BLACK WARRIOR BASIN EXPLORATION AGREEMENT

BNK PETROLEUM (US) INC.

and

BWB EXPLORATION, LLC

Effective November 1, 2008

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EXHIBIT

GLOSSARY OF SPECIFICALLY DEFINED TERMS

BLACK WARRIOR BASIN
EXPLORATION AGREEMENT

This Black Warrior Basin Exploration Agreement ("**Agreement**") is entered into by and between BNK Petroleum (US) Inc., a Texas corporation, ("**BNK**"), whose address is 601 Daily Drive, Suite 210, Camarillo, CA 93010, and BWB Exploration, LLC ("**Company**"), a Delaware limited liability company. BNK, Company, and each permitted assign are each respectively herein sometimes called a "**Party**" and together collectively called the "**Parties**".

RECITALS

A. WHEREAS, BNK and Company have agreed to establish an AMI in the Black Warrior Basin to explore for, develop, and operate properties for oil and gas for their joint benefit;

B. WHEREAS, by Purchase and Sale Agreement ("**PSA**") dated April 20, 2006, Vintage Petroleum LLC ("**Vintage**"), as Seller, agreed to sell, and BNK, as Purchaser, agreed to buy certain properties as more particularly identified therein, including (among other properties not subject to this Agreement) properties in the Black Warrior Basin;

C. WHEREAS, pursuant to and subject to the PSA, Vintage assigned to BNK all of Vintage's right, title and interest in and to its oil, gas, and mineral leases in the Black Warrior Basin and such Assignments (collectively, "**Vintage Assignments**") are recorded as follows:

State/County	Date Recorded	Volume/Page
Pickens, Alabama	June 5, 2006	213/2
Sumter, Alabama	July 6, 2006	213/696
Lowndes, Mississippi	June 5, 2006	2006/4058
Noxubee, Mississippi	June 2, 2006	610/221

The Vintage Assignments were amended to correct errors and inconsistencies in the documents. The correction assignments are recorded as follows:

State/County	Date Recorded	Volume/Page
Pickens, Alabama	March 14, 2008	234/485
Sumter, Alabama	February 26, 2008	219/90
Lowndes, Mississippi	February 13, 2008	2008/346
Noxubee, Mississippi	February 7, 2008	620/767

D. WHEREAS, all of the rights, titles and interests acquired by BNK from Vintage pursuant to the Vintage Assignments in the AMI are subject to this Agreement and are herein collectively called the "**Vintage Interests**";

E. WHEREAS, BNK subsequently sold and conveyed to Company all of BNK's right, title, and interests in and to oil, gas, and mineral leases, fee mineral interests, overriding royalty interests and any and all other interests in oil and gas and/or oil and gas rights in the AMI, to include, without limitation, the Vintage Interests still in force and effect, which are all subject to this Agreement and are herein collectively called the "**Company Interests**";

F. WHEREAS, all of BNK's remaining right, title, and interests in and to oil, gas, and mineral leases, fee mineral interests, overriding royalty interests and any and all other interests in oil and gas and/or oil and gas rights in the AMI, if any, are subject to this Agreement and are herein collectively called the "**BNK Interests**";

G. WHEREAS, the BNK Interests and the Company Interests are herein collectively called the "**Exploration Interests**", and, the oil and gas leases included in the Exploration Interests are herein collectively called the "**Leases**";

H. WHEREAS, this Agreement sets forth the agreements of BNK and Company regarding their exploration, development and operation of the Exploration Interests, the Leases, and the AMI; and

I. WHEREAS, reference is respectively here made for all purposes to the PSA, the Vintage Assignments, the Leases, and to each of the attached Exhibits A through D which are incorporated herein by reference for all purposes.

NOW, THEREFORE, for ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1.0 Area of Mutual Interest

1.1. Area of the AMI and Field AMI. An Area of Mutual Interest ("**AMI**") is established among the Parties and is comprised of the Exploration Interests, all lands within one mile of any part of the Exploration Interests, and all lands described on Exhibit A or within the boundaries shown on any map attached hereto as Exhibit A and designated as the Area of Mutual Interest. The Parties agree that the reference to the Exploration Interests and to Exhibit A, is adequate as an enforceable legal description of the AMI and shall be deemed sufficient to satisfy any applicable statute of frauds or other law pertaining to the adequacy of legal descriptions, but if it shall be determined by any court of competent jurisdiction that some or any part of the description is not enforceable, the Parties covenant and agree to reform Exhibit A to reflect the reasonable intent of the Parties. On the Effective Date of a Field JOA(s), the Contract Area for the Field JOA shall be deleted from the AMI and shall thereafter comprise a separate "**Field AMI**" as to the Contract Area described in that Field JOA only.

1.2. Term of the AMI and Field AMI. If not sooner terminated, the AMI shall terminate as to AMI Interests thereafter acquired, if more than two (2) years elapses between the date of final drilling rig release from an X Well and the date the next X Well is commenced, or on July 1, 2014, whichever occurs first. If not sooner terminated, each Field AMI shall terminate when the Field JOA terminates, provided however, if a Field JOA shall terminate while the AMI is still in force and effect, the Contract Area of the Field JOA shall revert to and again be covered by the AMI and the AMI JOA as Non-Field Acreage.

1.3 Parties' Interests in the AMI and Field AMI. Anything in this Agreement or in the AMI JOA to the contrary notwithstanding:

(a) Initial AMI Interests. The Exploration Interests are initially deemed for the purpose of this Agreement and the AMI JOA to be owned 50% by BNK and 50% by Company, irrespective of their actual record titles thereto. Hereafter, actual ownership of a Party may be reduced or increased as to a well, Field, Non-Field Acreage, Block, the Exploration Interests, or in a particular part thereof, whichever is applicable, but only as earned and assigned or released as provided herein.

(b) Field AMI Interests. For purposes of determining the rights of the Parties in a Field AMI, those rights shall be on a tract-by-tract basis and proportionate to the Parties' leasehold interest in a tract, as of the date an AMI Interest is offered by the Acquiring Party to the other Parties in the Field.

1.4. Acquisition of Additional Interests in the AMI or Field AMI. If, during the term of the AMI or Field AMI(s), any Party acquires any oil and gas lease (including, without limitation, a renewal, extension, modification, or amendment of a Lease), or the right to explore, develop and produce hydrocarbons from any lands within the AMI or Field AMI(s), including without limitation, the acquisition of fee simple title to mineral interests, force pooled interests, or has the opportunity to acquire any such interest by statute, regulation, order, option, farmin or any other means (all such leases, rights and opportunities collectively, "**AMI Interest**"), the acquiring Party ("**Acquiring Party**") shall promptly notify the other Parties of such acquisition by a notice which shall contain a description of the AMI Interest acquired or to be acquired and the price paid or to be paid and the material terms, conditions and obligations of any statute, regulation, order, lease, option, farmin or other contract respecting such acquisition. If an AMI Interest is partially within and partially outside of the AMI, then all of the AMI Interest shall be deemed to be within the AMI. If an AMI Interest is located partially or totally within an area of mutual interest created prior to the Effective Date by a valid and subsisting agreement to which one or more, but not all, of the Parties is a party, the right of all the parties to this Agreement, as between the Parties, shall be deemed to be subject to and subordinate to the third party area of mutual interest, so that the effect on the parties will effectively be a joint loss borne proportionately. Any Party electing to participate ("**Participating Party**") may elect to acquire its pro rata interest in the AMI Interest by notifying the Acquiring Party within thirty (30) days following receipt of such notice. All AMI Interests in which all Parties participate as herein provided, and which are not within a Field, shall be owned pro rata by each Participating Party in the same proportion that its then undivided interest in the Exploration Interests for purposes of this Agreement (excluding all of the Exploration Interests included within a Field) bears to the then aggregate interests of all Participating Parties in the Exploration Interests. Failure of any Party to make a timely election shall be deemed to be its election not to participate. If a Party does not elect to participate in the acquisition of an AMI Interest, the Participating Parties, including the Acquiring Party, may acquire such AMI Interest for their own accounts respectively and in the same proportions as the then undivided interest of each in the Exploration Interests (excluding all of the Exploration Interests included within a Field) bears to the then aggregate interests of all Participating Parties, including the Acquiring Party, in the Exploration Interests. If the AMI Interest is wholly or partially located within a Field(s), the rights of the Parties to participate in the AMI Interest as to the acreage within a Field shall be on a tract-by-tract basis as to the ownership in that Field. That is, the right to participate shall be proportionate within each tract, so that if all of the Parties in a tract elect to participate, the proportionate ownership interests in the tract remain constant, and if any Party refuses or fails to participate, the Participating Parties will acquire the AMI Interest as to that tract in the same proportions as each Participating Party's interest bears to the aggregate interests of all Participating Parties in that tract. Any AMI Interest acquired by less than all Parties having the right to participate as to that tract shall not be subject to this Agreement or the applicable operating agreement, but will be subject to a separate operating agreement similar in form and substance to the AMI JOA with Exhibit A to the separate operating agreement amended to reflect the ownership interests of the Participating Parties and the Contract Area amended to include only the AMI Interest. If the Party acting as Operator (or whose designee is acting as Contract Operator) acquires its pro rata part of any AMI Interest, the same Operator shall be operator of the separate operating agreement covering the AMI Interest. If the Party acting as Operator (or whose designee is acting as Contract Operator) does not acquire its pro rata interest, the Parties owning a majority-in-interest of the working interests included in the AMI Interest shall select the operator under that separate operating agreement. Until December 31, 2010, as to any Leases with lease extension clauses, each Party will elect to participate or to not participate in exercising the lease extension clause before the Participating Party is obligated to pay for any such lease extension.

1.5 Payment for Additional Interests in the AMI or Field AMI. If a Participating Party elects to participate in the acquisition of an AMI Interest, the Participating Party shall promptly pay its proportionate share of the acquisition price, including without limitation, bonus, brokerage commissions, fees and expenses, title reports and policies, legal fees, recording fees and delay rentals, and upon receipt of payment, the Acquiring Party shall execute, acknowledge and deliver to the Participating Party(s) an assignment of its proportionate interest in the AMI Interest. The assignment shall be substantially in the form of the Field Assignment (Exhibit C), amended to reflect the interests assigned. If an acquired AMI Interest involves an option, farmin or other contract, statute, regulation, or order imposing any other terms, conditions, or obligations on the acquisition, the Participating Party(s) shall assume and bear its proportionate share of all such terms, conditions, and obligations, and upon fulfillment of such terms, conditions, and obligations, the Acquiring Party shall execute, acknowledge and deliver an appropriate assignment to the Participating Party(s) which conforms as closely as possible to Exhibit C, amended to reflect the interests assigned.

1.6. Interests Subject to the AMI or Field AMI. The AMI shall cover all of the Exploration Interests owned by the Parties as of the Effective Date and all of the AMI Interests acquired by any Party after the Effective Date and prior to the termination of the AMI or Field AMI as to which all of the Parties participate and which are not included in a Field AMI(s). A Field AMI shall cover all of the Exploration Interests owned by the Parties as of the Effective Date and all of the AMI Interests acquired by any Party after the Effective Date as to which all of the Parties in the Field participate, and which are within the Contract Area of the Field JOA. The one mile buffer zone described in Section 1.1 does not apply to a Field AMI, and, as to the AMI, does not extend into the Contract Area for a Field JOA.

1.7 Present Assignment. It is the general intent of the Parties that if this Agreement is fully performed in accordance with its terms by the Parties, then the Exploration Interests will be owned as set forth in Section 1.3(a) and that the various assignments and releases placed of record will document the ownership interests of the Parties. However, there are multiple options and elections under this Agreement which may result in each Party ultimately owning some, none, or all of the Exploration Interests in part or all of the AMI, with similar differences in the wells and other personal property expected to be drilled or acquired hereunder. Because the exact interests owned by the Parties can only be determined through the performance of this Agreement, and to avoid unnecessary assignments, recording fees, transfer taxes, and other costs which cannot be correctly determined except as this Agreement is performed, the Parties have agreed that formal assignments will be executed and delivered as provided elsewhere in this Agreement. Nonetheless, the interest of BNK in the Exploration Interests shall be deemed a present assignment and a presently vested interest in BNK, which, subject to the other terms of this Agreement, may include some part or all of Company's interests in parts of the Exploration Interests. To the extent that BNK's interests may be held of record in the name of Company, Company is holding such interests as Trustee and nominee for BNK subject to and under the terms and conditions of this Agreement. At the request of any Party, the Parties will agree upon the form, execute, acknowledge, and place of record in the County where the Leases are located, a memorandum summarizing the principal provisions of this Agreement sufficient to place third parties on constructive notice of this Agreement and the fact that BNK may own some part or all of Company's recorded interest in the Exploration Interests.

2.0 Exploration Program

2.1 Operating Agreement and Designation of Operator. For purposes of this Agreement, the Parties hereto agree and are hereby bound by the terms and conditions of the operating agreement attached hereto and incorporated herein as Exhibit B ("**AMI JOA**"). The initial "**Contract Area**" under the AMI JOA is the AMI. The interests of the Parties on Exhibit A to the AMI JOA shall be as set forth in Section 1.3(a). For purposes of this Agreement, BNK shall act as "**Operator**" under the AMI JOA. BNK shall have the continuing right to designate at any time and from time-to-time a "**Contract Operator**" to perform all or any part of the duties and obligations of the Operator with respect to the actual exploring, drilling, completing, producing, operating, maintaining, reworking, plugging, and abandoning operations on the AMI or a Field AMI ("**Field Operations**") for the purpose of lawfully limiting the liability of BNK for Field Operations to be the same as the liability of a Non-operator. It shall not be necessary that the Contract Operator own any interest in the Contract Area, but the Contract Operator shall expressly assume the duties and obligations of the Operator as to the Field Operations. The AMI JOA provides in Article V.B. that the Operator can be removed by the affirmative vote of Non-Operators (as defined in the AMI JOA) then owning a majority interest based on ownership as shown on Exhibit A to the AMI JOA remaining after excluding the voting interest of Operator. For this purpose, if BNK has designated a Contract Operator, BNK and BNK's Contract Operator shall be deemed one and the same, and BNK shall not have a vote as Non-Operator for this purpose. The respective ownership of the Parties for this purpose shall be deemed to be their respective ownership interests in the Exploration Interests as set forth in Section 1.3(a). Any transfer by BNK of any interest in the Exploration Interests pertaining to a particular part of the AMI shall not in any way affect the right of BNK, or BNK's Contract Operator, to continue to act as Operator (or if appropriate, Sub-Operator) under the AMI JOA with respect to all of the Exploration Interests pertaining to all or any of the remainder of the AMI as to acreage not then included in a Field(s). As soon as practicable after the assignment of the interests earned by the Completing Parties in a Field under Section 3.6, the Completing Parties agree to execute a separate document substantially like the AMI JOA, with the Contract Area the same as the Field ("**Field JOA**"). The interests of the Completing Parties on Exhibit A to the Field JOA shall be completed to reflect the ownership interests of the Completing Parties in the Field. The Leases, Exploration Interests, and those Lands included within a Field JOA thereafter shall be deleted from the AMI JOA as to the Field, and the AMI JOA shall not apply to the Field, but the other provisions of this Agreement shall continue to apply. The Operator under the applicable operating agreement shall drill all wells proposed under this Agreement as to which Operator is a Drilling Party or the permitted designee of a Drilling Party. If the Party acting as Operator (or whose designee is acting as Contract Operator) is not a Drilling Party, then the Operator shall be determined under Article VI.B.2 of the applicable operating agreement. To the extent that this Agreement is in conflict with or inconsistent with the AMI JOA, a Field JOA, or any of them, this Agreement shall control. Otherwise, the rights and duties of the Parties to this Agreement shall be governed by the applicable operating agreement.

2.2 Management of Exploration Program by Operator. The Operator under the AMI JOA will originate and manage an ongoing program ("**Exploration Program**") to acquire the Exploration Information which the Operator reasonably and prudently believes is most likely to assist in the identification of specific parts of the AMI as an exploration and development prospect ("**Exploration Prospect**") upon which X and D Wells could be drilled. Each part of the Exploration Program ("**Exploration Project**") shall be defined by the Operator (except as otherwise herein stated), and shall consist of activities to acquire Exploration Information of a specific type on a specific part of the AMI. The Operator will invite and accept the cooperation of all Parties in the origination and implementation of the Exploration Program, and each Party will undertake such cooperation on a timely basis and make its recommendations to the Operator with respect to each Exploration Project. It is the intent of the Parties to agree upon the Exploration Program, but the Parties are not required to agree, and to the extent they cannot agree, then the rights of the Parties shall be as otherwise provided herein. The Operator shall use its best efforts to originate and manage the Exploration Program and the wells drilled thereunder, so that it is reasonably projected that the entire BNK Promote will be expended as herein provided on or before July 1, 2011, or a Test Well will be proposed on each Block, whichever occurs first, unless otherwise agreed by BNK.

2.3 Participation in and Conduct of Exploration Projects. When the Operator has defined an Exploration Project, the Operator shall give notice to the Parties reasonably explaining the Exploration Project and the estimated cost. Within thirty (30) days following receipt of such notice, each Party shall give notice to the Operator advising whether the Party approves or disapproves that Exploration Project. A failure by any Party to give such notice shall be deemed that Party's disapproval of that Exploration Project. Until the BNK Promote is fully expended, any Exploration Project proposed or approved by BNK shall be deemed approved and shall be undertaken by Operator, but shall not be paid as part of the BNK Promote unless approved by 51% of all Parties in interest as to their AMI interests. After the BNK Promote has been fully expended, the Operator shall not undertake any Exploration Project for the Joint Account without the approval of Parties then owning a majority in interest in the Exploration Interests as to that part of the AMI on which that Exploration Project is to be conducted. A 50/50 tie vote is not a majority in interest. This Section 2.3 shall not apply, and Article VII.D.3 of the applicable operating agreement shall apply, to any Exploration Project determined by the Operator to have a total cost which is less than the amount specified in Article VII.D.3 of the applicable operating agreement and which is (i) originated by the Operator, or (ii) accepted by the Operator upon the recommendation of any Party.

2.4 Targeted Formations for Exploration Projects. Until the expenditure or commitment of all of the BNK Promote as herein provided, the Exploration Program will primarily undertake to acquire Exploration Information which will assist the Parties in identifying Exploration Prospects for the drilling thereon of X and D Wells to be completed in the Pottsville Sands or the Floyd Shale Formations. Until the BNK Promote is fully expended, any other targeted formation proposed or approved by BNK shall be deemed approved and shall be undertaken by Operator to acquire Exploration Information pertaining to such other geological formations, but shall not be paid as part of the BNK Promote unless approved by 51% of all Parties in interest as to their AMI interests. After the expenditure or commitment by the Operator of all of the BNK Promote, the Operator may undertake additional Exploration Projects of its origination and incur expenses for Exploration Projects under Article VII D.3 of the applicable JOA, without any limitation as to target formations imposed by this Section 2.4.

2.5 Proposal of Exploration Projects by Non-Operators. At any time any Party may propose a specific Exploration Project on the AMI, just as if that Party were the Operator acting under Section 2.2, and within thirty (30) days following receipt of such a proposal, each Party shall give notice to the proposing Party and the Operator advising whether the Party agrees or does not agree to participate in such Exploration Project. A failure by any Party to give such notice shall be deemed to be that Party's disapproval of that Exploration Project.

2.6 Payment for Exploration Projects. If approved as herein provided, each Exploration Project shall be conducted by the Operator, and the costs of such Exploration Project ("**Exploration Costs**") shall be paid as part of the BNK Promote until the BNK Promote is fully expended. Exploration Costs for an approved Exploration Project which cannot be paid as part of the BNK Promote shall be charged to the Joint Account. The salaries, wages and personal expenses of employees (including, without limitation, technical employees) of the Operator or any Party either temporarily or permanently assigned to or directly employed in the Exploration Program shall never at anytime be charged to the Joint Account.

2.7 Exploration Projects by Less Than All Parties. If a proposed Exploration Project is not approved, a Party or Parties may undertake the Exploration Project at their own risk and expense, but in doing so they must always comply with the applicable terms of the Leases and this Agreement, and the applicable operating agreement. If BNK undertakes to conduct any Exploration Project at its own risk and expense, its direct and reimbursable expenses so incurred will not be credited to, or in any way reduce, BNK's obligation to pay the total BNK Promote. Exploration Projects undertaken by Parties at their own risk and expense may be reimbursable as follows:

(a) Reimbursable Exploration Costs. If any Exploration Project is conducted solely at the risk and expense of any Party ("**Exploring Party**"), and the Exploring Party intends to seek reimbursement for Exploration Costs incurred at the Party's own risk and expense, then the Exploring Party must give notice to the other Parties in the nature of an accounting as to all such Exploration Costs incurred within sixty (60) days after the Exploration Project is completed. If the Exploration Project reasonably results in the designation of an Exploration Prospect and a proposed X Well to be drilled thereon, then the Drilling Parties must reimburse the Exploring Party for the Drilling Party's proportionate part of the cost of the Exploration Project ("**Reimbursable Exploration Costs**") based upon the Drilling Parties' respective undivided interests (at the time such X Well is proposed) in the anticipated Field on which the proposed X Well is to be drilled. Reimbursement shall continue on a well-by-well basis for any additional X Wells which result from the Exploration Project and for D Wells on the Fields designated for such X Wells until the Exploring Party is fully reimbursed, if possible, for all of its Reimbursable Exploration Costs for the Exploration Project. Subject to the limitations contained herein, unreimbursed Reimbursable Exploration Costs of any Exploring Party may be accumulated and carried forward indefinitely.

(b) Limits on Reimbursable Exploration Costs. The maximum amount of Reimbursable Exploration Costs allocable to the full interest in each X Well or D Well subject to reimbursement shall be $50,000.00 per well for all such costs, including without limitation, Reimbursable Exploration Costs related to the acquisition, processing, and interpretation of seismic. If no seismic is used, the maximum amount of Reimbursable Exploration Costs allocable to the full interest in each X Well or D Well shall be $25,000.00 per well. Reimbursement shall be paid to the Exploring Party by the Drilling Parties, proportionately, at the time Drilling Parties elect to participate in the drilling of the proposed X Well or D Well.

(c) Reimbursable Field Exploration Projects. In a similar manner, an Exploring Party shall be entitled to be reimbursed for its costs for an Exploration Project undertaken by the Exploring Party at its sole risk and expense primarily to determine the location of one or more D Wells for any Field. Reimbursement shall be paid to the Exploring Party by the Drilling Parties, proportionately, at the time Drilling Parties elect to participate in the drilling of the proposed D Well.

(d) No Reimbursement for the Exploring Party's Proportionate Part of Reimbursable Exploration Projects. The applicable unreimbursed Reimbursable Exploration Costs shall be reduced by an amount determined by multiplying the total reimbursable amount for each X Well or D Well by a percentage which is equal to the Exploring Party's working interest in such well, so that as to each X Well and D Well in which the Exploring Party participates as a Drilling Party, the amount of the cash payments made to reimburse the Exploring Party's applicable Reimbursable Costs with respect to each such well is limited to the other Drilling Parties' proportionate part.

2.8 Ownership of and Rights to Exploration Information. "**Exploration Information**" includes geological, geophysical, geochemical, magnetics, gravity, landsat, land and other relevant information pertaining to the Leases or the AMI owned on the Effective Date by any Party, which shall continue to be owned by that Party, but who shall provide timely access to the Exploration Information to the other Parties (subject however, to all agreements of the Parties with any third party which prohibits the release of Exploration Information to third parties and which prohibition cannot be reasonably removed). All Exploration Information originated or collected by any Party after the Effective Date and which is: (i) charged to the Joint Account, (ii) paid for out of the BNK Promote, or (iii) fully reimbursed pursuant to Section 2.7, shall be jointly owned by the Parties according to their respective payments for such Exploration Information and shall be shared completely on a timely basis with all Parties. All new Exploration Information on the AMI originated or collected by any Party at that Party's sole expense after the Effective Date is included in and is part of Exploration Information, but shall continue to be owned by the Exploring Party (except as to the part of such Exploration Information for which the Exploring Party has been fully reimbursed pursuant to Section 2.7 and which shall thereafter be jointly owned by all the Parties). Before and after any reimbursement, all such Exploration Information shall be shared completely on a timely basis with all Parties. Each Party shall acquire, receive and use such Exploration Information in confidence, and not release any of it to any person or entity without the prior written consent of all Parties, which consent shall not be unreasonably withheld. The Parties acknowledge that some of the Exploration Information will not be confidential to them, but they will keep all Exploration Information in confidence (subject always to the rights, if any, of the lessors under the Leases with respect to such Exploration Information) until all Parties agree to the release of all or any part thereof. Any Exploration Information required to be filed of record or with any regulatory or government agency shall (at the expiration of any statutory permitted period of confidentiality) thereafter no longer be confidential. Nothing contained herein shall be deemed to restrict any Party's right to make disclosures of Exploration Information (i) to the officers, agents, representatives, consultants, and employees retained by such Party to conduct its business, (ii) when, in the opinion of any Party's counsel, disclosure is reasonably required to comply with securities and exchange regulations or any law governing the registration, trading, purchase, or sale of such Party's stock, or its Affiliate's stock, or any other form of security, or, (iii) when the Party is seeking to sell some or all of its interest, to other third parties after obtaining appropriate confidentiality agreements to protect the rights of all Parties in such Exploration Information.

3.0 Drilling Program, Drilling, and Well Proposals

3.1 Management of Drilling Program by Operator. The Operator under the AMI JOA will originate and design a program ("**Drilling Program**") to exploit the Exploration Information which the Operator reasonably and prudently believes is most likely to result in the successful development of each Exploration Prospect. The Operator will invite and accept the cooperation of all Parties in the origination and implementation of the Drilling Program, and each Party will undertake such cooperation on a timely basis and make its recommendations to the Operator with respect to each Exploration Prospect. It is the intent of the Parties to agree upon the Drilling Program, but the Parties are not required to agree, and to the extent they cannot agree then the rights of the Parties shall be as otherwise herein provided. The Operator shall use its best efforts to originate and manage the Drilling Program and the wells drilled under the Drilling Program, so that it is reasonably projected that the BNK Promote will be fully expended by July 1, 2011, or a Test Well will be proposed on each Block, whichever occurs first, unless otherwise agreed by BNK.

