enable Operator to continue the operation of the Properties and the performance of the Operating Services and Accounting Services in the same manner as immediately prior to Commencement Date or as otherwise required by Contract or applicable law. Customer also acknowledges that the employees of Operator providing the Services have, and will continue to have, responsibilities with respect to the business of Operator to which said Operator personnel will be required to devote substantial time and effort, in addition to the business of Operator and its Affiliates, other than the operation of the Operated and Non-Properties and the Operating and Accounting Services to be performed hereunder; and

(c) In the event Operator drills any well as a Contract Operator or undertakes any other drilling, workover or other capital expense operations (individually or collectively, **"Drilling Operations"**) with respect to any Operated Properties in which Operator either owns an interest, or will earn an interest, in the Properties, Operator's actions shall continue to be governed by this Contract Operating Agreement as between Customer and Operator, but Operator shall also be subject to the terms of any JOA, Participation Agreement, farmout agreement and/or other agreement to which Operator and/or the Properties are subject in the course of performing Operating Services with respect to the requested drilling, workover or other capital expense operations, including without limitation the Applicable Contracts. If such Drilling Operations are conducted on Properties in which Operator does not own, and is not acquiring, an interest in the Properties and such Drilling Operations are being conducted on the Properties at the request of Customer, then the parties agree that Operator shall not be exposed to, and Customer agrees to protect, defend, and hold Operator harmless from, any liability or responsibility for any acts or failures to act on the part of Operator with respect to any such operations undertaken by Operator at Customer's request, all of which operations shall be at Customer's sole risk and expense.

6. **COMPENSATION, EXPENSES, AND PARTICIPATION RIGHTS.** As and for compensation for Services to be rendered hereunder, Operator shall be entitled to receive the following:

(a) With respect to any existing wells as well as to Customer's retained non-operating working interest in any of the Wells in any of the O&G Prospects, Customer's proportionate share of COPAS fees and reimbursable expenses shall be calculated under the COPAS provisions of any Exhibit "C" and payable under any JOA or other Applicable Contract that would otherwise be payable to Customer as "Operator" shall instead be paid to Operator as Contract Operator;

(b) If and to the extent not covered by COPAS fees as contemplated in (a) above, the fees set forth in Exhibit "C" for Operating Services and Accounting Services that would not be performed for the other non-operating participating parties under any JOAs constituting part of the Applicable Contracts; and

(c) If and to the extent not covered by COPAS or otherwise as contemplated in (a) and (b) above, reimbursement from Customer for all of its out-of-pocket costs and expenses.

7. DISCLAIMER OF WARRANTIES/INDEMNIFICATION.

(a) Notwithstanding any other term of this Agreement to the contrary, Operator makes no, and in fact expressly disclaims any and all, representations and warranties, express, implied or statutory, with respect to the performance or results of the Services, except that Operator shall perform the Services during the term of this Agreement in a manner consistent with best industry practice, or as otherwise required by Contract or applicable law.

(b) ***OPERATOR'S INDEMNITY.*** OPERATOR SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD HARMLESS CUSTOMER GROUP FROM AND AGAINST ANY AND ALL CLAIMS FOR OR BASED UPON DAMAGE TO PROPERTY, PERSONAL INJURY, BODILY INJURY OR DEATH OF ANY MEMBER OF THE CUSTOMER GROUP OR THE OPERATOR GROUP OR ANY THIRD PARTY TO THE EXTENT CAUSED BY ANY NEGLIGENT OR WILLFUL ACTS OR OMISSIONS OF ANY MEMBER OF OPERATOR GROUP OR BREACH BY OPERATOR OF ANY PROVISION OF THIS AGREEMENT OR ANY CONTRACT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF CUSTOMER GROUP AND/OR A THIRD PARTY, THE INDEMNIFICATION OBLIGATION OF OPERATOR HEREUNDER SHALL BE LIMITED TO OPERATOR GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

(c) ***CUSTOMER'S INDEMNITY.*** CUSTOMER SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD HARMLESS OPERATOR GROUP FROM AND AGAINST ANY AND ALL CLAIMS FOR OR BASED UPON DAMAGE TO PROPERTY, PERSONAL INJURY, BODILY INJURY OR DEATH OF ANY MEMBER OF THE OPERATOR GROUP OR THE CUSTOMER GROUP OR ANY THIRD PARTY TO THE EXTENT CAUSED BY ANY NEGLIGENT OR WILLFUL ACTS OR OMISSIONS OF ANY MEMBER OF CUSTOMER GROUP OR BREACH BY CUSTOMER OF ANY PROVISION OF THIS AGREEMENT OR ANY CONTRACT; PROVIDED THAT, IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OR FAULT OF OPERATOR GROUP AND/OR A THIRD PARTY, THE INDEMNIFICATION

OBLIGATION OF CUSTOMER HEREUNDER SHALL BE LIMITED TO CUSTOMER GROUP'S ALLOCABLE SHARE OF SUCH JOINT OR CONCURRENT NEGLIGENCE OR FAULT.

