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EXHIBIT # 2330

WIT: _____

**AAPL MODEL FORM
OF OFFSHORE DEEPWATER
OPERATING AGREEMENT**

AAPL-810 (2007)

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Outer Continental Shelf – Gulf of Mexico

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**OPERATING AGREEMENT
OUTER CONTINENTAL SHELF – GULF OF MEXICO**

This Agreement, effective as of _____ (the “Effective Date”), is between _____, the signers of this Agreement, each referred to individually as a “Party” and collectively as the “Parties.”

Whereas the Parties own one or more Leases, identified in Exhibit "A" (*Description of Leases*), and desire to explore, appraise, develop, and operate the Leases for the production of Hydrocarbons;

Now, therefore, in consideration of the premises and mutual promises in this Agreement, the Parties agree to explore, appraise, develop, and operate the Contract Area under the following provisions:

ARTICLE 1 – CONTRACT APPLICATION

1.1 Application in General

This Agreement governs the rights and obligations of the Parties relating, without limitation, to the exploration, appraisal, development, operation, production, treatment, gathering, and storage of Hydrocarbons. This Agreement does not apply to the fabrication or installation of Export Pipelines.

1.2 Application to the Contract Area

This Agreement applies to the entire Contract Area. Unless otherwise provided in this Agreement, all the rights and obligations in and under the Leases comprising the Contract Area, all property and rights acquired pursuant to this Agreement, and all Hydrocarbons are owned by the Parties according to their respective Working Interest or Participating Interest, as applicable.

ARTICLE 2 – DEFINITIONS

2.1 Additional Testing, Logging, or Sidewall Coring

Testing (excluding Production Testing), logging, or sidewall coring that is in addition to that approved by virtue of a previously approved well or subsequent operation.

2.2 Affiliate

A corporation, company, limited liability company, partnership, or other legal entity that:

- (a) is owned or controlled by a Party,
- (b) is owned or controlled by another corporation, company, limited liability company, partnership, or other legal entity that is owned or controlled by a Party,
- (c) owns or controls a Party, or
- (d) is owned or controlled by a corporation, company, limited liability company, partnership, or other legal entity that owns or controls a Party.

For the purposes of this definition, ownership or control means the ownership, directly or indirectly, of fifty percent (50%) or more of the shares, voting rights, or interest in a corporation, company, limited liability company, partnership, or other legal entity.

2.3 Agreement

This operating agreement, together with its attached Exhibits.

2.4 Annual Operating Plan

The operational plan and estimate of Costs for activities and operations, as described in Article 6.4 (*Annual Operating Plan*).

2.5 Appraisal Operation

An operation (including, but not limited to, an operation after an Appraisal Well has reached its Objective Depth but before the attempted completion of the well) conducted under Article 11 (*Appraisal Operations*).

1 **2.6 Appraisal Well**

2 A well proposed and drilled as an Appraisal Operation [including, but not limited
3 to, a substitute well for an Appraisal Well abandoned under Article 11.1.4 (*AFE*
4 *Overruns and Substitute Well*)].

5 **2.7 Authorization for Expenditure (AFE)**

6 A written description and Cost estimate of a proposed activity or operation
7 accompanying a proposal for that activity or operation.

8 **2.8 Complete Recoupment**

9 The point in time when the Participating Parties have been reimbursed, through
10 Hydrocarbon Recoupment, through Disproportionate Spending, or through a
11 lump sum cash settlement, an amount equal to the Non-Participating Party's
12 Non-Participating Interest Share of the Costs of the Non-Consent Operation
13 multiplied by the applicable percentage provided in Article 16 (*Non-Consent*
14 *Operations*).

15 **2.9 Confidential Data**

16 All proprietary geophysical, geological, geochemical, drilling, or engineering data
17 acquired or derived from operations conducted under this Agreement and all
18 analyses, compilations, maps, models, interpretations, and other documents that
19 reflect or incorporate that data. The term also includes, but is not limited to:

- 20 (a) the provisions of this Agreement, subject to Exhibit "I"; and
- 21 (b) commercial, contractual, and financial information acquired or derived from
22 activities or operations conducted under this Agreement;

23 however, the term does not include the fact that the Operator has let a contract
24 for an activity or operation to be conducted under this Agreement. The term
25 excludes "Confidential Information" as that term is defined in Exhibit "G."

26 **2.10 Contract Area**

27 The OCS Leases, or portions thereof, listed on Exhibit "A."

28 **2.11 Costs**

29 The monetary amount of all expenditures (or indebtedness) incurred by the
30 Operator and the Participating Parties in the conduct of activities and operations,
31 determined under this Agreement.

1 **2.12 Deepen or Deepening**

2 An operation to drill an existing well (including sidetracking a well) deeper than
3 the stratigraphic equivalent of the Objective Depth of any prior operation
4 conducted in the well.

5 **2.13 Deeper Drilling**

6 The drilling of an Appraisal Well or Development Well below the Deepest
7 Producing Reservoir in existence when the well is proposed.

8 **2.14 Deepest Producing Reservoir**

9 The deepest Producing Reservoir in existence when a drilling or Deeper Drilling
10 proposal is made.

11 **2.15 Define AFE**

12 The AFE for the Define Stage.

13 **2.16 Define Stage**

14 The stage of a Development Phase during which the Operator, with the
15 assistance of the Project Team, if applicable, will (a) commence the
16 implementation of a Development Plan, (b) complete enough of the detailed
17 design of the Development System to enable contractors to formulate their bids
18 on the components of the Development System, and (c) submit an Execution
19 AFE to the Parties for their review and approval.

20 **2.17 Development Operation**

21 An operation (including, but not limited to, a Recompletion, a Workover, the
22 attempted completion of an Exploratory Well or an Appraisal Well, or an
23 operation after a Development Well has reached its Objective Depth) conducted
24 under Article 13 (*Development Operations*).

25 ☐ [Optional provision; check if applicable, that is, if the appropriate option in Article 11.6 is selected.]

26 or under Article 11.6 (*Operations Before the Approval of the Development Plan*).

27 **2.18 Development Phase**

28 The proposals, activities, and operations associated with determining the
29 feasibility of development and the design, fabrication or acquisition, and
30 installation of a Development System.

1 **2.19 Development Plan**

2 The plan for a Development Phase, as described in Article 12 (*Development*
3 *Phases*).

4 **2.20 Development System**

5 A Production System and its associated Facilities.

6 **2.21 Development Well**

7 A well proposed and drilled as a Development Operation [including, but not
8 limited to, a substitute well for a Development Well abandoned under Article
9 13.1.4 (*AFE Overruns and Substitute Well*)].

10 **2.22 Disproportionate Spending**

11 The payment of the Costs of an activity or operation by a Participating Party in
12 excess of its Participating Interest Share of the Costs of that activity or operation
13 in order to settle an Underinvestment previously incurred by that Participating
14 Party.

15 **2.23 Election, Elect, Elects, Elected, Electing**

16 A response or deemed response by a Party to a proposal requiring approval
17 under Article 8.2.2 (*Approval by Election*), or the act by a Party of responding to
18 a proposal requiring approval under Article 8.2.2 (*Approval by Election*).

19 **2.24 Enhanced Recovery Project Team AFE**

20 The AFE that is to accompany a proposal for the formation of a Project Team
21 whose sole scope of work is the design of an enhanced recovery and/or
22 pressure maintenance program.

23 **2.25 Execution AFE**

24 A collection of AFEs, which, according to the submitting Party's estimates, will
25 cover all of the Costs of the Execution Stage (which do not include the Costs of
26 Development Wells), and which shall be deemed by the Parties to have been
27 submitted as one AFE.

28 **2.26 Execution Stage**

29 The final stage of a Development Phase during which the Operator, with the
30 assistance of the Project Team, if applicable, will complete the implementation of
31 the Development Plan, implement the Execution AFE, and commence the first
32 production of Hydrocarbons for that particular Development Phase.

1 **2.27 Exploratory Operation**

2 An operation (including, but not limited to, an operation after an Exploratory Well
3 has reached its Objective Depth but before the attempted completion of the well,
4 except for Production Testing) conducted under Article 10 (*Exploratory*
5 *Operations*).

6 **2.28 Exploratory Well**

7 A well proposed and drilled as an Exploratory Operation [including, but not
8 limited to, a substitute well for an Exploratory Well abandoned under Article
9 10.1.4 (*AFE Overruns and Substitute Well*)].

10 **2.29 Export Pipelines**

11 Pipelines to which a gathering line or lateral line downstream of the Development
12 System is connected and which are used to transport Hydrocarbons or produced
13 water to shore.

14 **2.30 Facilities**

15 Production equipment located downstream of the wellhead connections, which is
16 installed on or outside the Contract Area in order to enhance, handle, or process
17 Hydrocarbon production or transport Hydrocarbons to processing facilities.
18 Facilities include, but are not limited to, control umbilicals, disposal wells and
19 their associated components, flowlines, and gathering lines or lateral lines and
20 their associated components that are paid for by the Joint Account. Facilities
21 exclude (1) Production Systems, (2) Export Pipelines, (3) the equipment
22 procured and utilized for an enhanced recovery and pressure maintenance
23 program described in Article 12.11 (*Enhanced Recovery and/or Pressure*
24 *Maintenance Program Proposals*), and (4) the facilities referred to in Article 15.2
25 (*Facilities to Take in Kind*).

26 **2.31 Feasibility AFE**

27 The AFE for the Feasibility Stage.

28 **2.32 Feasibility Stage**

29 The stage of a Development Phase during which the Operator, with the
30 assistance of the Feasibility Team, will attempt to find at least one scenario for
31 the development of Hydrocarbons, which is technologically and economically
32 feasible.

1 **2.33 Feasibility Team**

2 A group of employees, contractors, and/or consultants of the Participating
3 Parties or their respective Affiliates that assists the Operator during the
4 Feasibility Stage.

5 **2.34 Force Majeure**

6 An event or cause that is reasonably beyond the control of the Party claiming the
7 existence of such event or cause, which includes, but is not limited to, a flood,
8 storm, hurricane, loop current/eddy, or other act of God; a fire, loss of well
9 control, oil spill, or other environmental catastrophe; a war, a civil disturbance, a
10 terrorist act, a labor dispute, a strike, a lockout; an inability to immediately
11 comply with a law, order, rule, or regulation; a governmental action or delay in
12 granting necessary permits or permit approvals; and the inability to secure
13 materials or a rig.

14 **2.35 HSE**

15 Health, safety, and environment.

16 **2.36 Hydrocarbon Recoupment**

17 An amount to be recovered by the Participating Parties from all or part of the
18 Non-Participating Interest Share of the proceeds from the sale of future
19 Hydrocarbon production equal to the Non-Participating Interest Share of the
20 Costs of the Non-Consent Operation multiplied by the applicable percentage in
21 Article 16 (*Non-Consent Operations*).

22 **2.37 Hydrocarbons**

23 The oil, gas, and associated liquid and gaseous by-products (except helium) that
24 may be produced from a well bore on the Contract Area.

25 **2.38 Joint Account**

26 The account maintained by the Operator under this Agreement, showing the
27 charges paid and credits received in connection with the activities and operations
28 conducted under this Agreement.

29 **2.39 Lease**

30 Each OCS federal oil and gas lease (or portion thereof) identified in Exhibit "A"
31 and each oil and gas lease covering one or more OCS blocks, or portions
32 thereof, in the Contract Area that is acquired during the term of this Agreement

1 by the Operator and the Non-Operating Parties (including substitutions for and
2 replacements of existing Leases).

3 **2.40 MMS**

4 The Minerals Management Service, United States Department of Interior, or its
5 successor agency.

6 **2.41 News Release**

7 A press release or other public announcement or disclosure by a Party
8 containing a reference, either directly or by implication, to this Agreement or the
9 activities or operations herein contemplated, including, but not limited to, any
10 public release via print media, broadcast news, internet, extranet, public
11 networks or service providers, and discussions with journalists.

12 **2.42 Non-Consent Operation**

13 An activity or operation proposed and approved under this Agreement in which
14 one or more Parties, having the contractual right to do so, Elect or Vote not to
15 participate, except when an activity or operation is approved by Vote and the
16 approval binds all Parties.

17 **2.43 Non-Operating Party**

18 A Party other than the Operator.

19 **2.44 Non-Participating Party**

20 A Party who, having the contractual right to do so, Elects or Votes not to
21 participate in sharing the Costs, risks, and benefits (including the rights to
22 Hydrocarbons) of an activity or operation proposed and approved under this
23 Agreement, except when an activity or operation is approved by Vote and the
24 approval binds all Parties.

25 **2.45 Non-Participating Interest Share**

26 The percentage of participation in the Costs, risks, and benefits (including rights
27 to Hydrocarbons) that a Non-Participating Party would have had in a proposed
28 activity or operation if all Parties had participated in that proposed activity or
29 operation.

30 **2.46 Objective Depth**

31 For each well, the shallower of the total footage to be drilled by that well (as
32 measured in true vertical subsea depth) or the penetration by the drill bit to the

base of the deepest target formation or interval in that well, as that depth or target formation or interval is stated in the AFE for the well.

2.47 OCS

The Outer Continental Shelf of the Gulf of Mexico.

2.48 Offsite Host Facilities

Production equipment that is (a) used to process or handle Hydrocarbon production and (b) owned by one or more third parties or by one or more Participating Parties in an Execution AFE (under which that production equipment is to be utilized for Hydrocarbon production), whose respective ownership interests in the production equipment are not exactly the same as their respective Participating Interest Shares in the Execution AFE.

2.49 Operator

The Party designated in Article 4.1 (*Designation of the Operator*), a successor Operator selected under Article 4.5 (*Selection of Successor Operator*), and, if applicable, a substitute Operator selected under Article 4.2 (*Substitute Operator*).

2.50 Overinvested Party

A Party entitled to receive its Participating Interest Share of an Underinvestment.

2.51 Participating Interest Share

A Participating Party's percentage of participation in:

(a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an approved activity or operation; or,

(b) if applicable, interests to be assigned to the Parties.

A Participating Party's percentage of participation is either the proportion, expressed as a percentage, that the Participating Party's Working Interest bears to the total Working Interests of all Participating Parties or such different basis for Cost sharing or assignment as the Participating Parties agree upon.

2.52 Participating Party

A Party who, having the contractual right to do so, participates in the sharing of:

(a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an approved activity or operation; or,

1 (b) if applicable, the interests to be assigned to the Parties.

2 The term includes a Party who does not Vote to participate in a proposed activity
3 or operation, but is nonetheless bound to participate in that proposed activity or
4 operation if it is approved by Vote.

5 **2.53 Post-Production Project Team AFE**

6 An AFE submitted in association with the continuance of the Project Team under
7 Article 12.8 (*Post-Production Project Team AFEs*).

8 **2.54 Producible Reservoir**

9 An underground accumulation of Hydrocarbons (a) separate from and not in
10 Hydrocarbon communication with another accumulation of Hydrocarbons, and
11 (b) into which a Producible Well has been drilled.

12 **2.55 Producible Well**

13 A well on the Contract Area that:

14 (a) produces Hydrocarbons;

15 (b) meets, according to the MMS, the "well producibility criteria" in Title 30 CFR
16 250.116 or any succeeding order or regulation issued by an appropriate
17 governmental authority; or

18 (c) the Participating Parties in the subject well unanimously agree is a
19 Producible Well.

20 **2.56 Production System**

21 A system or combination of systems on the Contract Area to develop, produce,
22 store, distribute, and initiate the transportation of Hydrocarbons. The term
23 includes:

24 (a) an offshore surface structure, whether fixed, compliant, or floating;

25 (b) a subsea structure or template designed as a guide to or to provide
26 structural rigidity to one or more wells;

27 (c) any combination of the items mentioned in clauses (a) and (b);

1 (d) any other type of structure designed to develop and produce Hydrocarbons;
2 and

3 (e) all associated components of the items mentioned above, including, but not
4 limited to, a drilling rig, mooring lines, and anchor piles.

5 Production System excludes Facilities, mobile offshore drilling units, and the
6 facilities referred to in Article 15.2 (*Facilities to Take in Kind*).

7 **2.57 Production Testing**

8 Operations for the controlled flow of Hydrocarbons to the surface for the purpose
9 of measuring flow rates or flowing pressures, or gaining other subsurface data.

10 **2.58 Project Team**

11 A group of employees, contractors, and/or consultants of the Participating
12 Parties or their respective Affiliates, who assists the Operator in carrying out the
13 scope of work for the Selection Stage, Define Stage, and Execution Stage and
14 the scope of work under Articles 12.8 (*Post-Production Project Team AFEs*) and
15 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*).

16 **2.59 Recompletion**

17 A Development Operation in a single well bore in which a completion in one
18 Producing Reservoir is abandoned in order to attempt a completion in a different
19 Producing Reservoir. To "Recomplete" means to conduct a Recompletion.

20 **2.60 Selection AFE**

21 The AFE for the Selection Stage.

22 **2.61 Selection Stage**

23 The stage of a Development Phase during which the Operator, with the
24 assistance of the Project Team, if applicable, will determine whether to:

25 (a) install a Development System on the Contract Area, or

26 (b) tie-back to, and utilize,

27 (i) a Development System resulting from a previous Development
28 Phase or

(ii) a development system and/or facilities located outside the Contract Area

in order to produce Hydrocarbons.

2.62 Sidetracking

An operation to directionally control or intentionally deviate a well to change the bottomhole location to another bottomhole location not deeper than the stratigraphic equivalent of the Objective Depth of an operation previously conducted in the well, unless the intentional deviation is done to straighten the hole, drill around junk, or overcome other mechanical difficulties. To "Sidetrack" means to conduct a Sidetracking.

2.63 Transfer of Interest

A conveyance, assignment, transfer, farmout, exchange, or other disposition of all or part of a Party's undivided Working Interest.

2.64 Underinvested Party

A Party with an Underinvestment.

2.65 Underinvestment

A monetary obligation incurred under this Agreement to be settled under Article 16.9 (*Settlement of Underinvestments*).

2.66 Vote

As a noun, a response or deemed response by a Party to a proposal requiring approval under Article 8.2.1 (*Approval by Vote*); as a verb, to respond to a proposal requiring approval under Article 8.2.1 (*Approval by Vote*).

2.67 Well Plan

A detailed written description accompanying a proposal to drill an Exploratory Well, Appraisal Well, or Development Well, or to conduct a Workover, Recompletion, well repair, or subsequent operation at Objective Depth, which must include, at a minimum:

- (a) the surface and target bottomhole locations of the operation, if applicable;
- (b) the expected commencement date of the operation and the anticipated time necessary to conclude the operation;

- 1 (c) the total vertical subsea depth to be drilled, along with the specified
2 Objective Depth (and the target zones to be penetrated), if applicable;
- 3 (d) the proposed drilling plan, if applicable, and the proposed completion plan,
4 including the casing program and directional details, if applicable;
- 5 (e) details of all coring, logging, and other evaluation operations to be
6 conducted, if applicable; and
- 7 (f) information about the drilling rig to be used, including day rates, water
8 depth rating, and other limitations relevant to the operations to be
9 conducted, if applicable.

10 **2.68 Working Interest**

11 The record title leasehold interest or, where applicable, the operating rights of
12 each Party in and to each Lease (expressed as the percentage provided in
13 Exhibit "A"). If a Party's record title interest is different from its operating rights,
14 the Working Interest of each Party is the interest provided in Exhibit "A."

15 **2.69 Workover**

16 A Development Operation conducted in an existing well after the well has been
17 completed in one or more Producing Reservoirs to restore, maintain, or improve
18 production from one or more of those Producing Reservoirs.

19 **ARTICLE 3 – EXHIBITS**

20 **3.1 Exhibits**

21 All references in this Agreement to "Exhibits" without further qualification mean
22 the Exhibits listed below and attached to this Agreement. Each Exhibit is made a
23 part of this Agreement and is incorporated into this Agreement by this reference.
24 If any provision of an Exhibit conflicts with any provision of the body of this
25 Agreement, the provision of the body of this Agreement shall prevail, with the
26 exception of Exhibits "C," "D," and "G," each provision of which shall prevail over
27 any provision of the body of this Agreement, except as provided in Article 6.2.4
28 (*Long Lead Well Operation AFEs*). If any provision of Exhibit "C" conflicts with
29 any provision of Exhibit "G," the provision of Exhibit "G" shall prevail. If any

provision of Exhibit "C" conflicts with any provision of Exhibit "D," the provision of Exhibit "____" shall prevail.

Exhibit "A" Description of Leases, Working Interests of the Parties, and Representatives

Exhibit "B" Insurance Provisions

Exhibit "C" Accounting Procedure

Exhibit "D" Gas Balancing Agreement

Exhibit "E" Certification of Non-segregated Facilities

Exhibit "F" Security Interest Provisions

Exhibit "G" Project Team and Technology Sharing

☐ [Optional; check if Dispute Resolution Procedure Exhibit is to be attached.]

Exhibit "H" Dispute Resolution Procedure

Exhibit "I" Well Data Trade and Confidentiality Agreement

☐ [Optional; check if Tax Partnership Exhibit is to be attached.]

Exhibit "J" Tax Partnership

Exhibit "K" Health, Safety and Environment

☐ [Optional; check if Geophysical Operations Provisions Exhibit is to be attached.]

Exhibit "L" Geophysical Operations Provisions

☐ [Optional; check if Memorandum of Operating Agreement Exhibit is to be attached.]

Exhibit "M" Memorandum of Operating Agreement

☐ [Optional; check if Financing Statement Exhibit is to be attached.]

Exhibit "N" Financing Statement

ARTICLE 4 – SELECTION OF OPERATOR

4.1 Designation of the Operator

_____ is designated as the Operator of the Contract Area. The Parties shall promptly execute and file all documents required by the MMS in connection with the designation of _____ as Operator or with the designation of any other

1 Party as a substitute or successor Operator. Unless agreed otherwise by all the
2 Parties, the Operator shall be classified as the designated applicant for oil spill
3 financial responsibility purposes, and each Non-Operating Party shall promptly
4 execute the appropriate documentation reflecting that classification and promptly
5 provide that documentation to the Operator for filing with the MMS.

6 **4.2 Substitute Operator**

7 **4.2.1 Substitute Operator if Operator is a Non-Participating Party**

8 Except as otherwise provided in Article 4.2.3 (*Circumstances Under*
9 *Which the Operator Must Conduct a Non-Consent Operation*), if the
10 Operator is a Non-Participating Party in a Non-Consent Operation, the
11 Participating Parties may approve by Vote the designation of any
12 Participating Party as the substitute Operator. The substitute Operator
13 shall serve as the Operator only (a) for the Non-Consent Operation (if
14 the Non-Consent Operation is the drilling of a well, through the release
15 of the drilling rig for that well), (b) of the Lease affected by the Non-
16 Consent Operation, and (c) with the same authority, rights, obligations,
17 and duties as the Operator, subject to the limitations in (a) and (b). If a
18 Non-Operating Party is the only Participating Party in a Non-Consent
19 Operation, then the Non-Operating Party shall be designated as the
20 substitute Operator for that Non-Consent Operation, with no Vote
21 required, unless the Non-Operating Party elects not to accept the
22 designation. A Non-Operating Party, who is a Participating Party, shall
23 not be designated as a substitute Operator against its will. If a
24 substitute Operator is not designated under the foregoing procedures,
25 the Operator shall, upon the unanimous agreement of the Participating
26 Parties, conduct the Non-Consent Operation on behalf of the
27 Participating Parties and at the Participating Parties' sole Cost and risk
28 under Article 16 (*Non-Consent Operations*). If the Participating Parties
29 do not approve by Vote a substitute Operator to conduct the Non-
30 Consent Operation or do not unanimously agree that the Operator shall
31 conduct the Non-Consent Operation on behalf of the Participating
32 Parties, then the proposal of the Non-Consent Operation shall be
33 deemed withdrawn, with the effect as if the proposal for the Non-
34 Consent Operation had never been proposed and approved.

1 **4.2.2 Substitute Operator if Operator Fails to Commence Drilling**
2 **Operations**

3 If the Operator fails to timely commence an Exploratory Well in
4 accordance with Article 10.1.3 (*Timely Operations*), an Appraisal Well
5 in accordance with Article 11.1.3 (*Timely Operations*) or a Development
6 Well in accordance with Article 13.1.3 (*Timely Operations*), the non-
7 operating Participating Parties may select a substitute Operator in the
8 same manner as the selection of a successor Operator under Article
9 4.5 (*Selection of Successor Operator*), and the substitute Operator
10 shall serve as the Operator only (a) for the drilling of that well through
11 the release of the drilling rig for that well, (b) of the Lease on which the
12 well is drilled, and (c) with the same authority, rights, obligations, and
13 duties as the Operator, subject to the limitations in (a) and (b).

14 **4.2.3 Circumstances Under Which the Operator Must Conduct a Non-**
15 **Consent Operation**

16 If:

- 17 (a) a drilling rig is on location and the Operator becomes a Non-
18 Participating Party (i) in a supplemental AFE pursuant to the
19 terms of Article 6.2.2 (*Supplemental AFEs*), or (ii) after reaching
20 Objective Depth as provided in Article 10.2 (*Exploratory*
21 *Operations at Objective Depth*), Article 11.2 (*Appraisal Operations*
22 *at Objective Depth*), or Article 13.2 (*Development Operations at*
23 *Objective Depth*), or
- 24 (b) the Operator becomes a Non-Participating Party in an operation
25 to be conducted on or from a Development System operated by
26 the Operator,

27 the Operator, as a Non-Participating Party, shall conduct the Non-
28 Consent Operation on behalf of the Participating Parties and at the
29 Participating Parties' sole Cost and risk under Article 16 (*Non-Consent*
30 *Operations*).

1 **4.2.4 Operator's Conduct of a Non-Consent Operation in Which it is a**
2 **Non-Participating Party**

3 When, under Article 4.2.1 (*Substitute Operator if Operator is a Non-*
4 *Participating Party*) or Article 4.2.3 (*Circumstances Under Which the*
5 *Operator Must Conduct a Non-Consent Operation*), the Operator
6 conducts a Non-Consent Operation in which it is a Non-Participating
7 Party, it shall follow the practices and standards in Article 5 (*Rights and*
8 *Duties of Operator*). The Operator shall not be required to proceed with
9 the Non-Consent Operation until the Participating Parties have
10 advanced the Costs of the Non-Consent Operation to the Operator.
11 The Operator shall never be obligated to expend any of its own funds
12 for the Non-Consent Operation.

13 **4.2.5 Appointment of a Substitute Operator**

14 After expiration of all applicable response periods for the Non-Consent
15 Operation and selection of a substitute Operator, each Party shall
16 promptly provide the substitute Operator with the appropriate MMS
17 designation of operator forms and certification of oil spill financial
18 responsibility forms. The Operator and the substitute Operator shall
19 coordinate the change of operatorship to avoid interfering with ongoing
20 activities and operations, if any, including but not limited to, lease
21 maintenance activities and operations.

22 **4.2.6 Redesignation of Operator**

23 Within ____ (____) days after conclusion of the Non-Consent Operation,
24 all Parties shall execute and provide the Operator with the appropriate
25 MMS designation of operator forms and certification of oil spill financial
26 responsibility forms to return operatorship to the Operator, thereby
27 superseding the Parties' designation of the substitute Operator under
28 Article 4.2.5 (*Appointment of a Substitute Operator*).

29 **4.3 Resignation of Operator**

30 Subject to Article 4.5 (*Selection of Successor Operator*), the Operator may resign
31 at any time by giving written notice to the Parties, except that the Operator may
32 not resign during a Force Majeure or an emergency that poses a threat to life,
33 safety, property, or the environment. If the Operator ceases to own a Working

1 Interest, the Operator automatically shall be deemed to have resigned as the
2 Operator without any action by the Non-Operating Parties.

3 **4.4 Removal of Operator**

4 The Operator may be removed under the following circumstances:

5 **4.4.1 Removal Upon Assignment**

6 If the Operator assigns part of its Working Interest (excluding an
7 interest assigned to an Affiliate) and the assignment reduces the
8 Operator's Working Interest to less than the Working Interest of a
9 Non-Operating Party, whether accomplished by one or more
10 assignments, then the removal of the Operator requires approval by
11 Vote.

12 **4.4.2 Removal for Cause by Vote**

13 Under the following circumstances, the removal of the Operator shall
14 be approved by Vote, excluding the Vote of the Operator:

- 15 (a) the Operator is found liable by a final judicial decision or a final
16 decision under binding arbitration for an act of gross negligence or
17 willful misconduct regarding the Contract Area;
- 18 (b) the Operator commits a substantial breach of a material provision
19 of this Agreement and fails to cure the breach within thirty (30)
20 days after receipt of written notice of the breach from a Non-
21 Operating Party. If the breach specified in the notice reasonably
22 cannot be corrected within the thirty (30) day period, but the
23 Operator within said period begins action to correct the breach
24 and thereafter diligently carries the corrective action to
25 completion, the Operator shall not be removed. The Operator
26 shall not be removed under this Article 4.4.2 if the Operator is
27 able to prove the non-existence of the alleged breach within thirty
28 (30) days after receipt of written notice of the alleged breach;
- 29 (c) the Operator becomes insolvent or unable to pay its debts as they
30 mature, makes an assignment for the benefit of its creditors,
31 commits an act of bankruptcy, or seeks relief under laws providing
32 for the relief of debtors;

(d) a receiver is appointed for the Operator or for substantially all of its property or affairs; or

(e) the Operator fails to timely commence the fabrication or acquisition of the Development System in accordance with Article 12.7.9 (*Timely Operations for Development Systems*).

4.4.3 Timing of Vote to Remove Operator

A Vote to remove the Operator for cause as provided in this Article 4.4 shall be taken within ninety (90) days after the Non-Operating Party's actual knowledge of the cause.

4.5 Selection of Successor Operator

Upon the resignation or removal of the Operator, a successor Operator shall be approved by Vote, subject to this limitation on the Voting right of Operator: if the resigned or removed Operator is not entitled to Vote, fails to Vote, or Votes only to succeed itself, then the successor Operator shall be approved by Vote after excluding the Vote of the resigned or removed Operator. If the Operator assigns all or a part of its Working Interest, then under Article 4.3 (*Resignation of Operator*) or Article 4.4.1 (*Removal Upon Assignment*) the Party who acquired all or a part of the former Operator's Working Interest shall not be excluded from Voting for a successor Operator. If there are only two Parties to this Agreement when the Operator resigns or is removed, then the Non-Operating Party automatically has the right, but not the obligation, to become the Operator. If no Party is willing to become the Operator, this Agreement shall terminate under Article 26.1 (*Term*).

4.6 Effective Date of Resignation or Removal

The resignation or removal of the Operator shall become effective as of 7:00 a.m. on the first day of the month following a period of ninety (90) days from, and inclusive of, the day of the Parties' receipt of the applicable notice, unless a longer period is required for the Parties to obtain approval of the designation of the successor Operator, and certification for oil spill financial responsibility purposes by the MMS, in which case the resignation or removal of the Operator shall become effective at 7:00 a.m. on the day immediately following MMS approval. The resignation or removal of the outgoing Operator shall not prejudice any rights, obligations, or liabilities of the outgoing Operator which accrued during its tenure. The outgoing Operator and the successor Operator may

1 charge the Joint Account for the reasonable Costs incurred in connection with
2 the change of operatorship, except when the change of operatorship results from
3 a merger, consolidation, reorganization, or sale or transfer to an Affiliate of the
4 Operator.

5 **4.7 Delivery of Property**

6 On the effective date of resignation or removal of the Operator, the outgoing
7 Operator shall deliver to the successor Operator custodianship of the Joint
8 Account and possession of all items purchased for the Joint Account under this
9 Agreement; all Hydrocarbons that are not the separate property of a Party; all
10 equipment, materials, and appurtenances purchased for the Joint Account under
11 this Agreement; and all books, records, and inventories relating to the Joint
12 Account (other than those books, records, and inventories maintained by the
13 outgoing Operator as the owner of a Working Interest). The outgoing Operator
14 shall further use its reasonable efforts to transfer to the successor Operator, as
15 of the effective date of the resignation or removal, its rights as Operator under all
16 contracts exclusively relating to the activities or operations conducted under this
17 Agreement, and the successor Operator shall assume all obligations of the
18 Operator that are assignable under the contracts. The Parties may audit the
19 Joint Account and conduct an inventory of all property and all Hydrocarbons that
20 are not the separate property of a Party, and the inventory shall be used in the
21 return of, and the accounting by the outgoing Operator of, the property and the
22 Hydrocarbons that are not the separate property of a Party. The inventory and
23 audit shall be conducted under Exhibit "C."