3.2 X Wells. The Operator shall use the Exploration Information (including without limitation, the Exploration Information resulting from the Exploration Program, if any) to identify Exploration Prospects on the AMI prospective for oil or gas and suitable for drilling an exploratory well ("**X Well**"). The Operator will reasonably and prudently use its best efforts to determine the location and design of an X Well to be drilled on each of the Exploration Prospects. Each Exploration Prospect shall be identified, and each X Well located and designed, by the Operator in good faith cooperation with all Parties, and each Party will use its best efforts to timely cooperate with the Operator. The X Wells will be originated and the drilling thereof commenced for the Joint Account by the Operator in a timely manner after giving reasonable consideration to drilling commitments required to preserve the Leases. The X Wells shall be drilled to a subsurface depth which is adequate to test the targeted formations by a vertical well using conventional technology. An X Well may be drilled horizontally only if BNK agrees.

3.3 Selection of First Three X Wells. The first X Well shall be the First Test Well, the second X Well shall be the Second Test Well and the third X Well shall be the Third Test Well, as described in Section 5.0. BNK shall prepare the Well Proposal for each of the first three X Wells. Well Proposals for each of the first three X Wells shall be made, and responded to, as provided in Section 3.8, subject to the provisions of Section 5.0.

3.4 Selection of Subsequent X Wells. After the first three X Wells are proposed, the first right to propose each subsequent X Well shall be held alternately by BNK and Company. BNK will have the first right to propose the fourth X Well, Company the fifth, BNK the sixth, etc. As to each X Well, if BNK holds the first right of proposal, Company holds the second; and if Company holds the first right of proposal, BNK holds the second. That is, the Party with the second right of proposal may exercise that right and then exercise its own right (thus proposing two consecutive X Wells), or the Party with the second right of proposal may wiave that right and just exercise its own right. Each of such proposals shall be made, and responded to, by the Parties in the manner provided in Section 3.8, subject to the provisions of Section 5.0 as to any Test Well. Except with the consent of all Parties, no more than six X Wells may be proposed to be spudded within any twelve-month period.

3.5 Designation of Fields. A well which is completed as a well capable of producing oil or gas, or oil and gas, in paying quantities, is a "**Producer**". If an X Well is completed as a Producer, then the Completing Party or Parties with the largest interest in the X Well and agreeing upon how the Field should be configured shall, within ninety (90) days after the date of completion as a Producer, configure the "**Field**" for that X Well. If there is a tie vote, the vote of the Party proposing the X Well shall break the tie. The Field shall be configured so as to reasonably contain the half Section which is the location of the X Well. A "**Section**" means a government survey, generally in the form of a square and containing 640 gross surface acres, more or less. However, the references to Section and acres are guidelines only, with the intent being that the Parties will designate a Field including the X Well, but which will reasonably conform to regulatory requirements, the spacing pattern in the area, existing survey lines, surveying practices, natural boundaries, the boundary of the AMI, and to the extent practicable, lease lines. There shall be no overlap of Fields under this Agreement and Fields shall be configured to avoid creating isolated strips or small tracts of undeveloped lands within the AMI. If, under the circumstances, the Field cannot be configured to directly reflect the grid pattern envisioned by this Agreement, the same Party or Parties configuring the Field shall also determine how to adjust the configuration of the Field to reasonably reflect the intent of the Parties. The configuration of the Field shall be final and may not be challenged if, at the time the Field is configured, the Parties configuring the Field in good faith believe there is a reasonable regulatory, geological, and engineering basis for the Field as configured. Each Field and Field JOA shall be given a unique name for ease of reference. The Operator shall give the Parties notice of the configuration of the Field and the Field Name. If under applicable rules or regulations in effect at the time the Field is configured, there must be allocated to the X Well more than 320 acres in order to obtain the maximum allowable, then the Field shall conform to the larger unit required by such rules or regulations.

3.6 Exploratory Well Assignment and Field JOA. If an X Well is completed as a Producer, all within the time and in the manner provided in this Agreement and the AMI JOA, and provided that the Parties and Operator shall have fully complied with all of the other terms and provisions of this Agreement and the AMI JOA, and provided further that Operator shall have furnished the Parties with evidence satisfactory to them that all bills for labor and material in connection with Operator's operations have been fully paid, then and thereupon, the participating Parties agree, subject to the conditions, exceptions, reservations, covenants and agreements herein set forth, to (i) enter into the Field JOA provided in Section 2.1 with an Effective Date which is the completion date of the X Well as a Producer, and (ii) assign and transfer each to the other, so much of each Party's right, title and interest in and to the Exploration Interests in the Field as may be required to vest ownership in the Field in accordance with their interests in the AMI JOA (or if the Parties participated disproportionately, as their interests may then appear). The form of assignment shall be substantially in the form of Exhibit C attached hereto and incorporated herein, and the assignment shall be subject to all of the terms and conditions set forth therein ("**Field Assignment**"). The working interest in each Lease to be assigned shall be burdened with only those burdens which existed on the Effective Date of this Agreement or at the time the Parties first acquired the Lease under Section 1.4, whichever is later. The Field Assignment shall be made expressly subject to the terms and provisions of this Agreement and the Field JOA. Any Party who elected not to participate in the drilling of the X Well under Section 3.8(d) shall join in the Field Assignment for the purpose of conveying to the participating Party(s), subject to all the terms and conditions of the Field Assignment, all of the non-participating Party's interest in the Field and showing that the non-participating Party's interest in the Field is zero. The non-participating Party(s) shall have no further right to participate in the proposal or drilling of any well in the Field. If there is any conflict or inconsistency between the terms of this Agreement and Exhibit C, this Agreement shall control.

3.7 D Wells. After an X Well is drilled as a Producer and the Field for that well is agreed upon, each subsequent well drilled or proposed to be drilled on the Field is a "**D Well**". The Operator shall use the Exploration Information (including without limitation, the Exploration Information resulting from the Exploration Program, if any) to identify additional drillsites on the Field AMI prospective for oil or gas and suitable for drilling a D Well. The Operator will reasonably and prudently use its best efforts to determine the location and design of appropriate D Wells. Each D Well shall be located and designed by the Operator in good faith cooperation with all Parties, and each Party will use its best efforts to timely cooperate with the Operator. Subject to Section 3.8 and the Field JOA, notice of a Well Proposal for any D Well may be given at any time by any Party with an interest in the Field for the D Well. As to each Field, except by the consent of all Parties, or as required to preserve the Leases, no more than four D Wells may be proposed to be spudded on the Field within any twelve-month period. Upon receipt of a Well Proposal as to a D Well, the proposal shall be treated as a Subsequent Operation under Art. VI.B.2. of the Field JOA.

3.8 Well Proposals. Each Exploration Prospect, X Well, D Well, and Field shall be developed, designed, and proposed in close cooperation with all Parties. The Parties shall use their best efforts to cooperate in good faith. However, no Party shall be obligated to propose only those wells suggested by the Operator, or to design the well as proposed by the Operator, and no Party having the right to propose a well shall be obligated to obtain consent from the Operator or any other Party prior to making a proposal as herein provided. Wells shall be proposed under this Agreement as follows:

(a) Form of Well Proposals. Any Party having a right pursuant to this Agreement or the applicable JOA to propose the drilling of a well on the AMI shall prepare a written proposal ("**Well Proposal**") specifying the location, proposed depth, objective formations, preferred spud date, the applicable Field or anticipated Field, proposed well name, whether the well is an X Well or D Well, and estimated costs by an Authorization for Expenditures ("**AFE**") which reasonably conforms to industry practices. Each well proposal shall be limited to a single well. An anticipated Field shall not overlap with any other Field or prior anticipated Field under this Agreement. An anticipated Field shall continue to be binding until the well proposed for that Field is plugged and abandoned, or the final configuration of the Field is agreed upon as provided in Section 3.5, whichever occurs first.

(b) Timing of Well Proposals. All Parties will cooperate to expedite the Well Proposal process and to insure compliance with the terms of the Leases. Any Party holding the next right to make a Well Proposal shall make the Well Proposal or give notice of waiver as soon as reasonably possible following the last preceding applicable X Well or D Well. The Well Proposal or notice of waiver must be given to all Parties and to the Operator. If any Party having the right to propose a well fails to give a timely notice of the required Well Proposal, it shall be an election by that Party to waive such right as to that well. The Party having the first right to propose a well must give its notice of a Well Proposal for such well not later than 5:00 p.m. C.S.T. on the 60th day after the date of rig release from the prior well. No more than three Well Proposals for X Wells, and no more than three Well Proposals per Field for D Wells may be pending. For this purpose, Well Proposals are pending if the well has not been commenced and the Well Proposal has not been withdrawn. As to any well (except the first three

X Wells) required under a Lease to preserve all or any part of the Lease, any Party having an interest in that Lease may give notice of the Well Proposal at any time within ninety (90) days of the date such well is required to be commenced, and without regard to how many Well Proposals are pending. If any Party's right to make a Well Proposal is suspended by *force majeure*, limitations on numbers of wells which can be proposed at one time, or limitations on numbers of wells which can be proposed on a particular part or all of the AMI, then the time during which such right is suspended shall not count against the Party holding the right to make a proposal, and the time running against that Party shall be tolled, until the cause of the suspension is removed.

(c) Successive Rights to Make Well Proposals. The Party having the second right to propose a well must give its notice of a Well Proposal for such well not later than 5:00 p.m. C.S.T. on the 30th day after the waiver of the first right or the lapse of time for the first right to be exercised; whichever occurs first. If the Parties holding the first and second right to propose a well waive that right (or if no party is designated as holding such rights), the Party next in line, including the Party which previously waived its right to propose the well, may give a notice of a Well Proposal for the next well not later than 5:00 p.m. C.S.T. on the 60th day after the expiration of the term for proposing the prior well. Well Proposals shall be considered in the order in which they are received or generated by the Operator. Until the time has elapsed for all Parties to elect to participate or to not participate in an X Well, the Party sending the Well Proposal may not propose another X Well, unless the Party making the Well Proposal withdraws it with the consent of all Parties in writing. If the time periods all lapse for two consecutive X Wells with no proposals, then either Party may at any time resume the sequence by making a Well Proposal.

(d) Responses to Well Proposals. Each Party having a right to participate in the well proposed shall have until 5:00 p.m. C.S.T. on the thirtieth day after the giving of notice of a Well Proposal (not including the date of such notice) within which to notify the Party proposing the well and the Operator whether that Party will or will not participate to the full extent of its interest for the well described in the Well Proposal. Failure of a Party receiving notice of a Well Proposal to reply within the thirty-day period shall be an election by that Party not to participate in the proposed well. If less than all Parties approve any Well Proposal, immediately after the expiration of such thirty-day period, the proposing Party shall give notice to the consenting Parties of the identity and total working interest of the parties approving such well and the identity and total working interest of the Parties not approving such well. Each consenting Party shall have until 5:00 p.m. C.S.T. on the 7th day after the giving of such second notice (not including the date thereof) within which to advise the proposing Party and the Operator of such consenting Party's decision to: (i) limit participation in the well to the Party's interest as it might then appear, or (ii) acquire and be obligated to pay for its proportionate part of all available interests from the non-consenting Parties. Failure of a consenting Party to advise the proposing party shall be an election under (i). An election under (ii) is an election to participate in the total interest of all non-consenting Parties in the same proportion that the interest of the consenting Party making that election bears to the aggregate working interests of all Parties electing under (ii).

(e) Shortening of Notice Periods. The Operator, upon notice to all Parties, shall have the right to proportionately shorten all notice periods provided in this Agreement, when, in the good faith judgment of the Operator, it is reasonably necessary because of operating conditions and/or equipment availability.

3.9 Obligation to Drill Proposed Well to Casing Point. The proposing Party shall be obligated to drill the well described in the proposing Party's Well Proposal (or a substitute well) and pay all of the BCP Costs and bear all of the risks to Casing Point as to such proposing Party's interest and the interests therein of all other Parties who do not elect to participate in such well as herein provided and which are not assumed by another Party pursuant to Section 3.8(d); except that, if less than all Parties agree to participate, the proposing Party, at its election, may withdraw the Well Proposal at any time on or prior to 5:00 p.m. C.S.T. on the 7th day after the second round responses are due under Section 3.8 (not including the date thereof) by giving notice to such effect to all Parties and the Operator. If the proposing Party is not permitted, or elects not, to withdraw the Well Proposal, the proposing Party shall promptly give notice to all consenting Parties ("**Drilling Parties**") of their respective interests in the proposed well. An election to withdraw a Well Proposal is a waiver of the withdrawing Party's priority right to make the Well Proposal for that Well, unless all Parties consent in writing to a substitute Well Proposal.

3.10 Casing Point Election. As permitted by this Agreement and the applicable JOA, each Drilling Party may elect at the Casing Point of any X Well or D Well to participate or to decline to participate in any completion with respect to such X Well or D Well by notifying all the other Parties. If all Parties decline, the Operator shall promptly plug and abandon such X Well or D Well. If one or more, but less than all of the Drilling Parties, elect to set pipe and to attempt a completion, subject to this Section 3.10, the provisions of Article VI.B.2 of the applicable operating agreement shall apply to the operations thereafter conducted by less than all parties and the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2 shall be deemed to include "completing". If one or more, but less than all, of the Drilling Parties in an X Well or D Well elect to attempt a completion with respect to such well after its Casing Point ("**Completing Party**"), and one or more of the other Drilling Parties who participated in the drilling of such well decline to do so ("**Declining Party**"), upon the Declining Party's receipt of notice from one of the Completing Parties of the completion of the well as a Producer, and provided that Section 3.6 has been fully satisfied as to the Field X Well (and if a D Well, as to the D Well), then the Declining Party must promptly execute, acknowledge, and deliver an assignment to the Completing Party. If the well is an X Well, then the assignment must be substantially in the form of the Field Assignment transferring to the Completing Party the Declining Party's Exploration Interests in the Field assigned to the X Well. If the casing point election is on a D Well, the rights of the Parties shall be determined under Art. VI.B.2 of the Field JOA. Exhibit A to the Field JOA shall, in each instance, be amended to reflect the interests of the Parties, and, as to any Field in which a Party has lost the right to further participate, the Party also loses its right to make Well Proposals as to that Field.

3.11 Casing Point Defined. The "**Casing Point**" of any X Well or D Well is that point in time after: (i) such X Well or such D Well has been drilled to its required depth, (ii) all required logs and tests have been duly completed therein, (iii) the results of such tests have been furnished to the Parties who have the right to participate in the completion of the well, and, (iv) the Operator of such X Well or such D Well has decided (with any necessary consents of others) either to attempt to complete such X Well or such D Well as a Producer or to plug and abandon the same.

3.12 Before Casing Point Costs. All expenditures for the drilling or deepening and testing of the well incurred before the Casing Point (including the costs to plug and abandon such well, if no completion is attempted) ("**BCP Costs**") shall be charged to the Joint Account and paid according to the Parties' respective interests in the AMI JOA after giving effect, if necessary, to the provisions of Sections 3.6, 3.7, 3.9 and Sections 4.0 and 5.0.

3.13 After Casing Point Costs. All expenditures for the completing and equipping of the well, including necessary tankage, pipeline connections, and/or surface facilities incurred after the Casing Point of any well in connection with its completion (including the costs to plug and abandon after an election to complete) ("**ACP Costs**") shall be charged to the Joint Account and paid according to the Parties' respective working interests therein after giving effect, if necessary, to the provisions of Sections 3.6, 3.7, 3.9, 3.10 and Sections 4.0 and 5.0.

4.0 BNK Promote

4.1 Charges to the Joint Account. Except as specifically provided in this Agreement, the AMI JOA, or in any applicable Field JOA, no Party shall make any charge to the "**Joint Account**" (as defined in the Accounting Procedure Joint Operations which is attached as Exhibit C to the applicable operating agreement).

4.2 BNK Promote. BNK shall pay 100% of the third party costs and reimbursable expenses properly and reasonably incurred hereunder from and after the Effective Date and charged to the Joint Account by the Operator pursuant to the AMI JOA and any applicable Field JOA in connection with the Exploration Program and any Test Well(s) drilled hereunder as to BCP Costs ("**Promoted Costs**") until the aggregate thereof is $10,000,000.00 (U.S.) ("**BNK Promote**") or a Test Well has been proposed on each Block, whichever occurs first. As to any Test Well(s) in which BNK elects to participate in the completion, the ACP Costs through Completion on that well also shall be included in Promoted Costs. "**Completion**" for this purpose means all of the ACP Costs except the cost to plug and abandon. Notwithstanding any other provision of this Agreement and regardless of the elections made under this Agreement, the BNK Promote shall never exceed the amount specified herein. Notwithstanding any other provision of this Agreement, BNK shall not be obligated to pay as Promoted Costs any part of the costs of the Exploration Program or as to any Test Well in which BNK is permitted to decline and elects not to participate. After Promoted Costs have been paid by BNK as herein provided in an amount equal to the BNK Promote, or a Test Well has been proposed on each Block, whichever occurs first, all subsequent costs and reimbursable expenses properly and reasonably incurred hereunder shall be charged to the Joint Account and shall be borne on a heads-up basis in accordance with the AMI JOA, any applicable Field JOA, and as herein provided. If the BNK Promote has not been fully expended by July 1, 2011, or a Test Well has been proposed on each Block, whichever occurs first, the balance, if any, of the BNK Promote shall be cancelled, and BNK shall have no further obligation under this Agreement to pay Promoted Costs. However, if on July 1, 2011, the BNK Promote has not been fully expended, but BNK has already agreed or is obligated to participate in operations, included in Promoted Costs, then subject to the cap on Promoted Costs, such operations shall continue to be included in Promoted Costs until BNK's agreed participation is complete.

5.0 Test Wells

5.1 Exploration Blocks. Parts of the AMI have been further defined and designated as Block 1, Block 2, etc., as shown on Exhibit A, for purposes of further defining the tracts to be explored and the rights of the Parties therein under this Agreement. Each of such tracts is referred to herein as a "**Block**," or more specifically as Block 1, Block 2, etc. The first X Well proposed by the Parties on any Block is a "**Test Well**," and any X Well subsequently proposed on the same Block is not a Test Well. The first X Well proposed on the first Block to be explored is the "First Test Well," the first X Well proposed on the second Block to be explored is the "Second Test Well," and so on.

5.2 First Test Well. BNK agrees that on or before September 30, 2009, it will commence or cause to be commenced the actual drilling of the Hickman Farms 30-11 Well ("**First Test Well**") for oil and gas at a legal location on Section 30-T20S-R16W, Pickens County, Alabama, or at such other location on Block 1 as may be agreed upon by the Parties, which shall be the "Initial Well" under the AMI JOA. BNK shall thereafter continue the drilling of the First Test Well in accordance with the AMI JOA and with due diligence to a depth to thoroughly test the Pottsville Sands Formation or the Floyd Shale Formation, estimated to require drilling to a depth of 5,300 feet (subsea) or 5,500 feet (measured depth), which is referred to herein and in the AMI JOA as the "Contract Depth" for the First Test Well. The First Test Well shall be proposed and responded to as provided in Sections 3.2, 3.3, and 3.8, and the First Test Well is the first X Well under Section 3.0. However, by executing this Agreement, the Parties agree to participate in the First Test Well through Completion and that all costs incurred for the Exploration Program and the First Test Well through Completion shall be paid as part of the BNK Promote. Upon Completion of the First Test Well, the Parties shall be deemed to have earned the interest shown in Section 1.3(a) as to the acreage and Exploration Interests in the Block on which the First Test Well is located and in the First Test Well.

5.3 Second and Third Test Wells. BNK agrees that on or before the expiration of ninety (90) days after the final release of the completion rig on the First Test Well, BNK will commence or cause to be commenced the actual drilling of the Lee 26-6 Well as the next Test Well ("**Second Test Well**") for oil and gas at a legal location on Section 26-T24N-R3W, Pickens County, Alabama, or at such other location on Block 2 as may be agreed upon by the Parties, which shall be the second "Initial Well" under the AMI JOA. BNK shall thereafter continue the drilling of the Second Test Well in accordance with the AMI JOA and with due diligence to a depth to thoroughly test the Pottsville Sands Formation or the Floyd Shale Formation, estimated to require drilling to a depth of 7,700 feet (subsea) or 7,900 feet (measured depth), which is referred to herein and in the AMI JOA as the "Contract Depth" for the Second Test Well. The Second Test Well shall be proposed and responded to as provided in Section 3.2, 3.3, and 3.8, and the Second Test Well is the second X Well under Section 3.0. However, as to the Second Test Well, both BNK and Company will be deemed to have elected to participate in the drilling of the Test Well, and if BNK elects at Casing Point to attempt to complete the Test Well as a Producer, Company shall be deemed to have elected at Casing Point to complete the Test Well as a Producer. At Casing Point, the Parties shall be deemed to have earned the interest shown in Section 1.3(a) as to the acreage and Exploration Interests in the Block on which the Second Test Well is located and in the Second Test Well. BNK agrees that on or before the expiration of ninety (90) days after the final release of the completion rig on the Second Test Well, BNK will commence or cause to be commenced the actual drilling of the Sanders 16-14 Well as the next Test Well ("**Third Test Well**") for oil and gas at a legal location on Section 16-T22S-R16W, Pickens County, Alabama, or at such other location on Block 3 as may be agreed upon by the Parties, which shall be the third "Initial Well" under the AMI JOA. BNK shall thereafter continue the drilling of the Third Test Well in accordance with the AMI JOA and with due diligence to a depth to thoroughly test the Pottsville Sands Formation or the Floyd Shale Formation, estimated to require drilling to a depth of 6,800 feet (subsea) or 7,000 feet (measured depth), which is referred to herein and in the AMI JOA as the "Contract Depth" for the Third Test Well. The Third Test Well shall be proposed and responded to as provided in Section 3.2, 3.3, and 3.8, and the Third Test Well is the third X Well under Section 3.0. However, as to the Third Test Well, both BNK and Company will be deemed to have elected to participate in the drilling of the Test Well, and, as to the Third Test Well, and as to any Subsequent Test Well(s) proposed before the BNK Promote is fully expended, in which both Parties elect to drill, if BNK elects at Casing Point to attempt to complete the Test Well as a Producer, Company shall be deemed to have elected at Casing Point to attempt to complete the Test Well as a Producer. At Casing Point, the Parties shall be deemed to have earned the interest shown in Section 1.3(a) as to the acreage and Exploration Interests in the Block on which the Third Test Well is located and in the Third Test Well.

5.4 Damages for Failure to Drill. BNK shall have the option, at BNK's sole discretion, to elect to pay liquidated damages in lieu of participating in the drilling of the First Test Well, Second Test Well and Third Test Well. The Parties have agreed that the amount payable as liquidated damages shall be $500,000.00 (U.S.) for each of such Test Wells in which BNK elects not to participate in the drilling of the Test Well. The Parties have agreed that the damages otherwise payable would be difficult or impossible to ascertain and that the amount agreed upon herein is a reasonable amount negotiated at arms length by parties having equal bargaining power and having a desire to bring certainty and finality to the question of damages. To exercise the option to pay liquidated damages, BNK shall give notice to Company of its election on or before the date when the next Test Well is to be commenced. Payment shall be due within ten (10) business days thereafter in cash or other immediately available funds. Payment shall be made in the amount of $500,000.00 for that Test Well and an additional $500,000.00 for each of the other remaining Test Wells from among the first three Test Wells waiting to be drilled, if any. BNK shall be deemed to be a Blackout Party as to all of the AMI, except as to any Block(s) in which BNK did previously participate in the drilling of the Test Well on that Block. The option to pay liquidated damages in lieu of participating in the drilling of a Test Well as herein provided does not release BNK from its obligation to pay any costs incurred prior to such election and charged against the BNK Promote. As to all subsequent costs, the amount paid as liquidated damages is in full satisfaction and release of any liability therefor. Events of *force majeure* applicable to any or all of the first three Test Wells shall operate equally to delay the election to pay liquidated damages. Notwithstanding any other provision of this Agreement, BNK shall have the option, at BNK's sole discretion, to delay the commencement date of the Second Test Well and/or the Third Test Well to a date not later than the end of the first quarter of 2010. To exercise the option to delay the commencement date of the Second Test Well and/or the Third Test Well, BNK shall give notice to Company of its election on or before the date when the next Test Well is to be commenced.

5.5 Subsequent Test Wells. Commencing with the fourth X Well, the Party having the right to propose the next X Well may propose the X Well as the "**Fourth Test Well**" (or the next Test Well in line) on one of the Blocks in the AMI and not previously drilled ("**Subsequent Test Well**"), or as an X Well on a Block previously earned by the Parties. If the next X Well as proposed is a Subsequent Test Well, then BNK agrees to commence or cause to be commenced the actual drilling of the Subsequent Test Well as the next X Well on the Block, which shall be the next "Initial Well" under the AMI JOA. As to each Subsequent Test Well, BNK shall continue the drilling of said well in accordance with the AMI JOA and with due diligence to a depth to thoroughly test the Pottsville Sands Formation or the Floyd Shale Formation, which is referred to herein and in the AMI JOA as the "Contract Depth" for that well. Each Subsequent Test Well shall be proposed and responded to as provided in Section 3.2, 3.3, and 3.8, subject to the provisions of this Section 5.0, but no Party is obligated to drill any well, commencing with the fourth X Well. At Casing Point for each Subsequent Test Well, the Parties who participate in the drilling of the Subsequent Test Well shall be deemed to have earned the interest shown in Section 1.3(a) as to the acreage and Exploration Interests in the Block on which the Subsequent Test Well is located and in the Subsequent Test Well. If the next X Well is not a Test Well, then the Party proposing the X Well may propose the X Well as provided herein generally for X Wells.