8. FORCE MAJEURE.

(a) If any Party is rendered unable, wholly or in part, by an event of force majeure to carry out its obligations under this Agreement, other than obligations to make money payments which shall not be affected by any such event, that Party shall give the non-affected Party prompt written notice of the force majeure event with reasonably full particulars of the event and its consequent inability to carry out its obligations, whereupon the obligations of the Party giving notice, to the extent affected by the event of force majeure, shall be suspended during, but no longer than, the duration of the event of force majeure. The affected Party shall use all reasonable diligence to remedy the inability to perform its obligation caused by the event of force majeure as quickly as reasonably possible under the circumstances.

(b) The requirement that any event of 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 in a manner or on terms contrary to such Party's wishes, and the handling and resolution of such labor difficulties shall be entirely within the discretion of the Party concerned.

(c) The term "**event of force majeure**" shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, terrorism, 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 the inability or suspension of performance.

9. **ASSIGNABILITY.** This Agreement may not be assigned by Operator without the prior written consent of Customer, and Operator may not delegate its duties or responsibilities hereunder to a third party without the prior written consent of Customer. No assignment of any rights hereunder by Customer shall relieve Operator of any obligations and responsibilities hereunder.

10. **GOVERNING LAW; JURISDICTION, VENUE; JURY WAIVER.** THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF KANSAS, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. ALL OF THE PARTIES HERETO CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE COURTS OF THE STATE OF TEXAS FOR ANY ACTION ARISING OUT OF THIS AGREEMENT. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO, ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS AGREEMENT SHALL BE EXCLUSIVELY LITIGATED IN COURTS HAVING A SITUS IN SAN ANTONIO, BEXAR COUNTY, TEXAS. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW,

ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

11. **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. Any signature hereto delivered by a Party by facsimile transmission shall be deemed an original signature hereto.

12. **INDEPENDENT CONTRACTOR.** In their performance of the Services, Operator shall be considered an independent contractor, and in no event shall either Party be deemed a partner, co-venturer or agent of the other Party. None of the persons utilized by Operator in the performance of Services hereunder shall be deemed to be an employee of Customer nor entitled to any benefits available to a Customer employee. Compensation required to be paid to such persons engaged by Operator to perform any Services hereunder shall be the sole responsibility of Operator.

13. **NO RESTRICTIONS.** Customer recognizes that Operator is not performing the Services under this Agreement on an exclusive basis and agrees that Operator is only obligated to devote such time under this Agreement as is reasonably necessary to perform the Services in the same manner as Customer performed such Services immediately prior to the Commencement Date. Nothing contained in this Agreement shall prevent either Customer or Operator from engaging in any other business activities.

14. **NOTICES.**

(a) All notices and communications required or permitted to be given hereunder shall be in writing and shall be delivered personally, or sent by bonded overnight courier, or mailed by U.S. Express Mail or by certified or registered United States Mail with all postage fully prepaid, or sent by facsimile transmission (provided any such facsimile transmission is confirmed either orally or by written confirmation), addressed to the appropriate Party, as follows:

If to Operator:

E2 Operating, LLC
1560 E. 21st Street
Suite 215
Tulsa, OK 74114
Attn: Manager

If to Customer:

EXO Drill Fund I, LP
1560 E. 21st Street
Suite 215
Tulsa, OK 74114
Attn: Manager

(b) Any notice given in accordance herewith shall be deemed to have been given when delivered to the addressee in person, or by courier, or transmitted by facsimile transmission during normal business hours, or upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be. The parties hereto may change the address, telephone numbers, and facsimile numbers to which such communications are to be addressed by giving written notice to the other parties in the manner provided in this Paragraph 14(b).

15. **INSURANCE.**

(a) Each party, at its expense, shall procure and maintain, effective as of the date hereof, insurance in accordance with Exhibit "D" to the Joint Operating Agreements included among the Applicable Agreements covering its indemnification and other responsibilities under this Agreement.

(b) All insurance policies obtained and maintained as required hereunder shall name the other Party (and include all of said Party's Indemnified Parties and the contractors and subcontractors of the Indemnified Parties) as additional insureds, and shall also include a waiver of subrogation by the insurers in favor of the Indemnified Parties (including the contractors and subcontractors of the Indemnified Parties). Such insurance shall be primary to any insurance maintained by said Party with respect to matters for which the other Party is responsible under this Agreement.

16. **AMENDMENT.** This Agreement may be amended only by a formal written instrument duly executed by both Parties hereto.

17. **WAIVER: RIGHTS CUMULATIVE.** Any of the terms, covenants, representations, warranties, or conditions hereof may be waived only by a formal written instrument executed by or on behalf of the Party hereto waiving compliance. No course of dealing on the part of Customer and Operator, nor by their respective officers, employees, agents, or representatives, nor any failure by Customer or Operator to exercise any of its rights under this Agreement shall operate as a waiver thereof nor affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party of any condition, or any breach of any term, covenant, representation, or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation, or warranty. The rights of Customer and Operator under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

18. **SEVERABILITY.** If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this

Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

19. **PARTIES IN INTEREST.** Except for the Parties hereto, no other person shall have any right, benefit, priority, or interest hereunder or as a result hereof or have standing to require satisfaction of the provisions hereof in accordance with their terms; provided that the indemnity and defense provisions in Paragraph 7(b) shall inure to the benefit of the Customer Indemnified Parties and the Operator Indemnified Parties as provided therein. Any claim for defense, indemnity or hold harmless hereunder on behalf of a member of the Customer Indemnified Parties or the Operator Indemnified Parties must be made and administered by Customer and Operator, respectively.