24 **ARTICLE 5 – RIGHTS AND DUTIES OF OPERATOR**

25 **5.1 Exclusive Right to Operate**

26 Except as otherwise provided, the Operator has the exclusive right and duty to
27 conduct (or cause to be conducted) all activities or operations under this
28 Agreement. In performing services under this Agreement for the Non-Operating
29 Parties, the Operator is an independent contractor, not subject to the control or
30 direction of Non-Operating Parties, except as provided in Article 8.2 (*Voting and*
31 *Election Procedures*) or Article 8.5 (*Approved by Unanimous Agreement*). The
32 Operator is not the agent or fiduciary of the Non-Operating Parties. With the
33 exception of any Feasibility Team or Project Team formed under this Agreement,

1 the Operator shall select and determine the number of employees, Affiliates,
2 contractors, and/or consultants used in conducting activities or operations under
3 this Agreement and the hours of labor and the compensation for those
4 employees, Affiliates, contractors, and/or consultants. All of those employees,
5 Affiliates, contractors, and/or consultants shall be the employees, Affiliates,
6 contractors, and/or consultants of the Operator. The Operator shall contract for
7 and employ any drilling rigs, tools, machinery, equipment, materials, supplies,
8 and personnel reasonably necessary for the Operator to conduct the activities or
9 operations provided for in this Agreement; however, if a substitute Operator is
10 designated to drill a well, the substitute Operator may utilize a rig, which it owns
11 or has under contract, for the drilling of that well.

12 **5.2 Workmanlike Conduct**

13 The Operator shall timely commence and conduct all activities or operations in a
14 good and workmanlike manner, as would a prudent operator under the same or
15 similar circumstances. **THE OPERATOR SHALL NOT BE LIABLE TO THE**
16 **NON-OPERATING PARTIES FOR LOSSES SUSTAINED OR LIABILITIES**
17 **INCURRED, EXCEPT AS MAY RESULT FROM OPERATOR'S GROSS**
18 **NEGLIGENCE OR WILLFUL MISCONDUCT. UNLESS OTHERWISE**
19 **PROVIDED IN THIS AGREEMENT, THE OPERATOR SHALL CONSULT WITH**
20 **THE NON-OPERATING PARTIES AND KEEP THEM INFORMED OF**
21 **IMPORTANT MATTERS.** The Operator shall never be required to conduct an
22 activity or operation under this Agreement that it, as a reasonable and prudent
23 operator in similar circumstances, believes would be unsafe or would endanger
24 persons, property, or the environment.

25 **5.3 Drilling Operations**

26 The Operator may have drilling operations conducted by qualified and
27 responsible independent contractors who are not an Affiliate of the Operator and
28 are employed under competitive contracts. A competitive contract is a contract
29 (a) that was entered into within _____ (__) years before the commencement of
30 drilling operations and (b) that contains terms, rates, and provisions that, when
31 the contract was entered into, did not exceed those generally prevailing on the
32 OCS for operations involving drilling rigs of an equivalent type, operating in
33 similar environments and water depths, equipped to the Operator's standard
34 conditions, and capable of drilling the proposed well or conducting other required
35 operations within the schedule in the well AFE. The Operator may employ its

own or its Affiliate's equipment, personnel, drilling rig, Workover rig, and snubbing unit in the conduct of those operations, either under Exhibit "C" or under a written agreement among the Participating Parties. If the Operator's or its Affiliate's equipment, personnel, drilling rig, Workover rig, or snubbing unit is employed in conducting operations under this Agreement, the terms, conditions, and rates for that employment shall be consistent with those currently prevailing in competitive contracts for the deepwater OCS.

5.4 Liens and Encumbrances

The Operator shall endeavor to keep the Leases, Production Systems, Facilities, and other equipment purchased for the Joint Account under this Agreement and the Hydrocarbons free from liens and encumbrances (except those provided in Exhibit "F") that might arise by reason of the activities or operations conducted under this Agreement. If a lien is placed on the Leases, Production Systems, Facilities, other equipment, or any Hydrocarbons, the Operator shall make reasonable efforts to remove the lien.

5.5 Records

The Operator shall keep accurate books, accounts, and records of activities or operations under this Agreement in compliance with the Accounting Procedure in Exhibit "C." Unless otherwise provided in this Agreement, all records of the Joint Account shall be available to a Non-Operating Party at all reasonable times during the Operator's normal office hours under Exhibit "C." The Operator shall use good-faith efforts to ensure the settlements, billings, and reports rendered to each Party under this Agreement are complete and accurate. The Operator shall notify the other Parties promptly upon the discovery of any error or omission pertaining to the settlements, billings, and reports rendered to each Party. This provision does not affect a Party's audit rights under this Agreement. This provision shall also apply to each Non-Operating Party's books, accounts, and records kept to support its charges to a Project Team.

5.6 Reports to Government Agencies

The Operator shall make timely reports to all governmental authorities to which it has a duty to make reports and shall furnish copies of the reports to the Participating Parties. The Operator shall provide each Non-Operating Party with a copy of each notice, order, and directive received from the MMS. As soon as reasonably practicable, each Party shall give written notice to the other Parties

1 before each meeting with government authorities of which it has notice and that
2 affect the Contract Area.

3 **5.7 Information to Participating Parties**

4 The Operator shall, as soon as reasonably practicable and to the extent that the
5 information has then been obtained or received by the Operator, furnish each
6 Participating Party the following information about well operations:

- 7 (a) a copy of each application for a permit to drill and all amendments to that
8 application;
- 9 (b) drilling and Workover reports, which shall include, but not be limited to, the
10 current depth, the corresponding lithological information, data on drilling
11 fluid characteristics, information about drilling difficulties or delays (if any),
12 mud checks, mud logs, and Hydrocarbon information, casing and
13 cementation tallies, and estimated cumulative Costs, to be sent by
14 facsimile or electronic transmission within _____ () hours (exclusive of
15 Saturdays, Sundays, and federal holidays) of well operations conducted in
16 the preceding twenty-four (24) hour period; provided, however, the
17 information and data set forth in this Article 5.7(b) shall be provided in "real
18 time" if it is available to the Operator in "real time" and a Participating Party
19 has contractual rights to utilize the "real time" system that the Operator is
20 utilizing and has agreed to pay any incremental expenses associated with
21 its accessing that information and data from that "real time system";
- 22 (c) a complete report of all core data and analyses;
- 23 (d) copies of logs and surveys as run, including all digitally recorded data;
- 24 (e) copies of well test results, bottomhole pressure surveys, Hydrocarbon
25 analyses, and other similar information, including PVT analyses;
- 26 (f) copies of reports made to regulatory agencies;
- 27 (g) forty-eight (48) hours' advance notice of logging, coring, or testing
28 operations (or, if conditions do not permit that much advance notice, as
29 much advance notice as is reasonably possible);

- (h) upon written request, and if sufficient quantities are available, samples of cutting and sidewall cores, marked as to depth, to be packaged and shipped at the expense of the requesting Party;
- (i) copies of drilling prognoses;
- (j) if conventional cores are taken, access to the rig to inspect and evaluate said cores; and
- (k) samples of Hydrocarbons, if sufficient quantities are available, after performing routine tests.

Upon written request, the Operator shall use reasonable efforts to furnish to a requesting Participating Party any additional available information (including a complete slabbled section of all recovered cores, if requested and available), acquired by the Operator for the Participating Parties, not otherwise furnished under this Article (not including any derivative information independently developed at Operator's sole cost and risk). The Costs of gathering and furnishing the additional available information shall be charged to the Participating Party that requested it.

5.8 Completed Well Information

Operator shall, as soon as reasonably practicable, furnish to each Participating Party the following information pertaining to each completed well, provided, however, the following information shall be provided in "real time" if it is available to the Operator in "real time" and a Participating Party has contractual rights to utilize the "real time" system that the Operator is utilizing and has agreed to pay any incremental expenses associated with its accessing that information from that "real time system":

- (a) monthly report of production and injection;
- (b) copies of routine reports made to regulatory agencies;
- (c) report on the status of wells not producing and not abandoned;
- (d) report on Hydrocarbons produced during Production Testing;
- (e) bottomhole pressure data and surface pressure data; and

- 1 (f) composite of all logs run (for example, TDT, Carbon-Oxygen, Spinner
2 Surveys, and Casing Collar).

3 **5.9 Information to Non-Participating Parties**

4 The Operator shall furnish to each Non-Participating Party:

- 5 (a) as soon as reasonably practicable, copies of all non-confidential reports
6 made to regulatory agencies, and
- 7 (b) if applicable, after Complete Recoupment, the information specified in
8 Articles 5.7 (*Information to Participating Parties*) and 5.8 (*Completed Well*
9 *Information*).

10 **5.10 Health, Safety, and Environment:**

11 With the goal of achieving safe and reliable activities and operations in
12 compliance with all applicable laws and regulations, including avoiding significant
13 and unintended impact on (i) the health or safety of people, (ii) property, or (iii)
14 the environment, the Operator shall, with the support and cooperation of the
15 Non-Operators, while it conducts activities or operations under this Agreement:

- 16 (a) design and manage activities or operations to standards intended to
17 achieve sustained reliability and promote the effective management of HSE
18 risks;
- 19 (b) apply structured HSE management systems and procedures consistent
20 with those generally applied in the petroleum industry to effectively manage
21 HSE risks and pursue sustained reliability of operations under this
22 Agreement; and
- 23 (c) conform with locally applicable HSE related statutory requirements that
24 may apply.

25 In fulfilling its duties and obligations hereunder, the Operator shall act in
26 accordance with the provisions of Exhibit "K."

ARTICLE 6 – EXPENDITURES AND ANNUAL OPERATING PLAN

6.1 Basis of Charges to the Parties

Except as otherwise provided in this Agreement, the Operator shall pay all Costs of all activities and operations under this Agreement, and each Participating Party shall reimburse the Operator in proportion to its Participating Interest Share for the Costs of these activities and operations. All charges, credits, and accounting for expenditures shall be made under Exhibit "C." Funds received by the Operator under this Agreement may be commingled with the Operator's own funds.

6.2 AFEs

The Operator shall not undertake an activity or operation whose Costs are _____ dollars (\$_____) or more, unless an AFE has been included in a proposal for an activity or operation and the proposal has been approved by Vote, Election, or unanimous agreement, whichever is applicable, or the Operator is exercising one of its discretionary powers under this Agreement. An approved proposal grants the Operator authority to commit or expend funds on the approved proposal for the account of the Participating Parties. For an activity or operation whose Costs are in excess of _____ dollars (\$_____), but less than _____ dollars (\$_____), the Operator shall furnish the Participating Parties with an AFE for information purposes only. Notwithstanding the foregoing, in the event of an emergency, or if in the sole discretion of the Operator a perceived emergency exists that poses an imminent threat to life, safety, property, or the environment, the Operator may immediately make those expenditures for the Joint Account as, in its opinion as a reasonable and prudent operator, are necessary to deal with the emergency, but only to the extent necessary to stabilize the situation and alleviate the imminent threat. The Operator shall report to the Participating Parties, as promptly as possible, the nature of the emergency, the action taken, and the Costs incurred.

6.2.1 AFE Overrun Notice

For informational purposes only, the Operator shall provide an AFE overrun notice to all the Participating Parties if it appears (based upon Operator's reasonable estimate) that the actual total Costs associated with an original AFE will exceed the estimated total expenditures in that

1 original AFE by more than _____ percent (___%) or _____ dollars
2 (\$_____), whichever is greater, but will not require the submission of
3 a supplemental AFE under Article 6.2.2 (*Supplemental AFEs*).

4 **6.2.2 Supplemental AFEs**

5 Except as provided in Article 6.2.3 (*Further Operations During a Force*
6 *Majeure*), if it appears (based upon the Operator's reasonable
7 estimate) that the actual Costs associated with an original AFE or its
8 approved supplemental AFEs will exceed the relevant permitted over-
9 expenditure set forth below, the Operator shall promptly submit a
10 supplemental AFE to the Participating Parties. A supplemental AFE
11 shall include the dollar amount of the permitted over-expenditure from
12 the previously approved AFE as part of the dollar amount of that
13 supplemental AFE. Subject to Article 8.6.1 (*Well Proposals,*
14 *Recompletions, and Workovers*), after receipt of the supplemental AFE
15 each Participating Party has the right to make an Election as to its
16 further participation in the approved activity or operation. If a proposed
17 supplemental AFE is approved by Election, the Operator shall continue
18 to conduct the approved activity or operation associated with the
19 supplemental AFE at the sole Cost and risk of the Participating Parties
20 in the supplemental AFE. Any Participating Party making an Election
21 not to participate in an approved supplemental AFE becomes a Non-
22 Participating Party in the activity or operation associated with the
23 original AFE once the actual Costs expended on the activity or
24 operation exceed the permitted over-expenditure amount of the last
25 AFE in which the Non-Participating Party Elected to participate, without
26 regard to whether all the activities or operations (including plugging and
27 abandonment) in the original AFE have been conducted at the time of
28 its Election not to participate. A Non-Participating Party in a
29 supplemental AFE is subject to the same Hydrocarbon Recoupment
30 premium, Underinvestment, or acreage forfeiture provision in Article 16
31 (*Non-Consent Operations*) that would apply to a Party Electing or
32 Voting not to participate in the originally approved activity or operation,
33 except a Hydrocarbon Recoupment premium or an Underinvestment
34 shall apply only to the Costs of the approved activity or operation not
35 borne by the Non-Participating Party. If a supplemental AFE is not
36 approved by Election, the Operator shall conclude the activity or

1 operation as soon as practical, and each Participating Party will be
2 responsible for its Participating Interest Share of the Costs of the
3 activity or operation, including Costs in excess of the permitted over-
4 expenditure amount.

5 **6.2.2.1 Permitted Over-expenditures on Well Operations**

6 The permitted over-expenditure for an Exploratory Operation,
7 an Appraisal Operation, or a Development Operation is an
8 amount equal to _____ percent (____%) of the
9 estimated Costs in the original AFE for that operation or its
10 approved supplemental AFEs or _____ dollars
11 (\$_____), whichever is less.

12 **6.2.2.2 Permitted Over-expenditures on the Feasibility AFE, a**
13 **Post-Production Project Team AFE, or an Enhanced**
14 **Recovery Project Team AFE**

15 The permitted over-expenditure for the Feasibility AFE, a
16 Post-Production Project Team AFE, or an Enhanced
17 Recovery Project Team AFE is an amount equal to
18 _____ percent (____%) of the estimated total Costs
19 in the original AFE for that activity or its approved
20 supplemental AFEs or _____ dollars
21 (\$_____), whichever is less.

22 **6.2.2.3 Permitted Over-expenditures on a Selection AFE or Define**
23 **AFE**

24 The permitted over-expenditure for the Selection AFE or the
25 Define AFE is an amount equal to _____ percent
26 (____%) of the estimated total Costs in the original AFE for
27 that activity or its approved supplemental AFEs or
28 _____ dollars (\$_____), whichever is less.

29 **6.2.2.4 Permitted Over-expenditures on an Execution AFE**

30 The permitted over-expenditure for the Execution AFE is an
31 amount equal to _____ percent (____%) of the
32 estimated total Costs in the original AFE for that activity or its
33 approved supplemental AFEs or _____ dollars
34 (\$_____), whichever is less. The "estimated total

1 Costs in the original AFE for that activity" is the total dollar
2 amount of the Execution AFE and all approved Long Lead
3 Development System AFEs.

4 **6.2.2.5 Permitted Over-expenditures on All Other AFEs**

5 The permitted over-expenditure for all other AFEs is an
6 amount equal to _____ percent (____%) of the
7 estimated total Costs in the original AFE for that activity or
8 operation or its approved supplemental AFEs or
9 _____ dollars (\$_____), whichever is
10 less.

11 **6.2.3 Further Operations During a Force Majeure**

12 No Party is permitted to make an Election not to participate in further
13 activities or operations under Article 6.2.2 (*Supplemental AFEs*) during
14 a Force Majeure or during an emergency that poses a threat to life,
15 safety, property, or the environment, but may make an Election not to
16 participate in further activities or operations that are to be conducted
17 after the termination of the Force Majeure or emergency.
18 Notwithstanding any contrary provision of this Agreement, if Costs
19 arising as a result of Force Majeure or emergency cause the amount of
20 an original AFE and its approved supplemental AFEs to exceed their
21 permitted over-expenditure in Article 6.2.2 (*Supplemental AFEs*), no
22 supplemental AFE will be required; however, once stabilization takes
23 place and Force Majeure or emergency expenditures are no longer
24 being incurred, the Operator shall submit to the Participating Parties a
25 supplemental AFE for the activities or operations that are to be
26 conducted after termination of the Force Majeure or emergency in
27 order for them to make an Election under Article 6.2.2 (*Supplemental*
28 *AFEs*) as to their participation in those activities or operations.

29 **6.2.4 Long Lead Well Operation AFEs**

30 In addition to the Operator's right under Article 12.6 (*Long Lead*
31 *Development System AFEs*) to submit Long Lead Development System
32 AFEs for long lead-time items prior to the submission of the Execution
33 AFE, the Operator may submit an AFE to the Parties, which will allow
34 the Operator to make advance commitments for or purchases of

1 equipment or services, which are commercially reasonable and
2 necessary to facilitate the early and orderly commencement of any kind
3 of well or well operation (including any associated tie-back Facilities)
4 ("Long Lead Items") (a "Long Lead Well Operation AFE").

5 **6.2.4.1 Approval of a Long Lead Well Operation AFE**

6 Each Long Lead Well Operation AFE requires the unanimous
7 agreement of the Parties.

8 *[Select one of the following.]*

9 ☐ *Select this provision if the Operator bears the consequences of not using Long Lead Items.*

10 **6.2.4.2 Non-Participating Parties in the Operations Associated**
11 **with the Long Lead Well Operation AFE**

12 If a Party, who participated in a Long Lead Well Operation
13 AFE, does not participate in a well or well operation, for which
14 Long Lead Items were procured under that AFE, and if the
15 Operator commences that well or well operation within ____
16 () years of the approval of that Long Lead Well Operation
17 AFE, the Operator shall reimburse that Party its Participating
18 Interest Share of the Costs of those Long Lead Items within
19 thirty (30) days of the commencement of that well or well
20 operation, provided, however, that Party's share of those
21 Costs shall be included in the calculation of any Hydrocarbon
22 recoupment to which it is subject as a result of that well or
23 well operation. The Operator shall invoice the Participating
24 Parties in that well or well operation for their proportionate
25 share of the reimbursement under this Article 6.2.4.2 in
26 accordance with Exhibit "C."

27 **6.2.4.3 Reimbursement for Items Associated with a Long Lead**
28 **Well Operation AFE, which Are Not Used**

29 If the Operator does not commence a well or well operation,
30 for which Long Lead Items were procured within ____ ()
31 years from the approval of the Long Lead Well Operation
32 AFE, which included those Long Lead Items, the Operator
33 shall reimburse the Participating Parties in the Long Lead

1 Well Operation AFE their Participating Interest share of the
2 Costs of the Long Lead Items within thirty (30) days of the
3 conclusion of that ____ () year period.

4 ☐ Select this provision if the Participating Parties in the well or well operation for which the Long Lead
5 Items were ordered bear the consequences of not using those Long Lead Items.

6 **6.2.4.2 Non-Participating Parties in the Operations Associated**
7 **with the Long Lead Well Operation AFE**

8 If a Party, who participated in a Long Lead Well Operation
9 AFE, does not participate in an approved well or well
10 operation, for which Long Lead Items were procured under
11 that AFE, the Operator shall reimburse that Party its
12 Participating Interest Share of the Costs of those Long Lead
13 Items within thirty (30) days of the approval of that well or well
14 operation, provided, however, that Party's share of those
15 Costs shall be included in the calculation of any Hydrocarbon
16 recoupment to which it is subject as a result of that well or
17 well operation. The Operator shall invoice the Participating
18 Parties in that well or well operation for their proportionate
19 share of the reimbursement under this Article 6.2.4.2 in
20 accordance with Exhibit "C."

21 **6.2.4.3 Disposition of Items Associated with the Long Lead Well**
22 **Operation AFE**

23 Notwithstanding the provisions of Exhibit "C," the Participating
24 Parties in an approved well or well operation for which Long
25 Lead Items were procured shall approve by Vote the
26 disposition of those Long Lead Items if they are not utilized for
27 the approved well or well operation. If the disposition is
28 approved, the disposition will be binding on all Participating
29 Parties in that well or well operation. The disbursement of the
30 proceeds realized from the disposition of those Long Lead
31 Items shall take place in accordance with Exhibit "C."

32 **6.3 Security Rights**

33 Exhibit "F" [TEXAS, (MISSISSIPPI, ALABAMA, FLORIDA)] or Exhibit "F"
34 (LOUISIANA), as applicable, applies.

6.4 Annual Operating Plan

6.4.1 Effect and Content of Annual Operating Plan

The Annual Operating Plan is for informational and planning purposes and does not obligate any Party to any course of action or expenditures or constitute a Vote, Election, or unanimous agreement to participate in any specific activity or operation. To the extent known on the date of submission of the Annual Operating Plan, the Annual Operating Plan shall include the following items, without limitation:

6.4.1.1 Capital Budget

- (a) a list of proposed wells to be drilled including their anticipated order, drilling time, depths, surface and bottomhole locations, objective sands, type of well (Development, Appraisal), purpose of well (production, injection), and estimated Costs;
- (b) capital well operations listed by well, with their estimated Cost;
- (c) capital projects that have estimated gross Costs greater than _____ dollars (\$_____). The term "capital project" includes addition of new equipment and expansion or upgrades of existing equipment; and
- (d) an estimated total amount (in aggregate) for capital projects.

6.4.1.2 Expense Budget

- (a) expense well operations listed by well, with their estimated Cost;
- (b) expense projects that have estimated gross Costs greater than _____ dollars (\$_____). The term "expense project" includes repair, replacement, inspection, and maintenance of existing equipment;

- 1 (c) an estimated total amount (in aggregate) for expense
2 projects; and
- 3 (d) estimated Operations and Maintenance (O&M)
4 expenditures for the year may be shown in the
5 aggregate. O&M expenses include the ongoing,
6 everyday expenditures necessary to operate the field.

7 **6.4.1.3 Operator Forecasts and Informational Items**

- 8 (a) production forecasts;
- 9 (b) injection forecasts;
- 10 (c) fuel gas forecasts;
- 11 (d) scheduled or planned downtime exceeding three (3)
12 days;
- 13 (e) data collection programs;
- 14 (f) Facility constraint and ullage forecast;
- 15 (g) geochemical or geophysical survey(s) or special test(s)
16 that might be contemplated; and
- 17 (h) other areas deemed of significance by the Operator.

18 **6.4.2 Submission of Draft Annual Operating Plan**

19 Beginning in the year in which a Development Plan is approved, and in
20 each subsequent year, the Operator shall develop and submit to the
21 Non-Operating Parties, by _____, a draft Annual
22 Operating Plan for the next calendar year. The Annual Operating Plan
23 process will be used (a) as a reporting mechanism by which the
24 Operator will inform the Non-Operating Parties of results of the
25 previous year's activities and operations, (b) to review ongoing activities
26 and operations, and (c) for the remainder of the current year and the
27 next succeeding calendar year, to forecast and plan activities and
28 operations and to forecast anticipated Hydrocarbon production
29 volumes, operating expenses, and capital expenditures.

1 **6.4.3 Review of Draft Annual Operating Plan**

2 The Non-Operating Parties may provide suggested changes, additions,
3 or deletions to the Annual Operating Plan to the Operator and all other
4 Parties in writing before _____ of each year. The Operator will
5 then make changes that it deems necessary (if any) and submit the
6 final Annual Operating Plan to the Non-Operating Parties no later than
7 _____ of each year, at which time the Annual Operating Plan is
8 deemed adopted by all Parties.

9 **ARTICLE 7 – CONFIDENTIALITY OF DATA**

10 **7.1 Confidentiality Obligation**

11 Confidential Data acquired or obtained by a Party shall be kept confidential
12 during the term of this Agreement and for an additional period of
13 _____ (__) years after termination of this Agreement and shall not be
14 disclosed to a third party, unless it is disclosed under Article 7.1.1 (*Exceptions to*
15 *Confidentiality*) or 7.1.2 (*Permitted Disclosures*). Each Party shall maintain the
16 secrecy of the Confidential Data, using the standard of care it normally uses in
17 protecting its own confidential information and trade secrets.

18 **7.1.1 Exceptions to Confidentiality**

19 The confidentiality obligation shall not apply to Confidential Data that is:

- 20 (a) now or later becomes part of the public domain (other than as a
21 result of a wrongful act or omission by a Party);
- 22 (b) now or later becomes available to a Party on a non-confidential
23 basis from a source, other than a Party, that is legally permitted to
24 disclose the item of Confidential Data;
- 25 (c) known to a Party on a non-confidential basis before disclosure of
26 the Confidential Data to it under this Agreement or to which that
27 Party was otherwise entitled at the time of disclosure; or
- 28 (d) independently developed by employees, Affiliates, contractors,
29 and/or consultants of a Party who have not had access to the
30 Confidential Data.

1 **7.1.2 Permitted Disclosures**

2 **7.1.2.1 Operator's Permitted Disclosures**

3 The Operator may disclose items of Confidential Data to
4 those third parties as may be necessary to conduct activities
5 and operations under this Agreement, if the third parties are
6 bound by written agreement to keep the Confidential Data
7 secret for the period of time set forth in the Operator's service
8 agreement with those third parties or ____ (__) years if a
9 service agreement does not exist with those third parties.
10 Notwithstanding the foregoing, should the Operator disclose
11 Confidential Data to an Affiliate, then the Affiliate shall require
12 its Affiliate to handle, hold, and protect the Confidential Data
13 as if it were a Party to this Agreement.

14 **7.1.2.2 All Parties' Permitted Disclosures**

15 Subject to the restriction that a third party shall be bound by
16 written agreement not to use or disclose the Confidential Data
17 for a period of __ (__) years, except for the express purpose
18 for which the disclosure is to be made, all Parties may
19 disclose, in whole or in part, the Confidential Data to the
20 following receiving parties, who may remove the Confidential
21 Data from the custody and premises of the Party making such
22 disclosure:

- 23 (a) to its Affiliate;
- 24 (b) to a bona fide, financially responsible, prospective
25 assignee of any portion of the Party's Working Interest
26 (including but not limited to an entity with whom a Party
27 or its Affiliates is conducting bona fide negotiations
28 directed toward a merger, consolidation or a sale of a
29 Party's or an Affiliate's shares or substantially all of its
30 assets on the OCS);
- 31 (c) to potential contractors, professional consultants, or
32 outside legal counsel engaged by or on behalf of the
33 Party and acting in a capacity where that disclosure is

1 essential to the contractor's, consultant's, or outside
2 legal counsel's work;

3 (d) to a bank or other financial institution to the extent
4 appropriate to a Party arranging financing for its
5 obligations under this Agreement;

6 (e) to the extent required by a Lease, or by law, order,
7 decree, regulation, or rule (including, without limitation,
8 those of any regulatory agency, securities commission,
9 stock exchange, judicial, or administrative proceeding).
10 If a Party is required to disclose Confidential Data under
11 this Article 7.1.2.2(e), the Party shall promptly provide all
12 other Parties to this Agreement written notice of those
13 proceedings so that the non-disclosing Parties may seek
14 a protective order or other remedy. A disclosing Party
15 shall furnish only such Confidential Data as is legally
16 required and will use its reasonable efforts to obtain
17 confidential treatment for any Confidential Data
18 disclosed;

19 (f) to an entity allocating or desiring to transport, process,
20 or purchase Hydrocarbons produced under this
21 Agreement for the purpose of making Hydrocarbon
22 reserve estimates or other technical evaluations or
23 allocating Hydrocarbon products to source points;

24 (g) to third parties for benchmarking studies and industry
25 performance reviews; provided that the Confidential
26 Data disclosed does not include competitive information
27 or data and the studies blind the identities of the
28 participants and the origin of the Confidential Data; and

29 (h) to a contractor for the purpose of offsite storage of
30 Confidential Data.

1 (15) days after Complete Recoupment, the Operator shall furnish that
2 Confidential Data and information to the former Non-Participating Party.

3 **7.3 Access to the Lease and Rig**

4 Except as provided in Article 6.3(b) (*Default*) in Exhibit "F," each Participating
5 Party may attend meetings between the Operator and any contractors
6 constructing the Production System or Facilities specified in the Execution AFE
7 as well as access to the construction sites. Except as otherwise provided in
8 Article 6.3(b) (*Default*) in Exhibit "F," each Participating Party shall have access
9 to all drilling rigs, Production Systems, and Facilities to observe and inspect
10 operations and wells in which it participates (and the pertinent records and other
11 data). Access by the Participating Party to a drilling rig, Production System, or
12 Facility serving a Contract Area shall be scheduled through the Operator at least
13 forty-eight (48) hours in advance (or, if conditions do not permit that much
14 advance scheduling, with as much advance scheduling as is reasonably
15 possible). Each Party's access will be at reasonable times and may not
16 unreasonably interfere with operations at the site.

17 **7.4 Development of Proprietary Information and/or Technology**

18 The ownership, use, treatment, and disclosure of proprietary information or
19 technology, including, but not limited to, drilling technology, production
20 technology, production systems and facilities, and their transportation and
21 installation, pipelines, flowlines, and offshore oil and gas transportation that are
22 charged to the Joint Account shall be handled under Exhibit "G."

23 **ARTICLE 8 – APPROVALS AND NOTICES**

24 **8.1 Classes of Matters**

25 Action will be taken on a proposed activity or operation only after the procedures
26 and approval requirements in this Agreement have been satisfied. There are
27 four general classes of activities or operations under this Agreement: (a) those
28 requiring approval by Vote, (b) those requiring approval by Election, (c) those
29 requiring approval by unanimous agreement, and (d) those within the discretion
30 of the Operator.

1 **8.1.1 Voting and Electing Interest**

2 If all Parties are entitled to make an Election or Vote, each Party has an
3 Electing interest or a Voting interest equal to its Working Interest or its
4 Participating Interest Share, as applicable. If a Party does not have a
5 right to make an Election or Vote, each of the other Parties has an
6 Electing interest or a Voting interest, as applicable, equal to its Working
7 Interest or its Participating Interest Share, as applicable, divided by the
8 total Working Interest or Participating Interest, as applicable, of those
9 Parties who have a right to make an Election or Vote.

10 **8.2 Voting and Election Procedures**

11 The Parties shall Vote or make an Election on proposals requiring a Vote or
12 Election in the order in which those proposals are submitted, except as specified
13 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
14 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
15 *Depth*). Subject to Article 6.2 (*AFE*s), after receipt of a notice properly given for
16 an activity or operation requiring a Vote or Election, the Parties entitled to make
17 that Vote or Election (a) may Vote or make an Election in accordance with this
18 Article 8.2 (*Voting and Election Procedures*) and Article 8.7 (*Giving and*
19 *Receiving Notices and Responses*) or (b) shall be deemed to have Voted or
20 made an Election as provided in Article 8.6.5 (*Failure to Vote or Make an*
21 *Election*).

22 A Vote or Election to participate in a proposal is evidenced by a Party making a
23 written affirmative response to the proposal or by a Party's execution of the AFE
24 associated with the proposal. Except as otherwise provided in this Agreement, a
25 Vote or Election not to participate in a proposal is evidenced by a Party's written
26 negative response to the proposal, a Party's failure to make a timely written
27 affirmative response to the proposal or to timely execute the AFE associated with
28 the proposal, or a Party's failure to timely make a subsequent Vote or Election
29 under Article 8.3 (*Second Opportunity to Participate*).

30 **8.2.1 Approval by Vote**

31 Approval by Vote shall be decided by a Vote of the Parties as follows:

- 32 (a) when one Party or two Parties are entitled to Vote, approval by
33 Vote shall require an affirmative Vote of one or more Parties with
34 a Voting interest of _____ percent (____%) or more, or if

1 two Parties entitled to Vote have the same Voting interest, the
2 affirmative Vote of all Parties entitled to Vote; and

- 3 (b) when more than two Parties are entitled to Vote, approval by Vote
4 shall require an affirmative Vote of _____ (__) or more Parties
5 entitled to Vote with a combined Voting interest of _____
6 percent (___%) or more.

7 **8.2.2 Approval by Election**

8 Approval by Election shall be decided by an affirmative Election by one
9 or more Parties, entitled to make an Election, with a combined Electing
10 interest of _____ percent (___%) or more.

11 **8.3 Second Opportunity to Participate**

12 Unless otherwise provided to the contrary in this Agreement, if an activity or
13 operation is approved by Vote or Election but is not approved by all of the
14 Parties, a Party who Voted or Elected not to participate in the approved activity
15 or operation may make a subsequent Vote or Election to participate in the
16 approved activity or operation within forty-eight (48) hours (exclusive of
17 Saturdays, Sundays, and federal holidays) of its receipt of the original Voting or
18 Election results from the Operator. If a Party does not exercise its right to make
19 a subsequent Vote or Election to participate, it shall become a Non-Participating
20 Party in the approved activity or operation. If (a) all the Parties entitled to do so
21 make an original Vote or Election or a subsequent Vote or Election to participate
22 in a proposed activity or operation or (b) an approval by Vote is binding on all
23 Parties, then the Operator shall commence the activity or operation in
24 accordance with the applicable timely operations provisions of this Agreement.