5.6 Participation by Blocks. If this Agreement does not terminate as provided in Section 5.3, then the Parties shall continue together under this Agreement and each shall have the option to participate in the remainder of the AMI as provided herein. After the Third Test Well, if any X Well as proposed hereunder is a Test Well, and a Party is permitted but elects not to participate in the drilling of the Test Well ("**Blackout Party**"), this Agreement shall terminate without further liability for any Party as to the acreage and Exploration Interests in the Block on which the Test Well as proposed was located, and the Blackout Party shall promptly furnish to the other Party(s) a written, recordable release of all of the Blackout Party's right, title, and interest in this Agreement as to that Block, together with an assignment in the form of Exhibit D as to the Blackout Party's interest in that Block. The termination is unconditional and there is no requirement that the other Party(s) take any further action as to the released Block, including without limitation, the actual drilling of the Test Well as proposed. As to each Test Well in which a Party elects to participate, that Party shall earn its interest in that Block and in that Test Well in the same manner as provided for the Second Test Well. By electing to participate in a Test Well, Company also elects to participate heads-up as to all costs on that Well after the BNK Promote is fully expended, if the BNK Promote is fully expended during the drilling of that Test Well. If the BNK Promote is terminated, then to earn its interest in any Blocks still subject to this Agreement, but which have not been previously drilled by a Test Well, each Party must participate in the Test Well heads-up for that Block. If a Test Well is never proposed for a Block, then upon termination of the AMI, BNK shall have no interest in that Block(s), and BNK shall furnish to Company a written, recordable release of all of BNK's right, title, and interest in this Agreement as to that Block(s), together with an assignment in the form of Exhibit D as to BNK's interest in that Block(s).

5.7 Substitute Well. If the Operator is unable to drill any well or any substitute well to the required depth due to mechanical difficulties, or if the Operator encounters a practicably impenetrable formation in any such well which would make further drilling impracticable, the Operator shall, within a period of one hundred eighty (180) days from cessation of operations, commence the actual drilling of a substitute well at a location of the Operator's selection within 1,000 feet of the prior well. The "**Substitute Well**" shall be drilled to the same depth and in the same time and manner as would have been required for the abandoned well and shall be treated for the purpose of this Agreement as the abandoned well. The Operator shall notify the other Parties at their notice address in writing, at once, of (a) the location of any well for which provision is herein made, when fixed, by giving the distances and directions thereof from at least two governmental or recognized survey lines, and (b) the date of spudding (commencement of actual drilling) of the well.

6.0 Operations

6.1 Operator's Indemnity. Operator indemnifies and agrees to save and hold harmless the other Parties, the other Parties' officers, directors, agents, employees, assigns and all persons or parties in privity with them, from and against any and all claims (including without limitation, attorneys' fees and costs of investigation and litigation) for property damage of all kinds and character, including, but not limited to, damages caused to land, stock, crops, fences, buildings, structures and other improvements, damages or injuries to persons including, but not limited to, employees of Operator, resulting from or arising out of the operations conducted or caused or permitted to be conducted by Operator on or in connection with the AMI, this Agreement, and any applicable operating agreement, and claims for labor and materials and any other costs and expense in connection with Operator's operations hereunder, which are not properly chargeable to the Joint Account under the applicable operating agreement.

6.2 Operator's Insurance. Operator at all times during the term of this Agreement shall comply with all applicable Federal and State laws, including without limitation, any State Worker's Compensation Act or Acts. Operator shall purchase or provide and maintain the insurance specified in the applicable operating agreement. No recitation of any amount or amounts for insurance herein or on any applicable operating agreement shall be construed to in any manner limit Operator's liability under this Agreement or any applicable operating agreement. Prior to commencing any operations under this Agreement, Operator shall furnish certificates of insurance to the other Parties certifying full compliance with the above requirements.

6.3 Access to Operations. Each Party and its respective authorized representatives shall have access to observe any operations conducted pursuant to this Agreement or any applicable operating agreement and the right to be present at all times; provided however, each Party and its authorized representatives shall observe such operations at the sole risk and expense of such Party which shall be fully liable for all damage or destruction of property or injury or death of persons resulting from, or in any way attributable to, the actions (or lack of action) of such Party or its representatives while such persons are on any lands covered by the AMI.

6.4 Geological Data. Operator shall furnish the Parties copies of all logs, drilling reports, regulatory filings, and samples of all cuttings and cores, and all other well data pertaining to each well in Operator's possession or reasonably available to Operator. If Operator shall take any cores while drilling each well, it shall furnish the Parties with representative samples thereof and the Parties shall have the right to run core analyses on all such samples. If Operator shall make any drill stem tests in a well, it shall furnish the Parties with the details of all such tests. Operator agrees to attempt to run at least a Dual Induction log in each well over the entire length of the borehole from the base of the shallowest surface casing to total depth drilled. Notwithstanding the requirements for specific logs herein, Operator may use a logging program which is satisfactory to the Parties. The Parties shall have the right to make velocity determinations or other physical measurements in each well, said determinations or measurements to be made at the expense and upon the responsibility of the Parties. All logs shall be furnished to the Parties promptly upon the completion of any log survey.

6.5 Sub-Operator. If at any time less than all Parties elect to participate in the drilling or completion of any well, the Operator shall conduct such subsequent operations, but the Parties then owning a majority-in-interest in the subsequent operations on the well, at their option, may designate Company or BNK as "Sub-Operator" under the applicable operating agreement for all subsequent operations on the well and the Field assigned to such well. Upon the completion of the drilling program as to any Field, which will be deemed to have occurred if no new well has been proposed on that Field for one year, if any Party has theretofore transferred any of its interests in that Field to any other Party, then the Parties owning a majority-in-interest of the Exploration Interests in the Field on a net mineral acre basis may designate the Operator for the entire Field under the applicable Field JOA. If no such transfer has been made, the Operator shall continue to serve as Operator under that Field JOA. Any Sub-Operator shall have all of the rights and obligations of the Operator; provided however, there shall always be exclusively reserved to BNK (i) insofar as is reasonably possible, all communications and other contracts with the Lessors and their representatives pertaining in any way to the AMI, and (ii) the right to resolve in good faith (having due regard for the rights of all Parties) any dispute with the Lessors, or between Sub-Operators, or between the Operator and any Sub-Operator, insofar as such dispute might affect operations on other acreage in the AMI. If either Company or BNK is the Operator or Sub-Operator of any Field, then either of them may transfer its rights to act as a Sub-Operator of any Field to any party which has acquired substantially all of such transferor's Exploration Interests in such Field. If such rights are not transferred, or if for any reason the Operator under any Field JOA ceases to act and no new Operator is designated, the right to operate shall be determined by Art. V.B. of the Field JOA.

7.0 Representations and Warranties

7.1. By Company. Company represents and warrants to BNK that:

(a) Company is duly authorized to enter into and perform its obligations pursuant to this Agreement;

(b) Company will not create, suffer, nor permit to exist any encumbrance on all or any part of its interests in the Exploration Interests, except as permitted by Section 8.6(e);

(c) Company owns the Company Interests free and clear of the claims (except for 2008 ad valorem taxes with respect thereto and as provided in Section 8.6(e)) of any party claiming by, through or under Company and no part of the Company Interests are subject to any preferential right to purchase;

(d) all written materials heretofore provided by Company to BNK are materially true and complete;

(e) there are no pending administrative or judicial proceedings directly relating to, arising from or which could directly affect adversely, the ownership or operation of the Company Interests;

(f) no wells have been drilled on the AMI by Company or all such wells drilled by Company as operator have been drilled, plugged, and abandoned in material compliance with applicable laws; and

(g) any interest earned or acquired by BNK in the Leasehold Interests under this Agreement from Company shall be burdened with only those burdens which existed on the Effective Date of this Agreement or at the time the Parties first acquired the Leasehold Interest under Section 1.4, whichever is later.

7.2 By BNK. BNK represents and warrants to Company that:

(a) BNK is duly authorized to enter into and perform its obligations pursuant to this Agreement;

(b) BNK will not create, suffer, nor permit to exist any encumbrance on all or any part of its interests in the Exploration Interests, except as permitted by Section 8.6(e);

(c) BNK owns the BNK Interests free and clear of the claims (except for 2008 ad valorem taxes with respect thereto and as provided in Section 8.6(e)) of any party claiming by, through or under BNK and no part of the BNK Interests are subject to any preferential right to purchase;

(d) all written materials heretofore provided by BNK to Company are materially true and complete;

(e) there are no pending administrative or judicial proceedings directly relating to, arising from or which could directly affect adversely, the ownership or operation of the BNK Interests;

(f) no wells have been drilled on the AMI by BNK or all such wells drilled by BNK as operator have been drilled, plugged, and abandoned in material compliance with applicable laws; and

(g) any interest earned or acquired by Company in the Leasehold Interests under this Agreement from BNK shall be burdened with only those burdens which existed on the Effective Date of this Agreement or at the time the Parties first acquired the Leasehold Interest under Section 1.4, whichever is later.

7.3 By All Parties. Each Party represents and warrants to the other Parties that there is no broker involved in this transaction. In the event any party asserts a claim for: (i) a brokerage commission, a finder's fee or any other compensation in connection with this transaction or (ii) an interest in any of the Exploration Interests, the Party who is alleged to have engaged or retained such person, or to have taken the action upon which such claim is based, shall indemnify and hold harmless the other Parties if such claim is asserted against the other Parties or any of their interests in the Exploration Interests.

7.4 No Other Representations or Warranties. Except as expressly provided herein, there are no other representations or warranties by any Party.

8.0 Covenants

8.1 Performance of Covenants and Indemnity. BNK and Company agree to accept this Agreement and any assignments made hereunder subject to all of the terms, provisions and conditions of the PSA, the Vintage Assignments, the Leases, and prior assignments thereof, if any. BNK and Company, each as to their interest in the Leasehold Interests, expressly assumes and agrees to fully comply with and timely perform each and every duty, obligation, covenant, provision and condition of this Agreement and the PSA, the Vintage Assignments, the Leases, and prior assignments thereof, if any, imposed upon BNK or Company. BNK and Company further each agree to save, protect and hold the other Party, and the other Party's officers, directors, agents, employees, assigns and all persons in privity with them, harmless at all times from all costs, claims, damages, and all penalties (to include, without limitation, attorney's fees) which may be asserted or arise out of claims against the other Party on the indemnifying Party's failure or refusal to comply fully and faithfully with each and every duty, obligation, covenant, provision and condition of this Agreement and the PSA, the Vintage Assignments, this Agreement, the Leases, and prior assignments thereof, if any, imposed upon the indemnifying Party as to the indemnifying Party's interest. The indemnifying Party's interest for this purpose shall be deemed to be limited to the indemnifying Party's interest in the Leasehold Interests.

8.2 Vintage PSA. Without limiting Section 8.1 of this Agreement, BNK and Company, each as to their interest in the Leasehold Interests, expressly assume its proportionate part of the risk, cost, and liabilities imposed under Article 6.7, 6.8, and 6.11 and Article 10 of the PSA and Section 1.4 of the Vintage Assignments.

8.3 Delay Rentals and Shut-In Well Payments. BNK shall pay all delay rentals and shut-in royalties which may become due and payable under the terms of the Leases that are part of the Leasehold Interests and necessary to maintain the same in force; provided BNK shall not be liable to any extent for erroneous payment or inadvertent failure to pay any such delay rentals or shut-in royalties. Upon being billed therefore, the other Parties shall reimburse BNK for the other Parties' proportionate part of all delay rentals and shut-in royalties paid. Operator agrees to immediately notify BNK and Company by telephone and in writing at their notice address at any time a well is completed on which is capable of producing, but is not producing and at any time production from a well ceases for any reason. After a Field JOA becomes effective, delay rentals and shut-in royalties shall be paid as to that Field as provided in the Field JOA.

8.4 Abandonment. Neither BNK nor Company shall at any time abandon, relinquish, surrender or let expire its leasehold estate in any part or all of the Exploration Interests in the AMI outside any existing Field(s) without first giving the other Parties written notice at their notice address, of such desire and intention at least sixty (60) days before the leasehold estate is to be abandoned, relinquished, surrendered or permitted to expire. The other Parties shall have thirty (30) days after receipt of such notice within which to notify the Party giving notice at its notice address whether or not the other Party elects to seek to acquire the leasehold estate as an AMI Interest. If one or more Parties seeks to acquire the leasehold interest as an AMI Interest, the Parties shall agree upon a single Party to negotiate for the acquisition of the AMI Interest.

8.5 Concurrent Rights of Ingress and Egress. Subject to the terms of the Leases, any third party agreements, and any applicable operating agreement, the Parties hereto, their successors and assigns, shall have equal and concurrent rights of ingress and egress on the AMI for the purpose of exploring for, drilling for, mining, producing and marketing the oil and gas owned by each of the Parties hereto in their respective depths and undivided interests under the Leases. The Parties shall own and hold equally any and all rights granted by the Leases as incident to and for the purpose of mining, exploring for, drilling for and producing the minerals owned by them in their respective depths and undivided interests, including the right to lay and maintain pipe lines, water lines, dig pits, erect structures and to do and perform any and all other things incident to the rights and interests of the Parties hereto in their respective depths and undivided interests. These rights shall be exercised in such a manner as not to interfere unduly with the similar rights of the other Parties hereto.

8.6 Miscellaneous. The Parties agree as follows:

(a) Taking Production In Kind. Each party shall take in kind and separately dispose of its respective share of production and any extra expenditures incurred in the taking in kind or separate disposition by any Party of its proportionate share of production shall be exclusively borne by that Party, all as more particularly provided in the applicable operating agreement.

(b) Records. Operator shall maintain a true and correct set of records pertaining to its performance of this Agreement. Operator further agrees to retain all such records for a period of not less than two (2) years after completion of performance under this Agreement. The Parties at all times during the term of this Agreement, upon notice in writing to Operator, shall have the right to audit Operator's accounts and records relating to this Agreement for any calendar year within the twenty-four (24) month period following the end of such calendar year. Operator shall bear no portion of the Party's audit cost incurred under this paragraph unless agreed to by the Operator. Operator agrees to make adjustments of its records and accounts to correct and clarify deficiencies revealed by the Party's audit.

(c) Ad Valorem Taxes. Ad valorem taxes shall be prorated on a calendar year basis, and taxes after the Effective Date shall be billed to the Joint Account. Thereafter each Party shall pay its proportionate part of ad valorem taxes under the applicable operating agreement.

(d) Land Administration. During the term of this Agreement, BNK shall be responsible for the acquisition, management, and administration of lands within the AMI. This shall include, without limitation, all title searches, purchase of oil and gas leases, preparation of land data, title examination, title curative, lease maintenance, surface damages, permitting, and regulatory matters. Reasonable and necessary costs incurred by BNK for such costs shall be chargeable to the Joint Account in accordance with the terms and provisions of the applicable operating agreement. BNK shall not be liable to any other Party for BNK's actions or failure to act under this Section 8.6(d), except insofar as such actions or failure to act is attributable solely to BNK's own gross negligence or intentional misconduct.

(e) Encumbrances of Rights. No Party shall have the right, power, or authority to encumber, mortgage, hypothecate, or to create or allow to be created a lien upon any portion of its interest in the AMI, except that portion thereof which such Party may own, and any attempt by a Party to encumber, mortgage, hypothecate, or to create or allow to be created a lien upon any portion of the rights which are not owned by it shall be void and of no force or effect. Any encumbrance shall be subject to and subordinate to the terms and conditions of this Agreement and any applicable operating agreement.

(f) Other Activities. Nothing herein contained shall prohibit or restrict a Party from conducting oil and gas exploration, development or production operations, pipeline operations or any other business for its own account that is located outside of the AMI.

(g) Public Announcements. Unless otherwise required by law, or upon advice of counsel, no Party shall issue any press release or other public announcement with respect to the transactions and operations contemplated by this Agreement without the prior written consent of the other Parties hereto, such consent not to be unreasonably withheld or delayed, and, in any case, only after giving the other Parties hereto a reasonable opportunity to consult with respect to the content thereof.

9.0 Transfers

9.1 Permitted Transfers. A merger, reorganization, consolidation or similar restructuring by a Party which does not transfer control of that Party's interest in the Exploration Interests and the AMI from that Party or its Affiliates, but merely changes the form of the entity without a change of control, shall not be deemed to be a "transfer" as used in this Section 9.0, so long as such Exploration Interests continue to be subject to the terms of this Agreement, the AMI JOA, and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests.

9.2 Transfers to Affiliates. Each Party may at such time or times as it alone decides, transfer (excluding always however, any transfer except permitted transfers which will create a lien or otherwise encumber) any of the Exploration Interests and any interest in the AMI to, or permit the transfer between or among, one or more of its Affiliates (as defined in Section 9.3); provided however: (i) each of the Exploration Interests so transferred shall always remain subject to the terms of this Agreement, the AMI JOA and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests or the AMI; (ii) each Party shall continue to: (a) be fully responsible and (b) have the right and authority to act (and to cause all of its Affiliates to permit it to act) *una voce,* for itself and all of its Affiliates with respect to all of such Party's and its Affiliates' rights and obligations, if any, pursuant to this Agreement, the AMI JOA and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests or the AMI, and (iii) unless already a Party prior to such transfer, none of such Affiliates shall be a Party for the purposes of this Agreement, the AMI JOA, or any of the other agreements between the Parties and no such transfer shall be effective until, and as of such time or times as an Affiliate which receives an interest in the Exploration Interests or the AMI, has become a Party to this Agreement, the AMI JOA, and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests and the AMI by expressly in writing approving, ratifying, and adopting each and all of this Agreement, the AMI JOA, and all such other agreements.

9.3 Definition of Affiliate. As to a Party who is an individual, an "Affiliate" shall mean a parent, brother, sister, spouse, child, or a direct lineal descendant of any of them by blood or adoption. As to a party which is a legal entity, but not an individual, any corporation, partnership, trust, limited liability company, or other entity controlling, controlled by, or under direct or indirect common control with a Party. No transfer, however accomplished, shall have the effect of creating a new Affiliate, except that, transfers by reason of death shall be deemed to be a transfer to an Affiliate of the predecessor Party.

9.4 Right of First Refusal As to All Other Transfers. If any Party, (including without limitation any party claiming by, through or under such Party, the "**Transferor**") proposes to make a transfer not expressly permitted under Section 9.1 or 9.2 of all or any of its interests in the Exploration Interests or the AMI, the other Parties ("**Refusal Party**") shall have a right of first refusal as herein provided with respect to each such proposed transfer. Such right shall exist so long (but in no event longer than 21 years after the Effective Date) as the Refusal Party owns an interest in the Exploration Interests or the AMI. Without regard to any permitted transfers or assignments, at any given time, only (i) Company or a single successor, and (ii) BNK or a single successor may own or hold the right to be the Refusal Party. That is, ownership of the right of first refusal may not be fragmented among multiple assignees, except that each Field and the AMI shall be independent of each other, so that ownership may differ from Field to Field and as between any Field and the AMI.

9.5 Offer Notice. The Transferor shall give the Refusal Party notice ("**Offer Notice**") of each *bona fide* offer the Transferor in good faith then intends to accept from an offering party ("**Offeror**") for its purchase of all or any of the Transferor's interests in the Exploration Interests or the AMI together with the full details of such offer, including without limitation, a copy of the purchase and sale agreement, relevant ancillary documents, and a calculation of the fair cash value and the cash value equivalent of any non-cash consideration which is a part of such offer as to the properties subject to this preferential right. Refusal Party shall not be obligated to accept or to pay for property not subject to this preferential right in order to exercise this preferential right. Including any of the Exploration Interests in a package sale or transfer of Exploration Interests with other properties not subject to this Agreement shall trigger the preferential right as to the Exploration Interests included in the package sale or transfer.

9.6 Exercise of the Preferential Right. The Refusal Party shall notify the Transferor within twenty-one (21) days after the date of the giving of the Offer Notice if the Refusal Party intends to exercise its right of first refusal with respect to such proposed transfer and thereby to purchase such interests for the price and on the terms set out in the Offer Notice. Failure by the Refusal Party to notify the Transferor of its election shall be deemed to be the Refusal Party's refusal to exercise its right of first refusal with respect to the proposed transfer. If the Refusal Party and the Transferor are unable to agree upon the cash value equivalent, the Refusal Party must nevertheless elect on or before the expiration of the 21-day notice period to: (i) pay the value established by the Transferor to the Transferor, (ii) pay to the Transferor all but the disputed amount, and the Refusal Party must, at the time of payment, place in escrow the disputed amount pursuant to an agreement which is reasonably acceptable to the Transferor and the Refusal Party, with the interest earned from the investment of the escrowed amount to be divided between them in the same proportions as such amount is finally divided between them, based on their agreement, or a final judgment of a court of competent jurisdiction, or (iii) waive its right of first refusal.

9.7 Transfer Pursuant to the Preferential Right. If the Refusal Party accepts the Offer Notice, or accepts the Offer Notice subject to the payment into escrow of the disputed amount, then not later than 30 days after the date of the Refusal Party's notice to the Transferor of such acceptance, the Transferor shall execute, acknowledge and deliver an assignment of such interests to the Refusal Party in exchange for cash or other immediately available funds payable to the Transferor and, if applicable, to the Escrow Agent, in the appropriate amount and any other appropriate consideration. The assignment shall be in the form specified in the purchase and sale agreement, or if none, in a form reasonably acceptable to the Refusal Party, but it shall in any event transfer such interests to the Refusal Party free and clear of all claims of any party claiming by, through or under the Transferor. If the Refusal Party is more than one Party, the assignment shall be proportionate in the same proportion that the Party's interest in the Exploration Interests bears to the Exploration Interests of all Parties who are the Refusal Party.

9.8 Transfer to Offeror. If the Refusal Party refuses or fails to timely and properly accept such offer, the Transferor may accept such offer from the Offeror at any time within sixty (60) days after the date of the giving of the Transferor's Offer Notice to the Refusal Party of such offer. If such interests are not timely transferred to such Offeror, the Transferor may not transfer all or any part of such interests to any party without again first offering them to the Refusal Party. The preferential right set forth in Section 9.4 is a continuing right, not a one-time right, and any and all of such interests transferred by the Transferor to an Offeror shall continue to be subject to all the terms of this Agreement, the AMI JOA, and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests. No transfer to the Offeror pursuant to this Section 9.8 shall become effective until the Offeror has become a Party to this Agreement, the AMI JOA, and all other valid agreements between the parties which pertain to all or any part of such Exploration Interests by expressly approving, ratifying, and adopting each and all of this Agreement, the AMI JOA and all such other agreements.

9.9 Termination of the Exploration Program. At any time after the drilling to their respective Casing Points of the first three X Wells (or the Blackout provided in Section 5.4), and the assignment by the Parties of the Exploration Interests by the Field Assignments, if any is required, as provided in Section 3.6, BNK may, at BNK's election, by notice terminate its further participation in the Exploration Program. At any time after a Test Well has been proposed on each Block or after July 1, 2011, whichever occurs first, and the assignment by the Parties of the Exploration Interests by the Field Assignments, if any is required, as provided in Section 3.6, Company may, at Company's election, by notice terminate its further participation in the Exploration Program. Any Party ("**Terminating Party**") may terminate its further participation in the Exploration Program by: (i) permitted notice to the other Parties ("**Continuing Party**"), or (ii) (after termination is permitted) failing to participate for all of its interest (to at least Casing Point) in any three consecutive X Wells. Any such termination shall be effective on the date ("**Termination Date**") which is the first to occur of the date the Terminating Party gives permitted notice pursuant to this Section 9.9, or the commencement of the third consecutive X Well in which a Terminating Party elected to not participate to at least Casing Point. The Terminating Party shall continue to be liable for the Terminating Party's proportionate part of all liabilities incurred or accrued prior to the Termination Date. Such termination shall not affect the Terminating Party's interests (collectively, "**Continuing Interests**") pursuant to this Agreement, the AMI JOA, and all other valid agreements between the Parties which pertain to all or any part of the Exploration Interests or the AMI, insofar as any of such documents (collectively, "**Documents**") cover any part of the AMI which is then included in any Field upon which there is or are then an X Well or one or more D Wells completed as a Producer. The Continuing Interests shall continue to be owned by the Terminating Party after such termination and to be subject to the terms of such Documents and all other valid agreements between the Parties which pertain to all or any part of the Continuing Interests. The Terminating Party's Exploration Interests and interests in the AMI excluding the Terminating Party's Continuing Interests are herein called the "**Non-Field Acreage**". Termination of the Exploration Program does not terminate the AMI, the AMI JOA or this

Agreement, but after the Termination Date, as to the Non-Field Acreage of the Terminating Party, Sections 2.2 through 2.8, 4.2, and 5.6 of this Agreement shall no longer apply.

9.10 Transfer of Non-Field Acreage to Continuing Party. Not later than ten (10) days after the Termination Date, the Terminating Party shall execute and deliver a duly executed and acknowledged assignment of the Non-Field Acreage to the Continuing Party. The assignment ("**Non-Field Acreage Assignment**") shall be substantially in the form of the attached Exhibit D and shall transfer to the Continuing Party all or that part of the Non-Field Acreage in any Block(s) earned by the Continuing Party free and clear of all claims of any party claiming by, through or under the Terminating Party. The assignment shall be proportionate as to each Block in the same proportion that the Continuing Party's interest in the Exploration Interests in that Block bears to the Exploration Interests of all Parties who are the Continuing Party in that Block. By accepting the Non-Field Acreage Assignment, the Continuing Party is expressly assuming, approving, ratifying, and adopting each and all of this Agreement, the AMI JOA, and all such other agreements as to the interests assigned.

9.11 Transfer of Non-Field Acreage to Terminating Party. Not later than thirty (30) days after the Termination Date, the Continuing Party shall execute and deliver a duly executed and acknowledged assignment of the Non-Field Acreage to the Terminating Party. The assignment shall be substantially in the form of the attached Exhibit D and shall transfer to the Terminating Party all or that part of the Non-Field Acreage in any Block(s) earned by the Terminating Party free and clear of all claims of any party claiming by, through or under the Continuing Party.

9.12 Final Transfer of Non-Field Acreage. On July 1, 2014, the Parties still continuing under this Agreement shall execute and deliver a duly executed and acknowledged assignment of the Non-Field Acreage each to the others. The assignment shall be substantially in the form of the attached Exhibit D and shall transfer to the assignee named therein all or that part of the Non-Field Acreage in any Block(s) earned by the assignee named therein free and clear of all claims of any party claiming by, through or under the assignor.