20. **PREPARATION OF AGREEMENT.** Both Customer and Operator and their respective counsel participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption shall arise based on the identity of the primary draftsman of this Agreement.

21. **ENTIRE AGREEMENT; CONFLICTS.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT AMONG CUSTOMER AND Operator PERTAINING TO THE PROVISION OF THE SERVICES AND SUPERSEDES ALL PRIOR AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS, AND DISCUSSIONS, WHETHER ORAL OR WRITTEN, OF THE PARTIES PERTAINING TO THE PROVISION OF THE SERVICES. THERE ARE NO WARRANTIES, REPRESENTATIONS, OR OTHER AGREEMENTS AMONG THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, AND NEITHER Operator NOR CUSTOMER SHALL BE BOUND BY OR LIABLE FOR ANY ALLEGED REPRESENTATION, PROMISE, INDUCEMENT, OR STATEMENTS OF INTENTION NOT SO SET FORTH.

22. **JOINT AND SEVERAL LIABILITY.** The covenants made by each Party are joint and several.

23. **BONDING REQUIREMENTS.** Customer shall continue to comply with the bonding requirements of the applicable governmental agency and other governmental authorities, together with any bonding or other security requirements provided for in any Contracts, as they relate to the Operated Properties.

The Parties have caused their duly authorized representatives to execute this Agreement as of the day and year first set forth above.

PARTY OF THE FIRST PART:

Customer: EXO Drill Fund, I LP


Name: *Chris Bird*
Title: President

PARTY OF THE SECOND PART:

Operator: E2 Operating LLC



Name: *Chris Bird*
Title: President

EXHIBIT "A"

O&G Properties

Leases

**NORTH SCHULTZ
LEASE**

100% W.I.; .850000 N.R.I.

LESSOR: Fred W. Schultz and Donna V. Schultz, H & W
LESSEE: Mack C. Colt, Inc.
DATE: May 13, 1989
RECORDED: Book 431, Page 1228
DATE RECORDED: May 15, 1989
PROPERTY: The South 100 acres of the Southwest (SW/4) of Section Twelve (12), Township Fourteen (14) South, Range Twenty (20) East of the 6th P.M.; LESS the following tracts: (1) beginning 1117.02 feet East of the Southwest corner of said SW/4, thence North 712.0 feet, thence East 925.48 feet, thence South 712.0 feet to the South line of said SW/4, thence West along said South line 925.48 feet to the point of beginning, containing 15.12 acres, more or less, and (2) beginning at the Southeast corner of said SW/4, thence West 527.5 feet, thence North 578 feet, thence East 527.5 feet to the East line of SW/4, thence South 578 feet to the point of beginning, containing 6.97 acres, more or less in Douglas County, Kansas.

**H. SHEPHARD-WEBSTER
LEASE**

100% W.I.; .850000 N.R.I.

LESSOR: Harold C. Shephard and Marla Jo Webster, joint tenants
LESSEE: Colt Energy, Inc.
DATE: September 8, 2011
RECORDED: Book 1078, Page 2411
DATE RECORDED: September 23, 2011
PROPERTY: W/2 NE/4 Section 13, Township 14 South, Range 20 East, Douglas County, Kansas.

**CAROLINE
SHEPHARD LEASE**

100% W.I.; .850000 N.R.I.

LESSOR: Caroline B. Shephard, Trustee under the Caroline B. Shephard Trust Dated December 17, 2004
LESSEE: Colt Natural Gas, LLC

DATE: January 14, 2011
 RECORDED: Book 1071, Page 415
 DATE RECORDED: January 19, 2011
 PROPERTY: NW/4 Section 13, Township 14 South, Range 20 East,
 Douglas County, Kansas.

Wells

<u>Well Count</u>	<u>API Number</u>	<u>Lease Number</u>	<u>Well Number</u>
1	15-045-21089	North Schultz	3
2	15-045-21162	North Schultz	4
3	15-045-20981	Harold Shephard	7
4	15-045-20939	Harold Shephard	1
5	15-045-20982	Harold Shephard	8
6	15-045-20983	Harold Shephard	9
7	15-045-21074	Harold Shephard	11
8	15-045-20969	Harold Shephard	3
9	15-045-20984	Harold Shephard	10
10	15-045-21001	Harold Shephard	SWD-1
11	15-045-20970	Caroline Shephard	4
12	15-045-21088	Caroline Shephard	14
13	15-045-20943	Caroline Shephard	2
14	15-045-20972	Caroline Shephard	6
15	15-045-20971	Caroline Shephard	5
16	15-045-21076	Caroline Shephard	13
17	15-045-21075	Caroline Shephard	12