25 **8.4 Participation by Fewer Than All Parties**

26 If, after the period in which a Party may make a subsequent Vote or Election to
27 participate, there is at least one Non-Participating Party in the approved activity
28 or operation, each Party who made an original or a subsequent Vote or Election
29 to participate in the approved activity or operation shall, within forty-eight (48)
30 hours (exclusive of Saturdays, Sundays, and federal holidays) of its receipt of the
31 subsequent Voting or Election results,

- 32 (a) limit its participation in the approved activity or operation to its Working
33 Interest share, or

1 (b) agree to bear its Participating Interest Share of the approved activity or
2 operation

3 by written correspondence to the Operator. Failure to submit that written
4 correspondence shall be deemed a written correspondence under (a). If a Party,
5 who made an original or a subsequent Vote or Election to participate in the
6 approved activity or operation, submits or is deemed to have submitted a written
7 correspondence under (a) and the other Parties who made an original or a
8 subsequent Vote or Election to participate in the approved activity or operation
9 do not agree to bear all of the remaining Costs of the approved activity or
10 operation within _____ () days after the written correspondence period,
11 the proposal of the approved activity or operation and all Votes and Elections in
12 regard to the approved activity or operation shall be deemed withdrawn. Once
13 the Parties, who made an original or a subsequent Vote or Election to participate
14 in an approved activity or operation in which there is a Non-Participating Party,
15 agree to bear all of the Costs of the approved activity or operation, the Operator
16 shall commence the activity or operation at the sole Cost and risk of the
17 Participating Parties in accordance with the applicable timely operations
18 provisions of this Agreement. Notwithstanding the foregoing, the election periods
19 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
20 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
21 *Depth*) shall govern in the event of a conflict.

22 **8.5 Approval by Unanimous Agreement**

23 After receipt of a notice for a proposal that requires unanimous agreement, each
24 Party entitled to approve (or disapprove) that activity or operation may indicate its
25 approval or disapproval by providing a written statement in a response. Unless
26 otherwise specifically provided, failure of a Party to make such a response is
27 deemed its disapproval.

28 **8.6 Response Time for Notices**

29 After receipt of an AFE or notice under this Article 8, the Parties may (a) submit
30 their Vote or (b) make an Election or (c) submit a written statement, whichever is
31 applicable. If requested in writing by a Party entitled to (a) submit their Vote or
32 (b) make an Election or (c) submit a written statement on an AFE or notice, the
33 Operator shall give prompt notice of the results of those Votes, Elections or
34 written statements to each Party entitled to (a) submit their Vote or (b) make an

1 Election or (c) submit a written statement, as applicable. Except as otherwise
2 provided in this Agreement, the response times for each type of proposal shall
3 be as follows:

4 **8.6.1 Well Proposals, Recompletions, and Workovers**

5 When a well, Recompletion, or Workover is proposed, each Party
6 entitled to Vote or make an Election or submit a written statement,
7 whichever is applicable, has _____ () days after receipt of the
8 proposal (inclusive of Saturdays, Sundays, and federal holidays) to
9 respond to it. If a drilling rig is on location and day rate rig charges are
10 being charged to the Joint Account and if a Party, who is entitled to do
11 so, has proposed the immediate commencement of a substitute well or
12 a supplemental AFE to a well, or a Recompletion or Workover in or
13 through the same well bore in which the previous operation was
14 conducted or has submitted a supplemental AFE to a well, and if the rig
15 that is on location is to conduct the operation or is to be utilized under
16 the supplemental AFE, a Party entitled to Vote or make an Election or
17 submit a written statement has forty-eight (48) hours after receipt of the
18 proposal (inclusive of Saturdays, Sundays, and federal holidays) to
19 respond to it. The response times for subsequent operations at
20 Objective Depth are provided in Article 10.2 (*Exploratory Operations at*
21 *Objective Depth*), Article 11.2 (*Appraisal Operations at Objective*
22 *Depth*), and Article 13.2 (*Development Operations at Objective Depth*).

23 **8.6.2 Execution AFE**

24 Each Party entitled to make an Election on an Execution AFE has
25 _____ () days after the date of its receipt of the Execution
26 AFE to make that Election.

27 **8.6.3 Other AFE Related Operations**

28 Except as otherwise provided in Articles 8.6.1 (*Well Proposals,*
29 *Recompletions, and Workovers*) and 8.6.2 (*Execution AFE*), the
30 response time to a proposed AFE, activity, or operation will depend
31 upon the gross AFE amount. Response times will be as follows:

- 32 (a) AFE of \$_____ or more but less than \$_____; response
33 will be made within thirty (30) days after receipt of said proposal;

(b) AFE of \$_____ or more but less than \$_____;
response will be made within ninety (90) days after receipt of said
proposal; and

(c) AFE of \$_____ or more; response will be made within one
hundred twenty (120) days after receipt of said proposal.

8.6.4 Other Proposals

For all other proposals requiring notice, and all supplemental AFEs
other than those subject to Article 8.6.1 (*Well Proposals,
Recompletions, and Workovers*), each Party has _____ (__) days
after receipt of the proposal to respond to it.

8.6.5 Failure to Vote or Make an Election

Unless otherwise specifically provided, failure of a Party to Vote or
make an Election, whichever is applicable, within the period required by
this Agreement is deemed to be a Vote or Election not to participate.

8.6.6 Suspensions of Operations and Suspensions of Production

Notwithstanding any contrary provision in Article 8.6 (*Response Time
for Notices*), if the MMS grants a Suspension of Production ("SOP"), a
Suspension of Operations ("SOO"), or similar regulatory grant for all or
part of the Contract Area, and if the SOP, SOO, or grant requires the
commencement of an activity or operation before the expiration of the
period for Voting, making an Election, or submitting a written statement,
as provided in Article 8.5 (*Approval by Unanimous Agreement*) for that
activity or operation, the Parties shall cast their Votes, make their
Elections, or submit their written statement on the activity or operation
at least _____ (__) days (inclusive of Saturdays, Sundays and
federal holidays) before the commencement date required in the SOO,
SOP, or grant.

8.6.7 Standby Charges

The Participating Parties in a well or well operation conducted
immediately prior to the delivery of (a) a proposal for a substitute well or
a subsequent operation in a well or (b) a supplemental AFE are
responsible for charges associated with the well or well operation that
accrue before that delivery. All charges, which accrue after that

1 delivery, are the responsibility of the Participating Parties in the
2 substitute well, subsequent operation, or supplemental AFE. If (a) the
3 proposal of a substitute well or subsequent operation or (b) the
4 supplemental AFE is not approved, the Participating Parties in the well
5 or well operation conducted immediately prior to the delivery of that
6 proposal or supplemental AFE are responsible for the charges that
7 accrue after that delivery.

8 **8.7 Giving and Receiving Notices and Responses**

9 Except as otherwise provided in this Agreement, all notices and responses
10 required or permitted by this Agreement shall be in writing and shall be delivered
11 in person or by mail, courier service, or facsimile transmission, with postage and
12 charges prepaid, addressed to the Parties at the addresses in Exhibit "A." A
13 notice is deemed delivered only when received by the Party to whom it was
14 directed, and the period for a Party to deliver a response begins on the date the
15 notice is received. "Receipt" of a written notice means actual delivery of the
16 notice to the Party's address or transmission to the facsimile number provided in
17 Exhibit "A." A response is deemed delivered when it is deposited in the United
18 States mail, delivered to a courier, transmitted by facsimile transmission, or is
19 personally delivered to a Party.

20 However, when a drilling rig is on location and day rate rig charges are being
21 charged to the Joint Account, notices or responses pertaining to operations
22 utilizing a drilling rig shall be given orally or by telephone. "Receipt" of an oral or
23 telephone notice means actual and immediate communication to the Party to be
24 notified. All telephone or oral notices or responses permitted by this Agreement
25 shall be confirmed immediately thereafter by facsimile transmission. A message
26 left on an answering machine or with an answering service or other third person
27 is not adequate telephone or oral notice or response. If a Party is unavailable to
28 receive a notice or response required to be given orally or by telephone, the
29 notice or response may be delivered by facsimile transmission.

30 **8.8 Content of Notices**

31 A notice requiring a response shall indicate the appropriate response time
32 specified in Article 8.6 (*Response Time for Notices*). A well proposal notice shall
33 include the type of well being proposed, (for example, Exploratory Well,
34 Appraisal Well, or Development Well), a Well Plan, and an AFE that includes the

Costs of permanently plugging and abandoning the well. If a proposed activity or operation is subject to Article 16.4 (*Non-Consent Operations to Maintain Contract Area*), the notice shall specify that the proposal is a Contract Area maintenance activity or operation.

8.9 Designation of Representatives

The names, addresses, and telephone and facsimile numbers of a designated representative and alternate for each Party to whom notices or responses shall be directed, are provided in Exhibit "A." The designated representative and the alternate may be changed by written notice to the other Parties.

8.10 Meetings

Any Party may call a meeting. Except in an emergency, no meeting shall be called on less than _____ () days' advance notice (inclusive of Saturdays, Sundays, and federal holidays), and the notice shall include a proposed agenda. The Operator shall be chairman of each meeting and take minutes of each meeting. Only matters included in the agenda may be considered at a meeting unless unanimously agreed to by the Parties.

8.11 Obligations of Well Participation

Subject to Article 6.2 (*AFE*s), a Participating Party in an Exploratory Well, an Appraisal Well, or a Development Well is responsible for its Participating Interest Share of all necessary Costs in the original well AFE, which shall include only the Cost to drill, test (except Production Testing), and log the well to its Objective Depth, or shallower depth if applicable, and to plug and abandon the well.

ARTICLE 9 – NEWS RELEASES

9.1 Proposal of News Releases

Any Party may propose for issuance a News Release about the activities or operations covered by this Agreement by submitting the text of the News Release to the Parties. A News Release proposal requires the unanimous agreement of the Parties. The Parties shall respond to a News Release proposal within _____ () hours of their receipt of it by agreeing or disagreeing with the text of the proposed News Release, or by submitting alternative text for the News Release. If a Party submits alternative text for the News Release, the Parties shall have _____ () hours to agree or disagree with any of the

1 proposed texts of the News Release. If a Party fails to respond, the Party shall
2 be deemed to have not approved any of the proposed News Releases.

3 **9.1.1 Operator's News Release**

4 If the Parties do not unanimously agree to any of the texts of a
5 proposed News Release within the time period set forth in Article 9.1
6 (*Proposal of News Releases*), the Operator has the exclusive right for
7 _____ (__) hours, following the last response under Article 9.1
8 (*Proposal of News Releases*), to submit a News Release on the subject
9 matter of the original proposal to the Parties in accordance with this
10 Article 9.1.1. If the News Release pertains to a well or an operation in
11 a well, the Operator must limit the content of the News Release to the
12 following information:

- 13 (a) the name of the well or operation and the water depth;
- 14 (b) the location of the well by protraction area, block, and adjacent
15 state;
- 16 (c) the lease bonus paid and the lease acquisition date;
- 17 (d) the result of a Production Test, if conducted;
- 18 (e) the participants in, and their Working Interest in, the well or
19 operation; and
- 20 (f) the surrounding acreage controlled by the participants.

21 If the News Release does not pertain to a well or an operation in a well,
22 it may only contain information that is not Confidential Data or
23 Confidential Information (as defined in Exhibit "G") and does not
24 substantially undermine the Parties' competitive advantage in the area
25 surrounding, or trend or play pertaining to, the Contract Area. The
26 Operator shall transmit the News Release to the Non-Operating Parties
27 not less than seventy-two (72) hours (exclusive of Saturdays, Sundays,
28 and federal holidays) before the time at which the Operator wishes to
29 issue it. Any Party may have its name excluded from the News
30 Release by notifying the Operator of that desire within forty-eight (48)
31 hours of that Party's receipt of the News Release.

9.1.2 Non-Operating Party's News Release

If the Operator does issue the News Release within ____ () hours of the termination of the seventy-two (72) hour period referred to in Article 9.1.1 (*Operator's News Release*), any Participating Party may prepare and issue its own News Release, using the content guidelines and procedures provided in Article 9.1.1 (*Operator's News Release*), simultaneously with or following the Operator's News Release. If the Operator does not issue the News Release within ____ () hours of the termination of the seventy-two (72) hour period referred to in Article 9.1.1 (*Operator's News Release*), any Participating Party may prepare and issue its own News Release, using the content guidelines and procedures provided in Article 9.1.1 (*Operator's News Release*).

9.2 Emergency New Releases

In an emergency involving extensive property damage, loss of human life, or other clear emergency and where there is insufficient time to obtain approval from the other Parties, the Operator may furnish factual information necessary to satisfy legitimate public interest or governmental authorities having jurisdiction. The Operator shall immediately notify the Parties of the information furnished in response to the emergency.

9.3 Mandatory News Releases

Each Party has the right to issue a News Release which contains information not otherwise permitted under Article 9 (*News Releases*) in order to comply with the laws, orders, rules, or regulations of the country in which its parent company is incorporated; provided, however, prior to issuing that News Release, that Party must submit, not less than seventy-two (72) hours (exclusive of Saturdays, Sundays, and federal holidays) before issuance of the News Release, the text of that News Release to the other Parties and a statement from a licensed attorney in the country, with whose laws, orders, rules, or regulations the Party is complying, verifying that the News Release (including its content) is required under those laws, orders, rules, or regulations.

ARTICLE 10 – EXPLORATORY OPERATIONS

10.1 Proposal of Exploratory Wells

Any Party may propose drilling an Exploratory Well within the Contract Area by giving notice of the proposal (along with the associated AFE and Well Plan) to the other Parties. Each proposed Exploratory Well requires approval by:

[Select one of the following.]

☐ Vote.

☐ Election.

☐ unanimous agreement.

Each Non-Participating Party in an Exploratory Well will be subject to either an acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-Consent Operations*).

10.1.1 Revision of Well Plan

A revision to an approved well proposal, Well Plan, or AFE prior to the commencement of actual drilling operations on an Exploratory Well requires the unanimous agreement of the Participating Parties. In the absence of unanimous agreement on a proposed revision to the Well Plan or AFE, the Well Plan and AFE will stand as approved. Only a major revision to an approved Well Plan or AFE will give a Non-Participating Party an additional opportunity to participate in an Exploratory Well. A revision is deemed a major revision if the Objective Depth of an Exploratory Well is changed

[Optional provision; check if to be applicable.]

☐ or the bottomhole location is moved more than _____ feet (_____');

in which case each Non-Participating Party in the well may, for a period of _____ (____) days after receipt of the revised Well Plan and revised AFE, notify the Operator in writing that it will participate in the revised Exploratory Well.

1 A Non-Participating Party timely submitting its participation notification
2 under this Agreement due to a major revision in a Well Plan (a) shall
3 become an Underinvested Party for Costs incurred on the modified
4 Exploratory Well prior to the approved major modification and (b) with
5 regard to that well, shall no longer be subject to Article 16 (*Non-*
6 *Consent Operations*). The Non-Participating Party's Underinvestment
7 obligation, resulting from its participation decision, shall be calculated
8 as follows: actual Costs expended on that Exploratory Well multiplied
9 by the Non-Participating Party's percentage Participating Interest Share
10 in the modified Exploratory Well. If the Non-Participating Party forfeited
11 and assigned its right, title, and interest in the Contract Area by not
12 participating in that Exploratory Well, then within thirty (30) days after
13 the Operator's receipt of the Non-Participating Party's participation
14 notification under this Agreement, the Participating Parties in the
15 original Exploratory Well proposal shall assign to the Non-Participating
16 Party one hundred percent (100%) of the Non-Participating Party's
17 former Working Interest in the Contract Area.

18 **10.1.2 Automatic Revision of the Well Plan**

19 During the drilling of an Exploratory Well, the Well Plan may be revised
20 by the Operator as is necessary for it to employ prudent oilfield
21 practices or to conduct safe operations, and those revisions will not
22 require the approval of the Participating Parties as long as the
23 Operator's revisions carry out the scope and intent of the approved
24 Well Plan and AFE, except as provided in Article 6.2.2 (*Supplemental*
25 *AFEs*).

26 **10.1.3 Timely Operations**

27 Except as provided below, drilling operations on an Exploratory Well
28 shall be commenced within _____ (____) days after the end of
29 the period for the approval of the Exploratory Well. If the Operator,
30 except for an occurrence of Force Majeure, does not commence drilling
31 operations on the Exploratory Well within that _____ (____) day
32 period, the approved Exploratory Well proposal shall be deemed
33 withdrawn, with the effect as if the Exploratory Well had never been
34 proposed and approved.

1 If a Party submits an identical Exploratory Well proposal (except for any
2 necessary modifications resulting from a change in the drilling rig to be
3 utilized by the Operator) within _____ (__) days after the deemed
4 withdrawal of the approved original Exploratory Well proposal and if
5 that identical Exploratory Well proposal is approved and if the Operator
6 is a Participating Party in the identical Exploratory Well proposal, the
7 Operator shall commence drilling operations on that well within
8 _____ (__) days after the end of the response period for that
9 proposal. If the Operator, except for an occurrence of Force Majeure
10 (excluding the inability to secure materials or a drilling rig), fails to
11 commence drilling operations on the identical Exploratory Well within
12 that _____ (__) day period, the approved identical Exploratory Well
13 proposal shall be deemed withdrawn, with the effect as if the identical
14 Exploratory Well proposal had never been proposed and approved,
15 and the Non-Operating Parties may then select a substitute Operator
16 under Article 4.2.2 (*Substitute Operator if Operator Fails to Commence*
17 *Drilling Operations*). Within _____ (__) days of the selection of
18 the substitute Operator, the substitute Operator shall propose the
19 drilling of an identical Exploratory Well (except for any necessary
20 modifications resulting from a change in the drilling rig to be utilized by
21 the substitute Operator), and it shall commence drilling operations on
22 that well within _____ (__) days after the end of the period for the
23 approval of that Well.

24 If a Party submits an identical Exploratory Well proposal (except for any
25 necessary modifications resulting from a change in the drilling rig to be
26 utilized by the Operator) within _____ (__) days after the deemed
27 withdrawal of the approved original Exploratory Well proposal and if
28 that identical Exploratory Well proposal is approved and if the Operator
29 is not a Participating Party in the identical Exploratory Well proposal,
30 the approved identical Exploratory Well proposal shall be deemed
31 withdrawn, with the effect as if the identical Exploratory Well proposal
32 had never been proposed and approved, and the Non-Operating
33 Parties may then select a substitute Operator under Article 4.2.1
34 (*Substitute Operator if Operator is a Non-Participating Party*). Within
35 _____ (__) days of the selection of the substitute Operator, the
36 substitute Operator shall propose the drilling of an identical Exploratory

1 Well (except for any necessary modifications resulting from a change in
2 the drilling rig to be utilized by the substitute Operator), and it shall
3 commence drilling operations on that well within _____ (____) days
4 after the end of the period for the approval of that Well.

5 If an approved original or identical Exploratory Well proposal is deemed
6 withdrawn due to a failure to timely commence drilling operations on
7 that well, all Costs incurred, which are attributable to the preparation
8 for, or in furtherance of, that Exploratory Well, will be chargeable to the
9 Participating Parties. Drilling operations for an Exploratory Well under
10 this Article 10.1.3 shall be deemed to have commenced on the date the
11 rig arrives on location or, if the rig is already on location, the date when
12 actual drilling operations for the approved Exploratory Well are
13 undertaken.

14 **10.1.4 AFE Overruns and Substitute Well**

15 Once an Exploratory Well is commenced, the Operator shall drill the
16 well with due diligence to its Objective Depth, subject to:

- 17 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
18 *AFE*s),
- 19 (b) the Operator encountering mechanical difficulties, uncontrolled
20 influx of subsurface water, loss of well control, abnormal well or
21 formation pressures, pressured or heaving shale, granite or other
22 practicably impenetrable substances, or other similar conditions in
23 the well bore or damage to the well bore that, in the Operator's
24 sole opinion, render further well operations impractical, and
- 25 (c) the unanimous agreement of the Participating Parties to cease
26 drilling an Exploratory Well before reaching Objective Depth.

27 If an Exploratory Well is abandoned due to the conditions described
28 under Article 10.1.4(b), then any Participating Party in the abandoned
29 Exploratory Well may, within _____ (____) days after abandonment
30 of that Exploratory Well, propose the drilling of a substitute well for the
31 abandoned Exploratory Well by giving notice of the proposal (along
32 with the associated AFE and Well Plan) to all other Participating Parties

1 in the abandoned Exploratory Well, and that proposal requires approval
2 by Election of the Participating Parties in the abandoned Exploratory
3 Well. Notwithstanding any contrary provision of Article 10.4 (*Conclusion*
4 *of Exploratory Operations*), the substitute well shall be an Exploratory
5 Well. The Well Plan for the substitute Exploratory Well shall be
6 substantially the same as the Well Plan for the abandoned Exploratory
7 Well and shall also take into account the conditions that rendered
8 further drilling of the abandoned Exploratory Well impractical.

9 *[Optional provision; check if the following paragraph is to be applicable.]*

10 ☐ If the bottomhole location is moved more than _____ feet
11 (____'), each Non-Participating Party in the abandoned well may, for a
12 period of _____ (____) days after receipt of the approved
13 substitute Exploratory Well proposal and its associated AFE, notify the
14 Operator, in writing, that it will participate in the substitute Exploratory
15 Well. If the Non-Participating Party forfeited and assigned its right, title,
16 and interest in the Contract Area by not participating in the abandoned
17 Exploratory Well, then within thirty (30) days after the Operator's receipt
18 of the Non-Participating Party's participation notification under this
19 Agreement, the Participating Parties in the abandoned Exploratory Well
20 shall assign to the Non-Participating Party one hundred percent (100%)
21 of the Non-Participating Party's former Working Interest in the Contract
22 Area.

23 Each Non-Participating Party in a substitute Exploratory Well or an
24 approved supplemental AFE for an Exploratory Well will be subject to
25 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
26 in Article 16 (*Non-Consent Operations*).

27 **10.2 Exploratory Operations at Objective Depth**

28 After an Exploratory Well has been drilled to its Objective Depth and all
29 operations in the controlling AFE have been conducted or terminated (except
30 temporary abandonment and permanent plugging and abandonment) and all
31 logs and test results have been distributed to the Participating Parties, the
32 Operator shall promptly notify the Parties entitled to make an Election on an
33 operation proposed under this Article 10.2 of its proposal to conduct subsequent
34 operations in the well. Except for a proposal to permanently plug and abandon

1 the well, the Operator's proposal shall include an associated AFE and a plan for
2 the operation. The Parties entitled to make that Election are:

- 3 (a) the Participating Parties, and
- 4 (b) the Non-Participating Parties in the original well proposal if (1) the
5 subsequent Exploratory Operation proposal is made at the well's Objective
6 Depth and is for a Sidetrack or Deepening and (2) Article 16.2 (*Acreage*
7 *Forfeiture Provisions*) was not applicable to the drilling of that Exploratory
8 Well.

9 The Operator's proposal shall be for one of the following operations:

- 10 (a) conduct Additional Testing, Sidewall Coring, or Logging of the formations
11 encountered prior to setting production casing;
- 12 (b) Sidetrack the well bore to conventionally core the formations encountered;
- 13 (c) Deepen the well to a new Objective Depth;
- 14 (d) Sidetrack the well (however, if in the Operator's sole opinion a casing string
15 is required to Deepen the well, then option "d" shall have priority over
16 Deepening the well to a new Objective Depth);
- 17 (e) conduct Production Testing;
- 18 (f) conduct other operations on the well not listed;
- 19 (g) temporarily abandon the well; or
- 20 (h) permanently plug and abandon the well.

21 If an Exploratory Well is temporarily abandoned under (g), then any additional
22 operation in that well shall be proposed as a new well operation. A proposal to
23 complete an Exploratory Well that has been temporarily abandoned under
24 clause (g) shall be deemed a Development Operation proposal.

25 If the Operator fails to submit its proposal to the Participating Parties within
26 _____ () hours (inclusive of Saturdays, Sundays, and federal holidays)
27 after receipt of all logs and test results from an Exploratory Well by the
28 Participating Parties, then any Participating Party may make a proposal. In that

1 event, the procedures in this Article 10.2 shall apply to that proposal, and any
2 reference in this Article 10.2 to the "Operator's proposal" shall include a proposal
3 made by a Participating Party.

4 **10.2.1 Response to Operator's Proposal**

5 A Participating Party may, within twenty-four (24) hours (inclusive of
6 Saturdays, Sundays, and federal holidays) of its receipt of the
7 Operator's proposal, make a separate proposal (along with an
8 associated AFE and a plan for the operation, except if the proposal is
9 to permanently plug and abandon the well) for one of the operations in
10 Article 10.2 (*Exploratory Operations at Objective Depth*), and the
11 Operator, immediately after the expiration of the twenty-four (24) hour
12 period for making a separate proposal shall provide the Parties entitled
13 to make an Election with a copy of all separate proposals so made. If
14 no separate proposal is made, the Parties entitled to make an Election
15 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,
16 and federal holidays) of their receipt of the Operator's proposal, make
17 an Election on the Operator's proposal (except for a proposal to
18 permanently plug and abandon). If a separate proposal is made, the
19 Parties entitled to make an Election shall make an Election under the
20 procedure in Article 10.2.2 (*Response to Highest Priority Proposal*). If
21 a proposal to permanently plug and abandon the well is the only
22 operation proposed, then the approval and Cost allocation provisions of
23 Article 10.3 (*Permanent Plugging and Abandonment and Cost*
24 *Allocation*) shall apply to that proposal. If Article 8.3 (*Second*
25 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
26 *All Parties*), or both, apply to any Election in Article 10.2 (*Exploratory*
27 *Operations at Objective Depth*), then the response period in those
28 articles shall be twenty-four (24) hours (inclusive of Saturdays,
29 Sundays, and federal holidays) instead of forty-eight (48) hours
30 (exclusive of Saturdays, Sundays, and federal holidays).
31 Notwithstanding any contrary provision of this Agreement, if one or
32 more operations are proposed before the distribution of information
33 resulting from the previously approved operation, then the response
34 periods set forth above shall not commence until the Parties entitled to
35 make an Election have received the information from the previously
36 approved operation.

1 **10.2.2 Response to Highest Priority Proposal**

2 If a separate proposal is made, each Party entitled to make an Election
3 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
4 and federal holidays) after its receipt from the Operator of a complete
5 copy of all separate proposals, make its Election on the highest priority
6 proposal (except a proposal to permanently plug and abandon the
7 well). Article 10.2(a) has the highest priority, and Article 10.2(h) has
8 the lowest priority. If different depths or locations are proposed for the
9 same type of operation, preference shall be given to the

10 *[Select one of the following.]*

11 ☐ shallowest depth ☐ deepest depth,

12 or the location

13 *[Select one of the following.]*

14 ☐ nearest to ☐ farthest from

15 the existing well bore, as applicable. If the proposal with the highest
16 priority is approved, then the lower priority proposals shall be deemed
17 withdrawn. Once the approved operation is completed, the Parties
18 shall follow the procedure provided in this Article 10.2 (*Exploratory*
19 *Operations at Objective Depth*) for all other proposals for operations in
20 the well bore until such time as the well is temporarily abandoned or
21 permanently abandoned.

22 **10.2.3 Response on Next Highest Priority Proposal**

23 If the proposal with the highest priority is not approved, then the next
24 highest priority proposal shall be deemed the highest priority proposal
25 and it shall be subject to the approval procedure in Article 10.2.2
26 (*Response to Highest Priority Proposal*). This process will continue until
27 a proposal is approved to either temporarily abandon or permanently
28 plug and abandon an Exploratory Well.

29 **10.2.4 Non-Participating Parties in Exploratory Operations at Objective**
30 **Depth**

31 A Non-Participating Party in an Exploratory Operation conducted on an
32 Exploratory Well after it has reached its Objective Depth [except as

provided for in this Article 10.2 (*Exploratory Operations at Objective Depth*) is subject to Article 16.5.1.1 (*Non-Consent Exploratory Operations at Objective Depth*) and is relieved of the Costs and risks of that Exploratory Operation, except that a Non-Participating Party in that Exploratory Operation remains responsible for its Participating Interest Share of the Costs of plugging and abandoning an Exploratory Well, less and except all Costs of plugging and abandoning associated solely with the subsequent Exploratory Operation in which it was a Non-Participating Party.

10.2.5 Participation in a Sidetrack or Deepening by a Non-Participating Party in an Exploratory Well at Initial Objective Depth

If an Exploratory Well is drilled to its initial Objective Depth and a Non-Participating Party in that Exploratory Well becomes a Participating Party in an approved Sidetracking or Deepening under Article 10.2(c) or (d), that former Non-Participating Party shall become an Underinvested Party in an amount equal to its Non-Participating Interest Share of the Costs of that Exploratory Well prior to that Sidetracking or Deepening. The original Participating Parties in an Exploratory Well are Overinvested Parties in that amount. A former Non-Participating Party in an Exploratory Well that becomes a Participating Party in an approved Sidetracking or Deepening remains a Non-Participating Party in that Exploratory Well to initial Objective Depth until (a) its Underinvestment is eliminated under Article 16.9 (*Settlement of Underinvestments*), and (b) the Hydrocarbon Recoupment recoverable under Article 16.5.1 (*Non-Consent Exploratory Operations down to Objective Depth in the First Exploratory Well*), less the amount of the Underinvestment, has been recovered by the original Participating Parties. If a former Non-Participating Party becomes a Participating Party in more than one approved Sidetracking or Deepening in the same Exploratory Well, that former Non-Participating Party shall become an Underinvested Party only with regard to the first Sidetracking or Deepening it approves; however, that Underinvestment shall not be relieved by an Underinvested Party's subsequent participation.

1 **10.3 Permanent Plugging and Abandonment and Cost Allocation**

2 The permanent plugging and abandonment of an Exploratory Well that:

- 3 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
4 before the well has been drilled to its Objective Depth under Article 10.1.4
5 (b),
- 6 (b) is to be plugged under Article 10.2 (*Exploratory Operations at Objective*
7 *Depth*), or
- 8 (c) has been previously temporarily abandoned under Article 10.2 (*Exploratory*
9 *Operations at Objective Depth*)

10 and has not produced Hydrocarbons (other than as a result of Production
11 Testing), requires the approval of the Participating Parties by Vote. Approval to
12 plug and abandon an Exploratory Well that has produced Hydrocarbons (other
13 than as a result of Production Testing) shall be governed by Article 18.1
14 (*Abandonment of Wells*). If a proposal to plug and abandon an Exploratory Well
15 receives approval by Vote, the approved proposal binds all Parties. If any
16 Participating Party fails to respond within the applicable response period for a
17 proposal to plug and abandon an Exploratory Well, that Participating Party shall
18 be deemed to have approved the plugging and abandonment of that Exploratory
19 Well. If a rig is on location, a proposal to plug and abandon an Exploratory Well
20 under either Article 10.3(a) or 10.3(b) does not receive approval by Vote, and if
21 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
22 holidays) after receipt of that proposal no other operation is proposed (and
23 subsequently approved) for the well by a Party entitled to make a proposal, the
24 Operator may nevertheless proceed to plug and abandon that Exploratory Well,
25 and shall give each Participating Party notice of that fact. If the proposal to plug
26 and abandon an Exploratory Well that has not produced Hydrocarbons (other
27 than as a result of Production Testing) does not receive approval by Vote, but
28 the Operator deems the well bore not to be safe or in sound enough condition for
29 it to perform further operations, the Operator may nevertheless proceed to plug
30 and abandon that Exploratory Well, and shall give each Participating Party notice
31 of that fact.

32 The Participating Parties in an Exploratory Well proposal shall pay all Costs of
33 plugging and abandoning that Exploratory Well, except all increased plugging

1 and abandoning Costs associated solely with a Non-Consent Operation
2 approved under Article 10.2 (*Exploratory Operations at Objective Depth*) or
3 Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-
4 Consent Operation are responsible for the increased plugging and abandoning
5 Costs attributable to that Non-Consent Operation.

6 **10.4 Conclusion of Exploratory Operations**

7 Except as provided in Article 10.1.4 (*AFE Overruns and Substitute Well*) after the
8 permanent or temporary abandonment of the first Producing Well and the
9 release of the rig from that Producing Well, Exploratory Operations conclude,
10 and all subsequent operations in the Contract Area are either Appraisal
11 Operations or Development Operations.

12 **ARTICLE 11 – APPRAISAL OPERATIONS**

13 **11.1 Proposal of Appraisal Wells**

14 After the conclusion of Exploratory Operations, any Party may propose drilling an
15 Appraisal Well by giving notice of the proposal (along with the associated AFE
16 and Well Plan) to the other Parties. Each proposed Appraisal Well requires
17 approval by

18 *[Select one of the following.]*

19 ☐ Vote.