10.0 Term

10.1 Effective Date. The "**Effective Date**" of this Agreement and the AMI JOA is November 1, 2008, and for a Field JOA(s), the Effective Date is the date the first X Well is completed as a Producer on that Field.

10.2 Termination. Unless sooner terminated as herein permitted, this Agreement and the AMI JOA shall continue for: (i) so long as any of the Leases are effective as to any of the Exploration Interests subject to the AMI JOA (ii) the term of any renewal or extension of any of the Leases as to any of the Exploration Interests subject to the AMI JOA or (iii) the term of any new oil and gas lease taken directly or indirectly by any Party or Affiliate of any Party on the AMI within six months after the last of the Leases subject to the AMI JOA to terminate, whichever occurs last. Provided, however, the term of the AMI and any Field AMI shall not extend beyond the date provided in Section 1.2.

11.0 Default

11.1 All Remedies Available and Cumulative. Subject to the limitations of Section 5.4, in the event of a default by a Party in the performance of its obligations pursuant to this Agreement, the AMI JOA, and any other valid agreement between the Parties, the other Parties shall be entitled to all remedies available at law or in equity, and all such remedies shall be cumulative.

11.2 Non-Waiver. No waiver of, or failure to assert, any claim, right, benefit or remedy pursuant to this Agreement, the AMI JOA, or any other valid agreement between the Parties shall operate as a waiver of any other claim, right or benefit. The failure of any Party at any time or times to require performance of any provision of such agreements shall in no manner affect the Party's right at a later time to require such performance or fully to enforce performance.

12.0 Miscellaneous Provisions

12.1 Notices. Except where otherwise expressly provided, all notices, proposals, information, consents and other communications required or permitted by the provisions of this Agreement or any applicable operating agreement to be given or sent by any Party, shall be in writing sent to the following addresses and shall be deemed to be properly given to the other Parties when: (i) delivered personally; (ii) mailed by prepaid certified or registered mail, or by a prepaid private delivery or messenger service, return receipt requested; (iii) sent by facsimile; (iv) properly addressed and sent as provided in (i) or (ii) above and delivery is refused by the addressee upon presentation or postal notification thereof to such addressee; or (v) properly addressed and sent as provided in (ii) above and returned as nondeliverable for any reason, and in each instance addressed to such Party at the respective addresses as follows:

If to BNK:	With a copy to:
Wolf E. Regener BNK Petroleum (US) Inc. 601 Daily Drive, Suite 210 Camarillo, CA 93010 (805) 484-3613 Telephone (805) 484-9649 Facsimile wregener@BNKpetroleum.com	Richard F. Brown Brown & Fortunato, P.C. 905 S. Fillmore, Ste. 400 Amarillo, TX 79101 (806) 345-6301 Telephone (806) 345-6363 Facsimile rbrown@bf-law.com
If to Company:	With a copy to:
BWB Exploration, LLC c/o Grant Keary ______________________ ______________________ ___________ Telephone ___________ Facsimile ___________ Email	Grant Keary Dunn, Lee & Keary 26000 Towne Centre Drive, Ste 200 Foothill Ranch, CA 92610 (949) 916-1600 Telephone (949) 916-1010 Facsimile gck@dlklaw.com Email

The return receipt, delivery receipt, affidavit of the delivering person or acknowledging reply by such addressee or by any means permitted in (i), (ii) or (iii) above, shall be deemed presumptive evidence of the proper delivery of such notice, information, consent or other communication. The Parties will endeavor to use method (iii) above, whenever possible. Notice shall be deemed given at the time of delivery under (i), at the date of receipt under (ii), at the time of transmission under (iii), at the time of refusal under (iv), and at the time of return under (v). Any Party may at any time change its designated address above by giving notice thereof to the other Parties. Without limiting the duty to give formal written notice as herein provided, the Parties shall cooperate in good faith to expedite the giving of formal notice and responses thereto by informal communications by telephone and by email.

12.2 Governing Law. Without regard to any principles of conflict of laws, this Agreement shall be deemed to have been made in Potter County, Texas, any dispute which arises hereunder shall be governed by and interpreted in accordance with the laws of the State of Texas, and the Parties stipulate, agree, and select jurisdiction and venue in any state or federal court having jurisdiction in Potter County, Texas. Each of the Parties has been represented by separate counsel or has been given an adequate opportunity to consult with separate counsel, each and all of the provisions of this Agreement have been negotiated by the Parties, and no part of this Agreement shall be construed against a Party or a presumption raised against a Party based on the fact that one Party proposed or drafted any part of this Agreement.

12.3 Relationship of Parties. Neither this Agreement, nor the AMI JOA, nor any of the exhibits is intended to create, nor shall any of such documents be construed as creating, a mining partnership, a joint venture or any other partnership or association by or between the Parties or make the Parties liable as partners. The liability of the Parties to third parties shall be several and not joint or collective. The provisions of Art. IX of the AMI JOA are expressly incorporated herein by reference.

12.4 Entire Agreement. This Agreement and its attached Exhibits contain the entire understanding of the Parties with respect to the transactions contemplated herein and supersedes all prior agreements, arrangements and understandings, whether written or oral, relating to the subject matter hereof, and all of them are merged into this Agreement.

12.5 Severability. Any provision of this Agreement or any applicable operating agreement which is prohibited or unenforceable in whole or in part shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof.

12.6 No Assignment. No Party may assign or transfer any of its rights or obligations pursuant to this Agreement or any applicable operating agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, and except as otherwise herein specifically permitted. Company expects to assign or transfer some part or all of its interest under this Agreement shortly after execution, and the Parties agree that any such transfer completed on or before January 30, 2009, will not trigger the right of first refusal in Section 9.4. However, until the BNK Promote is fully expended or a Test Well has been proposed on all of the Blocks, whichever occurs first, no transfer by Company shall be effective unless it provides that a single representative for all of Company's original interest shall have the right and authority to act (and to cause Company and all of Company's assignees or transferees to permit it to act) *una voce*, for itself and all of such Parties with respect to all of each Party's rights and obligations, if any, pursuant to this Agreement, the AMI JOA and all other valid agreements between the Parties which pertain to all or any part of such Exploration Interests or the AMI.

12.7 Amendment. This Agreement and any applicable operating agreement may only be amended by a writing that expressly refers to the document to be amended, the intent to amend, and which ratifies, confirms and incorporates as a part thereof the provisions of this Agreement and any applicable operating agreement amended. Each such amendment must be executed and delivered by all Parties.

12.8 Survival of Representations, etc. All representations, warranties, indemnities, agreements and covenants contained in this Agreement or any applicable operating agreement shall survive the execution and delivery hereof and any applicable operating agreement and shall continue in full force and effect as of the respective dates as of which they were made, until all obligations under this Agreement and any applicable operating agreement shall have been satisfied.

12.9 No Third Party Beneficiaries; Binding Effect. This Agreement and any applicable operating agreement shall not confer, nor give rise to, any rights to any person or entity other than the Parties (except appropriate governmental authorities and then only to the extent permitted or required by applicable law) to institute proceedings or bring any other enforcement action with respect to any provision, representation, indemnity, covenant, or warranty contained herein against any Party to this Agreement. Each of the provisions, representations, indemnities, covenants and warranties set forth in this Agreement or in any applicable operating agreement shall be binding upon and shall inure solely to the benefit of, and shall be enforceable only by, the Parties, their heirs, personal representatives, successors and permitted assigns.

12.10 Further Assurances. The Parties shall execute and deliver to the appropriate party such other instruments and perform such other acts as may reasonably be required in order fully to perform and carry out the terms and intent of this Agreement and any applicable operating agreement.

12.11 Headings and Recitals. The headings of the several sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of this Agreement. The Recitals are part of this Agreement.

12.12 Gender and Number References. Notwithstanding any use of a specific term of gender herein, such term shall refer to and include all forms of gender whether masculine, feminine or neuter, and the singular shall be deemed to include the plural and vice versa.

12.13 Expenses. Each Party hereto shall separately bear its expenses incurred in connection with the negotiation and preparation of this Agreement and any applicable operating agreement and in connection with all things required respectively to be done by each pursuant to this Agreement and any applicable operating agreement, except as otherwise provided herein or in any applicable operating agreement.

12.14 Defined Terms. Certain words and combination of words (each a "**Defined Term**") are respectively herein given specific meanings and made "words of art" for the purpose of this Agreement. Whenever and wherever used herein, each of the Defined Terms shall have the respective meanings as defined in the section referenced in the Glossary of Specifically Defined Terms, or as otherwise expressly provided herein. A Defined Term which is singular shall have the same meaning when used in the plural and vice versa. A Defined Term shall have the same respective meanings when used herein or in any notices, information, agreements, consents, and other communications required, permitted, given, or sent by any party pursuant to this Agreement or any exhibits and amendments hereto, unless the context of the use of any such term clearly requires otherwise, or is otherwise therein specified. Terms defined in any of the Exhibits hereto shall have the same meaning when used herein, if not inconsistent with this Agreement.

12.15 Force Majeure. A *force majeure* for the purposes of this Agreement or any applicable operating agreement is defined as earthquake, flood, acts of God, or of the elements or by public enemies, war, insurrection, riot, strike, picketing, boycott, lockouts, inability to procure material or necessary labor in the open market, acute, or unusual labor or materials shortage, interruption of service rendered by a public utility, interference by governmental action, failure or any government or agency thereof to grant any required permit or approval or application therefore, restraining order, or any other cause (whether similar or dissimilar to the foregoing) that is beyond the practical control of the party urging the existence of the *force majeure*. The financial inability of a party to pay any sum or to perform any act herein provided to be paid or performed by it shall not constitute a *force majeure*. If a Party is delayed in its performance by reason of a *force majeure*, such delay shall not constitute a breach or default pursuant to this Agreement or any applicable operating agreement, and such Party shall be excused from the performance of such covenant or agreement so long as such condition exists. As soon as such condition is removed, performance shall resume. A Party intending to claim the existence of a *force majeure* shall give prompt notice thereof to the other Parties following the occurrence of any such event together with the claiming Party's description of the nature thereof. No Party shall be liable or responsible to the other Parties for any delay, damage, or failure occasioned by a *force majeure*. Each Party shall cooperate and shall diligently do all things reasonably possible to remove or cure a *force majeure* and to repair and remedy the effects thereof. Any provision herein or in any applicable operating agreement to the contrary notwithstanding: (i) in any event where the terms of this Section 12.15 are in conflict with the *force majeure* terms of any Lease, such terms of the Lease shall prevail in every instance involving the performance by any Party of any of the obligations of the original lessee of the Lease; and (ii) no Party shall be required against its will to adjust any labor or similar dispute except in accordance with the applicable laws of any governmental authority maintaining jurisdiction thereover.

12.16 Counterparts and Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. This Agreement may be executed by electronic or facsimile signatures which shall be equally binding and admissible as originals.

This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. This Agreement may be executed by electronic or facsimile signatures which shall be equally binding and admissible as originals.

Executed so as to be effective as of the Effective Date.

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SIGNATURE PAGE TO EXPLORATION AGREEMENT

BNK PETROLEUM (US), INC.

AND

BWB EXPLORATION, LLC

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties hereto on the date written below.

COMPANY:

BWB EXPLORATION, LLC, a Delaware limited liability company

By: Basin Tishomingo Holdings, Inc., a Delaware corporation, Member

By: Henry D Lee
Horng Dih Lee, President

Date: December 1, 2008

BNK:

BNK PETROLEUM (US) INC., a Texas corporation

By:____________________________
Name:__________________________
Title:__________________________

Date:__________________________

SIGNATURE PAGE TO EXPLORATION AGREEMENT

BNK PETROLEUM (US), INC.

AND

BWB EXPLORATION, LLC

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties hereto on the date written below.

COMPANY:

BWB EXPLORATION, LLC, a Delaware limited liability company

By: Basin Tishomingo Holdings, Inc., a Delaware corporation, Member

By:____________________
Horng Dih Lee, President

Date:____________________

BNK:

BNK PETROLEUM (US) INC., a Texas corporation

By: [signature]
Name: Wolf E Regener
Title: President

Date: 12/1/08

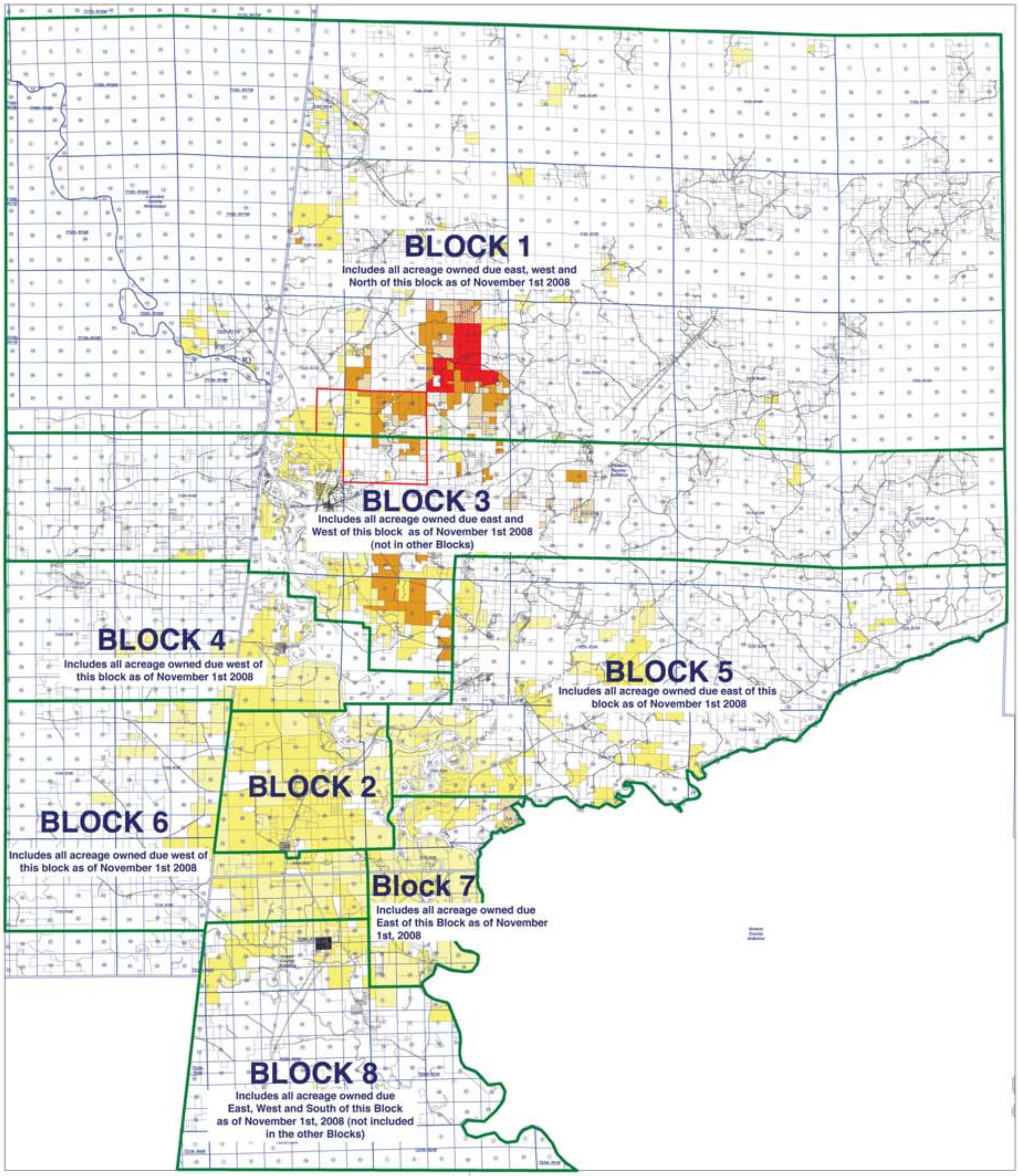
EXHIBIT A

AREA OF MUTUAL INTEREST

The AMI includes all of the lands included on the map on the following page showing a date of November 11, 2008, together with any additional lands covered by any Lease(s) located in any Block(s) as extended off this map which may be owned in whole or in part by BNK and/or Company as of the Effective Date.

Woolbank Creek

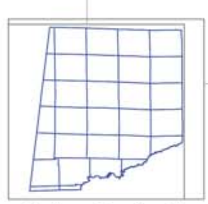
Pickens and Sumter County, Alabama
Noxubee and Lowndes County, Mississippi



Legend

- Old Hickman Area
- Townships
- Sections
- Tracts
- BNK Leased - Partial
- BNK Leased - Full
- Leased - Partial 3rd Party
- Leased - Full 3rd Party
- HBP - Partial
- HBP - Full

BNK PETROLEUM



Pickens County, AL

Mississippi & Alabama

PREPARED BY:

WILLARD B. SIMMONS, JR., CPL
ELM CORPORATION

9800 U. S. Highway 90
Daphne, Alabama 36526
Phone (251) 621-9699
E-Mail: WBS@elmcorp.com
Web: http://www.elmcorp.com

November 11, 2008

EXHIBIT B

OPERATING AGREEMENT

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

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

November 1, 2008

OPERATOR **BNK Petroleum (US) Inc.**

CONTRACT AREA **Black Warrior Basin AMI**

COUNTY OR PARISH OF	**Pickens** **Sumter** **Lowndes** **Knoxubee**	STATE OF	**Alabama** **Alabama** **Mississippi** **Mississippi**

TABLE OF CONTENTS

OPERATING AGREEMENT

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THIS AGREEMENT, entered into by and between BNK Petroleum (US) Inc. ____________________, 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 explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

A. The term "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.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land 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".

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 oil and gas lease or interest on 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.

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,

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(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", Gas Balancing Agreement.

☐ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

☐ G. Exhibit "G", Tax Partnership.

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.

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 and gas from the Contract Area subject to the payment of royalties ~~to the extent of~~ ~~which shall be borne as hereinafter set forth~~ **and other burdens of record**.

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 / **and other burdens of record** 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. The opinion 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. Operator shall cause title to be examined by ~~attorneys on its staff or by~~ outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

70☑ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) 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 or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

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

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B. Loss of Title:

~~1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests: and,~~

~~(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

~~(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;~~

~~(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;~~

~~(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;~~

~~(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,~~

~~(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.~~

~~2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;~~

~~(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interest; and,~~

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

3. Other Losses: All losses ~~incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above,~~ shall be joint losses

70and 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:

BNK Petroleum (US) Inc. 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. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct. **Operator shall have no liability for consequential or punitive damages.**

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, no longer owns an interest hereunder in the Contract Area, or is no longer 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 ~~two (2) or more~~ Non-Operators owning a majority interest based on ownership as shown on Exhibit “A” remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 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. 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 ~~two (2) or more~~ 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 ~~two (2) or more~~ 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:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, 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 Well:

On or before the __________day of ________ , (year) __________________ , Operator shall commence the drilling of a well for oil and gas at the following location:
Approximately ________ and ________ Section ___ - T _S - R _E, ______ County ____________, or at such other legal location on the Contract Area as the parties may agree
and shall thereafter continue the drilling of the well with due diligence to ~~the proposed depth~~ **the lesser depth of ______ feet beneath the surface or a depth sufficient to adequately test the ____________ Formation.**

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

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 rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, **inclusive** ~~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. **"Deepen," as used herein, includes horizontal extensions.**

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. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, 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 either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (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.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise 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.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the 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, 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) 400 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 400 % 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 **and consenting Parties shall indemnify Non-Consenting Parties for environmental claims and liabilities arising from the non-**. **consent operations during the period that the Consenting Parties are carrying the Non-Consenting Parties.**

In the case of any 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 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.

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 all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well after if has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to produce in paying quantities.

3. Stand-By Time: 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. Sidetracking: 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:

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 the treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay ~~for only its proportionate share of such part of~~ **uniform charges for** Operator's surface facilities which it uses **in proportion to the party's interest as shown on Exhibit A**.

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.

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

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

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, other than that specified above, shall be charged to the Non-Operator that requests the Information.

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 without the consent of all parties. 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. <u>Abandonment of Wells that have Produced:</u> 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 producer shall not be plugged and abandoned without the consent of all parties. If all parties 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 thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties 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 as being the lesser of the value calculated in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning or the highest of three bids reasonably available from non-affiliated salvage or plugging companies that offer to purchase the well's salvable material and equipment and to plug and abandon said well. 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". The assignments or leases so limited shall encompass the drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. 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. <u>Abandonment of Non-Consent Operations:</u> 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 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, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator 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 Operator 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 Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, 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. **Each party shall, upon Operator's written request execute a recordable memorandum confirming the grant of a security interest**.

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. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

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 70fifteen (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. <u>Drill or Deepen:</u> Without the consent of all 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. Consent to the drilling or deepening shall include:

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

☑ <u>Option No. 2:</u> All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any 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 completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. <u>Rework or Plug Back:</u> Without the consent of all 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. 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. <u>Other Operations:</u> Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of <u>**fifty thousand**</u> Dollars ($<u>****50,000.00****</u>) 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; provided, however, that, in case of explosion, fire, flood or other sudden

emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **twenty-five thousand** Dollars ($****25,000.00****) but less than the amount first set forth above in this paragraph.

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~~ / **Operator at joint** 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~~ **Article IV.B.3**.

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.

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.

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen'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 workmen'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 automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE 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 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 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.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

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

D. Maintenance of Uniform Interests:

~~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:~~

~~1. the entire interest of the party in all leases and equipment and production; or~~

~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

Every ~~such~~ sale, encumbrance, transfer or other disposition made by any party affecting the Contract Area 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 par-~~

~~ties. 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.~~

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 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 Internal Revenue Code of 1986, 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 and 00/100---** Dollars ($****50,000.00****) 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. **All claims or suits involving title to any interest subject to this agreement shall be treated as a claim or suit against all parties hereto.**

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 in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed 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, 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 deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. 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. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

☐ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in 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 ________________ 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 _____________ 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

70

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 ________ **Texas** ________ ~~shall govern~~ which shall govern without regard for the principles of conflicts of laws generally, and the parties voluntarily submit to the full extent permitted by law to jurisdiction in the state courts of Potter County, Texas.

70**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 or 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. This agreement is subject to the Black Warrior Basin Exploration Agreement dated effective November 1, 2008, by and between BNK Petroleum (US) Inc. and ____________ Company ("Exploration Agreement").

B. RECOMPLETION NON-CONSENT INTERESTS

Should any party hereto, having the right to elect, elect not to join in the recompletion of any well and such well is recompleted, then in that event the non-consenting party shall thereupon forfeit all its interest in the recompleted interval, the production therefrom and the drilling unit assigned thereto with the forfeited interest being shared pro rata by the consenting parties, or as the consenting parties may otherwise mutually agree.

The forfeiture herein provided shall be automatic without notice and without a request for a written assignment, but the non-consenting party agrees upon the request of any consenting party to execute and deliver in recordable form such assignments, releases or other documents, furnished by the consenting party, necessary to evidence such forfeiture. The forfeited interest shall be burdened only with the landowner's royalty and those overriding royalties and other similar burdens on production of record as of the effective date of the Exploration Agreement or the date the parties first acquired an interest, whichever is later.

A producing well is subject to the provisions of Article VI.B, and the provisions of this Article XV.B. shall not cause the forfeiture of any party's interest in any drilling unit assigned to, or which may be assigned to, a producing well.

All other operations on or in any well shall be governed by the other provisions of this agreement, and the Exploration Agreement.

C. PRIORITY OF ELECTIONS

Notwithstanding any provision of this agreement to the contrary, where a well commenced hereunder has been drilled to its authorized depth and the parties having the right to make an election regarding the sequence and timing of further operations regarding said well cannot reach a mutual agreement thereto, it is agreed that the following elections shall control in the order enumerated hereafter:

(1) an election to conduct additional well logging surveys, coring operations or testing operations on the well;

(2) an election to attempt to complete the well in the deepest interval in which a completion attempt has not previously been made;

(3) an election to plug back and attempt to complete the well in the deepest interval in which a completion attempt has not previously been made;

(4) an election to deepen the well;

(5) an election to sidetrack the well;

(6) an election to plug and abandon the well.

It is provided, however, that if at the time the parties are considering any of the above elections, the hole is, in the opinion of Operator, in such a condition that a reasonably prudent operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to completing the well in the objective depth or objective formation, such election shall not be made. It is further understood that if some, but not all parties, elect to participate in the additional logging, coring or testing, the electing parties may do so at their sole cost, risk and expense, and the party or parties not participating in such operations shall suffer no other penalty, except as provided in the Exploration Agreement.

D. SCOPE OF OPERATOR'S LIEN

The terms "oil and gas rights," "oil and/or gas when extracted" and "equipment" used in Article VII.B. of this agreement shall include the following real and personal property interest of each party hereto.

(1) The leasehold interest of each party;

(2) Removable equipment and fixtures located upon the lease or Contract Area;

(3) Oil and gas in place or severed oil and gas on the leases described in Exhibit "A;"

(4) Accounts or cash proceeds from the sale of oil and gas in the possession of a third-party purchaser or any other party; and

(5) Any general intangibles created by this agreement, including, but not by way of limitation, participation rights, extensions, renewals and acquisitions.

E. CHANGE OF OPERATOR

A newly-selected Operator under Article V.B. shall notify the discharged Operator in writing, and the discharged Operator shall transfer all the operating rights, prerogatives and powers, and all data, materials, cash or monies in hand to the newly-selected Operator, presenting as soon as practicable a proper accounting of all operations prepared by a Certified Public Accountant. The discharged Operator, shall however, following notice of its removal, continue to operate the properties for a period of thirty (30) days in order that an orderly transition of operations, duties, properties and accounting may be made. Notwithstanding the removal of any such Operator, the discharged Operator shall remain liable for any acts or omissions which may have occurred during its operation.

F. LITIGATION BETWEEN PARTIES TO THIS AGREEMENT

Costs and expenses attributable to the settlement of disputes, claims or litigation, other than the collection of debts by Operator from Non-Operator, arising out of and between any of the parties to this agreement, shall be borne solely by such parties and not by the joint account. Costs and expenses incurred by the Operator in connection with the collection of debts owed by any Non-Operator pursuant to this agreement shall be billed to the joint account and shall be considered a part of the debt owed by the Non-Operator debtor. The foregoing will be subject to the terms of Section II., Paragraph 10 of Exhibit "C," hereof.