20 ☐ Election.

21 ☐ unanimous agreement.

22 Each Non-Participating Party in an Appraisal Well will be subject to either an
23 acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-
24 Consent Operations*).

25 **11.1.1 Revision of Well Plan**

26 Any revisions of the Well Plan or AFE for an Appraisal Well shall take
27 place under the same terms and conditions as those set forth for an
28 Exploratory Well in Article 10.1.1 (*Revision of Well Plan*).

1 **11.1.2 Automatic Revision of the Well Plan**

2 The Well Plan for an Appraisal Well shall automatically be revised
3 under the same terms and conditions as those set forth for an
4 Exploratory Well in Article 10.1.2 (*Automatic Revision of the Well Plan*).

5 **11.1.3 Timely Operations**

6 Except as provided below, drilling operations on an Appraisal Well shall
7 be commenced within _____ (__) days after the end of the
8 period for the approval of the Appraisal Well. If the Operator, except
9 for an occurrence of Force Majeure, does not commence drilling
10 operations on the Appraisal Well within that _____ (__) day
11 period, the approved Appraisal Well proposal shall be deemed
12 withdrawn, with the effect as if the Appraisal Well had never been
13 proposed and approved.

14 If a Party submits an identical Appraisal Well proposal (except for any
15 necessary modifications resulting from a change in the drilling rig to be
16 utilized by the Operator) within _____ (__) days after the deemed
17 withdrawal of the approved original Appraisal Well proposal and if that
18 identical Appraisal Well proposal is approved and if the Operator is a
19 Participating Party in the identical Appraisal Well proposal, the
20 Operator shall commence drilling operations on that well within
21 _____ (__) days after the end of the response period for that
22 proposal. If the Operator, except for an occurrence of Force Majeure
23 (excluding the inability to secure materials or a drilling rig), fails to
24 commence drilling operations on the identical Appraisal Well within that
25 _____ (__) day period, the approved identical Appraisal Well proposal
26 shall be deemed withdrawn, with the effect as if the identical Appraisal
27 Well proposal had never been proposed and approved, and the Non-
28 Operating Parties may then select a substitute Operator under Article
29 4.2.2 (*Substitute Operator if Operator Fails to Commence Drilling*
30 *Operations*). Within _____ (__) days of the selection of the
31 substitute Operator, the substitute Operator shall propose the drilling of
32 an identical Appraisal Well (except for any necessary modifications
33 resulting from a change in the drilling rig to be utilized by the substitute
34 Operator), and it shall commence drilling operations on that well within

1 _____ (____) days after the end of the period for the approval of
2 that Well.

3 If a Party submits an identical Appraisal Well proposal (except for any
4 necessary modifications resulting from a change in the drilling rig to be
5 utilized by the Operator) within _____ (____) days after the deemed
6 withdrawal of the approved original Appraisal Well proposal and if that
7 identical Appraisal Well proposal is approved and if the Operator is not
8 a Participating Party in the identical Appraisal Well proposal, the
9 approved identical Appraisal Well proposal shall be deemed withdrawn,
10 with the effect as if the identical Appraisal Well proposal had never
11 been proposed and approved, and the Non-Operating Parties may
12 then select a substitute Operator under Article 4.2.1 (*Substitute
13 Operator if Operator is a Non-Participating Party*). Within _____
14 (____) days of the selection of the substitute Operator, the substitute
15 Operator shall propose the drilling of an identical Appraisal Well
16 (except for any necessary modifications resulting from a change in the
17 drilling rig to be utilized by the substitute Operator), and it shall
18 commence drilling operations on that well within _____ (____) days
19 after the end of the period for the approval of that Well.

20 If an approved original or identical Appraisal Well proposal is deemed
21 withdrawn due to a failure to timely commence drilling operations on
22 that well, all Costs incurred, which are attributable to the preparation
23 for, or in furtherance of, that Appraisal Well, will be chargeable to the
24 Participating Parties. Drilling operations for an Appraisal Well under
25 this Article 11.1.3 shall be deemed to have commenced on the date the
26 rig arrives on location or, if the rig is already on location, the date when
27 actual drilling operations for the approved Appraisal Well are
28 undertaken.

29 **11.1.4 AFE Overruns and Substitute Well**

30 Once an Appraisal Well is commenced, the Operator shall drill the well
31 with due diligence to its Objective Depth, subject to:

- 32 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
33 *AFEs*);

- 1 (b) the Operator encountering mechanical difficulties, uncontrolled
2 influx of subsurface water, loss of well control, abnormal well or
3 formation pressures, pressured or heaving shale, granite or other
4 practicably impenetrable substances, or other similar conditions in
5 the well bore or damage to the well bore that, in the Operator's
6 sole opinion, render further well operations impractical; and
- 7 (c) the unanimous agreement of the Participating Parties to cease
8 drilling an Appraisal Well before reaching Objective Depth.

9 If an Appraisal Well is abandoned due to the conditions described
10 under Article 11.1.4(b), then any Participating Party in the abandoned
11 Appraisal Well may, within _____ (____) days after abandonment
12 of that Appraisal Well, propose the drilling of a substitute well for the
13 abandoned Appraisal Well by giving notice of the proposal (along with
14 the associated AFE and Well Plan) to all other Participating Parties in
15 the abandoned Appraisal Well, and that proposal requires approval by
16 Election of the Participating Parties in the abandoned Appraisal Well.
17 Notwithstanding any contrary provision of Article 11.5 (*Conclusion of*
18 *Appraisal Operations*), the substitute well shall be an Appraisal Well.
19 The Well Plan for the substitute Appraisal Well shall be substantially
20 the same as the abandoned Appraisal Well's Well Plan and shall also
21 take into account the conditions that rendered further drilling of the
22 abandoned Appraisal Well impractical.

23 *[Optional provision; check if to be applicable.]*

24 ☐ If the bottomhole location is moved more than _____ feet
25 (____'), each Non-Participating Party in the abandoned well may, for a
26 period of _____ (____) days after receipt of the approved
27 substitute Appraisal Well proposal and its associated AFE, notify the
28 Operator, in writing, that it will participate in the substitute Appraisal
29 Well.

30 Each Non-Participating Party in a substitute Appraisal Well or an
31 approved supplemental AFE for an Appraisal Well will be subject to
32 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
33 in Article 16 (*Non-Consent Operations*).

11.2 Appraisal Operations at Objective Depth

After an Appraisal Well has been drilled to its Objective Depth and all operations in the controlling AFE have been conducted or terminated (except temporary abandonment and permanent plugging and abandonment) and all logs and test results have been distributed to the Participating Parties, the Operator shall promptly notify the Parties entitled to make an Election on an operation proposed under this Article 11.2 (*Appraisal Operations at Objective Depth*), of its proposal to conduct subsequent operations in the well. Except for a proposal to permanently plug and abandon the well, the Operator's proposal shall include an associated AFE and a plan for the operation. The Parties entitled to make that Election are:

- (a) the Participating Parties, and
- (b) the Non-Participating Parties in the original well proposal, if (1) the subsequent Appraisal Operation proposal is made at the well's Objective Depth and is for a Sidetrack or Deepening and (2) Article 16.4 (*Non-Consent Operations to Maintain Contract Area*) was not applicable to the drilling of that Appraisal Well.

The Operator's proposal shall be for one of the following operations:

- (a) conduct Additional Testing, Sidewall Coring, or Logging of the formations encountered prior to setting production casing;
- (b) Sidetrack the well bore to core the formations encountered;
- (c) Sidetrack the well;
- (d) Deepen the well to a new Objective Depth;
- (e) conduct Production Testing;
- (f) conduct other operations on the well not listed;
- (g) temporarily abandon the well; or
- (h) permanently plug and abandon the well.

1 If the Appraisal Well is temporarily abandoned under (g), then any additional
2 operation in that well shall be proposed as a new well operation. A proposal to
3 complete an Appraisal Well that has been temporarily abandoned under clause
4 (g) shall be deemed a Development Operation proposal.

5 If the Operator fails to submit its proposal to the Participating Parties within
6 _____ () hours (inclusive of Saturdays, Sundays, and federal holidays)
7 after receipt by the Participating Parties of all logs and test results from an
8 Appraisal Well, then any Participating Party may make a proposal. In that event,
9 the procedures in this Article 11.2 shall apply to that proposal, and any reference
10 in this Article 11.2 to the "Operator's proposal" shall include a proposal made by
11 a Participating Party.

12 **11.2.1 Response to Operator's Proposal**

13 A Participating Party may, within twenty-four (24) hours (inclusive of
14 Saturdays, Sundays, and federal holidays) of its receipt of the
15 Operator's proposal, make a separate proposal (along with an
16 associated AFE and a plan for the operation, except if the proposal is
17 to permanently plug and abandon the well) for one of the operations in
18 Article 11.2 (*Appraisal Operations at Objective Depth*), and the
19 Operator, immediately after the expiration of the twenty-four (24) hour
20 period for making a separate proposal shall provide the Parties entitled
21 to make an Election with a copy of all separate proposals so made. If
22 no separate proposal is made, the Parties entitled to make an Election
23 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,
24 and federal holidays) of its receipt of the Operator's proposal, make an
25 Election on the Operator's proposal (except for a proposal to
26 permanently plug and abandon). If a separate proposal is made, the
27 Parties entitled to make an Election shall make an Election under the
28 procedure in Article 11.2.2 (*Response to Highest Priority Proposal*). If
29 a proposal to permanently plug and abandon the well is the only
30 operation proposed, then the approval and Cost allocation provisions of
31 Article 11.4 (*Permanent Plugging and Abandonment and Cost*
32 *Allocation*) shall apply to that proposal. If Article 8.3 (*Second*
33 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
34 *All Parties*), or both, apply to any Election in Article 11.2 (*Appraisal*
35 *Operations at Objective Depth*), then the response period in those

1 articles shall be twenty-four (24) hours (inclusive of Saturdays,
2 Sundays, and federal holidays) instead of forty-eight (48) hours
3 (exclusive of Saturdays, Sundays, and federal holidays).
4 Notwithstanding any contrary provision of this Agreement, if one or
5 more operations are proposed before the distribution of information
6 from the previously approved operation, then the response periods
7 provided above shall not begin until the Parties entitled to make an
8 Election have received the information from the previously approved
9 operation.

10 **11.2.2 Response to Highest Priority Proposal**

11 If a separate proposal is made, each Party entitled to make an Election
12 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
13 and federal holidays) after its receipt from the Operator of a complete
14 copy of all separate proposals, make its Election on the highest priority
15 proposal (except a proposal to permanently plug and abandon the
16 well). Article 11.2(a) has the highest priority, and Article 11.2(h) has
17 the lowest priority. If different depths or locations are proposed for the
18 same type of operation, preference shall be given to the

19 *[Select one of the following.]*

20 ☐ shallowest depth ☐ deepest depth,

21 or the location

22 *[Select one of the following.]*

23 ☐ nearest to ☐ farthest from

24 the existing well bore, as applicable. If the proposal with the highest
25 priority is approved, then the lower priority proposals shall be deemed
26 withdrawn. Once the approved operation is completed, the Parties
27 shall follow the procedure provided in Article 11.2 (*Appraisal*
28 *Operations at Objective Depth*) for all other proposals for operations in
29 the well bore until such time as the well is temporarily abandoned or
30 permanently abandoned.

1 **11.2.3 Response on Next Highest Priority Proposal**

2 If the proposal with the highest priority is not approved, then the next
3 highest priority proposal shall be deemed the highest priority proposal
4 and it shall be subject to the approval procedure in Article 11.2.2
5 (*Response to Highest Priority Proposal*). This process will continue
6 until a proposal is approved to either temporarily abandon or
7 permanently plug and abandon an Appraisal Well.

8 **11.2.4 Non-Participating Parties in Appraisal Operations at Objective**
9 **Depth**

10 A Non-Participating Party in an Appraisal Operation conducted on an
11 Appraisal Well after it has reached its Objective Depth [except as
12 provided for in this Article 11.2 (*Appraisal Operations at Objective*
13 *Depth*)] is subject to Article 16.5.2 (*Non-Consent Appraisal Operations*)
14 and is relieved of the Costs and risks of that Appraisal Operation,
15 except that a Non-Participating Party in that Appraisal Operation
16 remains responsible for its Participating Interest Share of the Costs of
17 plugging and abandoning an Appraisal Well, less and except all Costs
18 of plugging and abandoning associated solely with the subsequent
19 Appraisal Operation in which it was a Non-Participating Party.

20 **11.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
21 **Party in an Appraisal Well at Initial Objective Depth**

22 If an Appraisal Well is drilled to its Objective Depth and a Non-
23 Participating Party in that Appraisal Well becomes a Participating Party
24 in an approved Sidetracking or Deepening under Article 11.2(c) or (d),
25 that former Non-Participating Party shall become an Underinvested
26 Party in an amount equal to its Non-Participating Interest Share of the
27 Costs of that Appraisal Well to its Objective Depth prior to that
28 Sidetracking or Deepening. The original Participating Parties in that
29 Appraisal Well are Overinvested Parties in that amount. A former Non-
30 Participating Party in an Appraisal Well that becomes a Participating
31 Party in an approved Sidetracking or Deepening, remains a Non-
32 Participating Party in the Appraisal Well to initial Objective Depth until
33 (a) its Underinvestment is eliminated under Article 16.9 (*Settlement of*
34 *Underinvestments*), and (b) the Hydrocarbon Recoupment recoverable
35 under Article 16.5.2 (*Non-Consent Appraisal Operations*) less the

Underinvestment, has been recovered by the original Participating Parties. If a former Non-Participating Party becomes a Participating Party in more than one approved Sidetracking or Deepening in the same Appraisal Well, that former Non-Participating Party shall become an Underinvested Party only with regard to the first Sidetracking or Deepening it approves; however, that Underinvestment shall not be relieved by an Underinvested Party's subsequent participation.

11.3 Appraisal Well Proposals That Include Drilling Below the Deepest Producing Reservoir

Any Party may propose an Appraisal Well with an Objective Depth below the Deepest Producing Reservoir, and in response to that well proposal each Party may in writing limit its participation in the drilling of that Appraisal Well to the base of the Deepest Producing Reservoir to be penetrated by that Appraisal Well. A Party who limits its participation in an Appraisal Well to the base of the Deepest Producing Reservoir shall bear its Participating Interest Share of the Cost and risk of drilling that Appraisal Well to the base of the Deepest Producing Reservoir (including abandonment), and it shall be a Non-Participating Party for the Deeper Drilling and shall be subject to Article 16.5.2 (*Non-Consent Appraisal Operations*) in regard to drilling between those depths.

11.4 Permanent Plugging and Abandonment and Cost Allocation

The permanent plugging and abandonment of an Appraisal Well that:

- (a) is to be plugged due to mechanical difficulties or impenetrable conditions before the well has been drilled to its Objective Depth under Article 11.1.4
- (b),
- (b) is to be plugged under Article 11.2 (*Appraisal Operations at Objective Depth*), or
- (c) has been previously temporarily abandoned under Article 11.2 (*Appraisal Operations at Objective Depth*)

and has not produced Hydrocarbons (other than as a result of Production Testing) requires the approval of the Participating Parties by Vote. Approval to plug and abandon an Appraisal Well that has produced Hydrocarbons (other than as a result of Production Testing) shall be governed by Article 18.1

1 (Abandonment of Wells). If a proposal to plug and abandon an Appraisal Well
2 receives approval by Vote, the approved proposal binds all Parties. If any
3 Participating Party fails to respond within the applicable response period for a
4 proposal to plug and abandon an Appraisal Well, that Participating Party shall be
5 deemed to have approved the plugging and abandonment of that Appraisal Well.
6 If a rig is on location and a proposal to plug and abandon an Appraisal Well
7 under either Article 11.4(a) or 11.4(b) does not receive approval by Vote, and if
8 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
9 holidays) from receipt of that proposal no other operation is proposed (and
10 subsequently approved) for the well by a Party entitled to make a proposal, the
11 Operator may nevertheless proceed to plug and abandon that Appraisal Well,
12 and shall give each Participating Party notice of that fact. If the proposal to plug
13 and abandon an Appraisal Well that has not produced Hydrocarbons (other than
14 as a result of Production Testing) does not receive approval by Vote, but the
15 Operator deems the well bore not to be safe or in sound enough condition for it
16 to perform further operations, the Operator may nevertheless proceed to plug
17 and abandon that Appraisal Well, and shall give each Participating Party notice
18 of that fact.

19 The Participating Parties in an Appraisal Well proposal shall pay all Costs of
20 plugging and abandoning that Appraisal Well, except all increased plugging and
21 abandoning Costs associated solely with a Non-Consent Operation approved
22 under Article 11.2 (*Appraisal Operations at Objective Depth*) or Article 6.2.2
23 (*Supplemental AFEs*). The Participating Parties in that Non-Consent Operation
24 are responsible for the increased plugging and abandoning Costs attributable to
25 that Non-Consent Operation.

26 **11.5 Conclusion of Appraisal Operations**

27 Upon the earlier of:

- 28 (a) the approval of the conclusion of Appraisal Operations by Vote; or
- 29 (b) the point in time when no Appraisal Operation has been approved within a
30 period of twelve (12) months from the rig release (or cessation of
31 operations) from the previous Appraisal Operation; or

(c) the abandonment of the _____ (____) Appraisal Well, whether permanent or temporary, and the release of the rig from that Appraisal Well (including any substitute well for that Appraisal Well),

Appraisal Operations for the ensuing Development Phase shall conclude and all subsequent operations in the Contract Area will be Development Operations for the ensuing Development Phase, including operations on temporarily abandoned

[Check this box if the blanks in Article 11.6 are not completed with "Development."]

☐ Appraisal Wells.

[Check this box if the blanks in Article 11.6 are completed with "Appraisal."]

☐ Appraisal Wells, except as provided in Article 11.6 (*Operations Before the Approval of the Development Plan*).

However, if an Appraisal Operation is being conducted at the occurrence of either (a) or (b) above, Appraisal Operations for the ensuing Development Phase shall conclude when the well bore in which the Appraisal Operation is being conducted is either temporarily or permanently abandoned.

11.6 Operations Before the Approval of the Development Plan

After the occurrence of (a), (b), or (c) in Article 11.5 (*Conclusion of Appraisal Operations*) but before the approval of a Development Plan for the ensuing Development Phase, any Party may propose the drilling of an additional well as

[Complete the following blank with "an Appraisal" or "a Development." If this blank is completed with "an Appraisal," the box in Article 11.5 (Conclusion of Appraisal Operations) should be checked.]

_____ Well.

Unless Article 16.4 (*Non-Consent Operations to Maintain Contract Area*) applies to the proposal of that well, that proposal shall require the unanimous agreement of the Parties. Any substitute well for, and all operations at Objective Depth conducted in or through the well bore of that well shall be deemed

[Complete the following blank in the same manner as the previous blank in this Article 11.6, that is, with "Appraisal" or "Development."]

_____ Operations,

and shall be proposed, approved, and conducted accordingly.

ARTICLE 12 – DEVELOPMENT PHASES

12.1 Phased Development

In view of the Costs and scope of developing and producing Hydrocarbons from the Contract Area, the Parties may agree to undertake an initial Development Phase and one or more subsequent Development Phases. A separate Development Plan shall be prepared for each Development Phase, and each Development Plan shall be generated, approved, and implemented under this Article 12 (*Development Phases*). Each Development Phase may be comprised of as many as four stages – the Feasibility Stage, the Selection Stage, the Define Stage, and the Execution Stage. For each stage undertaken, subject to the provisions of this Article 12 (*Development Phases*), any Party may submit a proposal and an associated AFE for the Parties' approval. Each stage AFE shall cover all of the estimated Costs to be incurred during that stage, except for the Costs of drilling Wells, including those of the Feasibility Team or Project Team.

12.2 Feasibility Team Proposal

The Feasibility Stage commences upon the approval of a proposal for the formation of a Feasibility Team and the Feasibility AFE. No Party may propose the formation of a Feasibility Team for a Development Phase until such time as any previously formed Feasibility Team for that Development Phase has terminated. For a period of _____ (____) days from

[Select one of the following.]

☐ the conclusion of Exploratory Operations,

☐ other (describe): _____

the Operator has the exclusive right to propose the formation of a Feasibility Team and submit to the Parties a Feasibility AFE accompanied by a memorandum describing in detail the anticipated scope of work to be undertaken by the Feasibility Team and third party contractors and/or consultants during the Feasibility Stage, the estimated type and number of staff required to complete that scope of work, the estimated duration of the Feasibility Stage, and the estimated Costs of the Feasibility Stage. If the Operator does not propose the

1 formation of a Feasibility Team and submit the Feasibility AFE during its
2 exclusive period, any Party may propose the formation of a Feasibility Team and
3 submit a Feasibility AFE.

4 The Feasibility Team will operate under the direction of the Operator. The
5 employees of the Operator and Non-Operators and the contractors and/or
6 consultants, set forth in the Feasibility AFE, shall initially compose the Feasibility
7 Team. The Operator may, from time to time, revise the membership of the
8 Feasibility Team, at its sole discretion, as long as the revisions are necessary to
9 accomplish the scope of work set forth in the Feasibility AFE. The Operator shall
10 charge the Joint Account for the labor of the Feasibility Team members in the
11 same manner in which it charges the Joint Account for the labor of the Project
12 Team members.

13 Each Feasibility Team member remains an employee of its respective employer,
14 and each employer remains responsible for its employee's salaries and benefits,
15 as well as maintaining worker's compensation insurance for its employee.
16 Accordingly, each employer will continue to administer the compensation,
17 benefits, allowances, and careers of its employees on the Feasibility Team.
18 However, Feasibility Team members will receive team assignments and general
19 supervision from the Operator in connection with their day-to-day work. An
20 individual on a Feasibility Team will, insofar as it is possible and consistent with
21 the needs of his or her employer, serve on the Feasibility Team for the duration
22 of the Feasibility Team, unless that individual is designated a temporary
23 Feasibility Team member by his or her employer or the Operator. If a Feasibility
24 Team member is designated a temporary Feasibility Team member by his or her
25 employer or the Operator, that Feasibility Team member will leave the Feasibility
26 Team upon completion of (a) the term designated by his or her employer for his
27 or her service on the team or (b) the specific task or portion of the Feasibility
28 Team's work assigned to that member by the Operator.

29 The Feasibility Team shall prepare an in-depth report containing its analyses of
30 all of the development scenarios it considered and its findings as to the
31 existence of at least one development scenario for a Producing Well on the

Contract Area, which is technologically and economically feasible, and shall present a copy of that report to each of the Participating Parties as soon as it is completed.

12.2.1 Feasibility AFE Approval

A Feasibility AFE requires approval by

[Select one of the following.]

☐ Vote.

☐ Election.

☐ unanimous agreement.

A Non-Participating Party in the Feasibility AFE is subject to Article 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define AFEs, Long Lead Development System AFEs, Post-Production Project Team AFEs, or Enhanced Recovery Project Team AFEs*).

12.2.2 Feasibility Team and Feasibility Stage Conclusion

The Feasibility Team and the Feasibility Stage terminate immediately after (a) the Feasibility Team has (i) completed the scope of work in the Feasibility AFE and its supplemental AFEs and (ii) presented to the Participating Parties the report referred to in Article 12.2 (*Feasibility Team Proposal*) or (b) the Participating Parties Vote to terminate the Feasibility Team prior to the occurrence of both of those events.

12.3 Commencement of the Selection Stage

The Selection Stage commences upon the approval of the Selection AFE.

12.3.1 Proposal of a Project Team

If a Feasibility AFE is approved, the Operator has the exclusive right for a period of _____ (__) days from the conclusion of the Feasibility Stage to submit a Selection AFE. That AFE may call for the formation of a Project Team. It shall be accompanied by a memorandum describing in detail the anticipated scope of work to be undertaken during the Selection Stage, the estimated type and number of staff required to complete that scope of work, the estimated duration of the

1 Selection Stage, and the estimated Costs of the Selection Stage. If the
2 Operator does not submit a Selection AFE during its exclusive period
3 referred to in this paragraph, any Party may submit a Selection AFE.

4 If a Feasibility AFE is not approved, but the drilling of one Appraisal
5 Well into a Producing Reservoir and its permanent or temporary
6 abandonment have taken place, the Operator has an exclusive right for
7 a period of _____ () days from the conclusion of those
8 operations to submit the Selection AFE. If the Operator does not
9 submit a Selection AFE during its exclusive period referred to in this
10 paragraph, any Party may submit a Selection AFE. In response to any
11 proposal made under this paragraph, a Party may propose the
12 formation of a Feasibility Team and submit to the Parties a Feasibility
13 AFE. A Feasibility AFE and Feasibility Team proposal under this
14 paragraph shall take precedence over a Selection AFE proposal under
15 this paragraph, and the Parties shall proceed as if the Feasibility AFE
16 and Feasibility Team proposal, made under this paragraph, had been
17 made under Article 12.2 (*Feasibility Team Proposal*). If the Parties do
18 not approve the Feasibility AFE and Feasibility Team proposal made
19 under this paragraph, the Parties shall proceed with the Selection AFE
20 proposal made under this paragraph as if the Feasibility AFE and
21 Feasibility Team proposal, made under this paragraph, had not been
22 made.

23 If the Selection AFE proposes the formation of a Project Team, the
24 formation and administration of that Project Team shall be handled
25 under Exhibit "G."

26 *[Select one of the following.]*

27 ☐ All Project Team Costs shall be handled under Exhibit "C."

28 ☐ The Operator shall directly charge the Joint Account for all Costs
29 associated with the Project Team, including those of Affiliates, for
30 which the Operator is internally billed. The components of those Costs
31 may include, but are not limited to:

- a) Digital Business
- b) Accounting
- c) Building Services and Building and Grounds Maintenance
- d) Human Resources
- e) Procurement
- f) Government and Public Affairs
- g) Health, Safety, and Environment
- h) Security
- i) Audit
- j) Tax
- k) Crisis Management
- l) Environmental Compliance
- m) Security
- n) _____

All other Project Team Costs shall be handled under Exhibit "C."

No Party may propose the formation of a Project Team for a Development Phase until such time as a previously formed Project Team for that Development Phase has terminated.

12.3.2 Selection AFE Approval

A Selection AFE requires approval by

[Select one of the following.]

☐ Vote.

☐ Election.

1 ☐ unanimous agreement.

2 A Non-Participating Party in a Selection AFE is subject to Article 16.5.3
3 *(Non-Consent Proprietary Geophysical Operations, Feasibility AFEs,*
4 *Selection AFEs, Define AFEs, Long Lead Development System AFEs,*
5 *Post-Production Project Team AFEs, or Enhanced Recovery Project*
6 *Team AFEs).*

7 **12.4 Proposal of a Development Plan**

8 The Operator has the exclusive right for a period of _____ (__) days from
9 the commencement of the Selection Stage to submit a Development Plan for the
10 Parties' review and approval.

11 **12.4.1 Content of the Development Plan**

12 A Development Plan shall contain at a minimum the following
13 information:

14 (a) **Development System:** Description of the Development System
15 including:

16 (i) the type of Production System proposed, for example,
17 tension leg well jacket, floating production system,
18 including the Production System's location, configuration
19 (number of well slots or subsea tiebacks), and production
20 capacity;

21 (ii) the Facilities and their daily processing capacity for
22 Hydrocarbon production and the gathering system
23 necessary to transport the Hydrocarbons from the well
24 heads to the interconnect with the pipeline or offtake point
25 servicing the Contract Area;

26 (iii) a projected time schedule for designing, contracting,
27 fabricating, constructing, or otherwise acquiring,
28 transporting, and installing the Development System;

29 (iv) the estimated date of initial Hydrocarbon production and
30 the estimated initial daily rate of Hydrocarbon production;

- (v) the estimated Costs (not in the form of an AFE) of the Development System;
- (vi) all proposed hydrate or paraffin control systems or techniques, method of pressure maintenance, or enhanced recovery plan;
- (vii) a description of the proposed well completion techniques, that is, dual versus single; and
- (viii) The equipment and space on, and the weight and the buoyancy of, the Development System, which are required to make the enhanced recovery and pressure maintenance plans and objectives referred to in Article 12.4.1(j)(iii)(D) possible;
- (b) **Producible Reservoirs:** A description of the Hydrocarbon-bearing geological formations expected to be developed under the Development Plan along with the area and depth of sands or reservoirs to be developed by the Production System;
- (c) **Recoverable Reserves and Production Profile:** An estimate of recoverable reserves for the proposed Development Plan and a schedule of the estimated daily rate of Hydrocarbon production thereafter;
- (d) **Pre-drilling Operations:** A description of pre-drilling operations, if any, planned in support of later development, including an estimate of the timing, Cost, and location of each pre-drilling operation;
- (e) **Development Wells:** A description of drilling plans for all Development Wells in the Development Plan and the completion plans for all temporarily abandoned Exploratory Wells or temporarily abandoned Appraisal Wells that are to be completed and all Development Wells in the Development Plan, including an estimate of the timing, Cost, and surface and bottomhole location of each well;

- 1 (f) **Tieback Operations:** If the Development Plan requires the
2 tieback or use of Offsite Host Facilities, a commitment from the
3 owner of that Offsite Host Facilities to handle or process
4 Hydrocarbons, the amount of all tariffs, processing or other fees
5 the owner of that Offsite Host Facilities will charge the
6 Participating Parties to handle or process Hydrocarbons, and the
7 guaranteed capacity on the Offsite Host Facilities for the
8 Hydrocarbons;
- 9 (g) **Define AFE:** An AFE containing the estimated Costs of the
10 Define Stage, accompanied by a memorandum describing in
11 detail the anticipated scope of work to be undertaken during the
12 Define Stage, the estimated type and number of staff required to
13 complete that scope of work, the estimated duration of the Define
14 Stage, and the estimated Costs of the Define Stage; if a Project
15 Team was not formed during the Selection Stage, the proposing
16 Party may submit, along with the Define AFE, a proposal for the
17 formation of a Project Team accompanied by a memorandum
18 similar to the one referred to in Article 12.3.1 (*Proposal of a*
19 *Project Team*);
- 20 (h) **Field Operating Scheme:** A description of the field operating
21 scheme, its method, requirements, expected frequencies of
22 intervention, and Costs;
- 23 (i) **Field Abandonment:** A description of field abandonment plan (if
24 applicable);
- 25 (j) **Reservoir Plan:** A reservoir plan that provides strategies,
26 objectives, and methods for developing, managing, and depleting
27 each Producing Reservoir during its producible life and that
28 includes, but is not limited to:
- 29 (i) an estimate of the number of wells slots dedicated to each
30 reservoir, including the planned number of producers and
31 injectors;

- (ii) the planned bottomhole locations and timing of each anticipated well for each Producing Reservoir;
- (iii) a reservoir management and depletion strategy for each Producing Reservoir addressing issues that include, but are not limited to:
- (A) estimates of oil and gas in place;
 - (B) reservoir rock and fluid characteristics;
 - (C) depletion mechanism;
 - (D) enhanced recovery and pressure maintenance plans and objectives;
 - (E) reservoir surveillance programs (for example, cased-hole logging, static pressures) and their objectives;
 - (F) well performance goals (for example, target production rates, target injection rates, maximum rates or drawdown limits, maximum GOR, maximum water cut, gas-lift targets);
 - (G) reservoir performance goals (for example, target pressures or pressure profiles, target voidage replacement ratios, gas cap maintenance goals); and
 - (H) other relevant information;
- (k) **Disposal Wells:** The estimated Cost of disposal wells, if applicable;
- (l) **Hydrocarbon Transmission System:** The type of Hydrocarbon transmission system to be made available to the Participating Parties (for example, pipeline versus barge); and
- (m) **Other Data:** Provided such information is available, any other information reasonably necessary to perform an evaluation of the

1 technical and economic feasibility of the Development System
2 provided for in the Development Plan.

3 **12.5 Development Plan Approval**

4
5 **12.5.1 Approval of Operator's Development Plan Submitted During its**
6 **Exclusive Period**

7 The Operator has _____ () days to obtain the unanimous
8 agreement of the Parties on (a) the Development Plan submitted during
9 its exclusive period or (b) the latest amended version of that plan which
10 has been the result of comments by, or discussions among, the other
11 Parties or the Project Team, if one exists, and the Operator (the "Latest
12 Amended Version of the Plan").

13 **12.5.2 Approval of a Development Plan After the Conclusion of the**
14 **Operator's Exclusive Period**

15 If:

16 (a) the Operator fails within the _____ () day period in Article
17 12.5.1 (*Approval of Operator's Development Plan Submitted*
18 *During its Exclusive Period*) to gain the unanimous agreement of
19 the Parties on its Development Plan or Latest Amended Version
20 of the Plan, whichever is applicable, or

21 (b) the Operator fails to submit a Development Plan during its
22 exclusive period,

23 any Party may submit a Development Plan and an AFE for the actual
24 Costs it incurred in order to generate that Development Plan, and the
25 Parties have _____ () days in which to approve by Vote the
26 Operator's Development Plan or Latest Amended Version of the Plan,
27 whichever is applicable, or another Party's Development Plan or Latest
28 Amended Version of the Plan, whichever is applicable, and its
29 associated AFE. No new Development Plan may be submitted during
30 the last _____ () days of that _____ () day period.

1 **12.5.3 Approval of a Development Plan if One is Not Approved by Vote**

2 If no Development Plan or Latest Amended Version of the Plan is
3 approved by Vote during the ____ (__) day period in Article 12.5.2
4 (*Approval of a Development Plan After the Conclusion of the Operator's*
5 *Exclusive Period*), and if there is only one Development Plan or Latest
6 Amended Version of the Plan, whichever is applicable, submitted and
7 that Development Plan or the Latest Amended Version of the Plan,
8 whichever is applicable, receives an affirmative Vote of at least
9 _____ percent (____%) of the Voting interest, that Development
10 Plan or the Latest Amended Version of the Plan, whichever is
11 applicable, shall be deemed approved by the Parties. If there are two
12 (2) or more Development Plans or Latest Amended Version of the
13 Plans, whichever is applicable, submitted and one Development Plan or
14 the Latest Amended Version of the Plan, whichever is applicable,
15 receives an affirmative Vote of at least _____ percent (____%) of the
16 Voting interest and the other Development Plan or Latest Amended
17 Version of the Plan, whichever is applicable, receives an affirmative
18 Vote of less than ____ percent (____%) of the Voting interest, then the
19 Development Plan or the Latest Amended Version of the Plan,
20 whichever is applicable, receiving the affirmative Vote of at least
21 _____percent (____%) of the Voting interest shall be deemed
22 approved by the Parties. If two competing Development Plans or Latest
23 Amended Version of the Plans, whichever is applicable, each receive an
24 affirmative Vote of fifty percent (50%) of the Voting interest, then the
25 Development Plan or Latest Amended Version of the Plan, whichever is
26 applicable, for which the Operator affirmatively Votes, shall be deemed
27 approved.

28 **12.5.4 Approved Development Plan**

29 By unanimously agreeing or Voting to approve a Development Plan or
30 Latest Amended Version of the Plan, whichever is applicable, or
31 subsequently Voting to Participate in an approved Development Plan,
32 under Article 8.3 (*Second Opportunity to Participate*), each Participating
33 Party in an approved Development Plan also agrees or Votes to
34 participate in its Define AFE, the AFE referred to Article 12.5.2 (*Approval*
35 *of a Development Plan After the Conclusion of the Operator's Exclusive*
36 *Period*), if applicable, and the formation of a Project Team during the

1 Define Stage, if applicable. If the Parties do not approve a Selection
2 AFE and do not form a Project Team during the Selection Stage and if
3 the Operator's Development Plan or Latest Amended Version of the
4 Plan, whichever is applicable, is approved, the Operator shall directly
5 charge the Joint Account the actual Costs it incurred in order to generate
6 and submit the approved plan. Upon the approval of the Development
7 Plan or Latest Amended Version of the Plan, whichever is applicable,
8 the Selection Stage concludes and Appraisal Operations are deemed
9 concluded; provided, however, if an Appraisal Operation is being
10 conducted when the Development Plan is approved, Appraisal
11 Operations shall be deemed concluded when the well bore in which the
12 Appraisal Operation is being conducted is either temporarily or
13 permanently abandoned. Any Non-Participating Party in the approved
14 Development Plan's Define AFE is subject to Article 16.5.3 (*Non-*
15 *Consent Proprietary Geophysical Operations, Feasibility AFEs,*
16 *Selection AFEs, Define AFEs, Long Lead Development System AFEs,*
17 *Post-Production Project Team AFEs, or Enhanced Recovery Project*
18 *Team AFEs).*

19 **12.6 Long Lead Development System AFEs**

20 After the conclusion of the Selection Stage, in order to facilitate the early and
21 orderly commencement of the Execution Stage, the Operator has the right, prior
22 to the approval of the Execution AFE, to submit AFEs ("Long Lead Development
23 System AFEs") for (a) the acquisition of long lead-time items for the
24 Development System, (b) preliminary activities related to the fabrication,
25 transportation or installation of the Development System, or (c) any other activity
26 necessary to assist the Operator in the implementation of the Development Plan.
27 A Long Lead Development System AFE, whose total estimated Cost when
28 combined with the estimated Cost of all approved Long Lead Development
29 System AFEs, does not exceed _____ million dollars (\$___), requires
30 approval by Vote of the Participating Parties in the Development Plan. A Long
31 Lead Development System AFE, whose total estimated Cost when combined
32 with the estimated Cost of all approved Long Lead Development System AFEs
33 exceeds _____ million dollars (\$___), requires approval by the unanimous
34 agreement of the Participating Parties in the Development Plan. Any Non-
35 Participating Party in a Long Lead Development System AFE is subject to Article
36 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs,*

1 *Selection AFEs, Define AFEs, Long Lead Development System AFEs, Post-*
2 *Production Project Team AFEs, or Enhanced Recovery Project Team AFEs).*

3 **12.7 Define Stage and Execution Stage**

4 The Define Stage commences upon the approval of the Development Plan.

5 **12.7.1 Execution AFE**

6 The Operator has an exclusive period of _____ (____) days
7 from the commencement of the Define Stage to submit an Execution
8 AFE, which conforms with the Development Plan approved during the
9 Selection Stage to all Parties for approval by Election. The Execution
10 AFE shall not include any Cost estimates or AFEs for Development
11 Wells. If the Operator does not submit the Execution AFE during its
12 exclusive period, any Party may submit an Execution AFE, which
13 conforms with the approved Development Plan, and an AFE for the
14 actual Costs it has incurred to generate the Execution AFE. If a Project
15 Team was not formed during the Selection Stage or the Define Stage,
16 the proposing Party may submit as a part of the Execution AFE a
17 proposal for the formation of a Project Team accompanied by a
18 memorandum similar to the one referred to in Article 12.3.1 (*Proposal*
19 *of a Project Team*).

20 **12.7.2 Approval of an Execution AFE and Commencement of the**
21 **Execution Stage**

22 By Electing to participate in an Execution AFE, each Participating Party
23 in an approved Execution AFE also Elects to participate in (a) the AFE
24 for the actual Costs incurred by the proposing Party in order to
25 generate the approved Execution AFE, referred to in Article 12.7.1
26 (*Execution AFE*), if applicable, and (b) the formation of a Project Team
27 during the Execution Stage, if applicable. If the Parties do not form a
28 Project Team during the Selection Stage or the Define Stage and if the
29 Operator's Execution AFE is approved, the Operator shall directly
30 charge the Joint Account the actual Costs it incurred in order to
31 generate and submit the Execution AFE. The Define Stage concludes
32 and the Execution Stage commences upon the approval of the
33 Execution AFE. A Non-Participating Party in the Execution AFE for the

1 initial Development System is subject to Article 16.2 (*Acreage*
2 *Forfeiture Provisions*).

3 **12.7.3 Minor Modifications to Development Plans**

4 In implementing a Development Plan, the Operator shall advise the
5 Participating Parties of its own progress and that of the Project Team, if
6 one exists. As additional information becomes available, the Operator
7 may, prior to the installation of the Development System, make minor
8 modifications to the Development Plan without the approval of the
9 Participating Parties if those minor modifications are both reasonable
10 and prudent. For purposes of this paragraph, a minor modification is

11 (a) a modification, which (i) (A) is proposed prior to the
12 commencement of the Execution Stage and does not cause the
13 estimated Cost of the Define AFE to increase by more than
14 _____ percent (____%) or _____ million dollars
15 (\$_____), whichever is less, or (B) is proposed after the
16 commencement of the Execution Stage and does not cause the
17 estimated Cost of the Execution AFE to increase by more than
18 _____ percent (____%) or _____ million dollars
19 (\$_____), whichever is less, and (ii) is not a major modification
20 as defined in Article 12.7.4 (*Major Modifications to Development*
21 *Plans*); or

22 (b) a modification that is necessary for health, safety, or
23 environmental reasons or regulatory requirements and does not
24 exceed _____ percent (____%) of either dollar amount
25 provided in 12.7.3(a), even if that modification constitutes a major
26 modification as defined in Article 12.7.4 (*Major Modifications to*
27 *Development Plans*).

28 The "estimated Cost of the Execution AFE" is the total dollar amount of
29 the Execution AFE and all approved Long Lead Development System
30 AFEs. If the Operator exercises its discretionary right to make a minor
31 modification for health, safety, or environmental reasons or regulatory
32 requirements, the Operator shall give each Participating Party in the
33 Development Plan written notice of that fact. A minor modification shall

not materially change the risk or timing of the Development Plan and is binding on all the Participating Parties in the Development Plan.

12.7.4 Major Modifications to Development Plans

A major modification shall be deemed to have occurred when:

[Select each that applies.]

☐ (a) the type of Production System, for example, tension leg well jacket floating production system, is to be changed; or

☐ (b) the number of well slots of the Production System is to be changed by at least _____ percent (____ %); or

☐ (c) the type of Hydrocarbon transmission system is changed (for example, pipeline versus barge); or

☐ (d) the overall Cost of the Development System is to be increased or decreased by at least _____ percent (____ %), or _____ million dollars (\$____), whichever is lesser; or

☐ (e) the initial selection of the location of the Production System is to be changed and the corresponding difference in water depth changes by more than _____ feet (____') laterally in any direction; or

☐ (f) the initial daily production processing capacity of the Facilities is to be changed by at least _____ percent (____ %); or

☐ (g) the number of Development Wells is to be increased or decreased by at least _____ percent (____ %); or

☐ (h) the proposed hydrate or paraffin control system or technique, pressure maintenance system, or enhanced recovery plan is to be changed; or

☐ (i) the proposed number of well completions per wellbore, that is, dual versus single, is to be changed; or

☐ (j) the timing of the installation of the Production System or the timing of initial Hydrocarbon production from the Production System is to be changed by more than _____ (____) days; or

☐ (k) in the case of a tieback to an Offsite Host Facility or a pre-existing Development System, the gathering and pipeline system necessary to transport the Hydrocarbons from the wellheads to an Offsite Host Facility or a pre-existing Development System, as provided in the Development Plan, is to be changed; or

☐ (l) the estimated capital expenditures in any calendar year are to be increased by at least _____ percent (____ %) of the project's estimated total gross capital expenditures; or

☐ (m) the Operator proposes not to complete a Development Plan.

The "overall Cost of the Development System" is the total dollar amount of the Execution AFE and all approved Long Lead Development System AFEs.

12.7.5 Major Modifications to Development Plans Prior to the Approval of the Execution AFE

Whenever a major modification to a Development Plan is proposed during the Define Stage (prior to the approval of the Execution AFE), the Operator shall furnish the Participating Parties in the Development Plan with the proposed modification to the Development Plan (and associated AFEs). That major modification shall require approval by

[Select one of the following.]

☐ Vote

☐ unanimous agreement

of the Participating Parties in the Development Plan. If that major modification is approved, the Operator shall immediately provide the modified Development Plan (and associated AFEs) to each Non-Participating Party in the Development Plan. That Non-Participating Party has the right for a period of _____ (____) days, after receipt of the modified Development Plan (and associated AFEs), in

1 which to notify the Operator in writing that it will participate in the
2 modified Development Plan (and associated AFEs). If that Non-
3 Participating Party participates in the modified Development Plan, it
4 shall be an Underinvested Party in an amount equal to its Non-
5 Participating Interest Share of the actual Costs incurred on activities
6 associated with the original Development Plan (and associated AFEs).

7 **12.7.6 Major Modifications to Development Plans After the Approval of the**
8 **Execution AFE**

9 Whenever a major modification to a Development Plan is proposed
10 during the Execution Stage (after the approval of an Execution AFE) and
11 prior to the installation of the Development System, the Operator shall
12 furnish the Participating Parties in the Execution AFE with the proposed
13 modification to the Development Plan (and associated AFEs). That
14 major modification shall require

15 *[Select one of the following.]*

16 ☐ Vote

17 ☐ unanimous agreement

18 of the Participating Parties in the Execution AFE. If that major
19 modification is as provided in

20 *[Complete the sub-article letter for each that applies.]*

21 Article 12.7.4 (____),

22 Article 12.7.4 (____), or

23 Article 12.7.4 (____)

24 and is approved, the Operator shall immediately provide the modified
25 Development Plan (and associated AFEs) to each Non-Participating
26 Party in the Execution AFE. For a period of _____ (____) days
27 after receipt of the modified Development Plan (and associated AFEs),
28 the Non-Participating Party may notify the Operator in writing that it will
29 participate in the modified Development Plan (and associated AFEs). If
30 that Non-Participating Party participates in the modified Development

1 Plan, it shall be an Underinvested Party in an amount equal to its Non-
2 Participating Interest Share of the actual Costs incurred on activities
3 associated with (a) the Execution AFE and (b) the original Development
4 Plan (and associated AFEs) if it did not participate in that Development
5 Plan. Within thirty (30) days of the elimination of the Underinvestment,
6 the Participating Parties in the Execution AFE for the initial Development
7 Phase shall deliver to that Non-Participating Party an assignment of one
8 hundred percent (100%) of its former Working Interest in the Contract
9 Area, the wells therein and production therefrom. If the Execution AFE
10 was for a subsequent Development Phase, the Non-Participating Party
11 shall not be subject to Article 16.5.5 (*Non-Consent Subsequent*
12 *Development System and Additional Facilities*) in regard to that AFE.

13 **12.7.7 Approval of Major Modifications**

14 If the major modification of the Development Plan is approved, the
15 Development Plan (and associated AFEs) shall be deemed modified,
16 and the Operator shall carry out the modified Development Plan. If a
17 major modification is not approved, the Operator shall continue to
18 implement the Development Plan as it was before the proposed major
19 modification.

20 **12.7.8 Termination of a Development Plan**

21 A Development Plan terminates if (a) the Execution AFE for that
22 Development Plan is not approved by Election, (b) the Participating
23 Parties in the Define Stage or in the Execution AFE unanimously agree
24 to terminate the Development Plan, or (c) the fabrication or acquisition
25 of the Development System is not commenced within the time frame
26 provided in Article 12.7.9 (*Timely Operations for Development Systems*).

27 **12.7.8.1 Termination Prior to Execution AFE Approval**

28 The Costs, risks, and liabilities of generating and
29 implementing a Development Plan that is terminated before
30 its associated Execution AFE has been approved by Election
31 shall be borne by the Parties who participated in the Define
32 AFE and its supplemental AFEs, if any.

1 **12.7.8.2 Termination After Execution AFE Approval**

2 The Costs, risks, and liabilities of generating and
3 implementing a Development Plan that is terminated after its
4 associated Execution AFE has been approved by Election
5 shall be borne by the Participating Parties in the Execution
6 AFE and its supplemental AFEs, if any.

7 **12.7.9 Timely Operations for Development Systems**

8 The Operator shall commence or cause to be commenced the
9 fabrication or acquisition of a Development System (a) within _____
10 () days after the end of the period for Elections of the Execution AFE
11 or (b) _____ () days prior to the date the Operator is required to
12 commence that fabrication or acquisition under an SOP or Unit Plan,
13 whichever is earlier. If the Operator, except for an occurrence of Force
14 Majeure, fails to commence the fabrication or acquisition of a
15 Development System within the applicable time period set forth above
16 in this Article 12.7.9, the Non-Operating Parties may then select a
17 successor Operator under Article 4.5 (*Selection of Successor*
18 *Operator*). Within _____ () days of the selection of the
19 successor Operator, the successor Operator shall commence the
20 fabrication or acquisition of a Development System in the approved
21 Development Plan. The fabrication or acquisition of a Development
22 System commences on the date the first major fabrication contract for
23 the Development System is awarded or the date the purchase contract
24 for a Development System is executed.

25 **12.8 Post-Production Project Team AFEs**

26 The Execution Stage concludes upon the first production of Hydrocarbons from
27 the Development System. At least _____ () days, but not more than
28 _____ () days, prior to the first production of Hydrocarbons from the
29 Development System, the Operator may propose for approval by

30 *[Select one of the following.]*

31 ☐ Vote

32 ☐ Election

☐ unanimous agreement

of the continuance of the Project Team, if one exists, on a much smaller scale, or the formation of the Project Team, if one does not exist, in order to assist the Operator in the drilling of additional Development Wells approved by the Parties, de-bottlenecking the Development System, ramping up Hydrocarbon production, maximizing the recovery of Hydrocarbons during the Development Phase and activities related thereto. With its proposal, the Operator shall include an initial Post-Production Project Team AFE accompanied by a memorandum similar to the one described in Article 12.3.1 (*Proposal of Project Team*).

At least _____ () days, but not more than _____ () days, prior to the date on which the Operator anticipates the scope of work set forth in its original proposal for the continuance or formation of the Project Team and its associated AFE and memorandum to be completed, the Operator may propose for approval by

[Select one of the following.]

☐ Vote

☐ unanimous agreement

of the Parties the further continuance of the Project Team to assist the Operator in reservoir management and production optimizing activities other than contemplated under Article 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*). With that proposal, the Operator shall include a second Post-Production Project Team AFE accompanied by a memorandum similar to the one described in Article 12.3.1 (*Proposal of Project Team*). The administration of the Project Team during the period that it carries out the scope of work referred to in this Article 12.8 shall be handled under Exhibit "G." The Costs of the Project Team will be handled as they are under Article 12.3.1 (*Proposal of Project Team*). A Non-Participating Party in either or both of the two Post-Production Project Team AFEs is subject to Article 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define AFEs, Long Lead Development System AFEs, Post-Production Project Team AFEs, or Enhanced Recovery Project Team AFEs*).

12.9 Subsequent Development Phases

At any time after the installation of the initial Development System for the initial Development Phase, any Participating Party may propose a subsequent Development Phase and the installation of a subsequent Development System. That proposal shall require approval by Vote except as provided in Article 16.4 (*Non-Consent Operations to Maintain Contract Area*).

12.9.1 Proposal of a Subsequent Development Phase

If a subsequent Development Phase is approved, the procedures specified in this Article 12 (*Development Phases*) shall apply to the proposal of the subsequent Development Phase.

12.9.2 Execution AFE in a Subsequent Development Phase

Each Non-Participating Party in an Execution AFE for a subsequent Development Phase is subject to the non-consent provisions in Article 16.5.5 (*Non-Consent Subsequent Development System and Additional Facilities*), not Article 16.2 (*Acreage Forfeiture Provisions*). Although a Non-Participating Party in an Execution AFE for a subsequent Development Phase will retain its Working Interest in the Contract Area, that Party will only be entitled to Hydrocarbon production from the subsequent Development Phase, in which it did not participate, after it has satisfied the non-consent provisions in Article 16.5.5 (*Non-Consent Subsequent Development System and Additional Facilities*). A Non-Participating Party in a subsequent Development Phase shall not unreasonably interfere with any activities or operations in that subsequent Development Phase. In all events, the Participating Parties in the Execution AFE for a subsequent Development Phase shall control the sequence of, and shall conduct, all activities and operations in that subsequent Development Phase.

12.10 Access to Existing Facilities

A Participating Party in a subsequent Development Phase may propose to access the Facilities installed for a previous Development Phase in accordance with Article 14 (*Facilities and Gathering Systems*). The proposal shall require approval by Vote of the Participating Parties in the previous Development Phase and shall include the basic terms under which the access is to be granted. If the

proposal is approved, it shall be incorporated into a formal "Facilities Use and Production Handling Agreement" and shall bind all Parties.

12.11 Enhanced Recovery and/or Pressure Maintenance Program Proposals

Any Party may propose the formation of a Project Team separate and apart from any Project Team already in existence for the purpose of assisting the Operator in designing an enhanced recovery and/or pressure maintenance program for a particular Development Phase by submitting to the Parties for approval by Election an Enhanced Recovery Project Team AFE accompanied by a memorandum similar to the one described in Article 12.3.1 (*Proposal of Project Team*). Any Non-Participating Party in that Enhanced Recovery Project Team AFE is subject to Article 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define AFEs, Long Lead Development System AFEs, Post-Production Project Team AFEs, or Enhanced Recovery Project Team AFEs*). The formation and administration of a Project Team for an enhanced recovery and/or pressure maintenance program will be handled under Exhibit "G." The Costs of the Project Team will be handled as they are under Article 12.3.1 (*Proposal of Project Team*). After the Operator has designed the enhanced recovery and/or pressure maintenance program with the assistance of that Project Team, the Operator may submit an enhanced recovery and/or pressure maintenance program proposal and AFE to the Parties for approval by Vote. The program proposal and AFE shall contain sufficient detail to allow the Parties to adequately evaluate the scope, timing, Costs, and benefits of the proposed program and AFE. If approved, that proposal and AFE will be binding on all of the Participating Parties in the Execution AFE for that Development Phase, and the Operator shall commence the program at the Cost and risk of those Parties.

ARTICLE 13 – DEVELOPMENT OPERATIONS

13.1 Proposal of Development Wells and Development Operations

It is the intent of the Parties to proceed with the development of the Contract Area under an approved Development Plan.

[Select one of the following.]

☐ Development Wells shall be subject to separate AFEs.

1 ☐ Development Wells shall be subject to separate AFEs unless a Development
2 Plan calls for a number of Development Wells to be drilled together in order to
3 set conductor casing or to be pre-drilled together prior to the installation of the
4 Development System, in which case those wells may be included in a single
5 AFE.

6 Once a Development Well has been completed and placed on production, the
7 Participating Parties in that well must unanimously agree to allow any Party to
8 conduct a Non-Consent Operation in that well, unless that well becomes
9 incapable of producing in paying quantities. A proposal to conduct Development
10 Operations in a Producing Reservoir requires the unanimous agreement of the
11 Parties, unless the proposing Party designates the Producing Reservoir as an
12 Objective Depth or completion zone in the proposal.

13 **13.1.1 Proposal of Development Wells Included in a Development Plan**

14 Subject to Article 13.1 (*Proposal of Development Wells and*
15 *Development Operations*), any Participating Party in a Development
16 Plan and Execution AFE may propose drilling a Development Well that
17 was included in the Development Plan by giving notice of the proposal
18 (along with the associated AFE and Well Plan) to the other Parties.
19 Each proposed Development Well that was included in the
20 Development Plan requires approval by

21 *[Select one of the following.]*

22 ☐ Vote.

23 ☐ Election.

24 ☐ unanimous agreement.

25 Each Non-Participating Party in a Development Well will be subject to
26 either acreage forfeiture or Hydrocarbon Recoupment as provided in
27 Article 16 (*Non-Consent Operations*).

28 **13.1.1.1 Revision of Well Plan**

29 Unless otherwise provided for in the Development Well
30 proposal and AFE, any revisions of the Well Plan or AFE for a
31 Development Well shall take place under the same terms and

conditions as those set forth for an Exploratory Well in Article 10.1.1 (*Revision of Well Plan*).

13.1.1.2 Automatic Revision of the Well Plan

The Well Plan for a Development Well shall automatically be revised under the same terms and conditions as those set forth for an Exploratory Well in Article 10.1.2 (*Automatic Revision of the Well Plan*).

13.1.2 Proposal of Development Operations Not Included in a Development Plan

Subject to Article 13.1 (*Proposal of Development Wells and Development Operations*), any Participating Party in an Execution AFE may propose drilling a Development Well that was not included in the Development Plan associated with that Execution AFE by giving notice of the proposal (along with the associated AFE and Well Plan) to the other Parties. The proposal shall specify that the well was not included in the Development Plan. Each proposed Development Well that was not included in the Development Plan requires approval by:

[Select one of the following.]

- ☐ Vote.
- ☐ Election.
- ☐ unanimous agreement.

Each Non-Participating Party in a Development Well will be subject to either acreage forfeiture or Hydrocarbon Recoupment, as provided in Article 16 (*Non-Consent Operations*).

13.1.3 Timely Operations

Except as provided below, drilling operations on an Development Well shall be commenced within _____ (____) days after the end of the period for the approval of the Development Well. If the Operator, except for an occurrence of Force Majeure, does not commence drilling operations on the Development Well within that _____ (____) day period, the approved Development Well proposal shall be deemed

1 withdrawn, with the effect as if the Development Well had never been
2 proposed and approved.

3 If a Party submits an identical Development Well proposal (except for
4 any necessary modifications resulting from a change in the drilling rig to
5 be utilized by the Operator) within _____ () days after the deemed
6 withdrawal of the approved original Development Well proposal and if
7 that identical Development Well proposal is approved and if the
8 Operator is a Participating Party in the identical Development Well
9 proposal, the Operator shall commence drilling operations on that well
10 within _____ () days after the end of the response period for
11 that proposal. If the Operator, except for an occurrence of Force
12 Majeure (excluding the inability to secure materials or a drilling rig), fails
13 to commence drilling operations on the identical Development Well
14 within that _____ () day period, the approved identical Development
15 Well proposal shall be deemed withdrawn, with the effect as if the
16 identical Development Well proposal had never been proposed and
17 approved, and the Non-Operating Parties may then select a substitute
18 Operator under Article 4.2.2 (*Substitute Operator if Operator Fails to*
19 *Commence Drilling Operations*). Within _____ () days of the
20 selection of the substitute Operator, the substitute Operator shall
21 propose the drilling of an identical Development Well (except for any
22 necessary modifications resulting from a change in the drilling rig to be
23 utilized by the substitute Operator), and it shall commence drilling
24 operations on that well within _____ () days after the end of
25 the period for the approval of that Well.

26 If a Party submits an identical Development Well proposal (except for
27 any necessary modifications resulting from a change in the drilling rig to
28 be utilized by the Operator) within _____ () days after the deemed
29 withdrawal of the approved original Development Well proposal and if
30 that identical Development Well proposal is approved and if the
31 Operator is not a Participating Party in the identical Development Well
32 proposal, the approved identical Development Well proposal shall be
33 deemed withdrawn, with the effect as if the identical Development Well
34 proposal had never been proposed and approved, and the Non-
35 Operating Parties may then select a substitute Operator under Article

1 4.2.1 (*Substitute Operator if Operator is a Non-Participating Party*).
2 Within _____ (____) days of the selection of the substitute Operator,
3 the substitute Operator shall propose the drilling of an identical
4 Development Well (except for any necessary modifications resulting
5 from a change in the drilling rig to be utilized by the substitute
6 Operator), and it shall commence drilling operations on that well within
7 _____ (____) days after the end of the period for the approval of
8 that Well.

9 If an approved original or identical Development Well proposal is
10 deemed withdrawn due to a failure to timely commence drilling
11 operations on that well, all Costs incurred, which are attributable to the
12 preparation for, or in furtherance of, that Development Well, will be
13 chargeable to the Participating Parties. Drilling operations for a
14 Development Well under this Article 13.1.3 shall be deemed to have
15 commenced on the date the rig arrives on location or, if the rig is
16 already on location, the date when actual drilling operations for the
17 approved Development Well are undertaken.

18 **13.1.4 AFE Overruns and Substitute Well**

19 Once a Development Well is commenced, the Operator shall drill the
20 well with due diligence to its Objective Depth, subject to:

- 21 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
22 *AFE*s),
- 23 (b) the Operator encountering mechanical difficulties, uncontrolled
24 influx of subsurface water, loss of well control, abnormal well or
25 formation pressures, pressured or heaving shale, granite or other
26 practicably impenetrable substances, or other similar conditions in
27 the well bore or damage to the well bore that render, in the
28 Operator's sole opinion, further well operations impractical, and
- 29 (c) the unanimous agreement of the Participating Parties to cease
30 drilling a Development Well before reaching Objective Depth.

31 If a Development Well is abandoned due to the conditions described
32 under Article 13.1.4(b), then any Participating Party in the abandoned

1 Development Well may, within _____ (____) days after
2 abandonment of that Development Well, propose the drilling of a
3 substitute well for the abandoned Development Well by giving notice of
4 the proposal (along with the associated AFE and Well Plan) to all other
5 Participating Parties in the abandoned Development Well, and that
6 proposal requires approval by Election of the Participating Parties in the
7 abandoned Development Well. The Well Plan for the substitute
8 Development Well shall be substantially the same as the abandoned
9 Development Well's Well Plan and shall also take into account those
10 conditions that rendered further drilling of the abandoned Development
11 Well impractical.

12 *[Optional provision; check if to be applicable.]*

13 ☐ If the bottomhole location is moved more than _____ feet
14 (____'), each Non-Participating Party in the abandoned well may, for a
15 period of _____ (____) days after receipt of the approved
16 substitute Development Well proposal and its associated AFE, notify
17 the Operator, in writing, that it will participate in the substitute
18 Development Well.

19 Each Non-Participating Party in a substitute Development Well or an
20 approved supplemental AFE for a Development Well will be subject to
21 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
22 in Article 16 (*Non-Consent Operations*).

23 **13.2 Development Operations at Objective Depth**

24 After a Development Well has been drilled to its Objective Depth, all operations
25 in the controlling AFE have been conducted or terminated (except temporary
26 abandonment and permanent plugging and abandonment), and all logs and test
27 results have been distributed to the Participating Parties, the Operator shall
28 promptly notify the Parties entitled to make an Election on an operation proposed
29 under this Article 13.2, of its proposal to conduct subsequent operations in the
30 well. Except for a proposal to permanently plug and abandon the well, the
31 Operator's proposal shall include an associated AFE and a plan for the
32 operation. The Parties entitled to make an Election under this Article 13.2 are:

33 (a) the Participating Parties, and

1 (b) the Non-Participating Parties in the original well proposal, if (1) the
2 subsequent Development Operation proposal is made at the well's
3 Objective Depth and is for a Sidetrack or Deepening and (2) Article 16.4
4 (*Non-Consent Operations to Maintain Contract Area*) was not applicable to
5 the drilling of that Development Well.

6 The Operator's proposal shall be for one of the following operations:

- 7 (a) conduct Additional Testing, Sidewall Coring, or Logging of the formations
8 encountered prior to setting production casing;
- 9 (b) complete the well at the Objective Depth in the objective zone or formation;
- 10 (c) Sidetrack the well;
- 11 (d) plug back the well and attempt a completion in a shallower zone or
12 formation;
- 13 (e) Deepen the well to a new Objective Depth;
- 14 (f) conduct other operations on the well not listed;
- 15 (g) temporarily abandon the well; or
- 16 (h) permanently plug and abandon the well.

17 If the Operator fails to submit its proposal to the Participating Parties within
18 _____ (__) hours (inclusive of Saturdays, Sundays, and federal holidays)
19 after receipt of all logs and test results from a Development Well, then any
20 Participating Party may make a proposal. In that event, the procedures in this
21 Article 13.2 (*Development Operations at Objective Depth*) shall apply to that
22 proposal, and any reference in this Article 13.2 to the "Operator's proposal" shall
23 include a proposal made by a Participating Party.

24 **13.2.1 Response to Operator's Proposal**

25 A Participating Party may, within twenty-four (24) hours (inclusive of
26 Saturdays, Sundays, and federal holidays) of its receipt of the
27 Operator's proposal, make a separate proposal (along with an
28 associated AFE and a plan for the operation), except if the proposal is
29 to permanently plug and abandon the well) for one of the operations in

Article 13.2 (*Development Operations at Objective Depth*), and the Operator, immediately after the expiration of the twenty-four (24) hour period for making a separate proposal shall provide the Parties entitled to make an Election with a copy of all separate proposals so made. If no separate proposal is made, the Parties entitled to make an Election shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays, and federal holidays) of its receipt of the Operator's proposal, make an Election on the Operator's proposal (except for a proposal to permanently plug and abandon). If a separate proposal is made, the Parties entitled to make an Election shall make an Election under the procedure in Article 13.2.2 (*Response to Highest Priority Proposal*). If a proposal to permanently plug and abandon the well is the only operation proposed, then the approval and Cost allocation provisions of Article 13.5 (*Permanent Plugging and Abandonment and Cost Allocation*) shall apply to the proposal. If Article 8.3 (*Second Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than All Parties*), or both, apply to an Election, then the response period in those articles shall be twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) instead of forty-eight (48) hours (exclusive of Saturdays, Sundays, and federal holidays). Notwithstanding any contrary provision of this Agreement, if one or more operations are proposed before the distribution of information from the previous approved operation, then the response periods provided above shall not begin until the Parties entitled to make an Election in Article 13.2 (*Development Operations at Objective Depth*) have received the information from the previous approved operation.

13.2.2 Response to Highest Priority Proposal

If a separate proposal is made, each Party entitled to make an Election shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) after its receipt from the Operator of a complete copy of all separate proposals, make its Election on the highest priority proposal (except a proposal to permanently plug and abandon the well). Article 13.2(a) has the highest priority, and Article 13.2(h) has the lowest priority. If different depths or locations are proposed for the same type of operation, preference shall be given to the

[Select one of the following.]

☐ shallowest depth ☐ deepest depth,
or the location

[Select one of the following.]