G. SUCCESSORS AND ASSIGNS

1. Assignment. Notwithstanding any provision hereof to the contrary, no party shall assign or otherwise transfer all or any portion of any oil and gas interest or oil and gas lease now or hereafter subject to this agreement and included in the Contract Area without first obtaining the written consent of a majority in interest of the other parties, whose consent shall not be withheld unreasonably. No assignment or other disposition of any interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B shall continue to burden the interest transferred to secure payment of any such obligation. Those parties causing the need for additional measuring or gathering facilities by reason of the sale or disposition of less than an equal undivided interest in the entire Contract Area shall alone bear and pay for the cost of installation and construction of such facilities.

2. Liability Assumption. In addition, no such assignment or transfer shall be effective unless and until the assignee or transferee (a) furnishes Operator with written notice of the conveyance and a photostatic copy of the recorded assignment, (b) furnishes Operator with the name of the assignee to be billed and the mailing address, and (c) agrees in writing to take the assigned or transferred interest subject to this agreement and to assume its proportionate share of all obligations and restrictions created by this agreement with respect to the interest assigned or transferred from the effective date thereof, and copies of such written agreement have been delivered to the parties. The provision of this paragraph shall not apply to any transfer by operation of law or the grant of a mortgage or security interest in any oil and gas interest or oil and gas lease subject to this agreement but shall apply to any transfer of legal title to such interests pursuant to or in lieu of any such mortgage or security interest.

H. COVENANTS RUNNING WITH THE LAND

The terms, provisions, covenants and conditions of this agreement shall be deemed to be covenants running with the lands, the lease or leases and leasehold estate covered hereby, and all of the terms, provisions, covenants and conditions of this agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, executors, administrators, personal representatives, successors and assigns.

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.

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 **1st** day of **November** , (year) **2008** .

________________________~~, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alternations, or modifications, other than those in Articles~~ ________________________ ~~, have been made to the form.~~

O P E R A T O R

BNK Petroleum (US) Inc.

________________________ By: ________________________

Wolf E. Regener
President

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

________________ **Company**

________________________ **By:** ________________________
Name: ________________________
Title: ________________________

________________________ ________________________

EXHIBIT A

CONTRACT AREA

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and _____________ Company, as Non-Operator.

(1) Identification of lands subject to this agreement:

Those lands included within the Area of Mutual Interest shown on A(1) attached hereto and as further defined in the Exploration Agreement

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

None, except as imposed by the Leases or third-party agreements.

(3) Percentages or fractional interests of parties to this agreement:

BNK Petroleum (US) Inc.	50%
_________ Company	50%

Subject to the obligation of BNK to pay all costs until the BNK Promote is expended as provided in the Exploration Agreement.

(4) Oil and gas leases and/or oil and gas interests subject to this agreement,

All oil and gas leases and oil and gas interests owned by any party in the Contract Area, to include, without limitation, the Leases on Exhibit A(2).

(5) Addresses of parties for notice purposes.

If to BNK:

Wolf E. Regener
BNK Petroleum (US) Inc.
601 Daily Drive, Suite 210
Camarillo, CA 93010
(805) 484-3613 Telephone
(805) 484-9649 Facsimile
wregener@bnkpetroleum.com

With a copy to:

Richard F. Brown
Brown & Fortunato, P.C.
905 S. Fillmore, Ste. 400
Amarillo, TX 79101
(806) 345-6301 Telephone
(806) 345-6363 Facsimile
rbrown@bf-law.com

If to ________ Company:

____
____
____
____
___________ Telephone
___________ Facsimile
___________ Email

With a copy to:

____
____
____
____
____________ Telephone
____________ Facsimile
____________ Email

EXHIBIT A(1)

AREA OF MUTUAL INTEREST

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

Exhibit A(2)

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

Woolbank Creek
Pickens Co., AL

LseNum	Lessor	Lessee	LseDate	Bk/Page	Gross
300-439	LATHAM, MIKE D. & VIRGINIA PEEBLES	BASIN LAND COMPANY, LLC	07/12/05	200/967	3.00
300-159	ABRASLEY, ELIZABETH NOBLES	COASTAL RESOURCES, INC.	09/28/04	193/473	495.00
300-261	ALDRIDGE, ELMER	COASTAL RESOURCES, INC.	07/25/05	209/265	2.00
300-260	ALDRIDGE, NATALIE DAWN	COASTAL RESOURCES, INC.	07/25/05	209/263	1.72
300-188	ASHCRAFT, BETTY GATES	COASTAL RESOURCES, INC.	01/06/05	193/525	9.818
300-304-3	AUSTIN, WILLIAM L.	SOUTHERN RESOURCES, INC.	08/16/05	209/29	697.27
300-163	BALDWIN, ROBERT W.	COASTAL RESOURCES, INC.	11/15/04	193/484	209.10
300-239	BALL, KATHRYN BONNER	BASIN LAND COMPANY, LLC	04/19/05	200/869	136
300-217	BC INVESTMENTS, LLC	BASIN LAND COMPANY, LLC	03/03/05	194/981 (MEMO)	177.00
300-540	BESH, JOHN	SOUTHERN RESOURCES, INC.	07/20/06	222/832	1,418.71
300-225	BETHANY FARMS, INC.	BASIN LAND COMPANY, LLC	05/05/05	200/876	1260.18
300-249	BILLUPS, JOE	COASTAL RESOURCES, INC.	05/13/05	200/767	11.00
300-355	BOOTH, MCCOY	COASTAL RESOURCES, INC.	07/08/05	200/782	118.00
300-196	BRAUGHTON, MARTHA JEAN	COASTAL RESOURCES, INC.	12/30/04	193/513	495.00
300-541	BREWER, KAY GUNTER	SOUTHERN RESOURCES, INC.	05/01/07	237/444	159.00
300-362	BRITT, CLIFTON CHAD	BASIN LAND COMPANY., LLC	09/09/05	209/120	40.00
300-193	BRITT, LEWIS	COASTAL RESOURCES, INC.	01/06/05	193/517	178.73
300-191	BRITT, RUBY J.	COASTAL RESOURCES, INC.	01/06/05	193/545	8.00
300-224	BROWNLEE, JAMES OWEN, JR.	COASTAL RESOURCES, INC.	04/25/05	200/726	15.00
300-268	BURTON, PEGGY SUE NOLAND	COASTAL RESOURCES, INC.	07/21/05	200/808	20.00
300-222	CABINESS, RENEE BROWNLEE	COASTAL RESOURCES, INC.	04/25/05	200/742	15.00
300-542	CAGLE, ALLYSON K.	COASTAL RESOURCES, INC.	02/22/08	237/480	80.00
300-299	CAMERON FAMILY TRUST	SOUTHERN RESOURCES, INC.	09/21/05	209/100	167.00
300-377-3	CAMERON FAMILY TRUST	SOUTHERN RESOURCES, INC.	10/18/05	209/150	1,324.08
300-377-1	CAMERON, HUGH, JR.	SOUTHERN RESOURCES, INC.	10/18/05	209/156	1,324.08
300-360-2	CAMERON, HUGH, JR.	SOUTHERN RESOURCES, INC.	10/04/05	209/123	167.00
300-360	CAMERON, JOHN G.	SOUTHERN RESOURCES, INC.	10/04/05	209/134	167.00
300-377	CAMERON, JOHN G.	SOUTHERN RESOURCES, INC.	10/18/05	209/159	1,324.08
300-303	CARTER JOHN E., III	COASTAL RESOURCES, INC.	09/08/05	209/103 (MEMO)	920.00

300-436	CE-ROB, INC., AN ALABAMA CORPORATION	BASIN LAND COMPANY, LLC	01/03/06	209/258	753.00
300-257	CHALK, ALBIN T.	COASTAL RESOURCES, INC.	05/20/05	200/759	2,890.75
300-192	CLARK, ANTHONY W.	COASTAL RESOURCES, INC.	12/28/04	193/548	64.00
300-347	CLASEN, JUDITH PARKER	SOUTHERN RESOURCES, INC.	08/16/05	209/32	351.00
300-107	COAN, BETTY JORDAN	BASIN LAND COMPANY, LLC	07/20/04	194/923	80.00
300-171	COLLINS, SARA GLASS	COASTAL RESOURCES, INC.	12/20/04	200/723	517.32
300-220	COLLINS, VIRGINIA W.	BASIN LAND COMPANY, LLC	04/27/05	200/866	158.00
300-137	COMERFORD, BERNICE P.	COASTAL RESOURCES, INC.	10/07/04	193/440	25.99
300-234-1	CONNER, WALTER MAE	COASTAL RESOURCES, INC.	02/03/05	193/565	1.00
300-318	COX, OLEAN	THOMAS EDWIN ELLIS	08/26/05	209/47 (MEMO)	36.00
300-267	CRISWELL, JEFFREY M.	COASTAL RESOURCES, INC.	07/21/05	200/796	18.00
300-543	CROWE, ROBERT R.	SOUTHERN RESOURCES, INC.	08/04/06	222/867	1,418/71
300-544	CUMMINS, JOHN DEMONTFORD	SOUTHERN RESOURCES, INC.	04/25/07	237/469	320.00
300-415	CUNNINGHAM, JESSE M., ET UX	SOUTHERN RESOURCES, INC.	12/13/05	209/236	167.00
300-423	CUNNINGHAM, JOSEPH B. IV AND NICOLLE L.	SOUTHERN RESOURCES, INC.	12/13/05	209/242	167.00
300-434	CUNNINGHAM, SCOTT S. AND TIARA ENGLISH-	SOUTHERN RESOURCES, INC.	01/05/06	209/255	167.00
300-235	DAHLKE, LINDA MCDANIEL	COASTAL RESOURCES, INC.	01/27/05	193/550	82.30
300-339-1	DALE, JOHN T.	COASTAL RESOURCES, INC.	06/23/05	200/772	2,075.25
300-256	DAVIS, ROBBIE A.	BASIN LAND COMPANY, LLC	06/02/05	200/902	197.65
300-236-2	DETHLOFF, SARAH MCKELLAR	BASIN LAND COMPANY, LLC	05/13/05	200/899	1,589.80
300-303-1	DILLARD, KENNETH R.	COASTAL RESOURCES, INC.	09/08/05	209/90	920
300-549	DOWNER, ELIZABETH ANN	SOUTHERN RESOURCES, INC.	05/01/07	237/447	159.00
500-550	DOWNER, ELIZABETH ANN	SOUTHERN RESOURCES, INC.	05/01/07	237/450	159.00
300-547	DOWNER, JOHN C.	SOUTHERN RESOURCES, INC.	05/01/07	237/441	159.00
300-548	DOWNER, WILLIAM C.	SOUTHERN RESOURCES, INC.	05/01/07	237/463	159.00
300-276	DUNCAN, HAROLD D.	BASIN LAND COMPANY, LLC	06/28/05	200/942	200.00
300-112	EDWARDS, JEFFERY L.	COASTAL RESOURCES, INC.	07/26/04	193/390	5.00
300-125	EDWARDS, JEFFERY L., ET UX	COASTAL RESOURCES, INC.	08/10/04	193/414	10.00
300-124	EDWARDS, JEFFERY L., ET UX	COASTAL RESOURCES, INC.	08/16/04	193/412	11.80
300-442	ELLEY, ALISSA K., EXECUTOR ESTATE OF OLGA B. SCALES	COASTAL RESOURCES, INC.	11/03/05	209/261	430.00
300-227	EMBREY, REBEKAH B.	BASIN LAND COMPANY, LLC	04/22/05	200/882	285.00
300-197	ESTATE OF ROGER D. MALKIN	COASTAL RESOURCES, INC.	12/16/04	193/528 (MEMO)	12,742.46

300-258-4	FARRIS, LULA V.	COASTAL RESOURCES, INC.	06/23/05	209/11	1.80
300-520	FERREN, NANCY ELIZABETH KING	COASTAL RESOURCES, INC.	02/22/08	237/488	60.00
300-304-4	FIELD, AUSTIN T.	SOUTHERN RESOURCES, INC.	08/04/05	209/35	697.27
300-304-2	FIELD, KIM TAYLOR	SOUTHERN RESOURCES, INC.	08/25/05	209/41	697.27
300-304-5	FIELD, THOMAS H., III	SOUTHERN RESOURCES, INC.	08/30/05	209/176	697.27
300-215	FONDREN, JOHN G.	COASTAL RESOURCES, INC.	01/06/05	193/552	4.50
300-233	FORTE, IRMA M.	COASTAL RESOURCES, INC.	12/16/04	193/558	2.35
300-182	GARNER, EDDIE, ET UX	COASTAL RESOURCES, INC.	10/28/04	193/539 193/541	34.00
300-182 -1	GARNER, EDDIE LEE, JR., A REMAINDERMAN	COASTAL RESOURCES, INC.	10/28/04	193/494	34.00
300-182-2	GARNER, SAMMIE C., A REMAINDERMAN	COASTAL RESOURCES, INC.	10/28/2004	193/543	29.00
300-304	GAROFALO, GERALDINE	SOUTHERN RESOURCES, INC.	08/04/05	209/79	697.27
300-187	GATES, CHARLIE GERALD	COASTAL RESOURCES, INC.	01/06/05	193/523	12.818
300-189	GATES, CHARLIE GERALD	COASTAL RESOURCES, INC.	01/06/05	193/534	3.00
300-250	GATES, T.C.	BASIN LAND COMPANY, LLC	05/23/05	200/922	350.00
300-278	GATES, TIMOTHY C.	BASIN LAND COMPANY, LLC	06/11/05	200/951	44.40
300-546	GEIGER, DOROTHY DEAN	SOUTHERN RESOURCES, INC.	03/23/07	237/417	1,418.71
300-551	GILES, RICHARD	SOUTHERN RESOURCES, INC.	12/20/06	237/406	1,418.71
300-230	GRAMMER, ANTHONY EUGENE WOOD	COASTAL RESOURCES, INC.	05/11/05	200/748	280.30
300-318-1	GRAY, SHIRLEY COX	THOMAS EDWIN ELLIS	08/26/05	209/52 (MEMO)	36.00
300-119	GREGORY, MARY LEE	COASTAL RESOURCES, INC.	08/05/04	193/401	80.00
300-120	GREGORY, MARY LEE	COASTAL RESOURCES, INC.	08/09/04	193/403	532.00
300-506	GRIFFIN, LANA H., ET VIR	SOUTHERN RESOURCES, INC.	03/16/07	237/412	83.25
300-302-1	GRIFFITH, JESSICA W.	BASIN LAND COMPANY, LLC	09/29/05	209/114	573.50
300-399	GUESS INVESTMENT PARTNERS, L.P.	BASIN LAND COMPANY, LLC	10/10/05	209/211	752.05
300-248	GULF STATES PAPER CORPORATION	VINTAGE PETROLEUM, INC.	06/24/05	201/525 (MEMO)	9,992.00
300-552	GUNTER, KATHERINE CLARK	SOUTHERN RESOURCES, INC.	05/01/07	237/543	159.00
300-553	GUP, ALEX	SOUTHERN RESOURCES, INC.	08/18/06	222/835	1,418.71
300-389	HAG-BAR FARMS, LLC	BASIN LAND COMPANY, LLC	11/08/05	209/189	1,323.00
300-185	HARCROW, DONALD RAY	COASTAL RESOURCES, INC.	01/03/05	193/510	16.00
300-183	HARCROW, JAMES M.	COASTAL RESOURCES, INC.	01/04/05	193/508	5.05
300-190	HARCROW, RODGER D.	COASTAL RESOURCES, INC.	01/04/05	193/537	2.50
300-184	HARCROW, SAMUEL EARL	COASTAL RESOURCES, INC.	01/03/05	193/504	39.25
300-281	HERITAGE, DAVID C.	COASTAL RESOURCES, INC.	07/21/05	209/295	14.00

300-255	HERITAGE, EDWARD HUGH	COASTAL RESOURCES, INC.	05/27/05	200/763	20.00
300-262	HERITAGE, JAMES HAROLD	COASTAL RESOURCES, INC.	07/20/05	200/810	20.00
300-282	HERITAGE, LESTER	COASTAL RESOURCES, INC.	07/20/05	200/794	23.28
300-266	HERITAGE, NONA FAYE HARRIS	COASTAL RESOURCES, INC.	07/20/05	200/798	20.00
300-265	HERITAGE, WILLARD JACKSON	COASTAL RESOURCES, INC.	07/20/05	200/804	18.00
300-175	HICKMAN FARMS, INC., AN ALABAMA CORPORATION	COASTAL RESOURCES, INC.	12/14/04	193/498	1,021.00
300-130	HINTON, ARTHUR, JR.	COASTAL RESOURCES, INC.	10/01/04	193/424	43.50
300-129	HINTON, LEOLA HUDSON	COASTAL RESOURCES, INC.	10/01/04	193/422	29.50
300-315	HOOD, EDGAR WARREN, JR.	COASTAL RESOURCES, INC.	05/17/05	200/769	167.80
300-554	HOOD, HENRY L., ET UX	BASIN LAND COMPANY, LLC	05/19/06	215/669	136.00
300-258-3	HOWARD, HUBERT	COASTAL RESOURCES, INC.	06/23/05	209/24	1.80
300-126	HUDSON, JOHN D.	COASTAL RESOURCES, INC.	09/28/04	193/416	39.00
300-141	HUDSON, JOHN D.	COASTAL RESOURCES, INC.	10/11/04	193/452	4.50
300-223	HUDSON, MARY ELIZABETH BROWNLEE	COASTAL RESOURCES, INC.	04/25/05	200/740	30.00
300-556	HUNT, RANDALL OLIVER	SOUTHERN RESOURCES, INC.	05/26/06	215/667	167.00
300-377-4	INMON PLACE FARMS, LLC	SOUTHERN RESOURCES, INC.	11/15/05	209/199	1,324.08
300-240	JAMISON, THOMAS D.	BASIN LAND COMPANY, LLC	03/03/05	194/988	636.00
300-286	JOHNSON, SARAH E.	BASIN LAND COMPANY, LLC	07/12/05	200/960	0.70
300-337-1	JOHNSTON, LUCILLE M.	BASIN LAND COMPANY, LLC	06/30/05	200/945	1,813.90
300-253	JOHNSTON, P.M.	BASIN LAND COMPANY, LLC	06/10/05	200/905	170.00
300-195	JORDAN, REBECCA LEE	COASTAL RESOURCES, INC.	12/13/04	193/515	40.00
300-558	JOST, JOHN C.	SOUTHERN RESOURCES, INC.	03/16/07	237/423	80.50
300-401	JUSTISS OIL COMPANY	COASTAL RESOURCES, INC.	10/11/05	209/137 (MEMO)	6,258.37
300-103	K&B PROPERTIES, L.L.C.	COASTAL RESOURCES, INC.	06/28/04	193/363	730.00
300-236	KDG INVESMENT, LLC	BASIN LAND COMPANY, LLC	05/13/05	200/892	1,589.80
300-420	KEEN, LUCILLA E.	BASIN LAND COMPANY, LLC	07/28/05	209/239	231.50
300-500	KIMBRELL, BARBARA, ET AL.	SOUTHERN RESOURCES, INC.	10/11/06	222/851	158.45
300-164	KIMBRELL, JAMES H.	COASTAL RESOURCES, INC.	11/01/04	193/482	329.85
300-501	KIMBRELL, KENNETH LEON	SOUTHERN RESOURCES, INC.	10/11/06	222/861	150.00
300-339	KING GAS, L.L.C.	COASTAL RESOURCES, INC.	07/05/05	200/777	2,075.25
300-300-1	KING, BESS B.	SOUTHERN RESOURCES, INC.	09/19/05	209/126	40.00
300-502	KING, BESS BELL	SOUTHERN RESOURCES, INC.	10/20/06	222/870	73.83
300-503	KING, BESSIE BELL, ET AL.	SOUTHERN RESOURCES, INC.	05/01/07	237/456	159.00
300-280	KING, BETTY PEEBLES	BASIN LAND COMPANY, LLC	07/12/05	200/976	43.30

300-300-2	KING, CHRISTOPHER B.	SOUTHERN RESOURCES, INC.	09/19/05	209/145	40.00
300-300-3	KING, CLAUDE B.	SOUTHERN RESOURCES, INC.	09/19/05	209/143	40.00
300-545	KING, DAVID B., ET UX	COASTAL RESOURCES, INC.	02/22/08	237/485	122.00
300-555	KING, HOWARD S.	COASTAL RESOURCES, INC.	02/22/08	237/482	120.00
300-504	KING, WILLIAM D., IV, ET UX	COASTAL RESOURCES, INC.	02/22/08	237/477	276.97
300-300	KING, JOHN C., JR.	SOUTHERN RESOURCES, INC.	09/19/05	209/112	40.00
300-511	KING, MARGARET K.	SOUTHERN RESOURCES, INC.	05/01/07	237/460	159.00
300-512	KING, MARGARET	COASTAL RESOURCES, INC.	02/22/08	237/474	272.00
300-405	KOCH, ALBIN C.	COASTAL RESOURCES, INC.	11/16/05	209/233 (MEMO)	2,890.75
300-406	KOCH, JOHN L., JR.	COASTAL RESOURCES, INC.	11/16/05	209/230 (MEMO)	2,890.75
300-113	KOEHN, JASON J.	COASTAL RESOURCES, INC.	07/26/04	193/392	5.00
300-114	KOEHN, JASON J.	COASTAL RESOURCES, INC.	07/26/04	193/394	130.00
300-505	KOEHN, STEPHEN D. ET UX	COASTAL RESOURCES, INC.	09/20/06	222/848	130.00
300-258-1	LACEY, ANNIE V.	COASTAL RESOURCES, INC.	06/23/05	209/269	1.80
300-349	LANGFORD, HARVEY	THOMAS EDWIN ELLIS	08/22/05	209/73 (MEMO)	122.66
300-231	LATHAM TREE FARMS	COASTAL RESOURCES, INC.	05/12/05	200/754	81.00
300-226	LATHAM, D.H.	COASTAL RESOURCES, INC.	05/04/05	200/744	283.15
300-232	LATHAM, JAMES E.	COASTAL RESOURCES, INC.	05/12/05	200/751	376.40
300-229	LATHAM, MARY	COASTAL RESOURCES, INC.	05/05/05	200/756	57.30
300-128	LAVENDAR, WARREN EDWARD	COASTAL RESOURCES, INC.	10/08/04	193/420	40.00
300-352	LAVENDER, LAMONT	BASIN LAND COMPANY, LLC	08/02/05	209/271	81.00
300-277	LAVENDER, PAULETTE	COASTAL RESOURCES, INC.	06/23/05	200/775	1.50
300-228	LEE, JAMES F.	BASIN LAND COMPANY, LLC	04/05/05	200/885	23.91
300-106-2	LEE, JAMES WHITFIELD	COASTAL RESOURCES, INC.	07/02/04	193/383	57.12
300-104-1	LEE, JAMES WHITFIELD, A REMAINDERMAN	COASTAL RESOURCES, INC.	07/02/04	193/385	72.00
300-106-1	LEE, JOHN EDWARD, III	COASTAL RESOURCES, INC.	07/02/04	193/379	57.12
300-104-2	LEE, JOHN EDWARD, III, A REMAINDERMAN	COASTAL RESOURCES, INC.	07/02/04	193/381	72.00
300-104	LEE, JOHN EDWARD, JR.	COASTAL RESOURCES, INC.	06/17/04	193/369	72.00
300-110	LEE, JOSEPH A.	COASTAL RESOURCES, INC.	07/26/04	193/387	64.00
300-241	LEE, JOSEPH A.	COASTAL RESOURCES, INC.	10/28/04	193/475	2.75
300-115	LEE, JUANITA STALLINGS	COASTAL RESOURCES, INC.	08/05/04	193/397	80.00
300-116	LEE, JUANITA STALLINGS	COASTAL RESOURCES, INC.	08/05/04	193/399	5.00