☐ nearest to ☐ farthest from

the existing well bore, as applicable. If the proposal with the highest priority is approved, then the lower priority proposals shall be deemed withdrawn. Once the approved operation is completed, the Parties shall follow the procedure provided in this Article 13.2 (*Development Operations at Objective Depth*) for all other proposals for operations in the well bore until such time as the well is temporarily abandoned or permanently abandoned.

13.2.3 Response on Next Highest Priority Proposal

If the proposal with the highest priority is not approved, then the next highest priority proposal shall be deemed the highest priority proposal, and it shall be subject to the approval procedure in Article 13.2.2 (*Response to Highest Priority Proposal*). This process will continue until a proposal is approved to complete the Development Well, temporarily plug and abandon the Development Well, or permanently plug and abandon a Development Well.

13.2.4 Non-Participating Parties in Development Operations at Objective Depth

A Non-Participating Party in a Development Operation conducted on a Development Well after it has reached its Objective Depth [except as provided for in this Article 13.2 (*Development Operations at Objective Depth*)] is subject to Article 16.5.4 (*Non-Consent Development Operations*) and is relieved of the Costs and risks of that Development Operation, except that a Non-Participating Party in that Development Operation remains responsible for its Participating Interest Share of the Costs of plugging and abandoning a Development Well, less and except all Costs of plugging and abandoning associated solely with the

subsequent Development Operation in which it was a Non-Participating Party.

13.2.5 Participation in a Sidetrack or Deepening by a Non-Participating Party in a Development Well at Initial Objective Depth

If a Development Well is drilled to its Objective Depth and a Non-Participating Party in that Development Well becomes a Participating Party in an approved Sidetracking or Deepening under Article 13.2 (c) or (e), that former Non-Participating Party shall become an Underinvested Party in an amount equal to its Non-Participating Interest Share of the Costs of that Development Well to its Objective Depth prior to that Sidetracking or Deepening. The original Participating Parties in a Development Well are Overinvested Parties in that amount. A former Non-Participating Party in a Development Well that becomes a Participating Party in an approved Sidetracking or Deepening remains a Non-Participating Party in that Development Well to initial Objective Depth until (a) its Underinvestment is eliminated under Article 16.9 (*Settlement of Underinvestments*) and (b) the Hydrocarbon Recoupment recoverable under Article 16.5.4 (*Non-Consent Development Operations*) less the Underinvestment, has been recovered by the original Participating Parties. If a former Non-Participating Party becomes a Participating Party in more than one approved Sidetracking or Deepening in the same Development Well, that former Non-Participating Party shall become an Underinvested Party only with regard to the first Sidetracking or Deepening it approves; however, that Underinvestment shall not be relieved by an Underinvested Party's subsequent participation.

13.3 Development Well Proposals That Include Drilling Below the Deepest Producing Reservoir

Any Party may propose a Development Well with an Objective Depth below the Deepest Producing Reservoir, and in response to that well proposal each Party may, in writing, limit its participation in the drilling of that Development Well to the base of the Deepest Producing Reservoir to be penetrated by that Development Well. A Party who limits its participation in a Development Well to the base of the Deepest Producing Reservoir shall bear its Participating Interest Share of the Cost and risk of drilling that Development Well to the base of the Deepest

1 Producible Reservoir (including abandonment), and it shall be a Non-
2 Participating Party for the Deeper Drilling and shall be subject to Article 16.5.4
3 (*Non-Consent Development Operations*) in regard to the Deeper Drilling.

4 **13.3.1 Multiple Completion Alternatives Above and Below the Deepest**
5 **Producible Reservoir**

6 If a Party Electing to limit its participation in a well to the base of the
7 Deepest Producible Reservoir to be penetrated by the well under
8 Article 11.3 (*Appraisal Well Proposals That Include Drilling Below the*
9 *Deepest Producible Reservoir*) or Article 13.3 (*Development Well*
10 *Proposals That Include Drilling Below the Deepest Producible*
11 *Reservoir*) considers the well to be capable of producing at or above
12 the Deepest Producible Reservoir and has notified the Participating
13 Parties down to Objective Depth of its desire to complete the well at or
14 above the Deepest Producible Reservoir, the well will be drilled subject
15 to the following provisions:

16 (a) **Multiple Completion:** If before drilling of the well commences, all
17 Participating Parties in the well agree that multiple well
18 completions are possible and practicable and that those
19 completions will involve (i) a completion at or above the Deepest
20 Producible Reservoir and (ii) a completion below the Deepest
21 Producible Reservoir, the Participating Parties in the Deeper
22 Drilling will bear one hundred percent (100%) of the Costs of
23 drilling the well to an Objective Depth below the Deepest
24 Producible Reservoir that are in excess of the original Costs to
25 drill and complete the well in the Deepest Producible Reservoir.

26 (b) **Single Completions:** If prior to the commencement of the drilling
27 of the well, the Participating Parties do not unanimously agree
28 that multiple well completions are possible, then the first
29 completion shall be at the objective deeper than the Deepest
30 Producible Reservoir. A Non-Participating Party in the Deeper
31 Drilling is an Overinvested Party in the well in an amount equal to
32 its Participating Interest Share of the Costs of drilling the well to
33 the Deepest Producible Reservoir, and the Participating Parties in

1 the Deeper Drilling on the well are Underinvested Parties for that
2 amount upon the first of the following events to occur:

- 3 (i) the well is not a Producing Well at a depth deeper than the
4 Deepest Producing Reservoir and the well is plugged back
5 to a zone at or above the Deepest Producing Reservoir;
- 6 (ii) the well is completed as a Producing Well at a depth
7 deeper than Deepest Producing Reservoir, but
8 Hydrocarbon production from that depth is later depleted
9 prior to Complete Recoupment (in regard to Deeper
10 Drilling) and the well is plugged back to a zone at or above
11 the Deepest Producing Reservoir;
- 12 (iii) the well is completed as a Producing Well at a depth
13 deeper than the Deepest Producing Reservoir and the
14 Participating Parties have achieved Complete Recoupment
15 (in regard to the Deeper Drilling) from Hydrocarbon
16 production from a zone deeper than the Deepest
17 Producing Reservoir;
- 18 (iv) the well is plugged and abandoned prior to an attempted
19 completion at or above the Deepest Producing Reservoir.

20 The Underinvestment will be depreciated at the rate of _____
21 percent (___%) per month from the date the Deeper Drilling commences
22 to the date the Non-Participating Party is entitled to share in the
23 Hydrocarbon production from zones deeper than Deepest Producing
24 Reservoir, but that depreciation will not reduce the Underinvestment
25 below _____ percent (___%) of the original Underinvestment.

26 **13.3.2 Completion Attempts At or Above the Deepest Producing** 27 **Reservoir**

28 If a Development Well in which Deeper Drilling is conducted is not
29 completed for production below the Deepest Producing Reservoir, then
30 the Participating Parties in that well down to the Deepest Producing
31 Reservoir may use the well for completion in a zone at or above the
32 Deepest Producing Reservoir. The Parties who paid their proportionate

1 share of the drilling Costs to the base of the Deepest Producing
2 Reservoir under Article 13.3 (*Development Well Proposals That Include*
3 *Drilling Below the Deepest Producing Reservoir*) may participate in the
4 completion attempt in the zone at or above the Deepest Producing
5 Reservoir. The Participating Parties in the Deeper Drilling operation
6 shall bear the Costs (including plugging back Costs) necessary to place
7 the well in proper condition for its completion in the zone at or above
8 the Deepest Producing Reservoir. If a well drilled below the Deepest
9 Producing Reservoir is damaged to the extent that it is rendered
10 incapable of being completed and produced at or above the Deepest
11 Producing Reservoir, the Participating Parties in the Deeper Drilling are
12 obligated to reimburse the Non-Participating Parties in the Deeper
13 Drilling for their Participating Interest Share of the Costs of drilling the
14 well to the base of the Deepest Producing Reservoir.

15 **13.4 Recompletions and Workovers**

16 Any of the Participating Parties in the subsequent Development Operation,
17 Recompletion, or Workover that resulted in the most recent Hydrocarbon
18 production from a Development Well may propose a Recompletion in or
19 Workover of that Development Well. Each Recompletion or Workover, including
20 the permanent plugging and abandonment of a Producing Reservoir, requires
21 approval by Vote of those Participating Parties. A Non-Participating Party in a
22 Recompletion or Workover is subject to Article 16.5.4 (*Non-Consent*
23 *Development Operations*) and is relieved of the Costs and risks of the
24 Recompletion or Workover but remains responsible for its Participating Interest
25 Share of the Costs of plugging and abandoning the Development Well, less and
26 except any Costs of plugging and abandoning associated solely with a
27 Recompletion or Workover in which it is a Non-Participating Party.

28 **13.5 Permanent Plugging and Abandonment and Cost Allocation**

29 The permanent plugging and abandonment of a Development Well that:

- 30 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
31 before the well has been drilled to its Objective Depth under Article 13.1.4
32 (b),
- 33 (b) is to be plugged under Article 13.2 (*Development Operations at Objective*
34 *Depth*), or

1 (c) has been previously temporarily abandoned under Article 13.2
2 (*Development Operations at Objective Depth*)

3 and has not produced Hydrocarbons (other than as a result of Production
4 Testing), requires the approval of the Participating Parties by Vote. Approval to
5 plug and abandon a Development Well that has produced Hydrocarbons (other
6 than as a result of Production Testing) shall be governed by Article 18.1
7 (*Abandonment of Wells*). If a proposal to plug and abandon a Development Well
8 receives approval by Vote, the approved proposal binds all Parties. If any
9 Participating Party fails to respond within the applicable response period for a
10 proposal to plug and abandon a Development Well, that Participating Party shall
11 be deemed to have approved the plugging and abandonment of that
12 Development Well. If a rig is on location and a proposal to plug and abandon a
13 Development Well under either Article 13.5 (a) or 13.5 (b) does not receive
14 approval by Vote, and if within twenty-four (24) hours (inclusive of Saturdays,
15 Sundays, and federal holidays) after receipt of that proposal no other operation
16 is proposed (and subsequently approved) for the well by a Party entitled to make
17 a proposal, the Operator may nevertheless proceed to plug and abandon the
18 Development Well, and shall give each Participating Party notice of that fact. If
19 the proposal to plug and abandon a Development Well that has not produced
20 Hydrocarbons (other than as a result of Production Testing) does not receive
21 approval by Vote, but the Operator deems the well bore not to be safe or in
22 sound enough condition for it to perform further operations, the Operator may
23 nevertheless proceed to plug and abandon that Development Well and shall give
24 each Participating Party notice of that fact.

25 The Participating Parties in a Development Well proposal shall pay all Costs of
26 plugging and abandoning that Development Well, except all increased plugging
27 and abandoning Costs associated solely with a Non-Consent Operation
28 approved under Article 13.2 (*Development Operations at Objective Depth*) or
29 Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-
30 Consent Operation are responsible for the increased plugging and abandoning
31 Costs attributable to that Non-Consent Operation.

ARTICLE 14 – FACILITIES AND GATHERING SYSTEMS

14.1 Facilities as a Part of Development Plan

The Development Plan shall provide for the installation of all Facilities necessary to handle or service Hydrocarbons produced pursuant to that Development Plan. If the approved Development Plan provides that Hydrocarbon production can most efficiently be processed and handled by Offsite Host Facilities, the Development Plan shall provide for a Development System designed to use Offsite Host Facilities.

14.2 Use of Offsite Host Facilities

In the event the approved Development Plan provides that Hydrocarbon production can most efficiently be processed and handled by Offsite Host Facilities, the Participating Parties shall use reasonable efforts to secure a formal "Facilities Use and Production Handling Agreement" from the owners of the Offsite Host Facilities under the terms submitted to the Parties by the Operator under Article 12.4.1 (f) (*Tieback Operations*), but no Participating Party shall have a duty (fiduciary or otherwise) to secure capacity in the Offsite Host Facilities on behalf of any other Participating Party. However, any capacity secured by that "Facilities Use and Production Handling Agreement" to Offsite Host Facilities shall be shared proportionately by the Participating Parties, who executed the "Facilities Use and Production Handling Agreement," on the basis of their Participating Interest Share in the Development System, unless those Parties agree to a different proportionate share of the capacity. This Agreement shall govern all operations and activities regarding Hydrocarbon production, which are not specifically addressed in the "Facilities Use and Production Handling Agreement." This Article 14.2 shall not constitute a limit on a Party's right to install its own facilities under Article 15 (*Disposition of Hydrocarbon Production*).

14.3 Use of Development Systems

The Participating Parties in a Development System have priority access to and utilization of the Facilities associated with the Development System in order to operate and develop the Contract Area under an approved Development Plan.

14.4 Processing Priorities

The Participating Parties in a Development System jointly own all processing and handling capacity associated with that Development System. The use of excess processing or handling capacity in that Development System is subject to the following priority of usage:

- (a) First priority to Hydrocarbon production from the Development Phase during which the existing processing Facilities were fabricated and installed;
- (b) Second priority to Hydrocarbon production from a Development Phase during which the existing processing Facilities were not fabricated and installed;
- (c) Third priority to hydrocarbon production from outside the Contract Area that is owned one hundred percent (100%) by all Participating Parties in the Development System in the same percentage as their ownership in that Development System;
- (d) Fourth priority to hydrocarbon production from outside the Contract Area that is owned one hundred percent (100%) by all of the Participating Parties in the Development System but not in the same percentage as their ownership in the Development System;
- (e) Fifth priority to hydrocarbon production from outside the Contract Area that is owned by all Participating Parties in the Development System and a third party;
- (f) Sixth priority to hydrocarbon production from outside the Contract Area that is owned by one or more Participating Parties in the Development System, but not by all of them, and a third party; and
- (g) Seventh priority to hydrocarbon production from outside the Contract Area that is owned one hundred percent (100%) by a third party.

Any hydrocarbon production processing and handling capacity offered to parties under (d), (e), (f), and (g) of this Article 14.4 shall be processed and handled under a "Facilities Use and Production Handling Agreement" unanimously agreed to by the Participating Parties in the Execution AFE for that Development

1 System and, if applicable, the Participating Parties in any additional Facilities
2 which are to be used for the processing or handling of those hydrocarbons.

3 **14.5 Approval of Additional Facilities**

4 This Article 14.5 shall only apply to Facilities that were not included in an
5 approved Development Plan and are to be utilized for Hydrocarbon production.
6 Any Participating Party in an Execution AFE for a Development System may
7 propose the installation of additional Facilities beyond those specified in the
8 Development Plan associated with that Development System by giving notice to
9 the other Participating Parties (along with an associated AFE), together with
10 information adequate to describe the proposed Facilities. Except as provided in
11 Article 15.2 (*Facilities to Take In Kind*), the installation of additional Facilities
12 beyond the scope of a Development Plan requires the approval by Vote of the
13 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
14 Development System that is to receive the additional Facilities. Upon approval
15 of such a proposal, the Operator shall proceed to install the additional Facilities,
16 provided that, in the judgment of the Operator, the additional Facilities do not
17 interfere with continuing operations on the Contract Area and there is sufficient
18 deck space and buoyancy available to support the proposed additional Facilities.
19 A Non-Participating Party in a proposal for additional Facilities shall be subject to
20 Article 16.5.5 (*Non-Consent Subsequent Production System and Additional*
21 *Facilities*). If the Facilities proposal is for a disposal well, that Facilities proposal
22 shall contain the same information provided in a Development Well proposal.

23 **14.6 Expansion or Modification of Existing Production System**

24 This Article 14.6 shall only apply to expansions or modifications of a Production
25 System that are to be utilized for activities or operations on the Contract Area.
26 After installation of a Production System described and approved in a
27 Development Plan, any Participating Party in that Production System may
28 propose the expansion or modification of that Production System by written
29 notice (along with its associated AFE) to the other Participating Parties in that
30 Production System. That proposal requires the approval by Vote of the
31 Participating Parties in that Production System. If approved, that proposal will be
32 binding on all Participating Parties in that Production System, and the Operator
33 shall commence that expansion or modification at the sole Cost and risk of all of
34 the Participating Parties in that Production System unless otherwise agreed.

1 **14.7 Additions, Expansion, or Modification of Production System or Facilities**
2 **for Health, Safety, or Environmental Reasons**

3 If a proposal for additional Facilities or a proposal for the expansion or
4 modification of a Production System does not receive approval by Vote of the
5 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
6 Development System that is to receive additional Facilities or have its Production
7 System expanded or modified, whichever is applicable, and that proposal is
8 necessary for health, safety, or environmental reasons and has been mandated
9 by governmental authority or judicial process, the Operator may, at its discretion,
10 install those additional Facilities or make those expansions or modifications to
11 the Production System. If the Operator elects to exercise its discretionary right
12 to make those installations, modifications, or expansions, the Operator shall
13 provide written notice of its decision to each Participating Party in the Execution
14 AFE (and all supplemental AFEs) for the Development System that is to receive
15 additional Facilities or have its Production System expanded or modified,
16 whichever applies.

17 **ARTICLE 15 – DISPOSITION OF HYDROCARBON PRODUCTION**

18 **15.1 Duty to Take in Kind**

19 Each Party has the right and duty to take in kind or separately dispose of its
20 share of the Hydrocarbons, excluding (i) Hydrocarbons that are unavoidably lost
21 and (ii) Hydrocarbon production that the Operator uses in production or
22 Development Operations or in preparing and treating Hydrocarbons for
23 marketing or transportation in an Export Pipeline.

24 **15.2 Facilities to Take in Kind**

25 Each Participating Party in the Execution AFE for a Development System has
26 the right, at its sole cost and risk, to construct and install facilities on and connect
27 pipelines to the Development System for purposes of taking its share of
28 Hydrocarbon production in kind, provided that, in the judgment of the Operator,
29 the installation and operation of those facilities and pipelines will not
30 unreasonably interfere with continuing operations on the Development System or
31 the Contract Area.

1 **15.3 Failure to Take Oil or Condensate in Kind**

2 If a Party fails to take in kind or dispose of its share of the oil or condensate
3 produced from the Contract Area, the Operator may, but is not obligated to,
4 purchase for its own account, sell to others, or otherwise dispose of all or part of
5 that oil or condensate at the same price at which the Operator calculates and
6 pays lessor's royalty on its oil or condensate, or if lessor takes its royalty in kind,
7 sell that oil or condensate to others at the price prevailing in the area for oil or
8 condensate of the same kind, gravity, and quality reasonably obtainable by the
9 Operator under the circumstances, subject to revocation by the non-taking Party
10 upon _____ (__) days written notice to the Operator but shall not take effect
11 until the Operator's sales contract with a third party terminates. The Operator is
12 not obligated to obtain a price equal to the price at which its oil or condensate is
13 sold. The Operator's right to take in kind or dispose of a non-taking Party's
14 share of the oil or condensate is subject to the non-taking Party's right, at any
15 time and from time to time, to take in kind or dispose of its share of the oil or
16 condensate. All contracts of sale by the Operator for another Party's oil or
17 condensate shall be only for such reasonable periods not to exceed one year.
18 Proceeds of all sales by the Operator under this Article 15.3 shall be paid by
19 _____ so that the Parties entitled to those proceeds will be able to make
20 timely payments, without penalty, of lessor's royalty on the oil or condensate,
21 which generated the proceeds.

22 Unless required by governmental authority or judicial process, no Party shall be
23 forced to share an available market with a non-taking Party.

24 **15.4 Gas Balancing Provision**

25 If for any reason a Party fails to take or market its full share of gas as produced,
26 the gas balancing and accounting between the Parties shall be handled under
27 Exhibit "D."

28 **15.5 Expenses of Delivery in Kind**

29 All Costs incurred by the Operator in making delivery of a Party's share of
30 Hydrocarbon production or disposing of same shall be borne by that Party.

ARTICLE 16 – NON-CONSENT OPERATIONS

16.1 Conduct of Non-Consent Operations

Any activity or operation that invokes this Article 16 (*Non-Consent Operations*) must be proposed by a Party in good faith, using Cost estimates and Objective Depths that are reasonable for the Contract Area. Non-Consent Operations shall not unreasonably interfere with activities or operations conducted by all Parties, unless the Non-Consent activity or operation will maintain all or a portion of the Contract Area under Article 16.4 (*Non-Consent Operations to Maintain Contract Area*).

16.1.1 Costs

The Costs of a Non-Consent Operation shall be borne by the Participating Parties in accordance with their Participating Interest Share in the Non-Consent Operation (unless otherwise agreed by the Participating Parties). Within _____ (_____) days after a Non-Consent Operation has been conducted, the Operator shall furnish all other Parties with either (a) an itemized statement of the Cost of the Non-Consent Operation and an inventory of the pertinent equipment or (b) a detailed statement of monthly billings. The Operator shall furnish to the Parties a monthly statement showing operating, maintenance, and other expenses attributable to the Non-Consent Operation together with a statement of the quantity of Hydrocarbons produced, and the revenues from the sale of Hydrocarbon production for the preceding month from operations subject to Hydrocarbon Recoupment under this Article 16. In accounting for the revenues from Non-Consent Operations, Hydrocarbon production need not be separately metered, but may be determined upon the basis of monthly well tests, or as otherwise permitted in the MMS Surface or Subsurface Commingling Approval. Operating expenses shall be allocated under Article 16.8.3 (*Operating and Maintenance Charges*). If a Party takes its share of production in kind under Article 15 (*Disposition of Hydrocarbon Production*), that Party shall advise the Operator (in writing on or before the tenth day of the month following the month in which the Hydrocarbon production is sold or used off the premises) of the volumes of Hydrocarbons sold or used off the premises and the prices

received for those Hydrocarbons so that the Operator may calculate the balance of any Hydrocarbon Recoupment amounts.

The calculation of the balance of Hydrocarbon Recoupment shall be accomplished as follows:

[Select one of the following.]

☐ The Operator shall prepare the monthly statement of the quantities of oil and gas produced and the amounts of the proceeds from the sale of all Non-Participating Parties' relinquished production based on the proceeds received for the Operator's share of production. When Operator's payout calculation indicates that payout has occurred, the Operator shall promptly notify all Parties. The Participating Parties shall then provide the Operator all information pertaining to the cumulative proceeds received from the sale of the Non-Participating Parties' relinquished production. The Operator shall revise the payout date using the actual proceeds from the sale of the Non-Participating Party's relinquished production and administer subsequent adjustments between the Parties.

☐ Each Party who bears a portion of the Non-Participating Interest Share shall maintain the balance of the Hydrocarbon Recoupment attributable to the Non-Participating Interest Share borne by that Party and shall advise the Operator and Non-Participating Parties when Complete Recoupment has been reached.

16.1.2 Multiple Completions

Non-Consent Operations shall not be conducted in a well having multiple completions unless:

- (a) each of the multiple completions are owned by the same Parties in the same proportion;
- (b) none of the previous well completions are capable of producing in paying quantities; or

(c) the Participating Parties in the well containing the multiple completions unanimously agree to those Non-Consent Operations.

For the purposes of this Article 16, each completion is a separate well.

[Select one of two versions of Article 16.2. The first version provides for acreage forfeiture for a non-consent first Exploratory Well, as well as for a non-consent Execution AFE. The second provides for forfeiture for a non-consent Execution AFE only. Hydrocarbon Recoupment would apply to a non-consent first Exploratory Well.]

☐ *[Check here for the first Exploratory Well and Execution AFE forfeiture version.]*

16.2 Acreage Forfeiture Provisions

In view of the significantly greater risks associated with the first Exploratory Well and the Execution AFE for the initial Development System, the Participating Parties in the first Exploratory Well or that Execution AFE are entitled to an assignment of all of the right, title, and interest (including operating rights) in the Contract Area of the Non-Participating Parties in that well or AFE as provided below.

16.2.1 First Exploratory Well

If a Participating Party proceeds with the timely commencement of the drilling of the first Exploratory Well as a Non-Consent Operation and

- (a) the first Exploratory Well is drilled to its Objective Depth;
- (b) the first Exploratory Well is drilled to a depth shallower than its Objective Depth and _____ percent (___ %) or more of the total amount of the AFE for that Exploratory Well is expended; or
- (c) the first Exploratory Well is abandoned under Article 10.1.4 (*AFE Overruns and Substitute Well*) prior to reaching its Objective Depth and prior to the Participating Parties expending at least _____ percent (___ %) or more of the AFE for that Exploratory Well, but the Participating Parties timely commence the drilling of a substitute well, and the cumulative Costs of that Exploratory Well and its substitute well equal or exceed _____ percent (___ %) of the total amount of the AFE for the original first Exploratory Well;

1 then within thirty (30) days after notice of the occurrence of an event
2 described in clause (a), (b), or (c), a Non-Participating Party in the first
3 Exploratory Well or its substitute well, as applicable, shall execute and
4 deliver an assignment of all of its right, title, and interest in the Contract
5 Area, free of all Lease Burdens as defined in Article 19.1 (*Burdens on*
6 *Hydrocarbon Production*), effective on the date actual drilling
7 operations for the well are commenced, to the Participating Parties in
8 the first Exploratory Well or its substitute well, as applicable, with no
9 reimbursement by and at no Cost to those Participating Parties. If an
10 assignment is made under this Article 16.2.1, then each Participating
11 Party shall accept its Participating Interest Share, as determined under
12 Article 8.4 (*Participation by Fewer Than All Parties*), of the Non-
13 Participating Party's assigned interest. The Non-Participating Party's
14 Election or Vote not to participate in the first Exploratory Well shall be
15 deemed a withdrawal under Article 17 (*Withdrawal From Agreement*),
16 and the Parties shall be subject to Article 17 (*Withdrawal From*
17 *Agreement*). After the satisfaction of Article 16.2.1(a), (b), or (c), a
18 Non-Consent Operation performed in the first Exploratory Well's well
19 bore or its substitute's well bore, as applicable, shall not be subject to
20 this Article 16.2.1 but shall be subject to the Hydrocarbon Recoupment
21 premium provided in Article 16.5.1.1 (*Non-Consent Exploratory*
22 *Operations at Objective Depth*), except as provided in Article 16.4
23 (*Non-Consent Operations to Maintain Contract Area*).

24 **16.2.2 Execution AFE**

25 Within thirty (30) days of notice of the timely commencement of the
26 activities or operations associated with the Execution AFE for the initial
27 Development System, a Non-Participating Party in that Execution AFE
28 shall execute and deliver an assignment of all of its right, title, and
29 interest in the Contract Area to the Participating Parties in that
30 Execution AFE, free of all Lease Burdens as defined in Article 19.1
31 (*Burdens on Hydrocarbon Production*), effective on the date the
32 construction or acquisition of the initial Development System is
33 commenced, with no reimbursement by and at no Cost to those
34 Participating Parties. If an assignment is made under this Article
35 16.2.2, then each Participating Party shall accept its Participating
36 Interest Share, as determined under Article 8.4 (*Participation by Fewer*

1 *Than All Parties*), of the Non-Participating Party's assigned interest.
2 The Non-Participating Party's Election not to participate in the
3 Execution AFE for the initial Development System shall be deemed a
4 withdrawal under Article 17 (*Withdrawal From Agreement*), and the
5 Parties shall be subject to Article 17 (*Withdrawal From Agreement*).

6 ☐ [Check here for the *Execution AFE* forfeiture version.]

7 **16.2 Acreage Forfeiture Provisions**

8 In view of the significantly greater risks associated with the Execution AFE for the
9 initial Development System, the Participating Parties in that Execution AFE are
10 entitled to an assignment of all of the right, title, and interest (including operating
11 rights) in the Contract Area of the Non-Participating Parties in that Execution
12 AFE. Within thirty (30) days of notice of the timely commencement of the
13 activities or operations associated with that Execution AFE, a Non-Participating
14 Party in that Execution AFE shall execute and deliver an assignment of all of its
15 right, title, and interest in the Contract Area to the Participating Parties in that
16 Execution AFE, effective on the date the construction or acquisition of the initial
17 Development System is commenced, with no reimbursement by and at no Cost
18 to those Participating Parties. If an assignment is made under this Article 16.2,
19 then each Participating Party shall accept its Participating Interest Share, as
20 determined under Article 8.4 (*Participation by Fewer Than All Parties*), of the
21 Non-Participating Party's assigned interest. The Non-Participating Party's
22 Election not to participate in the Execution AFE for the initial Development
23 System shall be deemed a withdrawal under Article 17 (*Withdrawal From*
24 *Agreement*), and the Parties shall be subject to Article 17 (*Withdrawal From*
25 *Agreement*).

26 **16.3 Costs and Liabilities of Prior Operations**

27 Subject to Article 6.2.2 (*Supplemental AFEs*), a Non-Participating Party subject
28 to a non-consent provision remains liable for its share of previously incurred
29 Costs and liabilities for activities and operations in which it was a Participating
30 Party, and there shall be no re-allocation of Costs for activities and operations in
31 which it was a Participating Party, except as provided in Article 13.3.1 (*Multiple*
32 *Completion Alternatives Above and Below the Deepest Producible Reservoir*).

33 **16.4 Non-Consent Operations to Maintain Contract Area**

34 If a proposal is made for

- 1 (a) an activity or operation required under a governmental agency order,
2 notice, regulation, or Lease to maintain all or part of the Contract Area; or
- 3 (b) an activity or operation
- 4 (i) within the final _____ (____) days of the primary term of a
5 Lease, and if the Lease is not held by any means and will expire
6 under its own terms, or
- 7 (ii) within _____ (____) days prior to the deadline for an activity
8 or operation required under an SOO or SOP activity schedule or a
9 unit plan of operation,

10 and the proposal requires approval by Vote or Election or unanimous agreement
11 and that approval or agreement is not obtained within the applicable response
12 period, then, notwithstanding any contrary provision of Article 8 (*Approvals and*
13 *Notices*), the proposed activity or operation shall be deemed to have been
14 approved, and all Parties that Voted or Elected or agreed by written statement to
15 participate in the proposed activity or operation may proceed with the proposed
16 activity or operation at their sole Cost and risk. However, before those Parties
17 commence that activity or operation, they shall give written notice to the other
18 Parties of their intention to commence that activity or operation. The other
19 Parties shall have a second opportunity to participate in that activity or operation,
20 under Article 8.3 (*Second Opportunity to Participate*), except that the response
21 period for that second opportunity to participate shall be _____ (____) days
22 after receipt of that notice.

23 **16.4.1 Acreage Forfeiture in the Entire Contract Area**

24 If it is necessary to conduct an activity or operation referred to in Article
25 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
26 maintain the entire Contract Area, then each Non-Participating Party in
27 that activity or operation shall relinquish and permanently assign,
28 effective on the date the operation is commenced, to the Participating
29 Parties one hundred percent (100%) of the Non-Participating Party's
30 Working Interest in the entire Contract Area, including property and
31 equipment acquired under this Agreement, within thirty (30) days of the
32 commencement of that activity or operation. Failure to participate in

1 that activity or operation is deemed a withdrawal, and the Parties will be
2 subject to Article 17 (*Withdrawal From Agreement*).

3 **16.4.2 Acreage Forfeiture in a Portion of a Contract Area**

4 If it is necessary to conduct an activity or operation referred to in Article
5 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
6 maintain a portion of the Contract Area, then each Non-Participating
7 Party in that activity or operation shall relinquish and permanently
8 assign, effective on the date the operation is commenced, to the
9 Participating Parties one hundred percent (100%) of the Non-
10 Participating Party's Working Interest in the affected portion of the
11 Contract Area, including property and equipment acquired under this
12 Agreement, within thirty (30) days of the commencement of that activity
13 or operation. That assignment shall be conveyed to the Participating
14 Parties in proportion to their Participating Interest Share in that activity
15 or operation. The Non-Participating Party shall bear all expenses
16 associated with that assignment and shall be subject to Article 17.3.1
17 (*Prior Expenses*), Article 17.3.2 (*Confidentiality*) and Article 17.3.3
18 (*Emergencies and Force Majeure*) with respect to the assigned
19 acreage. If a Development System does not exist at the time of the
20 forfeiture assignment or if the Non-Participating Party, who forfeited its
21 interest under this Article 16.4, was a Non-Participating Party in the
22 Development System which is located in the non-forfeited portion of the
23 Contract Area, upon MMS approval of that assignment, the assigned
24 acreage shall be expunged from Exhibit "A," and it shall no longer be
25 included in the Contract Area. If that assignment is to two or more
26 Participating Parties in that activity or operation, then (a) the assigned
27 acreage shall be deemed to be governed by an operating agreement
28 incorporating identical provisions as the provisions in this Agreement,
29 except to the extent they are clearly inappropriate, (b) the execution of
30 the operating agreement by those Participating Parties shall be
31 considered a mere formality only, (c) the Operator of the assigned
32 acreage shall promptly prepare that operating agreement, and (d) the
33 Participating Parties shall promptly execute it. If a Development
34 System is located on the non-forfeited portion of the Contract Area and
35 if the Participating Parties in the operation or activity, which were
36 conducted in order to save the forfeited portion of the Contract Area, are

1 Participating Parties in that Development System, the Parties shall
2 amend this Agreement to provide for a separate operational area for the
3 forfeited portion of the Contract Area and a separate operational area for
4 the non-forfeited portion of the Contract Area, and this Agreement shall
5 apply separately to each operational area; provided however, the
6 Participating Parties in the Development System located on the non-
7 forfeited portion of the Contract Area, who participated in the operation
8 or activity, which were conducted in order to save the forfeited portion of
9 the Contract Area, shall have the same priority of access to that
10 Development System as the Parties in the separate operational area for
11 the non-forfeited portion of the Contract Area.

12 **16.4.3 Limitations on Acreage Forfeiture**

13 Notwithstanding the foregoing, if more than one activity or operation is
14 conducted under Article 16.4 (*Non-Consent Operations to Maintain*
15 *Contract Area*), any one of which would maintain the entire Contract
16 Area or the affected portion of the Contract Area, a Participating Party
17 in any one of those activities or operations shall not be required to
18 make an assignment under Article 16.4 (*Non-Consent Operations to*
19 *Maintain Contract Area*). In addition, no Party is required to relinquish
20 or assign all or any portion of its Working Interest in the Contract Area if
21 a governmental agency order, notice, regulation, Lease provision, SOO
22 or SOP activity schedule, or unit plan of operation requiring the activity
23 or operation is appealed and successfully overturned.

24 **16.5 Percentage Hydrocarbon Recoupment for Non-Consent Operations**

25 Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4
26 (*Non-Consent Operations to Maintain Contract Area*), upon the timely
27 commencement of a Non-Consent Operation, each Non-Participating Party's
28 Working Interest and leasehold operating rights in the Non-Consent Operation
29 along with its title to that portion of future Hydrocarbon production provided in
30 this Article 16.5, if any, shall be owned by and vested in each Participating Party
31 in accordance with its Participating Party Interest Share in the Non-Consent
32 Operation under Article 8.4 (*Participation by Fewer Than All Parties*). A third-
33 party cash contribution made for Confidential Data from a Non-Consent
34 Operation shall be deducted from the Non-Participating Interest Share of the

Costs of the well operation or of drilling and completing the well, as applicable, prior to computation of the Hydrocarbon Recoupment amount.

☐ [Check here if this is the *first Exploratory Well forfeiture* version.]

16.5.1 Non-Consent Exploratory Operations down to Objective Depth in the First Exploratory Well

Since the Participating Parties in the first Exploratory Well are entitled to an assignment of all of the right, title, and interest (including operating rights) in the Contract Area of the Non-Participating Parties in that well as provided in Article 16.2.1 (*First Exploratory Well*), there is no Hydrocarbon Recoupment for Non-Consent Exploratory Operations conducted in the first Exploratory Well down to its Objective Depth.

☐ [Check here if this is the *first Exploratory Well Hydrocarbon Recoupment* version.]

16.5.1 Non-Consent Exploratory Operations down to Objective Depth in the First Exploratory Well

The Hydrocarbon Recoupment amount for all Exploratory Operations conducted as Non-Consent Operations, down to the Objective Depth of the first Exploratory Well is the Non-Participating Interest Share of the Costs of the Exploratory Operation multiplied by _____ percent (____%).

16.5.1.1 Non-Consent Exploratory Operations at Objective Depth

The Hydrocarbon Recoupment amount for all non-consent Exploratory Operations conducted after the first Exploratory Well has reached its Objective Depth, be they non-consent Exploratory Wells other than the first Exploratory Well or operations conducted subsequent to an Exploratory Well, including the first Exploratory Well, reaching its Objective Depth, is the Non-Participating Interest Share of the Costs of that Non-consent Operation multiplied by _____ percent (____%).

16.5.2 Non-Consent Appraisal Operations

The Hydrocarbon Recoupment amount for all Appraisal Operations conducted as Non-Consent Operations is the Non-Participating Interest

1 Share of the Costs of the Appraisal Operation multiplied by
2 _____ percent (____%).

3 **16.5.3 Non-Consent Proprietary Geophysical Operations** *(if checked below and*
4 *Exhibit "L" is attached to this Agreement), Feasibility AFEs, Selection AFEs,*
5 *Define AFEs, Long Lead Development System AFEs, Post-*
6 *Production Project Team AFEs, or Enhanced Recovery Project*
7 *Team AFEs*

8 If a Non-Participating Party in a

9 *[Optional provision; check if to be applicable.]*

10 ☐ Proprietary Geophysical Operation,

11 Feasibility AFE, Define AFE, Long Lead Development System AFE,
12 Post-Production Project Team AFE, or Enhanced Recovery Project
13 Team AFE takes, or is deemed to have taken, the steps set forth in
14 Article 16.9 (*Settlement of Underinvestments*), that Party is an
15 Underinvested Party in an amount equal to _____ percent (____%) of
16 the amount it would have paid had it participated in that activity,
17 operation, or AFE until the Underinvestment is eliminated under Article
18 16.9 (*Settlement of Underinvestments*). If a Non-Participating Party in
19 a Selection AFE takes, or is deemed to have taken, the steps set forth
20 in Article 16.9 (*Settlement of Underinvestments*), that Party is an
21 Underinvested Party in an amount equal to _____ percent (____%) of
22 the amount that the it would have paid had it participated in that AFE
23 until the Underinvestment is eliminated under Article 16.9 (*Settlement*
24 *of Underinvestments*).

25 **16.5.4 Non-Consent Development Operations**

26 The Hydrocarbon Recoupment amount for all Development Operations
27 conducted as Non-Consent Operations is the Non-Participating Interest
28 Share of the Costs of the Development Operation multiplied by
29 _____ percent (____%).

1 **16.5.5 Non-Consent Subsequent Development System and Additional**
2 **Facilities**

3 The Hydrocarbon Recoupment amount for a non-consent Execution
4 AFE for a subsequent Development System or additional Facilities not
5 included in an Execution AFE is the Non-Participating Interest Share of
6 the Cost incurred with respect to that Execution AFE or those additional
7 Facilities not included in an Execution AFE multiplied by _____
8 percent (___%).

9 **16.5.6 Additional Hydrocarbon Recoupment**

10 In addition to the percentage Hydrocarbon Recoupment for the various
11 Non-Consent Operations set forth above, the Participating Parties are
12 entitled to recoup:

- 13 (a) _____ percent (___%) of the Non-Participating Interest Share
14 of the Cost of using an existing Development System that is
15 needed to serve a Production System or Facilities installed as a
16 Non-Consent Operation, in which the Non-Participating Party has
17 a Participating Interest; plus
- 18 (b) _____ percent (___%) of the Non-Participating Interest Share
19 of the Cost of operating expenses, maintenance Costs, royalties,
20 and severance, gathering, and production taxes and other
21 governmental fees based on production.

22 **16.5.7 Hydrocarbon Recoupment From Production**

23 Hydrocarbon Recoupment for a Non-Consent Operation shall be made
24 from the Hydrocarbon production as follows:

25 **16.5.7.1 Non-Consent Exploratory Operations, Non-Consent**
26 **Appraisal Operations, and Non-Consent Development**
27 **Operations That Discover or Extend a Producidle**
28 **Reservoir**

29 For

- 30 (a) an Exploratory Operation,
- 31 (b) an Appraisal Operation, or

1 (c) a Development Operation,

2 that is conducted as a Non-Consent Operation and discovers
3 a new Producing Reservoir or extends an existing Producing
4 Reservoir (as the Producing Reservoirs existed at the time
5 the Development Operation was proposed), each Non-
6 Participating Party shall satisfy Hydrocarbon Recoupment
7 from

8 (i) one hundred percent (100%) of its Non-Participating
9 Interest Share of all Hydrocarbons produced and saved
10 from the Non-Consent Operation, if the Non-Consent
11 Operation results in Hydrocarbon production, and

12 (ii) fifty percent (50%) of its Participating Interest Share of
13 all Hydrocarbons produced and saved from operations
14 conducted after the Non-Consent Operation that result
15 in Hydrocarbon production from the same Producing
16 Reservoir discovered or extended by the Non-Consent
17 Operation.

18 **16.5.7.2 Non-Consent Development Operations in an Existing**
19 **Producing Reservoir**

20 If a Development Operation is conducted as a Non-Consent
21 Operation and does not discover a new Producing Reservoir
22 and also does not extend an existing Producing Reservoir (as
23 the Producing Reservoirs existed at the time the
24 Development Operation was proposed), each Non-
25 Participating Party shall satisfy Hydrocarbon Recoupment
26 from one hundred percent (100%) of its Non-Participating
27 Interest Share of Hydrocarbons produced and saved from the
28 Non-Consent Operation, if the Non-Consent Operation results
29 in Hydrocarbon production.

30 **16.5.7.3 Non-Consent Subsequent Development Systems**

31 If the construction and installation of a subsequent
32 Development System is conducted as a Non-Consent

1 Operation, each Non-Participating Party shall satisfy
2 Hydrocarbon Recoupment from:

3 (a) one hundred percent (100%) of its Non-Participating
4 Interest Share or its Participating Interest Share
5 (whichever applies) of Hydrocarbons produced and
6 saved from all Development Operations that are
7 conducted from that subsequent Development System,
8 and

9 (b) one hundred percent (100%) of its Non-Participating
10 Interest Share or its Participating Interest Share
11 (whichever applies) of Hydrocarbons produced and
12 saved from all wells that benefit from injection or
13 disposal wells drilled and/or operated from that
14 subsequent Development System.

15 **16.6 Restoration of Interests to Non-Participating Party**

16 Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4
17 (*Non-Consent Operations to Maintain Contract Area*), a Non-Participating Party's
18 Working Interest and leasehold operating rights revert to the Non-Participating
19 Party, effective at 7:00 a.m. of the day after the occurrence of the first of the
20 following events:

21 (a) the well bore of the Non-Consent Operation is not a Producing Well on the
22 date the permanent plugging and abandonment of the well concludes;

23 (b) Hydrocarbon production recouped under Article 16.5.7 (*Hydrocarbon*
24 *Recoupment From Production*) as result of a Non-Consent Operation
25 ceases prior to Complete Recoupment;

26 (c) the Participating Parties Sidetrack or Deepen an Exploratory Well,
27 Appraisal Well, or Development Well and that well does not qualify as a
28 Producing Well; or

29 (d) upon Complete Recoupment.

30 However, only upon Complete Recoupment does a former Non-Participating
31 Party become a Participating Party in the Non-Consent Operation.

1 **16.6.1 Dry Hole Reversion**

2 If a Non-Consent Operation, other than a Non-Consent Operation
3 under Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4 (*Non-*
4 *Consent Operations to Maintain Contract Area*), results in an event
5 provided in Article 16.6 (a) or (b) and a Non-Participating Party's
6 Working Interest and leasehold operating rights revert back to the Non-
7 Participating Party, all well equipment in place as a result of that Non-
8 Consent Operation and all Development Systems fabricated and
9 installed as a result of that Non-Consent Operation and rights to future
10 Hydrocarbon production from a Producing Reservoir discovered or
11 extended by that Non-Consent Operation as described in Article 16.5.7
12 (*Hydrocarbon Recoupment From Production*) remain vested in the
13 Participating Parties. Any salvage value in excess of Complete
14 Recoupment will be credited to all Parties according to their Working
15 Interest and without regard to their participation status.

16 **16.6.2 Sidetracking or Deepening a Non-Consent Well**

17 If a Non-Participating Party participates in a Sidetracking or Deepening
18 as provided in Article 10.2.5 (*Participation in Sidetrack or Deepening by*
19 *a Non-Participating Party in an Exploratory Well at Initial Objective*
20 *Depth*), Article 11.2.5 (*Participation in Sidetrack or Deepening by a*
21 *Non-Participating Party in an Appraisal Well at Initial Objective Depth*),
22 or Article 13.2.5 (*Participation in Sidetrack or Deepening by a Non-*
23 *Participating Party in a Development Well at Initial Objective Depth*),
24 and if the Participating Parties have recouped the Cost of the original
25 well down to its Objective Depth at the time the Sidetrack or Deepening
26 is approved by Election, then the Non-Participating Party shall not be
27 an Underinvested Party in the Sidetracking or Deepening of that well,
28 and the Participating Parties in the original well shall achieve Complete
29 Recoupment under Article 16.5.7.1 (*Non-Consent Exploratory*
30 *Operations, Non-Consent Appraisal Operations, and Non-Consent*
31 *Development Operations That Discover or Extend a Producing*
32 *Reservoir*) or Article 16.5.7.2 (*Non-Consent Development Operations in*
33 *an Existing Producing Reservoir*), whichever applies.

1 **16.7 Operations From a Subsequent Non-Consent Development System**

2 A Party who Elected not to participate in a subsequent Development System
3 may participate in Development Operations from that subsequent Development
4 System. If that Non-Participating Party participates in such a Development
5 Operation, then the Non-Participating Party shall make to the Operator a lump
6 sum payment of any remaining Hydrocarbon Recoupment and Underinvestment
7 under Article 16 (*Non-Consent Operations*) for which it is still liable. The
8 Operator shall then distribute to the Participating Parties in the subsequent
9 Development System their Participating Interest Share of the payment. Upon
10 that payment, the Non-Participating Party will become an owner and a
11 Participating Party in the subsequent Development System.

12 **16.8 Allocation of Development System Costs to Non-Consent Operations**

13 In the event a well is drilled from or produced through a Production System or is
14 produced through Facilities whose Participating Parties are different from the
15 Participating Parties in that well or if the Participating Parties' Participating
16 Interest Shares in that Production System or Facilities are different from their
17 Participating Interest Shares in that well, the rights of the Participating Parties in
18 that well and the Costs to use the Production System or Facilities for that well
19 shall be determined as follows:

20 **16.8.1 Investment Charges**

- 21 (a) The Participating Parties in that well shall pay to the Operator a
22 one-time slot usage fee for the use of a slot on the Production
23 System equal to __ percent (__%) of the Cost of the Production
24 System; provided, however, each Non-Participating Party's share
25 of the slot usage fee shall be included in the calculation of any
26 Hydrocarbon recoupment to which it is subject as a result of the
27 Non-Consent Operation's utilizing that slot. Within fifteen (15)
28 days of its receipt of that fee, the Operator shall distribute to the
29 Participating Parties in the Production System their Participating
30 Interest Share of that payment. For purposes of calculating the
31 slot usage fee, the total Cost of the Production System shall be
32 reduced by _____ percent (__%) per month, commencing on the
33 date the Production System was installed and continuing every
34 month thereafter until the month actual drilling operations on that
35 well is commenced; however, the total Cost of the Production

1 System shall not be reduced by more than _____ percent (___%)
2 of the total Production System's costs. The Cost of additions to
3 the Production System shall be reduced in the same manner
4 commencing the first month after the addition is installed.

5 If that well is abandoned, having never produced Hydrocarbons,
6 the right of the Participating Parties in that well to use the
7 Production System slot through which the well was drilled shall
8 terminate unless those Parties commence drilling a substitute well
9 for the abandoned well through the same slot within ninety (90)
10 days of the abandonment. If that substitute well is abandoned,
11 having never produced Hydrocarbons, the right of the
12 Participating Parties in that well to use the Production System slot
13 through which the well was drilled shall terminate.

14 The slot usage fee shall not apply to a slot deemed to be
15 "surplus." A slot may be deemed surplus only by the unanimous
16 agreement of the owners of the Production System.

- 17 (b) The Participating Parties in that well shall pay to the owners of the
18 Facilities a sum equal to that portion of the total Cost of those
19 Facilities that the throughput volume of the Non-Consent
20 Operation bears to the total design throughput volume of the
21 Facilities. Throughput volume shall be estimated by the Operator
22 in barrels produced per day (5.8 mcf of gas determined at a
23 pressure of 14.73 pounds per square inch atmospheric and a
24 temperature of sixty (60) degrees Fahrenheit equaling one barrel
25 of oil and one barrel of water equaling one barrel of oil), using an
26 average daily volume of the first three months of Hydrocarbon
27 and water production from the Non-Consent Operation. For
28 purposes of calculating the Facilities usage fee, the total Cost of
29 the Facilities shall be reduced by _____ percent (___%) per
30 month, commencing from the date when the Facilities were
31 installed and continuing every month thereafter until the first
32 month during which production from the Non-Consent Operation
33 commences, but the total Cost of the Facilities shall not be
34 reduced more than _____ percent (___%) of the total Facilities'

1 Cost. If a modification, expansion, or addition to the Facilities is
2 made after commencing first production and before connection of
3 the Non-Consent Operation to the Facilities, the Facilities
4 investment shall be reduced in the same manner described
5 above, from the month in which the Facilities modification,
6 expansion, or addition is completed until the first month during
7 which production from the Non-Consent Operation is
8 commenced.

9 **16.8.2 Payments**

10 Payment of a usage fee shall not be deemed to be a purchase by the
11 Participating Parties of an additional interest in the Production System
12 or Facilities. Payments under Article 16.8.1 (*Investment Charges*) shall
13 be due and payable on commencement of initial production from the
14 Non-Consent Operation.

15 **16.8.3 Operating and Maintenance Charges**

16 The Participating Parties in a well drilled as a Non-Consent Operation
17 shall pay all Costs necessary to connect the well to the Production
18 System. The Costs of operating and maintaining the Facilities and the
19 Production System shall be allocated equally among all active
20 completions served. Subsea Production System operating and
21 maintenance Costs shall be allocated equally among all subsea well
22 completions served by the Subsea Production system. Operating and
23 maintenance Costs for the Facilities shall be allocated to each well
24 served in the proportion that the volume throughput of the well bears to
25 the total volume throughput of all wells handled by the Facilities.

26 **16.9 Settlement of Underinvestments**

27 A Non-Participating Party shall become an Underinvested Party and become
28 liable for settling an Underinvestment if it (a) makes a revised Election or Vote to
29 become a Participating Party in an AFE, activity, or operation in which it originally
30 Elected or Voted not to participate, (b) Elects to participate (i) in the Sidetracking
31 or Deepening of a wellbore in which it did not participate to Objective Depth or (ii)
32 in a Sidetracking or Deepening thereafter, (c) Elects to participate in a
33 Development Plan after a Major Modification of that plan has been approved, or
34 (d) Elects to participate in Development Operations from a subsequent

1 Development System in which it did not participate. A Non-Participating Party in
2 a Selection AFE, who elects to participate in the Define AFE, which follows it,
3 shall automatically be deemed to have submitted to the Operator a written
4 statement memorializing its subsequent Election to (a) participate in that
5 Selection AFE, in which it originally Elected not to participate, and (b) become an
6 Underinvested Party in regard to that AFE. A Non-Participating Party in a Define
7 AFE, who elects to participate in the Execution AFE, which follows it, shall
8 automatically be deemed to have submitted to the Operator a written statement
9 memorializing its subsequent Election to (a) participate in the Define AFE in
10 which it originally Elected not to participate and (b) become an Underinvested
11 Party in regard to that AFE. A Non-Participating Party in a Long Lead
12 Development System AFE, who elects to participate in the activity or operation
13 for which the long lead item in the Long Lead Development System AFE was
14 procured, shall automatically be deemed to have submitted to the Operator a
15 written statement memorializing its subsequent Election to (a) participate in that
16 Long Lead Development System AFE, in which it originally Elected not to
17 participate, and (b) become an Underinvested Party in regard to that AFE.
18 Except as provided in Article 16.9.1 (*Cash Settlement of Underinvestment*), an
19 Underinvested Party shall settle its Underinvestment through Disproportionate
20 Spending. The Underinvested Party shall be responsible for and pay one
21 hundred percent (100%) of the Overinvested Parties' share of the Costs (or if
22 there are two or more Underinvested Parties, a proportion of those Costs based
23 on each Party's Underinvestment) in subsequent activities or operations or AFEs
24 under this Agreement in which that Underinvested Party and one or more
25 Overinvested Parties participate until the amount of the Underinvestment is
26 eliminated, except under Article 13.3.1 (*Multiple Completion Alternatives Above
27 and Below the Deepest Producing Reservoir*) the Underinvested Party shall be
28 responsible for and pay one hundred percent (100%) of the Overinvested
29 Parties' share of the Costs (or if there are two or more Underinvested Parties, a
30 proportion of those Costs based on each Party's Underinvestment) in
31 subsequent activities or operations or AFEs within the Contract Area in which
32 one or more Overinvested Parties participate until the amount of the
33 Underinvestment is eliminated.

34 **16.9.1 Cash Settlement of Underinvestment**

35 If the Parties do not plan or propose further activities or operations
36 under this Agreement (for which Costs would be allocated to the

1 elimination of an Underinvestment), the Underinvested Party shall pay
2 the Overinvested Parties the remaining Underinvestment amount in
3 cash under Exhibit "C." If Disproportionate Spending in the Contract
4 Area does not eliminate an Underinvestment within two (2) years after
5 the date the Underinvestment is incurred, or upon final accounting and
6 settlement under this Agreement, or before the Underinvested Party
7 withdraws from the Contract Area under Article 17 (*Withdrawal From*
8 *Agreement*), whichever comes first, the Underinvested Party shall pay
9 the Overinvested Parties the remaining Underinvestment in cash under
10 Article 17 (*Withdrawal From Agreement*) and Exhibit "C."

11 **ARTICLE 17 – WITHDRAWAL FROM AGREEMENT**

12 **17.1 Right to Withdraw**

13 Subject to this Article 17.1, any Party may withdraw from this Agreement (the
14 "Withdrawing Party") by giving prior written notice to all other Parties stating its
15 decision to withdraw ("the withdrawal notice"). The withdrawal notice shall
16 specify an effective date of withdrawal that is at least _____ (____)
17 days, but not more than _____ (____) days, after the date of the
18 withdrawal notice. Within thirty (30) days of receipt of the withdrawal notice, the
19 other Parties may join in the withdrawal by giving written notice of that fact to the
20 Operator ("written notice to join in the withdrawal") and upon giving written notice
21 to join in the withdrawal are "Other Withdrawing Parties." The withdrawal notice
22 and the written notice to join in the withdrawal are unconditional and irrevocable
23 offers by the Withdrawing Party and the Other Withdrawing Parties to convey to
24 the Parties who do not join in the withdrawal ("the Remaining Parties") the
25 Withdrawing Party's and the Other Withdrawing Parties' entire Working Interest
26 in all of the Leases, Hydrocarbon production, and other property and equipment
27 owned under this Agreement.

28 **17.2 Response to Withdrawal Notice**

29 Failure to respond to a withdrawal notice is deemed a decision not to join in the
30 withdrawal.

31 **17.2.1 Unanimous Withdrawal**

32 If all the other Parties join in the withdrawal,

- 1 (a) no assignment of Working Interests shall take place;
- 2 (b) subject to Article 18.4 (*Abandonment Operations Required by*
3 *Governmental Authority*), no further operations may be conducted
4 under this Agreement unless agreed to by all Parties;
- 5 (c) the Parties shall abandon all activities and operations within the
6 Contract Area and relinquish all of their Working Interests to the
7 MMS within _____ (__) days of the conclusion of the thirty (30)
8 day joining period; and
- 9 (d) notwithstanding anything to the contrary in Article 18
10 (*Abandonment and Salvage*), the Operator shall:
- 11 (i) furnish all Parties a detailed abandonment plan, if
12 applicable, and a detailed cost estimate for the
13 abandonment within _____ (__) days after the
14 conclusion of the thirty (30) day joining period; and
- 15 (ii) cease operations and begin to permanently plug and
16 abandon all wells and remove all Production Systems and
17 Facilities in accordance with the abandonment plan.

18 **17.2.2 No Additional Withdrawing Parties**

19 If none of the other Parties join in the withdrawal, then the Remaining
20 Parties must accept an assignment of their Participating Interest Share
21 of the Withdrawing Party's Working Interest.

22 **17.2.3 Acceptance of the Withdrawing Parties' Interests**

23 If one or more but not all of the other Parties join in the withdrawal and
24 become Other Withdrawing Parties, then within forty-eight (48) hours
25 (exclusive of Saturdays, Sundays, and federal holidays) of the
26 conclusion of the thirty (30) day joining period, each of the Remaining
27 Parties shall submit to the Operator a written rejection or acceptance of
28 its Participating Interest Share of the Withdrawing Party's and Other
29 Withdrawing Parties' Working Interest. Failure to make that written
30 rejection or acceptance shall be deemed a written acceptance. If the
31 Remaining Parties are unable to select a successor Operator, if
32 applicable, or if a Remaining Party submits a written rejection and the

1 other Remaining Parties do not agree to accept one hundred percent
2 (100%) of the Withdrawing Party's and Other Withdrawing Parties'
3 Working Interest within ____ () days of the conclusion of the forty-
4 eight (48) hour period to submit a written rejection or acceptance, the
5 Remaining Parties will be deemed to have joined in the withdrawal, and
6 Article 17.2.1 (*Unanimous Withdrawal*) will apply.

7 **17.2.4 Effects of Withdrawal**

8 Except as otherwise provided in this Agreement, after giving a
9 withdrawal notice or a written notice to join in the withdrawal, the
10 Withdrawing Party and Other Withdrawing Parties are not entitled to
11 approve or participate in any activity or operation in the Contract Area,
12 other than those activities or operations for which they retain a financial
13 responsibility. The Withdrawing Party and Other Withdrawing Parties
14 shall take all necessary steps to accomplish their withdrawal by the
15 effective date referred to in Article 17.1 (*Right to Withdraw*) and shall
16 execute and deliver to the Remaining Parties all necessary instruments
17 to assign their Working Interest to the Remaining Parties. A
18 Withdrawing Party and Other Withdrawing Parties shall bear all
19 expenses associated with their withdrawal and the transfer of their
20 Working Interest.

21 **17.3 Limitation Upon and Conditions of Withdrawal**

22 **17.3.1 Prior Expenses**

23 The Withdrawing Party and Other Withdrawing Parties remain liable for
24 their remaining Underinvestments and their Participating Interest Share
25 of the Costs of activities, operations, rentals, royalties, taxes, damages,
26 Hydrocarbon imbalances, or other liability or expense accruing or
27 relating to (i) obligations existing as of the effective date of the
28 withdrawal, (ii) activities or operations conducted before the effective
29 date of the withdrawal, (iii) activities or operations approved by the
30 Withdrawing Party and Other Withdrawing Parties before the effective
31 date of the withdrawal, or (iv) activities or operations commenced by
32 the Operator under one of its discretionary powers under this
33 Agreement before the effective date of the withdrawal. Before the
34 effective date of the withdrawal, the Operator shall render a statement
35 to the Withdrawing Party and Other Withdrawing Parties for (1) their

1 respective shares of all identifiable Costs under this Article 17.3.1 and
2 (2) their respective Participating Interest Shares of the estimated
3 current Costs of plugging and abandoning all wells and removing all
4 Production Systems, Facilities, and other materiel and equipment
5 serving the Contract Area, less their respective Participating Interest
6 Shares of the estimated salvage value of the assets at the time of
7 abandonment, as approved by Vote. This statement of expenses,
8 Costs, and salvage value shall be prepared by the Operator under
9 Exhibit "C." Before withdrawing, the Withdrawing Party and Other
10 Withdrawing Parties shall either pay the Operator, for the benefit of the
11 Remaining Parties, the amounts allocated to them in the statement or
12 provide security satisfactory to the Remaining Parties for all obligations
13 and liabilities they have incurred and all obligations and liabilities
14 attributable to them before the effective date of the withdrawal. All
15 liens, charges, and other encumbrances, including but not limited to
16 overriding royalties, net profits interest, and production payments,
17 which the Withdrawing Party and Other Withdrawing Parties placed (or
18 caused to be placed) on their Working Interest shall be fully satisfied or
19 released prior to the effective date of its withdrawal (unless the
20 Remaining Parties are willing to accept the Working Interest subject to
21 those liens, charges, and other encumbrances).

22 **17.3.2 Confidentiality**

23 The Withdrawing Party and Other Withdrawing Parties will continue to
24 be bound by the confidentiality provisions of Article 7 (*Confidentiality of*
25 *Data*) after the effective date of the withdrawal but will have no further
26 access to technical information relating to activities or operations under
27 this Agreement. The Withdrawing Party and Other Withdrawing Parties
28 are not required to return to the Remaining Parties Confidential Data
29 acquired prior to the effective date of the withdrawal.

30 **17.3.3 Emergencies and Force Majeure**

31 No Party may withdraw during a Force Majeure or emergency that
32 poses a threat to life, safety, property, or the environment but may
33 withdraw from this Agreement after termination of the Force Majeure or
34 emergency. The Withdrawing Party and Other Withdrawing Parties
35 remain liable for their share of all Costs and liabilities arising from the

Force Majeure or emergency, including but not limited to the drilling of relief wells, containment and cleanup of oil spills and pollution, and all Costs of debris removal made necessary by the Force Majeure or emergency.

ARTICLE 18 – ABANDONMENT AND SALVAGE

18.1 Abandonment of Wells

Any Participating Party may propose the permanent plugging and abandonment of a well that has produced Hydrocarbons (other than as a result of Production Testing) by notifying the other Participating Parties. Any Participating Party that fails to respond within the applicable response period shall be deemed to have approved the permanent plugging and abandonment of the well. If the permanent plugging and abandonment proposal is unanimously agreed to by the Participating Parties in that well, the well shall be permanently plugged and abandoned under the applicable regulations at the Cost and risk of the Participating Parties. If the Participating Parties do not unanimously agree to permanently plug and abandon the well, the Operator shall prepare an estimate of the Costs of the permanent plugging and abandonment of the well less the estimated salvage value of the well, as determined under Exhibit "C," and the Participating Party desiring to permanently plug and abandon the well shall pay the Operator, for the benefit of the non-abandoning Participating Parties, its share of that estimate within thirty (30) days of its receipt of the estimate. If an abandoning Participating Party's respective share of the estimated salvage value is greater than its share of the estimated Costs of the permanent plugging and abandonment, the Operator, on behalf of the non-abandoning Participating Parties, shall pay to the abandoning Participating Party a sum equal to the deficiency within thirty (30) days of the abandoning Participating Party's receipt of the estimate. Each Participating Party desiring to abandon a well shall assign to each non-abandoning Participating Party in that well a portion of its Working Interest in that well and the equipment therein and the Hydrocarbon production therefrom equal to the non-abandoning Party's Participating Interests in that well divided by the entire Participating Interests of the non-abandoning Parties in that well. That assignment shall be effective as of the date of the abandoning Party's response to the well abandonment proposal. The abandoning Party shall assume and be liable for all obligations pertaining to that well, except liability for

1 payments under this Article 18.1, prior to the effective date of its assignment to
2 the non-abandoning Parties. The abandoning Party shall not assume and be
3 liable for any obligations pertaining to that well, except liability for payments under
4 this Article 18.1, as of the effective date of its assignment to the non-abandoning
5 Parties.

6 **18.2 Abandonment of Equipment**

7 Any Participating Party in a Production System or Facilities or an enhanced
8 recovery and/or pressure maintenance program described in Article 12.11
9 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*) (the
10 "Equipment") may propose the abandonment and disposition of that Equipment.
11 If that proposal is unanimously agreed to by the Participating Parties, the
12 Operator shall abandon and dispose of that Equipment at the Cost and risk of
13 the Participating Parties. If a Participating Party fails to respond within the
14 applicable response period, that Participating Party shall be deemed to have
15 approved the abandonment and disposal of the Equipment. If all Participating
16 Parties do not approve abandoning and disposing of the Equipment, the
17 Operator shall prepare an estimate of the Costs of abandonment, removal, site
18 clearance, and disposition of the Equipment, less the estimated salvage value of
19 the Equipment, as determined under Exhibit "C," and the Participating Party
20 desiring to abandon and dispose of the Equipment shall pay the Operator, for the
21 benefit of the non-abandoning Participating Parties, its share of that estimate
22 within thirty (30) days of its receipt of the estimate. If an abandoning
23 Participating Party's respective share of the estimated salvage value is greater
24 than its share of the estimated costs, the Operator, on behalf of the non-
25 abandoning Participating Parties, shall pay to the abandoning Participating Party
26 a sum equal to the surplus within thirty (30) days of the abandoning Participating
27 Party's receipt of the estimate. Each Participating Party desiring to abandon the
28 Equipment shall assign to each non-abandoning Participating Party in the
29 Equipment a portion of its Working Interest in the Equipment equal to the non-
30 abandoning Party's Participating Interests in the Equipment divided by the entire
31 Participating Interests of the non-abandoning Parties in the Equipment. That
32 assignment shall be effective as of the date of the abandoning Party's response
33 to the Equipment abandonment proposal. The abandoning Party shall assume
34 and be liable for all obligations pertaining to the Equipment, except liability for
35 payments under this Article 18.2, prior to the effective date of its assignment to
36 the non-abandoning Parties. The abandoning Party shall not assume and be

1 liable for any obligations pertaining to the Equipment, except liability for payments
2 under this Article 18.2, as of the effective date of its assignment to the non-
3 abandoning Parties.