300-106	LEE, MARY ELIZABETH	COASTAL RESOURCES, INC.	07/02/04	193/375	57.12
300-104-3	LEE, MARY ELIZABETH, A REMAINDERMAN	COASTAL RESOURCES, INC.	07/02/04	193/377	72.00
300-101	LEE, WILLIAM S.	COASTAL RESOURCES, INC.	06/17/04	193/358	3.90
300-100	LEE, WILLIAM S., SR.	COASTAL RESOURCES, INC.	06/17/04	193/355	225.37
300-366	LEWIS, JOE B.	BASIN LAND COMPANY, LLC	09/21/05	209/147	1,138.00
300-452	LINDSEY, DAVID J.	SOUTHERN RESOURCES, INC.	02/15/06	210/922	167.00
300-507	LINDSEY, DAVID J.	SOUTHERN RESOURCES, INC.	11/02/06	222/874	880.00
300-453	LINDSEY, JOHN C.	SOUTHERN RESOURCES, INC.	02/15/06	210/919	167.00
300-508	LINDSEY, JOHN C.	COASTAL RESOURCES, INC.	11/02/06	222/877	880.00
300-509	LITVAK, ALLEN L. DR.	SOUTHERN RESOURCES, INC.	07/30/06	222/829	1,418.71
300-510	LONG, MARTHA O.	SOUTHERN RESOURCES, INC.	11/07/06	222/872	12.682
300-140	MARINE, ANNA B.	COASTAL RESOURCES, INC.	10/14/04	193/450	112.00
300-513	MARINE, CAROLYN KIMBRELL	SOUTHERN RESOURCES, INC.	10/11/06	222/864	150.00
300-297	MARINE, CHARLES L.	COASTAL RESOURCES, INC.	08/08/05	209/16	72.00
300-148	MARINE, CLYDE W., JR.	COASTAL RESOURCES, INC.	10/14/04	193/448	52.00
300-149	MARINE, CLYDE W., JR.	COASTAL RESOURCES, INC.	10/14/04	193/446	20.00
300-176	MARTIN, FRANCES C.	BASIN LAND COMPANY, LLC	12/06/04	194/974	424.00
300-514	MARTIN, HARLEY	SOUTHERN RESOURCES, INC.	04/24/07	237/438	31.00
300-342	MASON, RICHARD H.	COASTAL RESOURCES, INC.	07/21/05	200/788	844.25
300-296	MCBRIDE, ELIZABETH L.	BASIN LAND COMPANY, LLC	08/15/05	209/26	376.00
300-515	MCBRIDE, LOUIS ET UX	SOUTHERN RESOURCES, INC.	04/04/07	237/426	90.55
300-304-1	MCCARTHY, KATHLEEN FIELD	SOUTHERN RESOURCES, INC.	08/25/05	209/44	697.27
300-180	MCCOOL, JAMES C.	BASIN LAND COMPANY, LLC	10/29/04	194/959	85.89
300-245	MCDONALD, DAVIS	COASTAL RESOURCES, INC.	02/24/05	193/573	1,875.00
300-245-2	MCDONALD, JAMES DILLARD	COASTAL RESOURCES, INC.	02/24/05	193/576	1,875.00
300-245-1	MCDONALD, MARSHALL, III	COASTAL RESOURCES, INC.	02/24/05	193/579	1,875.00
300-178	MCGEE, JOHN P.	BASIN LAND COMPANY, LLC	11/30/04	194/969	353.00
300-254	MCGEE, JOHN P.	COASTAL RESOURCES, INC.	05/25/05	200/765	240.00
300-179	MCKEE, BOBBY M.	BASIN LAND COMPANY, LLC	11/08/04	194/967	53.24
300-236-3	MCKELLAR, GEORGE WESLEY	BASIN LAND COMPANY, LLC	05/13/05	200/896	1,589.80
300-105	MCKINZEY FARMS, L.L.C. , ET AL	COASTAL RESOURCES, INC.	06/23/04	193/371	1,517.77
300-532	MCKINZEY, W.R., JR., ET UX	SOUTHERN RESOURCES, INC.	11/27/06	237/404	0.8723
300-162	MCKINZEY, WILLIAM ROY	COASTAL RESOURCES, INC.	10/28/04	193/477	5.50
300-403	MCLELLAND, JANE WATKINS	SOUTHERN RESOURCES, INC.	11/17/05	209/227	237.35

300-118	MCMULLEN, ANN JEAN	BASIN LAND COMPANY, LLC	08/09/04	194/938	160.00
300-378-3	MEEK, JOHN P.	SOUTHERN RESOURCES, INC.	11/28/05	209/217	167.00
300-127	MILLER, REDUS	COASTAL RESOURCES, INC.	09/29/04	193/418	1.00
300-516	MINOR, DONALD J. ET UX	COASTAL RESOURCES, INC.	04/04/07	237/415	11.80
300-218	MINOR, JAMES R.	BASIN LAND COMPANY, LLC	12/06/04	194/984	232.40
300-121	MINOR, LAURI MELINDA LEE, ET AL	COASTAL RESOURCES, INC.	07/26/04	193/405	255.00
300-122	MINOR, LAURI MELINDA LEE, ET AL	COASTAL RESOURCES, INC.	08/10/04	193/408	2.75
300-123	MINOR, LAURI LEE, ET AL, ET VIR	COASTAL RESOURCES, INC.	07/26/04	193/410	0.46
300-236-1	MOFFATT, BESSIE M.	BASIN LAND COMPANY, LLC	05/13/05	200/889	1,589.80
300-314	MOORE, ALLEN	BASIN LAND COMPANY, LLC	07/12/05	200/970	3.90
300-517	MONCURE, JANE OLIVER	SOUTHERN RESOURCES, INC.	06/23/06	215/665	167.00
300-344	MOORE, THOMAS W.	BASIN LAND COMPANY, LLC	08/01/05	209/85	1,133.60
300-168	MOSLEY, CYNTHIA BALDWIN	COASTAL RESOURCES, INC.	11/15/04	193/490	24.00
300-519	MURRY, WILLIE W.	SOUTHERN RESOURCES, INC.	08/30/06	222/841	116.13
300-138	NELSON, SABRA P.	COASTAL RESOURCES, INC.	10/07/04	193/442	26.03
300-432	NESBITT, ELIZABETH R.	SOUTHERN RESOURCES, INC.	01/10/06	209/252	167.00
300-521	NICHOLS, RONALD C. ET UX	COASTAL RESOURCES, INC.	02/19/08	237/471	152.41
300-194	OAKES, DONNA	BASIN LAND COMPANY, LLC	12/15/04	194/978	636.00
300-378	OLIVER, JAMES L., JR.	SOUTHERN RESOURCES, INC.	10/21/05	209/171	167.00
300-382	OLIVER, LLEWELLYN G.	BASIN LAND COMPANY, LLC	12/09/05	209/220	192.00
300-378-1	OLIVER, WILLIAM CONNOR	SOUTHERN RESOURCES, INC.	10/21/05	209/164	167.00
300-102	OWENS, CHARLOTTE O.	COASTAL RESOURCES, INC.	06/28/04	193/360	210.00
300-378-2	OWENS, CHARLOTTE O.	SOUTHERN RESOURCES, INC.	10/21/05	209/162	167.00
300-323-1	OWENS, KENNETH H.	COASTAL RESOURCES, INC.	07/20/05	200/784	580.00
300-274	OWENS, NORRIS WAYNE	BASIN LAND COMPANY, LLC	06/21/05	200/908	2.00
300-158	OWENS, VIRIE L.	COASTAL RESOURCES, INC.	06/28/04	193/366	979.00
300-323	OWENS, VIRIE L.	COASTAL RESOURCES, INC.	07/20/05	200/800	580.00
300-166	PARHAM, MAX	COASTAL RESOURCES, INC.	10/19/04	193/486	26.11
300-186	PARKER, BRENDA HARCROW	COASTAL RESOURCES, INC.	01/03/05	193/521	5.00
300-301-1	PARKER, JAMES L., IV	SOUTHERN RESOURCES, INC.	07/28/05	209/288	351.00
300-301-2	PARKER, W.O., JR.	SOUTHERN RESOURCES, INC.	07/28/05	209/13	351.00
300-237	PATE LUMBER COMPANY	COASTAL RESOURCES, INC.	04/27/05	200/738	84.00
300-303-3	PEARSON, CHARLES E.	COASTAL RESOURCES , INC.	09/08/05	209/97 (MEMO)	920.00
300-303-2	PEARSON, H. GREGORY	COASTAL RESOURCES, INC.	09/08/05	209/82 (MEMO)	920.00

300-309	PEEBLES, SARA A.	BASIN LAND COMPANY, LLC	07/12/05	200/963	163.40
300-345	PEEBLES, SARA A.	BASIN LAND COMPANY, LLC	07/26/05	200/973	433.50
300-337	PEEBLES, SARA W.	BASIN LAND COMPANY, LLC	06/30/05	200/948	1,813.90
300-464	PEEBLES, SARA W.	BASIN LAND COMPANY, LLC	07/12/05	200/957	1.20
300-360-1	PEPPENHORST, SARA C.	SOUTHERN RESOURCES, INC.	10/04/05	209/131	167.00
300-377-2	PEPPENHORST, SARA C.	SOUTHERN RESOURCES, INC.	10/18/05	209/173	1,324.08
300-522	PERKINS, MARY ALICE KIMBRELL BRYANT	SOUTHERN RESOURCES, INC.	10/13/06	222/855	6.42
300-273	PERRIGIN, DAISY M.	BASIN LAND COMPANY, LLC	06/24/05	200/933	40.00
300-285	PERRIGIN, DAISY M.	BASIN LAND COMPANY, LLC	07/18/05	209/274	6.00
300-343	PERRIGIN, DAISY M.	BASIN LAND COMPANY, LLC	07/18/05	209/277	214.25
300-523	PHILLIPS, CONSTANCE M.	BASIN LAND COMPANY, LLC	04/12/06	212/927	110.00
300-353	POISSENOT, PAUL A., JR.	BASIN LAND COMPANY, LLC	08/24/05	209/109	395.00
300-251	PORTER, ORLEE	BASIN LAND COMPANY, LLC	03/23/05	200/915	22.25
300-252	PORTER, ORLEE	BASIN LAND COMPANY, LLC	03/23/05	200/926	77.50
300-307	PORTWOOD, PHYLLIS P.	BASIN LAND COMPANY, LLC	06/24/05	200/936	500.00
300-524	POWELL, DONALD M., ET UX	COASTAL RESOURCES, INC.	09/20/06	222/845	4.05
300-131	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/430	80.00
300-132	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/434	28.00
300-133	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/432	5.00
300-135	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/436	16.00
300-136	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/438	9.97
300-153	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/426	124.00
300-154	POWELL, GREGORY EUGENE	COASTAL RESOURCES, INC.	10/07/04	193/428	80.00
300-139	POWELL, SAMUEL K.	COASTAL RESOURCES, INC.	10/07/04	193/444	26.01
300-108	PRATT, THOMAS R.	BASIN LAND COMPANY, LLC	07/19/04	194/925	150.00
300-275	PRICE, ELSIE K.	BASIN LAND COMPANY, LLC	06/21/05	200/939	118.00
300-172	PRUITT, EDGAR	COASTAL RESOURCES, INC.	10/28/04	193/502	80.00
300-221	RABON, OUIDA CLEMENTS	COASTAL RESOURCES, INC.	04/22/05	200/732	145.00
300-444	RAS LAND & CATTLE COMPANY, LLC	BASIN LAND COMPANY, LLC	02/22/06	210/929	3.00
300-445	RAS LAND & CATTLE COMPANY, LLC	BASIN LAND COMPANY, LLC	02/22/06	210/925	44.40
300-313	RAY, L. EARLINE	BASIN LAND COMPANY, LLC	06/27/05	200/954	0.59
300-152	REECE, BILLY JOE	BASIN LAND COMPANY, LLC	08/18/04	194/944	137.70
300-155	REECE, BILLY JOE	BASIN LAND COMPANY, LLC	08/18/04	194/942	18.00
300-156	REECE, BILLY JOE	BASIN LAND COMPANY, LLC	08/18/04	194/940	110.00
300-525	RIGDON, JAMES DARYL	SOUTHERN RESOURCES, INC.	03/16/07	237/409	80.00

300-216	ROBERTSON, MINNIE	COASTAL RESOURCES, INC.	01/06/05	193/555	27.00
300-428	ROSE, WALTER R., JR. AND KAREN H.	SOUTHERN RESOURCES, INC.	01/10/06	209/249	167.00
300-111	SANDERS, CHRISTINE S.	BASIN LAND COMPANY, LLC	07/14/04	194/930	458
300-177	SANDERS, JOE E., JR.	BASIN LAND COMPANY, LLC	11/30/04	194/972	140.00
300-109	SANDERS, REBECCA M.	BASIN LAND COMPANY, LLC	07/28/04	194/927	290.00
300-170	SANDERS, URSULA	COASTAL RESOURCES, INC.	11/22/04	193/500	160.00
300-169	SCALES, MAGGIE B.	COASTAL RESOURCES, INC.	11/17/04	193/492	680.00
300-526	SCOTT, MARY WALKER	SOUTHERN RESOURCES, INC.	11/27/07	222/887	0.2180
300-425	SEKULICH, PAMELA A. AND RANDAL D.	SOUTHERN RESOURCES, INC.	12/09/05	209/246	167.00
300-527	SELLERS, WALTER LEE	SOUTHERN RESOURCES, INC.	03/14/07	237/420	116.00
300-117	SINGLETON, JOHN	BASIN LAND COMPANY, LLC	08/12/04	194/932	15.00
300-319	SKELTON, LISA RENEE	THOMAS EDWIN ELLIS	08/22/05	209/57 (MEMO)	85.00
300-350	SKELTON, STAN	THOMAS EDWIN ELLIS	08/22/05	209/62 (MEMO)	117.49
300-351	SKELTON, STEVE	THOMAS EDWIN ELLIS	08/22/05	209/68 (MEMO)	96.49
300-259	SKELTON, T. STEVE	THOMAS EDWIN ELLIS	04/01/05	200/716 (MEMO)	6,987.13
300-302-5	SKIDMORE, TONYA RENEE	BASIN LAND COMPANY, LLC	10/26/05	209/214	573.50
300-298	SOUTHERN LEGEND OUTFITTERS, L.L.C.	COASTAL RESOURCES, INC.	09/12/05	209/93 (MEMO)	2,135.70
300-308	SPARROW, DR. EMILY AMASON	BASIN LAND COMPANY, LLC	06/09/05	200/911	853.03
300-167	SPENCER, JESSIE	COASTAL RESOURCES, INC.	11/08/04	193/488	40.00
300-372	SPRINGHILL BAPTIST CHURCH	COASTAL RESOURCES, INC.	09/16/05	209/179	3.03
300-528	STAPP, ROBERT E., SR.	SOUTHERN RESOURCES, INC.	04/24/07	237/466	129.00
300-234	STEVERSON, DENNIS	COASTAL RESOURCES, INC.	02/03/05	193/563	1.00
300-348	STEWART, HARRIS W., JR.	BASIN LAND COMPANY, LLC	07/07/05	209/18	1,457.00
300-277-1	STINSON, RAYMOND	COASTAL RESOURCES, INC.	06/23/05	209/267	1.50
300-219	STIRLING, C.S., JR.	BASIN LAND COMPANY, LLC	04/18/05	195/56	79.00
300-247	STIRLING, C. S., ET AL	BASIN LAND COMPANY, LLC	04/19/05	200/873 (CORRECTED 211/372)	77.50
300-238	STIRLING, CHARLES STUART, JR., ET UX, CO-TRUSTEES OF TRUST “B”	BASIN LAND COMPANY, LLC	04/19/05	200/863	135.00
300-446	SUMMERFORD, ROBERT O.	BASIN LAND COMPANY, LLC	02/22/06	210/936	80.17
300-447	SUMMERFORD, ROBERT O.	BASIN LAND COMPANY, LLC	02/22/06	210/939	1,418.71
300-529	THE BLACK BELT COMMUNITY FOUNDATION, INC.	SOUTHERN RESOURCES, INC.	03/27/07	237/429	3,024.00

300-354	THE ESTATE OF E.S. MILLER TRUST	BASIN LAND COMPANY, LLC	09/19/05	209/106	380.00
300-243	THE STIRLING FAMILY LIMITED PARTNERSHIP, ET AL	BASIN LAND COMPANY, LLC	04/18/05	195/53	1,314.80
300-258-2	THOMAS, ANNIE MAE	COASTAL RESOURCES, INC.	07/18/05	200/806	1.80
300-258	THOMAS, JOHN	COASTAL RESOURCES, INC.	07/18/05	209/283	1.80
300-258-5	THOMAS, JULIUS	COASTAL RESOURCES, INC.	07/18/05	209/181	1.80
300-374	THOMAS, WILLIAM D.	BASIN LAND COMPANY, LLC	11/01/05	209/169	100.00
300-346	THOMPSON, RANDALL M.	COASTAL RESOURCES, INC.	07/21/05	200/791	844.25
300-301-3	TRETHAWAY, PATTI P.	SOUTHERN RESOURCES, INC.	07/28/05	209/291	351.00
300-240-1	TRICE, JACK S.	BASIN LAND COMPANY, LLC	03/03/05	195/01	636.0
300-530	TRUSS, C.O.	SOUTHERN RESOURCES, INC.	11/30/06	222/884	1,418.71
300-531	UPTON, W. D.	SOUTHERN RESOURCES, INC.	09/01/06	222/838	1,418.71
300-533	WALKER, BOBBY	SOUTHERN RESOURCES, INC.	11/27/06	222/889	0.2180
300-534	WALKER, EMMITT, ET UX	SOUTHERN RESOURCES, INC.	11/27/06	222/882	1.6480
300-535	WALKER, JACQUELINE	SOUTHERN RESOURCES, INC.	10/17/06	222/858	3.05
300-536	WALKER, LATASHA	SOUTHERN RESOURCES, INC.	01/05/07	237/402	0.2180
300-537	WALKER, LUCILLE	SOUTHERN RESOURCES, INC.	11/27/06	222/891	0.2180
300-367	WALLACE, LEWIS	BASIN LAND COMPANY, LLC	07/28/05	209/128	68.00
300-284	WARD, CHERRY ANNE PARKER	BASIN LAND COMPANY, LLC	07/29/05	209/280	110.00
300-301	WARD, CHERRY P.	SOUTHERN RESOURCES, INC.	07/28/05	209/285	351.00
300-373	WASHINGTON, HAROLD	BASIN LAND COMPANY, LLC	09/15/05	209/186	0.90
300-317	WASHINGTON, LEONIA	BASIN LAND COMPANY, LLC	08/19/05	209/38	35.10
300-392	WATKINS, JOHN C.	SOUTHERN RESOURCES, INC.	11/17/05	209/202	237.35
300-392-1	WATKINS, N.G., SR.	SOUTHERN RESOURCES, INC.	11/17/05	209/208	237.35
300-396	WHITE FAMILY PROPERTIES, L.L.C.	COASTAL RESOURCES, INC.	11/08/05	209/196 (MEMO)	1,550.00
300-302-3	WHITE, CHET WAYNE	BASIN LAND COMPANY, LLC	10/17/05	209/166	573.50
300-302	WHITE, LEVOY S., JR.	BASIN LAND COMPANY, LLC	09/29/05	209/117	573.50
300-302-4	WHITE, MICHELLE TERESE	BASIN LAND COMPANY, LLC	10/17/05	209/183	573.50
300-302-2	WHITE, WILLIAM MITCHELL	BASIN LAND COMPANY, LLC	10/17/05	209/153	573.50
300-538	WHITTEN, ROBBIE ANN	SOUTHERN RESOURCES, INC.	05/01/07	237/435	159.00
300-157	WILDER, SAMUEL	BASIN LAND COMPANY, LLC	08/12/04	194/934	34.00
300-539	WINDHAM, SYLONE	SOUTHERN RESOURCES, INC.	12/06/06	222/880	0.6540
300-341	WITTEN, MARY JO KEEN	BASIN LAND COMPANY, LLC	7/12/05	200/860	1,314.00
300-235-1	WOLFORD, MARY BLANCHE MCDANIEL	COASTAL RESOURCES, INC.	01/27/05	193/561	82.30
300-174	WRIGHT, DORA DEAN SEYMER	BASIN LAND COMPANY, LLC	12/12/04	194/976	393.12

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LseNum	Prospect\Lessor	Lessee	LseDate	Bk/Page	Gross
300-361	BAKER, DORIS LONG CHAFIN	SOUTHERN RESOURCES, INC.	09/30/05	212/709	64.44
300-289	BUBBER CAMERON AND SON'S, INC.	SOUTHERN RESOURCES, INC.	09/21/05	212/698	1,421.98
300-357	BUBBER CAMERON AND SON'S, INC.	SOUTHERN RESOURCES, INC.	10/20/05	212/744	3.91
300-288	CAMERON FAMILY TRUST	SOUTHERN RESOURCES, INC.	09/21/05	212/689	2,949.37
300-390	CAMERON FAMILY TRUST	SOUTHERN RESOURCES, INC.	10/20/05	212/747	1,195.01
300-370	CAMERON, HUGH, JR.	SOUTHERN RESOURCES , INC.	10/04/05	212/711	4,017.10
300-376-1	CAMERON, HUGH, JR.	SOUTHERN RESOURCES, INC.	10/18/05	212/755	1,156.01
300-368	CAMERON, JOHN G.	SOUTHERN RESOURCES, INC.	10/04/05	212/721	4,008.85
300-376	CAMERON, JOHN G.	SOUTHERN RESOURCES, INC.	10/18/05	212/758	1,156.01
300-329	CAMERON, JOHN M.	SOUTHERN RESOURCES, INC.	09/21/05	212/695	68.83
300-316	CAMERON, LUCINDA B.	SOUTHERN RESOURCES, INC.	07/01/05	212/623	219.00
300-332	CAMERON, RUSH RANDALL	SOUTHERN RESOURCES, INC.	09/21/05	212/692	34.83
300-430	CARTER, MATHILDE Y.	SOUTHERN RESOURCES, INC.	01/18/06	212/868	210.00
300-429	CHENEY, EARL LAWAYNE AND BILLIE JO	SOUTHERN RESOURCES, INC.	01/19/06	212/866	272.00
300-327	CLASEN, JUDITH PARKER	SOUTHERN RESOURCES, INC.	08/16/05	212/653	6,139.93
300-426	COVINGTON, W. T., JR.	SOUTHERN RESOURCES, INC.	01/11/06	212/858	478.87
300-455-2	COX, DAVID H.	SOUTHERN RESOURCES, INC.	02/14/06	213/131	861.30
300-455	COX, JOE P., II	SOUTHERN RESOURCES, INC.	02/14/06	213/149	861.30
300-414	CUNNINGHAM, JESSE M., ET UX	SOUTHERN RESOURCES, INC.	12/13/05	212/834	3,268.57
300-422	CUNNINGHAM, JOSEPH B., IV AND NICOLLE L.	SOUTHERN RESOURCES, INC.	12/13/05	212/851	3,268.57
300-435	CUNNINGHAM, SCOTT S. AND TIARA ENGLISH-	SOUTHERN RESOURCES, INC.	01/05/06	212/877	3,268.57
300-460	DIXON, LOTTIE IVY	SOUTHERN RESOURCES, INC.	01/18/06	213/141	210.00
300-290	EDLING, ELSIE T.	SOUTHERN RESOURCES, INC.	09/06/05	212/684	200.0
300-359	FASON, DEBBIE C.	SOUTHERN RESOURCES, INC.	10/13/05	212/726	153.79
300-295-1	FIELD, AUSTIN T.	SOUTHERN RESOURCES, INC.	08/04/05	212/657	561.50
300-295-2	FIELD, KIM TAYLOR	SOUTHERN RESOURCES, INC.	08/25/05	212/660	561.50
300-295-4	FIELD, THOMAS H., III	SOUTHERN RESOURCES, INC.	08/25/05	212/785	561.50
300-295	GAROFALO, GERALDINE	SOUTHERN RESOURCES, INC.	08/04/05	212/676	561.50
300-340	GIBSON, CONNIE M.	SOUTHERN RESOURCES, INC.	11/07/05	212/788	30.00
300-393	GIBSON, LARRY H., JR.	SOUTHERN RESOURCES, INC.	11/02/05	212/780	683.65
300-340-1	GIBSON, LARRY H., SR.	SOUTHERN RESOURCES, INC.	11/03/05	212/778	30.00

300-438	GOODWIN, WILLIAM E.	SOUTHERN RESOURCES, INC.	01/25/06	212/881	1,212.80
300-293-1	GRIFFITH, JESSICA W.	BASIN LAND COMPANY, LLC	09/29/05	212/703	240.00
300-325	HAGERMAN, JOHN P., JR.	SOUTHERN RESOURCES, INC.	07/15/05	212/629	2,274.90
300-384	HENDERS FAMILY TRUST	SOUTHERN RESOURCES, INC.	11/10/05	212/795	200.00
300-330	HENDERSON, R. BRUCE	BASIN LAND COMPANY, LLC	08/24/05	212/670	9.27
300-331	HENDERSON, R. BRUCE	BASIN LAND COMPANY, LLC	08/24/05	212/673	256.33
300-294-1	HENLEY, ALAN F.	SOUTHERN RESOURCES, INC.	08/11/05	212/686	1,069.00
300-294	HENLEY, MARK L.	SOUTHERN RESOURCES, INC.	09/11/05	212/679	1,069.00
300-408	HORTON, CECILE OLIVER	SOUTHERN RESOURCES, INC.	12/14/05	212/830 (MEMO)	372.89
300-407	HORTON, CECILE OLIVER, ET AL	SOUTHERN RESOURCES, INC.	12/14/05	212/832 (MEMO)	454.90
300-557	HUNT, RANDALL OLIVER	SOUTHERN RESOURCES, INC.	05/26/06	213/824	2,276.37
300-397	INMON PLACE FARMS, LLC	SOUTHERN RESOURCES, INC.	11/15/05	212/797	1,770.01
300-459	IRWIN, SYLVIA A.	SOUTHERN RESOURCES, INC.	02/14/06	213/143	670.00
300-398	JOHNSON, TERRY J.	SOUTHERN RESOURCES, INC.	11/30/05	212/809	355.50
300-419	KEEN, LUCILLA E.	BASIN LAND COMPANY, LLC.	07/28/05	212/844	694.00
300-291	KING, JOHN C., JR.	SOUTHERN RESOURCES, INC.	09/19/05	212/701	197.00
300-364	LEWIS BROTHERS LUMBER CO., INC.	SOUTHERN RESOURCES, INC.	10/21/05	212/737	905.54
300-356	LEWIS, ARNOLD DEAN, SR.	SOUTHERN RESOURCES, INC.	10/21/05	212/731	921.00
300-358	LEWIS, ARNOLD DEAN, JR.	SOUTHERN RESOURCES, INC.	10/21/05	212/728	86.00
300-385	LEWIS, BOB, JR.	SOUTHERN RESOURCES, INC.	11/01/05	212/790	139.44
300-363	LEWIS, JOE B.	SOUTHERN RESOURCES, INC.	10/21/05	212/734	644.00
300-365	LEWIS, JOE B. AND CLAUDIA A.	SOUTHERN RESOURCES, INC.	10/21/05	212/741	357.00
300-456-1	LINDSEY, DAVID J.	SOUTHERN RESOURCES, INC.	02/15/06	213/134	3,268.57
300-456	LINDSEY, JOHN C.	SOUTHERN RESOURCES, INC.	02/15/06	213/127	3,268.57
300-292	LITTLE, EARLIE LEE	SOUTHERN RESOURCES, INC.	07/13/05	212/666	164.50
300-383	MARINE, CLYDE W., JR.	SOUTHERN RESOURCES, INC.	11/14/05	212/812	42.76
300-295-3	MCCARTHY, KATHLEEN FIELD	SOUTHERN RESOURCES, INC.	08/25/05	212/663	561.50
300-457	MCCLURE, JEFFERY, ET UX	SOUTHERN RESOURCES, INC.	01/26/06	213/146	333.33
300-404	MCLELLAND, JANE WATKINS	SOUTHERN RESOURCES, INC.	11/17/05	212/827	675.00
300-431	MEADOWS, LAURA L. A/K/A LAURA JO MEA	SOUTHERN RESOURCES, INC.	01/25/06	212/870	1,212.80
300-400	MEEK, JOHN P.	SOUTHERN RESOURCES, INC.	11/28/05	212/815	2,276.37
300-455-1	MIZE, SHARON COX	SOUTHERN RESOURCES, INC.	02/14/06	213/152	861.30
300-518	MONCURE, JANE OLIVER	SOUTHERN RESOURCES, INC.	06/23/06	213/821	2,276.37
300-326	MOORE, FRANKLIN G.	SOUTHERN RESOURCES, INC.	07/01/05	212/620 (CORRECTED	837.37

				212/622)	
300-328	MOORE, FRANKLIN G.	SOUTHERN RESOURCES, INC.	08/25/05	212/668	327.30
300-283	NANCE, LUCILLE	SOUTHERN RESOURCES, INC.	07/28/05	212/635	80.00
300-433	NESBITT, ELIZABETH R.	SOUTHERN RESOURCES, INC.	01/10/06	212/873	3,268.57
300-387-1	OLIVER, JAMES L., JR.	SOUTHERN RESOURCES, INC.	10/21/05	212/771	3,059.46
300-387	OLIVER, WILLIAM CONNOR	SOUTHERN RESOURCES, INC.	10/21/05	212/761	3,059.46
300-395	OWENS, CHARLOTTE O.	SOUTHERN RESOURCES, INC.	10/21/05	212/751	2,629.52
300-380-1	PARDUE, RICHARD H.	SOUTHERN RESOURCES, INC.	10/25/05	212/821	896.00
300-380	PARDUE, SHARON	SOUTHERN RESOURCES, INC.	10/25/05	212/818	896.00
300-322	PARKER, JAMES L., IV	SOUTHERN RESOURCES, INC.	07/28/05	212/641	4,821.60
300-287	PARKER, W.O., JR.	SOUTHERN RESOURCES, INC.	07/28/05	212/649	4,400.60
300-388	PARSELLS, LYNN	SOUTHERN RESOURCES, INC.	10/25/05	212/783	397.00
300-345	PEEBLES, SARA A.	BASIN LAND COMPANY, LLC	07/26/05	212/632	433.50
300-369	PEPPENHORST, SARA C.	SOUTHERN RESOURCES, INC.	10/04/05	212/716	3,995.83
300-376-2	PEPPENHORST, SARA C.	SOUTHERN RESOURCES, INC.	10/18/05	212/775	1,156.01
300-380-2	PIPER, SUSAN P.	SOUTHERN RESOURCES, INC.	10/25/05	212/824	896.00
300-418	RIGDON, CHARLES W.	SOUTHERN RESOURCES, INC.	12/15/05	212/840	447.00
300-441	ROGERS, JOHN A., III	SOUTHERN RESOURCES, INC.	01/31/06	212/884	792.00
300-421	ROGERS, THOMAS W., ET UX	SOUTHERN RESOURCES, INC.	12/22/05	212/847	632.38
300-427	ROSE, WALTER R., JR. AND KAREN H.	SOUTHERN RESOURCES, INC.	01/10/06	212/862	3,268.57
300-424	SEKULICH, PAMELA A. AND RANDAL D.	SOUTHERN RESOURCES, INC.	12/09/05	212/854	3,268.57
300-293-5	SKIDMORE, TONYA RENEE	BASIN LAND COMPANY, LLC	10/26/05	212/806	240.00
300-443	SLEDGE, L. B., III AND FAYE T.	SOUTHERN RESOURCES, INC.	02/01/06	212/887	792.00
300-463	SMITH, NORMA FREEMAN	SOUTHERN RESOURCES, INC.	01/31/06	213/123	54.09
300-324	SPARKMAN, FRANK S.	SOUTHERN RESOURCES, INC.	06/23/05	212/618	586.00
300-448-1	SUMMERFORD, JOHN P.	BASIN LAND COMPANY, LLC	02/22/06	213/160	1,249.40
300-449	SUMMERFORD, JOHN P.	BASIN LAND COMPANY, LLC	02/22/06	213/164	495.00
300-417	THE CHARLES F. HORTON FAMILY TRUST	SOUTHERN RESOURCES, INC.	12/14/05	212/838 (MEMO)	109.00
300-448	TOMBIGBEE PROPERTIES, LLC	BASIN LAND COMPANY, LLC	02/22/06	213/155	1,249.40
300-449-1	TOMBIGBEE PROPERTIES, LLC	BASIN LAND COMPANY, LLC	02/22/06	213/168	495.00
300-287-1	TRETHAWAY, PATTIE P.	SOUTHERN RESOURCES, INC.	07/28/05	212/645	4,400.60
300-461	TUMA, DONNALOU CHAFIN, ET VIR	SOUTHERN RESOURCES, INC.	02/10/06	213/125	28.00
300-458	TURNER, MARY JO, ET VIR	SOUTHERN RESOURCES, INC.	12/29/05	213/120	358.30
300-462	TURNER, WILLIAM M.	SOUTHERN RESOURCES, INC.	02/10/06	213/138	29.40

300-287-2	WARD, CHERRY P.	SOUTHERN RESOURCES, INC.	07/28/05	212/637	4,400.60
300-391	WATKINS, JOHN C.	SOUTHERN RESOURCES, INC.	11/17/05	212/800	675.00
300-391-1	WATKINS, N.G., SR.	SOUTHERN RESOURCES, INC.	11/17/05	212/803	675.00
300-293-2	WHITE, CHET WAYNE	BASIN LAND COMPANY, LLC	10/17/05	212/765	240.00
300-293	WHITE, LEVOY S., JR.	BASIN LAND COMPANY, LLC	09/29/05	212/706	240.00
300-293-4	WHITE, MICHELLE TERESE	BASIN LAND COMPANY, LLC	10/17/05	212/792	240.00
300-293-3	WHITE, WILLIAM MITCHELL	BASIN LAND COMPANY, LLC	10/17/05	212/768	240.00
300-341	WITTEN, MARY JO KEEN	BASIN LAND COMPANY, LLC	07/12/05	212/626	1,314.00

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LseNum	Prospect\Lessor	Lessee	LseDate	Bk/Page	Gross
300-264	ALLBRITTON, JACQUELINE	BASIN LAND COMPANY, LLC	07/26/05	2006/925	1.00
300-263	BEATTY, ARBIE VIRGINIA	BASIN LAND COMPANY, LLC	07/26/05	2006/928	40.11
300-320-1	BONNER, VIRGINIA BOYD	BASIN LAND COMPANY, LLC	09/12/05	2006/943	53.33
300-310	BOYD, GEORGE P.	BASIN LAND COMPANY, LLC	09/12/05	2006/946	10.67
300-311	BROWN, DONALD R.	BASIN LAND COMPANY, LLC	08/18/05	2006/934	82.67
300-336	CHISM PARTNERS, L.P.	BASIN LAND COMPANY, LLC	08/23/05	2006/937	162.10
300-440	FERGUSON, JIM, TRUSTEE	BASIN LAND COMPANY, LLC	10/27/05	2006/952	220.80
300-320	MCINTYRE, ANNA HARDY	BASIN LAND COMPANY, LLC	09/12/05	2006/940	53.33
300-272	O'BRYANT, EDWIN L.	BASIN LAND COMPANY, LLC	07/11/05	2006/919	28.00
300-371	ROSAMOND, LILLA PRATT	BASIN LAND COMPANY, LLC	10/27/05	2006/949	80.00
300-312	RUSSELL, SHELLY S.	BASIN LAND COMPANY, LLC	08/18/05	2006/931	120.00
300-466	SOBLEY, AVLEE	BASIN LAND COMPANY, LLC	07/20/05	2006/922	24.20
300-269	SOBLEY, CHARLES L.	BASIN LAND COMPANY, LLC	07/11/05	2006/910	10.20
300-270	SOBLEY, GEORGE M.	BASIN LAND COMPANY, LLC	07/11/05	2006/913	10.20
300-271	SOBLEY, MITCHELL	COASTAL RESOURCES, INC.	07/11/05	2006/916	20.40

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LseNum	Prospect\Lessor	Lessee	LseDate	Bk/Page	Gross
300-413	BEATTY, JULIA ANN OWENS	SOUTHERN RESOURCES, INC.	11/09/05	610/169	370.00
300-416	BLACKWELL, MARTHA M., ET VIR	BASIN LAND COMPANY, LLC.	12/15/05	610/171	1,051.50
300-437	CE-ROB, INC., AN ALABAMA CORPORATION	BASIN LAND COMPANY, LLC	01/03/06	610/174	981.19
300-198	ESTATE OF ROGER D. MALKIN	COASTAL RESOURCES, INC.	12/16/04	504/597 (MEMO)	3,244.23
300-394	FRANKS, RONALD K. JR.	BASIN LAND COMPANY, LLC	10/12/05	610/136	357.60
300-412	GREENE, MABEL M.	BASIN LAND COMPANY, LLC	12/15/05	610/166	1,051.50
300-334	HENDERSON, R. BRUCE	BASIN LAND COMPANY, LLC	08/24/05	610/129	106.00

300-381	HUERKAMP, JOHN F.	BASIN LAND COMPANY, LLC	11/07/05	610/145	80.00
300-409	MARX, M. RUTH, ET VIR	BASIN LAND COMPANY, LLC	11/17/05	610/157	983.00
300-410	MARX, WILLIAM P., ET AL	BASIN LAND COMPANY, LLC	12/20/05	610/160	769.00
300-244-1	MCDONALD, DAVIS	COASTAL RESOURCES, INC.	02/24/05	504/589	737.60
300-244-2	MCDONALD, JAMES DILLARD	COASTAL RESOURCES, INC.	02/24/05	504/601	737.60
300-244	MCDONALD, MARSHALL, III	COASTAL RESOURCES, INC.	12/10/04	504/592	737.60
300-379-1	MULLINS, ANDREW P., JR.	BASIN LAND COMPANY, LLC	12/09/05	610/151	120.00
300-411	MULLINS, THOMAS R.	BASIN LAND COMPANY, LLC	12/15/05	610/163	1,051.50
300-402	MULLINS, WILLIAMS S., III	BASIN LAND COMPANY, LLC	12/15/05	610/154	1,051.50
300-450	RAS LAND & CATTLE COMPANY, LLC	BASIN LAND COMPANY, LLC	02/22/06	610/192	466.10
300-451	RAS LAND & CATTLE COMPANY, LLC	BASIN LAND COMPANY, LLC	02/22/06	610/187	484.00
300-386	ROBBINS, TOMMIE E.	BASIN LAND COMPANY, LLC	10/26/05	610/142	51.20
300-335	SOUTHERN LEGEND OUTFITTERS, L.L.C.	COASTAL RESOURCES, INC.	09/12/05	610/132 (MEMO)	994.36
300-379	TART, SYLVIA M.	BASIN LAND COMPANY, LLC	12/09/05	610/148	120.00
300-375	THOMPSON, ROBERT L., ET UX	BASIN LAND COMPANY, LLC	10/13/05	610/139	1.00
300-454	UNRUH, ESTHER	BASIN LAND COMPANY, LLC	02/07/06	610/184	160.00
300-333	WATT, DEBORAH C.	BASIN LAND COMPANY, LLC	08/10/05	610/126	20.00

EXHIBIT B

Form of Lease

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT, entered into this ______ day of ____________, 20__, between ________________________________, whose address is ________________________________, called Lessor, and _______________________________________., a ________________, called Lessee, does witness that:

1. Lessor, for TEN DOLLARS ($10.00) and other valuable consideration, the receipt of which is acknowledged, hereby grants, leases and lets exclusively unto lessee for the purpose of exploring, drilling, mining and operating for and producing oil, gas and all other minerals, laying pipelines, conducting secondary recovery operations, housing employees, building roads, tanks, compressors and other structures thereon, to produce, save, take care of, treat transport and own said substances, the following described land in ____________________ County, in the State of __________________:

For the purpose of calculating the rental and royalty payments hereinafter provided for, said land shall be treated as comprising _________ acres, whether it actually comprises more or less.

2. Subject to the other provisions hereof, this lease shall be for a primary term of one (1) year(s) from this date and as long thereafter as oil, gas or other mineral is produced from said land or gas is produced from a consolidated gas leasehold estate which includes all of said land.

3. Lessee shall deliver as royalty at the wells to lessor, or for lessor's account to any pipeline to which the wells may be connected, one-eighth of all oil produced and saved from said land; or lessee may from time to time purchase any royalty oil in its possession, paying therefor the market price prevailing at the wells for oil of like grade and gravity on the date of purchase. Lessee shall monthly pay lessor as royalty on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or for the extraction of gasoline or other products therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale. Lessor shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located thereon by making his own connections thereto. Where gas from any well or wells capable of producing gas, whether or not such wells may also be capable of producing distillate, oil or other products, is not sold or used during or after the primary term and this lease is not otherwise maintained in effect, lessee may pay or tender as shut-in royalty to the party or parties shown by lessee's records to be entitled to receive royalties on actual production of gas at the time such payment or tender is made, or to the credit of such party or parties in the bank named as depository in Paragraph 4 hereof, in the same manner and subject to the same provisions applicable to the payment and tender of rental, an amount equal to the annual rental hereinafter provided, payable annually on or before the end of each twelve-month period during which such gas is not sold or used and this lease is not otherwise maintained in force, and if such shut-in royalty is so paid or tendered and while lessee's right to pay or tender same is accruing, it shall be considered that gas is being produced in paying quantities, and this lease shall remain in force, during each twelve-month period for which such shut-in royalty is so paid or tendered, whether any such well is located on said land or on a consolidated gas leasehold estate which includes all or any part of said land. During any period while lessee's right to pay or tender any shut-in royalty is accruing, lessee may commence or resume operations or production and this lease shall remain in force as though shut-in royalty had been duly paid down to such commencement or resumption. Temporary sale or use of gas for drilling fuel or other temporary purposes shall not interrupt any twelve-month period for which shut-in royalty has been or may be paid. On all other minerals mined and marketed, lessee shall monthly pay lessor one-tenth either in kind or value, at lessee's election, at the well or mine except that on sulphur, the royalty shall be One Dollar per long ton.

4. If operations for drilling or mining on said land, or for drilling on a consolidated gas leasehold estate which includes all of said land, are not commenced on or before one year from this date, this lease shall then terminate unless lessee shall, on or before the end of such year, pay or tender to lessor, or to lessor's credit in the ________________________________, or its successors, which bank and its successors are lessor's agent and shall continue as the depository of all rental and shut-in royalty payable under this lease, regardless of changes of ownership in said land or in oil, gas and other minerals, or in the rentals or royalties to accrue hereunder, the sum of Five Dollars ($5.00) per net mineral acre then subject to this lease, which shall operate as rental and cover the privilege of deferring commencement of such operations for a period of one year. In like manner and upon like payments or tenders, the commencement of such operations may be further deferred for like annual periods successively during the primary term. All payments or tenders of rental or shut-in royalty may be made by the mailing or delivering of lessee's check or draft on or before the due date. Notwithstanding any change in ownership or the death of lessor, or any successor in interest, payment or tender of rental or shut-in royalty in the manner provided above shall bind the successors, assigns, heirs, devisees, executors and administrators of such person. If two or more parties are or become entitled to rental or shut-in royalty hereunder, lessee may tender the total amount payable to their joint credit in the depository bank. Lessee may at any time place of record a release or releases covering all or any part of said land and thereby surrender this lease in whole or part, and thereafter the amount of any rental or shut-in royalty payable hereunder shall be proportionately reduced. If said bank, or any successor bank, should fail, liquidate or be succeeded by another bank, or for any other reason fail or refuse to receive or accept any payment tendered to it, lessee shall not be held in default and this lease shall not terminate for failure to make any such payment or tender until thirty days after lessor delivers to lessee a proper recordable instrument naming another bank as agent to receive such payments or tenders under all of the provisions of this lease.

5. If lessor owns a less interest (even though shown herein to be less) in said land than the entire and undivided fee simple estate, then the royalty, shut-in royalty and rental herein provided for shall be paid lessor only in the proportion which his interest bears to the whole and undivided fee, and any outstanding royalties shall be deducted from the royalties reserved by lessor herein. If while this lease is in force lessor's interest in said land is increased in any fashion (including, without limitation, reversion of any interest or estate), such increased interest shall also be covered hereby; and lessee may proportionately increase subsequent rental or shut-in royalty payments commencing with the rental or shut-in royalty paying date next following sixty days after receipt by lessee of written notice from lessor of such increase, but lessee's failure so to increase any such rental or shut-in royalty payment shall not affect the validity of this lease as to any part of lessor's interest for which rental or shut-in royalty may be paid. If any such increase in lessor's interest occurs during, after or within sixty days preceding commencement of the last year of the primary term hereof, this lease shall cover same but no increased rental shall be payable. Lessor warrants and agrees to defend title to said land and agrees that lessee, at its option, may pay and discharge any taxes, mortgages or other liens existing, levied or assessed against said lands; and if such option is exercised lessee shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty, shut-in royalty or rental accruing hereunder.

6. Lessee may use free of royalty any gas, oil, coal and water found on said land for operations hereunder, except water from lessor's wells. Lessee shall bury pipelines below plow depth and shall pay for damage caused by operations to growing crops on said land. No well shall be drilled nearer than 200 feet to any house or barn now on said land without written consent of lessor. Lessee shall have the right at any time during or after expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed by lessee on said land, including the right to draw and remove all casing.

7. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells) lessee may, at its option, consolidate all of said gas leasehold estate or strata or stratum thereunder, with any other adjacent or contiguous land, gas leasehold estate or estates, or part or parts thereof, to form one or more consolidated gas leasehold estates, but no such consolidated gas leasehold estate shall exceed a total area of 640 acres plus a tolerance of ten per cent (10%) thereof; and each such consolidated gas leasehold estate shall be treated for all purposes, except the payment of royalty, as though the entire acreage included therein were covered by and included in this lease so that operations upon or production of gas from any portion of a consolidated gas leasehold estate shall operate to continue in force the oil and gas leasehold estate hereby granted as though such operations were upon or such production was from the land described in this lease. All royalty payable under this lease which shall accrue on gas produced from a consolidated gas leasehold estate shall be prorated and paid to lessor in the proportion that lessor's acreage included in the consolidated gas leasehold estate (or lessor's royalty interest therein on an acreage basis) bears to the total acreage included therein. Any such consolidation shall become effective upon lessee's filing for record in any county in which all or part of the consolidated acreage is located on instrument describing and designating such consolidated gas leasehold estate. Any such consolidated gas leasehold estate may be designated either before or after the commencement or completion of a well thereon or the commencement of production of gas therefrom. Formation of one or more shall not exhaust lessee's right to form additional consolidated gas leasehold estates, and any subsequently formed consolidated gas leasehold estate need not conform in size, shape, area or stratum, with any earlier formed consolidated gas leasehold estate.

8. The estate of either party hereto may be assigned in whole or in part. No change of ownership in said land, rental, royalty and shut-in royalty, however accomplished, shall enlarge the obligations or diminish the rights of lessee. No such change shall be binding on lessee until lessee has been furnished with the original or a certified or photostatic copy of the recorded instrument or instruments, or with certified copies of completed and final probate, administration, heirship or other court proceedings, necessary to evidence such change. If said land is now or hereafter owned in severalty or in separate tracts, this lease shall nevertheless be developed and operated as one lease and all royalty and shut-in royalty accruing hereunder shall be treated as an entirety and divided among such separate owners in the proportion that the acreage (or royalty interest therein on an acreage basis) owned by each bears to the entire leased acreage, lessee shall have no obligation to offset wells on separate tracts into which said land may be divided, or to furnish separate measuring or receiving tanks. If this lease is assigned as to a part or parts of said land, all rental payable hereunder shall be apportioned between and thereafter payable by the several leasehold owners in the proportion that the acreage owned by each bears to the entire leased acreage, and default in rental payment by anyone shall not defeat or affect the rights of any other leasehold owner. In calculating rental and shut-in royalty payments, said land shall be treated as comprising the number of acres stated above, whether actually comprising more or less, and the acreage included in any assignment or release as recited therein in good faith shall be conclusive for calculating subsequent payments.

9. If lessee drills a dry hole or holes on said land or on a consolidated gas leasehold estate, or if production from said land or a consolidated gas leasehold estate should cease, and this lease is not otherwise maintained in force, then during the primary term this lease shall not terminate if lessee commences mining, drilling or reworking operations or begins or resumes payment or tender of rental under the foregoing provisions on or before the rental paying date next ensuing after sixty days from completion of dry hole or cessation of production, or after the primary term, this lease shall not terminate if lessee commences mining, drilling or reworking operations on or before the expiration of sixty days from completion of dry hole or cessation of production. If any such dry hole is completed, or if production ceases, within one year and sixty days before the end of the primary term, no rental payment or operations shall be required to maintain this lease in effect to the end of the primary term. Notwithstanding any contrary provision, if lessee commences mining, drilling or reworking operations on said land or on a consolidated gas leasehold estate at any time while this lease is in force, this lease shall remain in force as provided by any provision hereof and for any longer time during which such operations, or any additional operations, are prosecuted with no cessation of more than sixty consecutive days and, if production results therefrom, as long as production continues or this lease is maintained in force under any provision hereof.

10. Should lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations or from producing oil or gas under this lease by reason of scarcity of, or inability to obtain or use transportation, equipment or material, or by reason of any federal or state law or any order, rule or regulation of governmental authority asserting jurisdiction, or otherwise by operation of force majeure (which term includes any other similar or dissimilar cause, occurrence or circumstance not within the reasonable control of lessee), then while so prevented lessee's obligation to comply with any such covenant shall be suspended and lessee's need to conduct drilling or reworking operations or to produce oil or gas shall be suspended and this lease shall remain in force so long as lessee is so prevented; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding. This lease

and all its terms, conditions and stipulations shall extend to and be binding on the heirs, representative, successors and assigns of lessor and lessee.

11. As a further part of this lease, it is agreed as follows:

a. Lessee shall not have the right under this lease to use fresh water from the leased land for pressure maintenance or any type of secondary recovery operations.

b. Lessee agrees to consult with lessors in the selection of road locations on said leased land so there will be as little interference as possible with the agricultural uses of said land.

c. Notwithstanding any other provisions in this lease, any casing pipelines, tank batteries or other equipment which shall not be removed by lessee within six months of abandonment of said lease shall, at lessor's option, become the property of lessors.

d. Lessee shall fence all slush pits and areas containing equipment, chemicals or other substances which may be harmful to the livestock of lessor and/or lessor's surface tenant.

12. Lessor shall have the right to take, in kind, in lieu of money royalty, gas produced from any gas well drilled on the land herein described or on any land with which it is unitized, solely for use as fuel to pump water for irrigation of crops grown on the land herein described; which right shall be subject to the following terms and conditions:

a. The quantity of gas taken shall not exceed the fraction of gas produced each month which is equal to the fraction of value or proceeds which lessor is entitled to receive as royalty from the gas produced from such well, and a corresponding reduction shall be made in gas royalty payments payable under the terms of this lease.

b. Any gas so received by lessor shall be taken by lessor at or near the mouth of the well at a point selected by lessee. All equipment necessary for the taking and measurement of such gas and its transportation to the place or places of consumption shall be supplied, installed and operated at the sole risk and expense of lessor.

c. The equipment and facilities used in the taking, measurement and transportation of such gas and the utilization and operation thereof shall at all times be in compliance with all reasonable current requirements of lessee. Lessor will at all times hold lessee harmless from all claims and liabilities arising from the taking, transportation and use of such gas.

d. Nothing herein contained shall operate by implication to enlarge or increase the obligations which lessee would have in the absence of this section as to the operation of said well or impair any right it would otherwise have to determine the quantity of gas it shall produce at any particular time; and the taking, transportation and use of such gas shall be without interference with or danger to lessee's property or its rights and operations under this lease.

13. This is a paid up lease and all delay rentals necessary to extend this lease to the end of the primary term have been paid and accepted in advance.

14. For each well, lessee agrees to pay the surface owner a reasonable cash sum prior to the commencement of each drilling operation. Such amount will cover and discharge those damages normally and customarily incurred as a result of the lessee's drilling and completion operations on the leased premises. Lessee shall also pay a reasonable cash sum for all other damages caused by its operations on the leased premises, whether caused by lessee or lessee's agents or contractors. All other damages that may occur shall be due and payable in Floyd County, Texas, on or before thirty (30) days after the same have occurred.

15. Notwithstanding anything in the lease agreement to the contrary, if this lease is still in effect by the production of oil or gas, or under other provisions hereof, two (2) years from the date of this agreement, this lease will automatically terminate as to all depths one hundred (100) feet below the deepest formation then producing oil or gas in paying quantities. However, if lessee is engaged in drilling, testing, completion or reworking operations on the leased premises, or on land with which it is pooled, on such date, then as long as such operations are prosecuted with no cessation of more than sixty (60) days, the partial termination of this lease shall be deferred until such operations are completed. If a gas well capable of producing gas in paying quantities is completed on the leased premises, or on land with which it is pooled, but is shut-in under the provisions of this lease, the gas zone shall be considered a producing zone under the terms of this paragraph.

16. Notwithstanding anything in this lease agreement to the contrary, this lease only covers oil, gas, casinghead gas, condensate or other liquid and gaseous hydrocarbons, together with sulphur and other minerals produced in association with oil, gas and other hydrocarbons. Lessor EXCEPTS herefrom and RESERVES unto themselves, their heirs and assigns, all minerals other than oil, gas, casinghead gas, condensate, other liquid and gaseous hydrocarbons and other minerals produced in association with such oil, gas and other hydrocarbons.

17. **As part of the consideration of this lease, lessee, its employees, contractors, successors and assigns shall fully and completely indemnify, hold harmless and defend lessor, lessor's heirs, successors and assigns, from and against all claims, liabilities, demands, causes of action, judgments, payments, attorneys' fees, costs and expenses of litigation, costs of any nature whatsoever, losses and damages arising from or out of lessee's exercise of the rights herein granted.**

IN WITNESS WHEREOF, this instrument is executed to be effective on the day and year first above written.

____
____

____

By: ___________________________________

Name: ___________________________

Title: ___________________________

STATE OF TEXAS §
§
COUNTY OF ___________ §

This instrument was acknowledged before me on this ______ day of ____________, 20___, by ______________________________.

____
Notary Public, State of Texas

STATE OF ___________ §
§
COUNTY OF ___________ §

This instrument was acknowledged before me on this ______ day of ____________, 20__, by _______________________________, as ______________________________, on behalf of ____, a ______________ corporation.

____
Notary Public, State of _________________

EXHIBIT C

Accounting Procedure

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.
"Operator" shall mean the party designated to conduct the Joint Operations. "Non-Operators" shall mean the Parties to this agreement other than the Operator. "Parties" shall mean Operator and Non-Operators.
"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity. "Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.
"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

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

3. Advances and Payments by Non-Operators

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

B. Each Non-Operator shall pay its proportion of all bills within ~~fifteen (15)~~ thirty (30) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Wells Fargo Bank Amarillo, Texas on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

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

6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

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

2. Rentals and Royalties

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

3. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
(2) Salaries of First Level Supervisors in the field.
(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
(4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
(5) Salaries and wages of professional consultants directly engaged in conduct that benefits the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

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

4. Employee Benefits

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

5. Material

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

6. Transportation

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

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

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

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

7. Services

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

8. Equipment and Facilities Furnished By Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed percent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

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

10. Legal Expense

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

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance

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

13. Abandonment and Reclamation

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

14. Communications

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

15. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

(X) Fixed Rate Basis, Paragraph IA, or
( ) Percentage Basis, Paragraph 1B

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

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly engaged in conduct that benefits the Joint Property:

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

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

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

A. Overhead – Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:
Drilling Well Rate $ **5,000.00**
(Prorated for less than a full month)
Producing Well Rate $**500.00**

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

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

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

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published

by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

~~B. Overhead - Percentage Basis~~

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

~~(a) Development~~

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

~~(b) Operating~~

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

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

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of $25,000.00:

A. 5 % of first $100,000 or total cost if less; plus
B. 4 % of costs in excess of $100,000 but less than $1,000,000; plus
C. 3 % of costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

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

A. 5 % of total costs through $100,000; plus
B. 4 % of total costs in excess of $100,000 but less than $1,000,000; plus
C. 3 % of total costs in excess of $1,000,000.

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

4. Amendment of Rates

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

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

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

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

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts: Fair Market Value, or if reasonably available, the highest of three bids, as provided in Article VI.E.2.

~~A. New Material (Condition A)~~

~~(1) Tubular Goods Other than Line Pipe~~

~~(a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation 80,000 pound carload weight basis to the railway nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio Youngstown, Ohio.~~

~~(b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.~~

~~(c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.~~

~~(d) Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association inter-state truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.~~

~~(2) Line Pipe~~

~~(a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.~~

~~(b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.~~

~~(c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.~~

~~(d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.~~

~~(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.~~

~~(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A(1) and (2).~~

~~B. Good Used Material (Condition B)~~

~~Material in sound and serviceable condition and suitable for reuse without re-conditioning:~~

~~(1) Material moved to the Joint Property~~

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

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

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

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

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

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

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

~~C. Other Used Material~~

~~(1) Condition C~~

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

~~(2) Condition D~~

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

~~(a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.~~

~~(b) Casing, tubing or drill pipe used as higher pressure service lines than line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.~~

~~(3) Condition E~~

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

~~D. Obsolete Material~~

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

~~E. Pricing Conditions~~

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

~~(1) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.~~

3. <u>Premium Prices</u>

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

4. Warranty of Material Furnished By Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Inventories

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT D

Insurance

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

1. Operator shall carry insurance for the benefit of the joint account covering Operator's operations upon the Contract Area subject to the agreement to which this Exhibit D is attached as follows:

   (a) Workman's Compensation Insurance: In compliance with the workmen's compensation laws of the State where the Land is located, including employer's liability subject to a limit of not less than $500,000.00 each person and in the aggregate.

   (b) Commercial General Liability Insurance with limits of:

   $1,000,000 each occurrence: $2,000,000 general aggregate for bodily injury and/or property damage.

   (c) Business Automobile Liability Insurance with limits of:

   $1,000,000.00 Combined Single Limit each occurrence including property damage.

   (d) Coverage under (a), (b) and (c) above are supplemented by $1,000,000.00 umbrella policy

   (e) Underground resources and equipment hazard: $500,000.00

2. Notwithstanding any provisions of this agreement to the contrary with regard to insurance, all parties hereto shall be required to maintain Operator's Extra Expense Insurance covering gross loss of not less than $3,000,000.00. Any Non-Operator may request to be covered under Operator's policy and if such can be arranged by Operator, such Non-Operator shall pay its proportionate share of the cost of such coverage. Any Non-Operator, not covered under Operator's policy, shall cause a certificate evidencing its required coverage to be promptly furnished to Operator. No operation in any well subject to this agreement shall be commenced prior to the requirements of this insurance provision being fulfilled.

   Operator shall require its contractors and subcontractors working or performing services upon the Contract Area subject to the Operating Agreement to which this Exhibit D is attached, to comply with the workmen's compensation laws of the State where the Contract Area is located and all other states as become necessary and to carry such other insurance and in such amounts as Operator shall deem necessary. Operator shall name all Non-Operators as insureds on all policies and furnish Non-Operators with copies of all certificates of insurance.

3. All losses not covered by the insurance provided for herein shall be charged to the joint account.

EXHIBIT E

Gas Balancing Agreement

Attached to and part of Operating Agreement dated November 1, 2008, covering the Black Warrior Basin in Alabama and Mississippi, by and between BNK Petroleum (US) Inc., as Operator, and ________________ Company, as Non-Operator.

Subject to and under the terms of the Operating Agreement to which this Agreement is attached as Exhibit "E" (the "Operating Agreement"), the parties hereto own and are entitled to share in the oil and gas production from the Contract Area (as defined in Operating Agreement) in accordance with their respective interests as set forth in the Operating Agreement. Each party has made or will make arrangements to sell or utilize its share of the gas production; however, it is recognized that one or more of the parties may be unable from time to time to take in kind or otherwise dispose of its interest in the gas production. In order to permit each party to produce and utilize or dispose of its interest in the gas production with as much flexibility as possible, the parties hereto have agreed as follows:

1. The term "Percentage Interest" means the percentage ownership interest of each party as determined in said Operating Agreement and any applicable statute or regulation (and as the same may be amended from time-to-time). The term "Accumulated Underproduction" means the amount by which the cumulative volume of gas taken by the party falls below the cumulative volume that party was entitled to take according to its Percentage Interest; the term "Accumulated Overproduction" means the amount by which the cumulative volume of gas taken by the party exceeds the cumulative volume that party was entitled to take according to its Percentage Interest; the term "Underproduced Party" means a party credited with Accumulated Underproduction; the term "Overproduced Party" means a party charged with Accumulated Overproduction; the term "Make-up Gas" means the volume of gas taken by an Underproduced Party to make up Accumulated Underproduction pursuant to paragraph 4 below.

2. From and after the date of initial delivery of gas from the Contract Area, during any period when any party is taking less than its full Percentage Interest share of the gas production, the other party or parties shall have the right to produce from the Contract Area and take or deliver to a purchaser their pro rata share of all or any part of that portion of the allowable gas production which is not then being produced as a result of a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by Lease equipment in accordance with their respective interest in the Contract Area as set forth in said Operating Agreement, but the party or parties taking gas shall own all of such gas delivered to its or their purchaser(s).

3. The Operator shall maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the portion thereof used in operations on the Contract Area, vented or lost, the total quantity of gas taken by each party or delivered to its purchaser, and the Accumulated Overproduction and Underproduction of each party.

4. After ten (10) days written notice to the Operator and commencing on the first day of any month, any party may at any time begin taking or delivering to a purchaser its full share of the gas produced (less such party's share of gas used in operations in the Contract Area, vented or lost). In addition to such share, each Underproduced Party, including the Operator, until it has brought its gas account into balance, shall be entitled to take or deliver to its purchaser an additional share of the gas produced determined by multiplying the applicable Make-up Percent (hereinafter defined) of the Percentage Interest of the Overproduced Parties in the current gas production by a fraction, the numerator of which is the Accumulated Underproduction of such party and the denominator of which is the total Accumulated Underproduction of all Underproduced Parties then undertaking to make up Underproduction. "Make-up Percent" shall mean twenty-five percent (25%) of gas made up in the months of October, November, December, January, February and March; and fifty percent (50%) for the months of April, May, June, July, August and September. Make-up Gas shall offset Accumulated Underproduction in the order of accrual.

5. In the event any party enters into an agreement, subsequent to this Agreement for the disposition of its gas, including but not limited to a gas sales agreement(s), the subsequent agreement shall be subordinated to the rights of the parties under this Agreement.

6. Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from the Contract Area so that the well(s) will not be shut in for overproducing the allowable, if any, assigned thereto by the regulatory body having jurisdiction.

7. During the term of this Agreement, each party shall cause the royalty on its production to be paid in accordance with the terms of the Leases and any applicable statute or regulation (and as the same may be amended from time-to-time) and shall pay or cause to be paid its own owners of overriding royalty interest, production payments and similar interests as they may be entitled respectively to be paid, and shall hold the other parties harmless from any liability therefor.

8. Each party producing and taking or delivering gas to its purchaser shall pay or cause to be paid any and all production taxes due on such gas.

9. Should production of gas from the Contract Area be permanently discontinued before the gas account is balanced, a final settlement will be made between the Underproduced and Overproduced Parties. In making such settlement, the Underproduced Party or Parties will be paid a sum of money by the Overproduced Party or Parties equal to the value of the total Accumulated Overproduction less applicable taxes and royalties theretofore paid by the Overproduced Party on such overproduction. The value of the total Accumulated Overproduction shall be based on the price the Overproduced Party actually received for the gas during the month(s) in which the Accumulated Overproduction accrued. If a portion of the Overproduced Party's gas is taken for its own use, the value will be based on the price received simultaneously by the Overproduced Party for gas being sold for its account for that month(s). During periods in which the Overproduced Party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which the Overproduced Party could have received for such gas if actually delivered under the Overproduced Party's contract, or if none, the weighted average price otherwise payable under the Underproduced Party's contract for such overproduction for that month(s). Operator shall furnish to all parties a statement showing the final Accumulated

Overproduction and Accumulated Underproduction of each party and the month and year in which it accrued. Within sixty (60) days after receipt of Operator's statement, each Overproduced Party shall furnish to all other parties a statement showing the value of its Accumulated Overproduction. Within thirty (30) days after Operator receives the statements furnished by the Overproduced Parties and based thereon, the net amount owed by or to each party shall be calculated by Operator and furnished to all parties in a final cash balancing statement. Within thirty (30) days after receipt of Operator's final cash balancing statement, each Overproduced Party shall pay each Underproduced Party in accordance with the statement and without interest. Any party may challenge any volumes or values or amounts specified in any of the statements furnished under paragraph 3 above or this paragraph 9, in the same manner and subject to the same limitations that an invoice from Operator may be challenged under the Operating Agreement or the accounting procedure attached thereto. If any portion of the proceeds collected by an Overproduced Party is subject to a contingent refund obligation under law, regulation or court order, such amount shall be withheld until such time as a final determination is made with respect thereto, or the Underproduced Party agrees in writing to indemnify, defend and hold harmless from any refund obligation the party paying such amount.

10. This Gas Balancing Agreement shall be and remain in full force and effect for a term concurrent with the term of the Operating Agreement.

11. This Gas Balancing Agreement shall be deemed to be a separate agreement for each well on the Contract Area, and as to each reservoir from which gas is separately produced from each well.

12. Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on the Contract Area, as set forth in the Operating Agreement. All costs and expenses of administering this Gas Balancing Agreement shall be borne in accordance with the provisions of the Operating Agreement.

13. Any party transferring its interest, or any part thereof, which is covered by the Operating Agreement, shall give notice of this Gas Balancing Agreement to any transferee and such transfer shall not be binding upon the parties until such transferee has agreed in writing to be bound by the terms of the Operating Agreement, including this Gas Balancing Agreement.

14. The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement but shall not be liable for its failure to do so as long as it acts without gross negligence or willful misconduct. The Operator has no duty or authority to maintain or restore balanced production, except as specifically provided herein.

EXHIBIT C

FIELD ASSIGNMENT

Attached to that certain Black Warrior Basin Exploration Agreement dated November 1, 2008, by and between BNK Petroleum (US) Inc. and ________________ Company.

(FIELD)

ASSIGNMENT

REFERENCE is hereby made for all purposes to the oil and gas leases more particularly described on Exhibit "A" attached hereto and made a part hereof ("Leases," whether one or more).

This Assignment is by and between _______________________, a _________, whose address is ______________________________, and _______________________, a _______, whose address is ____________________________.

FOR AND IN CONSIDERATION of the sum of Ten and no/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto each GRANT, BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY unto the other Parties hereto so much of their right, title, and interest, in and to the Leases ("Leasehold Interest") as may be necessary to vest title to the Leasehold Interest of all the Parties hereto as follows:

	OWNER	PERCENTAGE INTEREST
1.	________________ ________________ ________________	_________ percent (____%)
2.	________________ ________________ ________________	_________ percent (____%)
	TOTAL:	100 percent (100%)

The Leasehold Interest is SUBJECT TO the EXCEPTIONS and DEPTH LIMITATIONS set forth on Exhibit A, if any, and notwithstanding the lands described and included in the Leases, this Assignment covers and includes the Leases only insofar as they cover and pertain to the following lands:

[*INSERT Here Field Description*]

In addition, the Leasehold Interest herein conveyed is SUBJECT TO a proportionate part of all obligations and liabilities arising from and after the Effective Date (hereinafter defined) under (i) the Leases insofar as they cover the Leasehold Interest, (ii) all presently outstanding royalty interests and overriding royalty interests upon the Leases; (iii) all valid and subsisting operating agreements governing the conduct of oil and gas operations on the Leases, whether recorded or unrecorded; (iv) all valid and subsisting contracts for the sale or purchase of oil, gas and/or other hydrocarbons from the Leases; (v) all recorded declarations of pooling agreements or unitization agreements; (vi) all other instruments and documents burdening or affecting the Leases which are of legal record in all applicable jurisdictions as of the Effective Date; (vii) all obligations and liabilities now existing or hereafter arising for the plugging and abandonment of any wells covered by this Assignment; and (viii) all valid laws, writs, orders, rules, and regulations promulgated by governmental authorities having jurisdiction and affecting the Leasehold Interest.

TO THE EXTENT THAT THE PARTIES MAY BE AN ASSIGNEE OR AN ASSIGNOR HEREUNDER, ASSIGNEE UNCONDITIONALLY RELEASES ASSIGNOR FROM AND AGAINST ANY AND ALL LIABILITY TO ASSIGNEE, BOTH KNOWN AND UNKNOWN, PRESENT AND FUTURE, FOR DAMAGES OR LIABILITIES TO ASSIGNEE ARISING OUT OF THE PRESENCE OF HAZARDOUS MATERIAL (AS HEREINAFTER DEFINED) ON, UNDER OR ABOUT THE LAND HEREIN CONVEYED. "HAZARDOUS MATERIAL" MEANS ANY CHEMICAL SUBSTANCE (i) THE PRESENCE OF WHICH REQUIRES INVESTIGATION OR REMEDIATION UNDER ANY FEDERAL, STATE OR LOCAL STATUTE, REGULATION, ORDINANCE, ORDER, ACTION, POLICY OR COMMON LAW; (ii) WHICH IS OR BECOMES DEFINED AS A "HAZARDOUS WASTE" OR "HAZARDOUS SUBSTANCE" UNDER ANY FEDERAL, STATE OR LOCAL STATUTE, REGULATION OR ORDINANCE OR AMENDMENTS THERETO INCLUDING, WITHOUT LIMITATION, RCRA, CERCLA AND SARA; (iii) WHICH IS TOXIC, EXPLOSIVE, CORROSIVE, CARCINOGENIC, MUTAGENIC OR OTHERWISE HAZARDOUS AND IS OR BECOMES REGULATED BY ANY GOVERNMENTAL AUTHORITY, AGENCY, DEPARTMENT, COMMISSION, BOARD, OR INSTRUMENTALITY OF THE UNITED STATES, STATE OF TEXAS, ANY STATE IN WHICH THE LEASES ARE LOCATED, OR ANY POLITICAL SUBDIVISION THEREOF; (iv) THE PRESENCE OF WHICH ON THE LAND CAUSES OR THREATENS TO CAUSE A NUISANCE UPON THE LANDS OR ADJACENT LANDS OR POSES OR THREATENS TO POSE A HAZARD TO THE HEALTH OR SAFETY OF PERSONS ON OR ABOUT THE LAND; (v) THE PRESENCE OF WHICH ON ADJACENT LANDS COULD CONSTITUTE A TRESPASS; (vi) WITHOUT LIMITATION WHICH CONTAINS GASOLINE, DIESEL FUEL OR OTHER PETROLEUM HYDROCARBONS; OR (vii) WITHOUT LIMITATION WHICH CONTAINS POLYCHLORINATED BIPHENYLS (PCBS), OR ASBESTOS OR UREA FORMALDEHYDE FOAM INSULATION.

Each Party represents and warrants that the Leasehold Interest is free and clear of any liens created by, through, or under that Party. Each Party as Assignee is expressly subrogated to all warranties of title heretofore given by others with respect to the Leasehold Interest assigned herein. This Assignment is otherwise made without warranty of title, either express or implied, and is subject to all validly existing encumbrances or agreements, whether or not recorded, which may affect the Leases, including, but not limited to the following:

(i) That certain Purchase and Sale Agreement dated April 20, 2006, by and between Vintage Petroleum LLC, as Seller, and Bankers Petroleum (US) Inc., as Buyer;

(ii) That certain unrecorded Black Warrior Basin Exploration Agreement dated November 1, 2008, between BNK Petroleum (US) Inc. and _________ Company; and

(iii) That certain unrecorded Operating Agreement dated _____________, between _______________________, as Operator, and _____________________________, et al., as Non-Operator.

Each Party agrees to accept and to perform that Party's proportionate part of all obligations and liabilities under the above listed instruments as well as all other validly existing encumbrances or agreements, whether or not recorded, as to all obligations and liabilities arising from and after the Effective Date (herein defined).

TO HAVE AND TO HOLD the same unto each Party to the extent that Party is an Assignee, Assignee's heirs, personal representatives, successors and assigns, forever.

The undersigned each warrants that the undersigned is signing with proper authority and full capacity as required by law.

This Assignment is executed as of the date of the acknowledgment, but shall be effective for all purposes as of ________________, 200__ ("Effective Date"), at 7:00 a.m. Central Standard Time.

PARTIES:

____
By: ___________________________
Name: ___________________________
Title: ___________________________

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By: ___________________________
Name: ___________________________
Title: ___________________________

STATE OF __________ §
§
COUNTY OF __________ §

This instrument was acknowledged before me on the ____ day of ____________, 20__, by _________________________, ____________________ of _________________________, a ___________ corporation, on behalf of said corporation.

____
Notary Public, State of __________

STATE OF __________ §
§
COUNTY OF __________ §

This instrument was acknowledged before me on the ____ day of ____________, 20__, by _________________________, ____________________ of _________________________, a ___________ corporation, on behalf of said corporation.

____
Notary Public, State of __________

EXHIBIT D

NON-FIELD ACREAGE ASSIGNMENT

Attached to that certain Black Warrior Basin Exploration Agreement dated November 1, 2008, by and between BNK Petroleum (US) Inc. and __________________ Company.

(NON-FIELD)

ASSIGNMENT

REFERENCE is hereby made for all purposes to the oil and gas leases more particularly described on Exhibit "A" attached hereto and made a part hereof ("Leases," whether one or more).

This Assignment is by and between ________________________, a _________ ("Assignor," whether one or more), whose address is ______________________________, and ________________________, a _______, whose address is ______________________________, ("Assignee," whether one or more).

FOR AND IN CONSIDERATION of the sum of Ten and no/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby GRANT, BARGAIN, SELL, TRANSFER, ASSIGN and CONVEY unto Assignee all of Assignor's right, title, and interest, in and to the Leases ("Leasehold Interest").

The Leasehold Interest is SUBJECT TO the EXCEPTIONS and DEPTH LIMITATIONS set forth on Exhibit A, if any, and notwithstanding the lands described and included in the Leases, this Assignment covers and includes the Leases only insofar as they do not cover and do not pertain to the following lands:

[*INSERT Here Field Descriptions or Prior Assignments*]

ASSIGNEE UNCONDITIONALLY RELEASES ASSIGNOR FROM AND AGAINST ANY AND ALL LIABILITY TO ASSIGNEE, BOTH KNOWN AND UNKNOWN, PRESENT AND FUTURE, FOR DAMAGES OR LIABILITIES TO ASSIGNEE ARISING OUT OF THE PRESENCE OF HAZARDOUS MATERIAL (AS HEREINAFTER DEFINED) ON, UNDER OR ABOUT THE LAND HEREIN CONVEYED. "HAZARDOUS MATERIAL" MEANS ANY CHEMICAL SUBSTANCE (i) THE PRESENCE OF WHICH REQUIRES INVESTIGATION OR REMEDIATION UNDER ANY FEDERAL, STATE OR LOCAL STATUTE, REGULATION, ORDINANCE, ORDER, ACTION, POLICY OR COMMON LAW; (ii) WHICH IS OR BECOMES DEFINED AS A "HAZARDOUS WASTE" OR

"HAZARDOUS SUBSTANCE" UNDER ANY FEDERAL, STATE OR LOCAL STATUTE, REGULATION OR ORDINANCE OR AMENDMENTS THERETO INCLUDING , WITHOUT LIMITATION, RCRA, CERCLA AND SARA; (iii) WHICH IS TOXIC, EXPLOSIVE, CORROSIVE, CARCINOGENIC, MUTAGENIC OR OTHERWISE HAZARDOUS AND IS OR BECOMES REGULATED BY ANY GOVERNMENTAL AUTHORITY, AGENCY, DEPARTMENT, COMMISSION, BOARD, OR INSTRUMENTALITY OF THE UNITED STATES, STATE OF TEXAS, ANY STATE IN WHICH THE LEASES ARE LOCATED, OR ANY POLITICAL SUBDIVISION THEREOF; (iv) THE PRESENCE OF WHICH ON THE LAND CAUSES OR THREATENS TO CAUSE A NUISANCE UPON THE LANDS OR ADJACENT LANDS OR POSES OR THREATENS TO POSE A HAZARD TO THE HEALTH OR SAFETY OF PERSONS ON OR ABOUT THE LAND; (v) THE PRESENCE OF WHICH ON ADJACENT LANDS COULD CONSTITUTE A TRESPASS; (vi) WITHOUT LIMITATION WHICH CONTAINS GASOLINE, DIESEL FUEL OR OTHER PETROLEUM HYDROCARBONS; OR (vii) WITHOUT LIMITATION WHICH CONTAINS POLYCHLORINATED BIPHENYLS (PCBS), OR ASBESTOS OR UREA FORMALDEHYDE FOAM INSULATION.

ASSIGNEE AGREES TO INDEMNIFY AND HOLD ASSIGNOR HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION AND JUDGMENTS IN FAVOR OF ANY PARTY FOR INJURY TO OR DEATH OF ANY PERSON OR FOR DAMAGE TO THE LAND HEREIN CONVEYED, OR FOR ANY OTHER REASON WHATSOEVER, INCIDENT TO OR ARISING, DIRECTLY OR INDIRECTLY, FROM OPERATIONS ON THE LAND HEREIN CONVEYED FROM AND AFTER THE EFFECTIVE DATE HEREOF OR FROM ANY ACT OR OMISSION OF ASSIGNEE IN CONNECTION WITH THE COVENANTS OF ASSIGNEE HEREIN CONTAINED.

Assignor represents and warrants that the Leasehold Interest is free and clear of any liens created by, through, or under Assignor. Assignee is expressly subrogated to all warranties of title heretofore given by others with respect to the Leasehold Interest assigned herein. This Assignment is otherwise made without warranty of title, either express or implied, and is subject to all validly existing encumbrances or agreements, whether or not recorded, which may affect the Leases, including, but not limited to the following:

(i) That certain Purchase and Sale Agreement dated April 20, 2006, by and between Vintage Petroleum LLC, as Seller, and Bankers Petroleum (US) Inc., as Buyer;

(ii) That certain unrecorded Black Warrior Basin Exploration Agreement dated November 1, 2008, between BNK Petroleum (US) Inc. and _________ Company; and

(iii) That certain unrecorded Operating Agreement dated _____________, between _______________________, as Operator, and _____________________________, et al., as Non-Operator.

Assignee agrees to accept and to perform Assignee's proportionate part of all obligations and liabilities under the above listed instruments as well as all other validly existing encumbrances or agreements, whether or not recorded, as to all obligations and liabilities arising from and after the Effective Date.

TO HAVE AND TO HOLD the same unto Assignee, Assignee's heirs, personal representatives, successors and assigns, forever.

The undersigned each warrants that the undersigned is signing with proper authority and full capacity as required by law.

This Assignment is executed as of the date of the acknowledgment, but shall be effective for all purposes as of ________________, 200__ ("Effective Date"), at 7:00 a.m. Central Standard Time.

ASSIGNOR:

____
By: ___________________________
Name: ___________________________
Title: ___________________________

AGREED TO AND ACCEPTED BY ASSIGNEE:

____
By: ___________________________
Name: ___________________________
Title: ___________________________

THE STATE OF ___________ §
§
COUNTY OF _____________ §

This instrument was acknowledged before me this ________ day of _______________, 20___, by Wolf E. Regener as President of BNK Petroleum (US) Inc., a Texas corporation, on behalf of said corporation.

____
Notary Public

THE STATE OF ___________ §
§
COUNTY OF _____________ §

This instrument was acknowledged before me this ________ day of _______________, 20___, by ____________________________________ as _________________________________ of ______________________ Company, a _______ corporation, on behalf of said corporation.

____
Notary Public