4 **18.3 Disposal of Surplus Materiel**

5 The Operator may classify materiel acquired under this Agreement as surplus
6 when the Operator deems it is no longer needed in present or foreseeable
7 activities or operations. The Operator shall determine the value and Cost of
8 disposing of the materiel under Exhibit "C." If the materiel is classified as junk or
9 if the value, less the Cost of disposal, is less than or equal to
10 _____ dollars (\$_____), the Operator may
11 dispose of the surplus materiel in a manner it deems appropriate. If the value,
12 less the Cost of disposal of the surplus materiel, is greater than
13 _____ dollars (\$_____), the Operator shall give
14 written notice thereof to the Parties owning the materiel, and the surplus materiel
15 shall be disposed of in accordance with the method of disposal approved by the
16 Parties owning the materiel. Proceeds from the sale or transfer of surplus
17 materiel shall be promptly credited to each Party in proportion to its ownership of
18 the materiel at the time of the retirement or disposition of the materiel.

19 **18.4 Abandonment Operations Required by Governmental Authority**

20 The Operator shall conduct the abandonment and removal of any Equipment [as
21 defined in Article 18.2 (*Abandonment of Equipment*)] required by a governmental
22 authority, and the Costs, risks, and net proceeds of that abandonment and
23 removal will be shared by the Participating Parties in that Equipment [as defined
24 in Article 18.2 (*Abandonment of Equipment*)] according to their Participating
25 Interest Share.

26 **ARTICLE 19 – RENTALS, ROYALTIES, AND MINIMUM ROYALTIES**

27 **19.1 Burdens on Hydrocarbon Production**

28 If a Party has previously created or hereafter creates an overriding royalty,
29 production payment, carried or reversionary working interest, net profits interest,
30 mortgage, lien, security interest, or other type of burden on Hydrocarbon
31 production, including, but not limited to, agreements affecting the marketing,
32 processing, or transportation of Hydrocarbon Production, other than the lessor's

royalty stipulated in a Lease (a "Lease Burden"), the Party creating the Lease Burden shall assume and bear all liabilities and obligations of the Lease Burden regardless of that Party's participation status and notwithstanding an assignment under this Agreement of all or part of that Party's Working Interest to another party. The Party creating the Lease Burden shall indemnify, release, defend, and hold all other Parties harmless from all claims and demands for payment asserted by the owners of the Lease Burden.

19.1.1 Subsequently Created Lease Burdens

Notwithstanding any contrary provision of this Agreement, if a Party, after executing this Agreement, creates a Lease Burden, that Lease Burden shall be made specifically subject to this Agreement. If the Party owning the Working Interest from which a Lease Burden is created (a) fails to pay when due its share of Costs, (b) withdraws from this Agreement, or (c) Elects to abandon a well under Article 18.1 (*Abandonment of Wells*), then the beneficiary of the Lease Burden will be chargeable with Costs equal to its fractional interest in gross production and the security rights created in Exhibit "F" will be applicable against that Lease Burden. The Operator has the right to enforce the security rights (and all other rights granted under this Agreement) against the beneficiary of a Lease Burden for the purpose of collecting Costs chargeable to the Lease Burden. The rights of the beneficiary of a Lease Burden are subordinate to the rights of the Parties granted by Exhibit "F."

19.2 Payment of Rentals and Royalties

The Operator shall make all rental payments for the Leases on behalf of the Parties. The Operator shall use reasonable care to make proper and timely payment of the rental payments, all minimum royalties, and all other similar payments accruing under the Leases. Upon receipt of proper evidence of those payments and the Operator's invoice for its proportionate share of those payments, each Non-Operating Party shall reimburse the Operator for the Non-Operating Party's Working Interest share of those payments. In the event the Operator fails to make proper payment of a rental, minimum royalty, or other similar payment accruing under a Lease through mistake or oversight where that payment is required to continue that Lease in force and effect, the Operator will not be liable to the other Parties for any resulting damages or any loss that

1 results from the non-payment, unless that non-payment is due to the gross
2 negligence or willful misconduct of the Operator. The loss of a Lease or interest
3 therein that results from the Operator's failure to pay, or the Operator's
4 erroneous payment of, a rental, minimum royalty, or other similar payments is a
5 joint loss, and there will be no readjustment of Working Interests as a
6 consequence thereof. For production delivered in-kind by the Operator to a Non-
7 Operating Party or to a third party for the account of a Non-Operating Party, the
8 Non-Operating Party shall provide the Operator with information about the
9 proceeds or value of the production in order for the Operator to make payments
10 of all minimum royalties due.

11 **19.2.1 Non-Participation in Payments**

12 If a Party notifies the other Parties, in writing at least sixty (60) days
13 before the date the payment is due of its intention not to pay its share
14 of a rental, minimum royalty, or other similar payment, that Party shall
15 be deemed to have given a withdrawal notice under Article 17
16 (*Withdrawal From Agreement*), and must withdraw from the entire
17 Contract Area, not just the Lease on which the payment is due. Upon
18 this occurrence, the Operator shall make the payment solely for the
19 benefit of the Remaining Parties, as defined in Article 17 (*Withdrawal*
20 *From Agreement*), and the Remaining Parties shall reimburse the
21 Operator for their respective shares of the payment, based on the
22 procedures in Article 17.2 (*Response to Withdrawal Notice*).

23 **19.2.2 Royalty Payments**

24 Each Party shall pay or cause to be paid all royalty and other amounts
25 payable, which are based on its share of Hydrocarbon production.
26 Adjustments to those payments shall be made among the Parties in
27 accordance with Exhibit "D" (Gas Balancing Agreement). When the
28 Participating Parties are recouping their Costs from a Non-Consent
29 Operation and an applicable premium under Article 16.5 (*Percentage*
30 *Hydrocarbon Recoupment for Non-Consent Operations*), each of the
31 Participating Parties shall pay or cause to be paid the Lease royalty on
32 the portion of the Hydrocarbon Recoupment to which it is entitled.

ARTICLE 20 – TAXES

[Select one of two versions of Article 20.1. The first version is an election not to be taxed as a tax partnership. The second is an election to be taxed as a tax partnership.]

☐ *[Check here for the version whereby an election not to be taxed as a tax partnership is made.]*

20.1 Internal Revenue Provision

Notwithstanding any provision in this Agreement to the effect that the rights and liabilities of the Parties are several, not joint or collective, and that the Agreement and the activities and operations under this Agreement do not constitute a partnership under state law, each Party elects to be excluded from the application of all or any part of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, or similar provisions of applicable state laws regardless of whether for federal income tax purposes this Agreement and the activities and operations under this Agreement are regarded as a partnership.

☐ *[Check here for the version whereby an election to be taxed as a tax partnership is made.]*

20.1 Internal Revenue Provision

Notwithstanding any provision in this Agreement to the effect that the rights and liabilities of the Parties are several, not joint or collective, and that this Agreement and the activities and operations under this Agreement do not constitute a partnership under state law, each Party elects not to be excluded from the application of Subchapter K, Chapter 1, Subtitle A, Internal Revenue Code of 1986, as amended, and similar provisions of applicable state laws. The tax partnership shall be governed by Exhibit "J."

20.2 Other Taxes and Assessments

The Operator shall file all tax returns and reports required by law and pay all applicable taxes [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and assessments levied with respect to activities and operations conducted under this Agreement. The Parties shall promptly furnish the Operator with copies of all notices, assessments, and statements received pertaining to taxes to be paid by the Operator. The Operator will charge each Party its Working Interest share of all taxes and assessments paid [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and, upon written request from a Non-Operating Party, provide copies of all tax returns, reports, tax statements,

1 and receipts for the taxes. The Operator shall not allow any taxes to become
2 delinquent unless unanimously agreed to by the Parties.

3 **20.2.1 Property Taxes**

4 The Operator shall render for ad valorem property tax purposes all
5 personal property and/or real property covered by this Agreement as
6 may be subject to that taxation and shall pay those property taxes for
7 the benefit of each Party. The Operator shall timely and diligently
8 protest a valuation of the Leases for tax purposes it deems
9 unreasonable. Pending final determination of the valuation of the
10 Leases for tax purposes, unless unanimously agreed to by the Parties
11 to the contrary under Article 20.2 (*Other Taxes and Assessments*), the
12 Operator shall, on or before the due date, pay under protest taxes on
13 the Leases at the assessed value of the Leases. If upon final
14 determination, additional taxes are due or if interest or a penalty has
15 accrued as a result of the protest, the Operator shall pay the taxes,
16 interest, and penalty and shall charge each Party its Working Interest
17 share of the taxes, interest, and penalty under Exhibit "C."

18 **20.2.2 Production and Severance Taxes**

19 Each Party shall pay, or cause to be paid, all production, excise,
20 severance, and other similar taxes due on its share of Hydrocarbon
21 production. Each Party shall, upon a written request from the Operator,
22 provide evidence that those taxes have been paid.

23 **ARTICLE 21 – INSURANCE AND BONDS**

24 **21.1 Insurance**

25 The Operator shall provide and maintain the insurance coverage specified in
26 Exhibit "B" and charge those Costs to the Joint Account. No other insurance
27 shall be carried for the benefit of the Parties under this Agreement unless
28 otherwise agreed by the Parties.

29 **21.2 Bonds**

30 The Costs of those bonds or financial guarantees acquired exclusively for the
31 conduct of activities and operations under this Agreement shall be charged to
32 the Joint Account, including an amount equivalent to the reasonable cost of that

1 bond or financial guarantee if the Operator provides that bond or guarantee itself
2 and does not engage a third party to do so. The Operator shall require all
3 contractors to obtain and maintain all bonds required by an applicable law,
4 regulation, or rule.

5 **ARTICLE 22 – LIABILITY, CLAIMS, AND LAWSUITS**

6 **22.1 Individual Obligations**

7 The obligations, duties, and liabilities of the Parties under this Agreement are
8 several and not joint or collective, and, except as otherwise provided in Article 20
9 (*Taxes*), nothing in this Agreement shall be construed to create a partnership,
10 joint venture, association, or other form of business entity recognizable in law for
11 any purpose. In their relations with each other under this Agreement, the Parties
12 are not fiduciaries, but rather are free to act at arm's length in accordance with
13 their own respective interests.

14 **22.2 Notice of Claim or Lawsuit**

15 If, on account of a matter involving activities or operations under this Agreement,
16 or affecting the Leases or the Contract Area, a claim is made against a Party, or
17 if a party outside of this Agreement files a lawsuit against a Party, or if a Party
18 files a lawsuit, or if a Party receives notice of a material administrative or judicial
19 hearing or other proceeding, that Party shall give written notice of the claim,
20 lawsuit, hearing, or proceeding ("Claim") to the other Parties as soon as
21 reasonably practicable.

22 **22.3 Settlements**

23 The Operator may settle a Claim, or multiple Claims, arising out of the same
24 incident, involving activities or operations under this Agreement or affecting the
25 Leases or the Contract Area, if the aggregate expenditure does not exceed
26 _____ (\$_____) and if the payment is in
27 complete settlement of these Claims. If the amount required for settlement
28 exceeds this amount, the Parties shall determine the further handling of the
29 Claims under Article 22.4 (*Defense of Claims and Lawsuits*).

30 **22.4 Defense of Claims and Lawsuits**

31 The Operator shall supervise the handling, conduct, and prosecution of all
32 Claims involving activities or operations under this Agreement or affecting the

1 Leases or the Contract Area. Claims may be settled in excess of the amount
2 specified in Article 22.3 (*Settlements*) if the settlement is approved by Vote of the
3 Participating Parties in the activity or operation out of which the Claim arose, but
4 a Party may independently settle a Claim or the portion of a Claim which is
5 attributable to its Participating Interest Share alone as long as that settlement
6 does not directly and adversely affect the interest or rights of the other
7 Participating Parties. No charge shall be made for services performed by the
8 staff attorneys of a Party, but all other expenses incurred by the Operator in the
9 prosecution or defense of Claims for the Parties, together with the amount paid
10 to discharge a final judgment, are Costs and shall be paid by the Parties in
11 proportion to their Participating Interest Share in the activity or operation out of
12 which the Claim arose. The employment of outside counsel, but not the
13 selection of that counsel, requires approval by Vote of the Participating Parties in
14 the activity or operation out of which the Claim arose. If the use of outside
15 counsel is approved, the fees and expenses incurred as a result thereof shall be
16 charged to the Parties in proportion to their Participating Interest Share in the
17 activity or operation out of which that Claim arose. Each Party has the right to
18 hire its own outside counsel at its sole cost with respect to its own defense.

19 **22.5 Liability for Damages**

20 Unless specifically provided otherwise in this Agreement, liability for losses,
21 damages, Costs, expenses, or Claims involving activities or operations under this
22 Agreement or affecting the Leases or the Contract Area which are not covered
23 by or in excess of the insurance carried for the Joint Account shall be borne by
24 each Party in proportion to its Participating Interest Share in the activity or
25 operation out of which that liability arises, except that when liability results from
26 the gross negligence or willful misconduct of a Party, that Party shall be solely
27 responsible for liability resulting from its gross negligence or willful misconduct.
28 **UNDER NO CIRCUMSTANCES WILL A PARTY BE LIABLE TO ANOTHER**
29 **PARTY FOR PUNITIVE DAMAGES, CONSEQUENTIAL, INDIRECT,**
30 **UNFORSEEN, LOSS OF PROFIT, OR OTHER INDIRECT OR PENALTY**
31 **DAMAGES EITHER IN LAW OR EQUITY.**

32 **22.6 Indemnification for Non-Consent Operations**

33 **TO THE EXTENT ALLOWED BY LAW, THE PARTICIPATING PARTIES WILL**
34 **HOLD THE NON-PARTICIPATING PARTIES (AND THEIR AFFILIATES,**
35 **AGENTS, INSURERS, DIRECTORS, OFFICERS, AND EMPLOYEES)**

HARMLESS AND RELEASE, DEFEND, AND INDEMNIFY THEM AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, REGULATORY DECREES, AND LIENS FOR ENVIRONMENTAL POLLUTION AND PROPERTY DAMAGE OR PERSONAL INJURY, INCLUDING SICKNESS AND DEATH, CAUSED BY OR OTHERWISE ARISING OUT OF NON-CONSENT OPERATIONS, AND ANY LOSS AND COST SUFFERED BY A NON-PARTICIPATING PARTY AS AN INCIDENT THEREOF, EXCEPT WHERE THAT LOSS OR COST RESULTS FROM THE SOLE, CONCURRENT, OR JOINT NEGLIGENCE, FAULT, OR STRICT LIABILITY OF THAT NON-PARTICIPATING PARTY, IN WHICH CASE EACH PARTY SHALL PAY OR CONTRIBUTE TO THE SETTLEMENT OR SATISFACTION OF JUDGMENT IN THE PROPORTION THAT ITS NEGLIGENCE, FAULT, OR STRICT LIABILITY CAUSED OR CONTRIBUTED TO THE INCIDENT. IF AN INDEMNITY IN THIS AGREEMENT IS DETERMINED TO VIOLATE LAW OR PUBLIC POLICY, THAT INDEMNITY SHALL THEN BE ENFORCEABLE ONLY TO THE MAXIMUM EXTENT ALLOWED BY LAW.

22.7 Damage to Reservoir and Loss of Reserves

NOTWITHSTANDING ANY CONTRARY PROVISION OF THIS AGREEMENT, NO PARTY IS LIABLE TO ANY OTHER PARTY FOR DAMAGE TO A RESERVOIR OR LOSS OF HYDROCARBONS, EXCEPT IF THAT DAMAGE OR LOSS ARISES FROM A PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NOR DOES A PARTY INDEMNIFY ANY OTHER PARTY FOR THAT DAMAGE OR LOSS.

22.8 Non-Essential Personnel

UNLESS OTHERWISE MUTUALLY AGREED BY THE PARTIES IN WRITING, IN THE EVENT A PARTY REQUESTS TRANSPORTATION OR ACCESS TO ANY DRILLING RIG, PRODUCTION SYSTEM, VESSEL, OR OTHER FACILITY USED FOR ACTIVITIES OR OPERATIONS UNDER THIS AGREEMENT FOR ANY PERSON WHO IS NOT EMPLOYED BY, CONTRACTED BY, OR REPRESENTING SUCH PARTY IN CONNECTION WITH AN ACTIVITY OR OPERATION CONDUCTED PURSUANT TO THIS AGREEMENT, OTHER THAN GOVERNMENTAL OFFICIALS OR REPRESENTATIVES OF GOVERNMENTAL OR REGULATORY AGENCIES ("NON-ESSENTIAL PERSONNEL"), THE PARTY REQUESTING SUCH TRANSPORTATION OR ACCESS AGREES TO PROTECT, INDEMNIFY, RELEASE, DEFEND, AND

1 HOLD HARMLESS THE OTHER PARTIES AND THEIR RESPECTIVE
2 OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS,
3 CONTRACTORS, SUBCONTRACTORS, INVITEES, INSURERS, AND
4 REPRESENTATIVES FROM AND AGAINST ALL CLAIMS, DEMANDS,
5 CAUSES OF ACTION, JUDGMENTS, LIABILITIES, CONTRACTUAL
6 LIABILITIES, AND OTHER COSTS (INCLUDING, WITHOUT LIMITATION,
7 COURT COSTS, INTEREST, PENALTIES, LITIGATION EXPENSES, AND
8 REASONABLE ATTORNEYS' FEES) FOR DAMAGE TO, DESTRUCTION OR
9 LOSS OF PROPERTY, AND FOR PERSONAL INJURY OR DEATH OF
10 PERSONS, AND FOR DAMAGE OR HARM TO THE ENVIRONMENT
11 (INCLUDING WITHOUT LIMITATION, SPILL RESPONSE, ENVIRONMENTAL
12 POLLUTION AND CONTAMINATION AND CLEAN-UP COSTS) ARISING OUT
13 OF OR RELATED IN ANY WAY TO THE NEGLIGENCE, FAULT, OR
14 LIABILITY WITHOUT FAULT OF THE NON-ESSENTIAL PERSONNEL
15 BROUGHT BY OR ON BEHALF OF ANY PARTY WHOMSOEVER
16 (INCLUDING, WITHOUT LIMITATION, ALL THIRD PARTIES AND
17 GOVERNMENTAL AGENCIES), WITHOUT REGARD TO THE CAUSES
18 THEREOF, INCLUDING PRE-EXISTING CONDITIONS, THE
19 UNSEAWORTHINESS OF ANY VESSEL, THE STRICT LIABILITY,
20 NEGLIGENCE, OR OTHER FAULT OF ANY PARTY, REGARDLESS OF
21 WHETHER THE NEGLIGENCE BE SOLE, JOINT, OR CONCURRENT,
22 ACTIVE OR PASSIVE, EXCEPT IF CAUSED BY THE GROSS NEGLIGENCE
23 OR WILLFUL MISCONDUCT OF THE PARTY SO INDEMNIFIED AND
24 PROTECTED.

25 ☐ [Optional provision; check if Article 22.9 (Dispute Resolution Procedure) is to be applicable.]

26 **22.9 Dispute Resolution Procedure**

27 Any claim, controversy, or dispute arising out of, relating to, or in connection with
28 this Agreement or an activity or operation conducted under this Agreement shall
29 be resolved under the Dispute Resolution Procedure in Exhibit "H" to this
30 Agreement.

ARTICLE 23 – CONTRIBUTIONS

23.1 Contributions from Third Parties

A “Contribution” means a bottom hole cash contribution, dry hole cash contribution, or acreage contribution from third parties as consideration for data from wells or well operations on the Contract Area. This Article 23 does not apply to the following:

- (a) Trades of Confidential Data for other similar geophysical, geological, geochemical, drilling, or engineering data from third parties. Those trades of Confidential Data are subject to Article 7.2.1 (*Trades of Confidential Data*);
- (b) Contributions received as consideration for entering into a contract for the sale of Hydrocarbon production, as proceeds of loans, or as proceeds of other financial arrangements;
- (c) A farmout of all or a portion of a Party’s Working Interest, which is subject to Article 24 (*Transfer of Interest and Preferential Right to Purchase*).

23.2 Methods of Obtaining Contributions

The Operator shall negotiate all Contributions on behalf of the Participating Parties in the well or well operation. A Contribution may be obtained in the following ways:

- (a) Any Participating Party in a well or well operation may propose that the Participating Parties in that well or well operation seek a Contribution from a third party towards that well or well operation.
- (b) If a Participating Party in a well or well operation receives a Contribution offer for that well or well operation from a third party, that Party shall notify all other Participating Parties in that well or well operation of the terms of that offer within five (5) days of its receipt of that offer.

23.3 Counteroffers

If a third party makes a Contribution counteroffer to the Participating Parties’ Contribution offer, or if a Participating Party proposes to make a Contribution counteroffer to a third party Contribution offer, the Operator shall submit the Contribution counteroffer to the other Participating Parties.

1 **23.4 Approval of Contributions**

2 A Contribution proposal, a Contribution counteroffer to a third party Contribution
3 offer, an acceptance of a Contribution offer from a third party, or a Contribution
4 counteroffer from a third party requires the unanimous agreement of the
5 Participating Parties in the well or well operation affected by the Contribution.
6 Within _____ (____) days of their receipt of a notice of a Contribution
7 proposal, Contribution offer, or Contribution counteroffer, those Participating
8 Parties shall respond to the Operator.

9 **23.5 Cash Contributions**

10 If a bottom hole or dry hole cash Contribution is offered and accepted, that cash
11 Contribution shall be paid to the Operator, and the Operator shall credit the
12 amount of the cash Contribution against the Costs of that well or well operation
13 to each Participating Party in proportion to its Participating Interest Share.

14 **23.6 Acreage Contributions**

15 Any acreage Contribution, which is offered and accepted under this Article 23
16 (*Contributions*), shall be conveyed to the Participating Parties in the well or well
17 operation in proportion to their Participating Interest Share therein. The leases
18 or portions of leases included in the acreage Contribution shall not be added to
19 Exhibit "A" or included in the Contract Area.

20 **23.6.1 Two or More Parties Own One Hundred Percent of the Acreage**
21 **Contribution**

22 If two or more Parties participate in the acreage Contribution and the
23 conveyances to effectuate it, and if, after the conveyances are
24 approved by the MMS, those Parties own one hundred percent (100%)
25 of the ownership interest in the contributed acreage, then (a) the
26 contributed acreage shall be deemed to be governed by an operating
27 agreement incorporating identical provisions as the provisions in this
28 Agreement, except to the extent they are clearly inappropriate, (b) the
29 execution of the operating agreement by the Parties participating in the
30 acreage Contribution shall be considered a mere formality only, (c) the
31 designated operator shall promptly prepare the operating agreement,
32 and (d) the Parties participating in the acreage Contribution shall
33 promptly execute the operating agreement once it is prepared.

1 **23.6.2 Two or More Parties Own Less Than One Hundred Percent of the**
2 **Acreage Contribution**

3 If two or more Parties participate in the acreage Contribution and the
4 conveyances to effectuate it, and if, after the conveyances are
5 approved by the MMS, those Parties own less than one hundred
6 percent (100%) of the ownership interest in the contributed acreage,
7 then those Parties shall use reasonable efforts to negotiate and
8 execute with the other Working Interest owners in the contributed
9 acreage an operating agreement covering the contributed acreage,
10 which is as close in form to this Agreement as possible.

11 **ARTICLE 24 – TRANSFER OF INTEREST AND**
12 **PREFERENTIAL RIGHT TO PURCHASE**

13 **24.1 Transfer of Interest**

14 Except as provided in 24.1.1 (*Exceptions to Transfer Notice*), a Transfer of
15 Interest shall be preceded by written notice to the Operator and the other Parties
16 ("the transfer notice"). Any Transfer of Interest shall be made to a party
17 financially capable of assuming the corresponding obligations under this
18 Agreement. No Transfer of Interest shall release a Party from its obligations and
19 liabilities under this Agreement, which are incurred prior to the effective date of
20 that Transfer of Interest, or from debts or obligations incurred prior to the
21 effective date of that Transfer of Interest, except to the extent expressly
22 assumed by the transferee, and the security rights under Article 6.3 (*Security*
23 *Rights*) shall continue to burden the Working Interest transferred and to secure
24 the payment of any retained obligations and liabilities. Once a Transfer of
25 Interest becomes effective under Article 24.1.2 (*Effective Date of Transfer of*
26 *Interest*), the transferor shall not be responsible for any obligations, debts, or
27 liabilities under this Agreement, which are incurred by the Parties on or after the
28 effective date of that Transfer of Interest.

29 **24.1.1 Exceptions to Transfer Notice**

30 Notwithstanding any contrary provision of this Agreement, the transfer
31 notice is not required when a Party proposes to mortgage, pledge,
32 hypothecate, or grant a security interest in all or a portion of its Working
33 Interest (including Assignments of Hydrocarbon production executed as

1 further security for the debt secured by that security device); any
2 Production Systems, Facilities, or equipment; or when any interest is
3 conveyed in accordance with Articles 16 (*Non-Consent Operations*), 17
4 (*Withdrawal From Agreement*), and 18 (*Abandonment and Salvage*).
5 However, an encumbrance arising from the financing transaction shall
6 be expressly made subject and subordinated to this Agreement.

7 **24.1.2 Effective Date of Transfer of Interest**

8 The effective date of a Transfer of Interest shall be at least sixty (60)
9 days, but not more than one hundred eighty (180) days, after the date
10 of the receipt of the transfer notice. A Transfer of Interest, other than
11 those provided in Article 17.1 (*Right to Withdrawal*) and Article 24.1.1
12 (*Exceptions to Transfer Notice*), is effective and shall be binding upon
13 the Parties at the latest date of occurrence of all of the following: (i) the
14 transferor or transferee provides all remaining Parties with a photocopy
15 of a fully executed Transfer of Interest and an executed MMS Form
16 1123, "Designation of Operator," and an "Application for Certification of
17 Oil Spill Responsibility" form and (ii) evidence of receipt of all necessary
18 approvals by the MMS. The Parties shall promptly undertake all
19 reasonable actions necessary to secure those approvals and shall
20 execute and deliver all documents necessary to effectuate that
21 Transfer of Interest. All costs attributable to a Transfer of Interest are
22 the sole obligation of the assigning Party.

23 **24.1.3 Minimum Transfer of Interest**

24 Except as otherwise provided in this Agreement, a Transfer of Interest
25 shall cover an undivided Working Interest in the entire Contract Area.
26 Prior to the approval of the Execution AFE for the initial Development
27 System, no Transfer of Interest shall be made that is not at least an
28 undivided _____ percent (___%) Working Interest, unless the Parties
29 unanimously agree to a different minimum Transfer of Interest. After
30 the Execution AFE Election on the initial Development System, a
31 Transfer of Interest to a third party shall be limited to a minimum
32 Working Interest of _____ percent (___%), unless the Parties
33 unanimously agree to a different minimum Transfer of Interest.

1 **24.1.4 Form of Transfer of Interest**

2 Any Transfer of Interest shall incorporate provisions that the Transfer of
3 Interest is subordinate to and made expressly subject to this
4 Agreement and provide for the assumption by the assignee of the
5 performance of all of the assigning Party's obligations under this
6 Agreement. Any Transfer of Interest not in compliance with this
7 provision is voidable by the non-assigning Parties.

8 **24.1.5 Warranty**

9 Any Transfer of Interest, vesting, or relinquishment of Working Interest
10 between the Parties under this Agreement shall be made without
11 warranty of title.

12 ☐ *[Optional provision; check if Article 24.2 (Preferential Right to Purchase) is to be applicable.]*

13 **24.2 Preferential Right to Purchase**

14 Any Transfer of Interest shall be subject to the following provisions:

15 **24.2.1 Notice of Proposed Transfer of Interest**

16 The transfer notice shall provide full information about the proposed
17 Transfer of Interest, including, but not limited to, the name and address
18 of the prospective assignee (who must be ready, willing, and able to
19 acquire the interest and deliver the stated consideration therefor), the
20 full consideration for the Transfer of Interest, and all other terms of the
21 offer.

22 ☐ *[Optional provision; check if the following to be applicable.]*

23 In the case of a package sale of oil and gas interests that includes all or
24 part of the assigning Party's Working Interest, or if the proposed
25 Transfer of Interest is structured as a like-kind exchange, the Working
26 Interest that is subject to the Transfer of Interest shall be separately
27 valued and the transfer notice shall state the monetary value attributed
28 to the Working Interest by that prospective assignee. Article 24.2
29 *(Preferential Right to Purchase)* shall apply only to the Working Interest
30 that is subject to the Transfer of Interest.

1 **24.2.2 Exercise of Preferential Right to Purchase**

2 Within _____ (____) days from receipt of the transfer notice,
3 each non-assigning Party may exercise its preferential right to
4 purchase its Participating Interest Share of the Working Interest offered
5 (on the same terms and conditions, or on equivalent terms for a non-
6 cash transaction as stated in the notice) without reservations or
7 conditions by written notice of that fact to all of the Parties. If a non-
8 assigning Party does not exercise its preferential right to purchase its
9 Participating Interest Share of the Working Interest offered and the
10 non-assigning Parties, who wish to exercise their preferential right to
11 purchase, do not agree to pay the full consideration for the Transfer of
12 Interest and accept all of the other terms of the third party offer within
13 _____ (____) days of the _____ (____) day period in which the
14 non-assigning Parties may exercise their preferential right to purchase,
15 the assigning Party shall be free to complete the proposed conveyance
16 on the terms disclosed in the notice. If the other non-assigning Parties
17 agree to pay the full consideration for the Transfer of Interest and
18 accept all of the other terms of the third party offer, the assigning Party
19 shall transfer the Working Interest to the non-assigning Parties who
20 exercised their preferential right to purchase under this Article 24
21 (*Transfer of Interest and Preferential Right to Purchase*). The Transfer
22 of Interest shall be concluded within a reasonable time, but no later
23 _____ (____) days after the applicable period in which the
24 non-assigning Parties may exercise their preferential right to purchase.

25 **24.2.3 Transfer of Interest Not Affected by the Preferential Right to**
26 **Purchase**

27 Article 24.2 (*Preferential Right to Purchase*) shall not apply when a
28 Party proposes to:

- 29 (a) mortgage, pledge, hypothecate, or grant a security interest in all
30 or a portion of its Working Interest (including assignments of
31 Hydrocarbon production executed as further security for the debt
32 secured by that security device), or
- 33 (b) grant an overriding royalty, a net profits interest, or a production
34 payment, or

1 (c) dispose of its Working Interest by:

2 [Items (i), (ii), and (iii) are optional; check if they are to be applicable.]

3 ☐ (i) a package sale of oil and gas interests that includes all or
4 part of the assigning Party's Working Interest;

5 ☐ (ii) a simultaneous like-kind exchange under Section 1031 of
6 the Internal Revenue Code of 1986, as amended
7 ("Code");

8 ☐ (iii) a property exchange transaction other than a non-
9 simultaneous like-kind exchange under Section 1031 of
10 the Code;

11 (iv) merger, reorganization, or consolidation;

12 (v) a Transfer of Interest of substantially all of a Party's
13 exploration and production properties in the Gulf of Mexico;

14 (vi) a Transfer of Interest to an Affiliate, provided that there is
15 included in the Transfer of Interest a provision that if for
16 any reason the assignee ceases to be an Affiliate of the
17 Transferring Party within _____ () years after Transfer
18 of Interest, those rights shall be immediately reassigned to
19 the original Party before the assignee ceases to be an
20 Affiliate, and that all rights of the assignee in the Contract
21 Area shall terminate if the re-assignment does not take
22 place; or

23 (vii) a Transfer of Interest pursuant to Articles 16 (*Non-Consent*
24 *Operations*), 17 (*Withdrawal From Agreement*), and/or 18
25 (*abandonment and Salvage*).

26 **24.2.4 Completion of Transfer of Interest**

27 If the proposed Transfer of Interest is not executed and filed of record
28 with the MMS within _____ () days after receipt of the transfer
29 notice by the non-assigning Parties, or if the terms of the proposed
30 Transfer of Interest conveyance are materially altered, the proposed
31 Transfer of Interest shall be deemed withdrawn, and the Working

1 Interest included in the proposed Transfer of Interest shall again be
2 governed by this Article 24.2 (*Preferential Right to Purchase*).

3 **ARTICLE 25 – FORCE MAJEURE**

4 **25.1 Force Majeure**

5 If a Party is unable, wholly or in part because of a Force Majeure, to carry out its
6 obligations under this Agreement, other than the obligation to make money
7 payments, that Party shall give the other Parties prompt written notice of the
8 Force Majeure with full particulars about it. Effective upon the date notice is
9 given, the obligations of the Party, so far as they are affected by the Force
10 Majeure, shall be suspended during, but no longer than, the continuance of the
11 Force Majeure. Time is of the essence in the performance of this Agreement,
12 and every reasonable effort will be made by the Party to avoid delay or
13 suspension of any work or acts to be performed under this Agreement. The
14 requirement that the Force Majeure be remedied with all reasonable dispatch
15 shall not require a Party to settle strikes or other labor difficulties.

16 **ARTICLE 26 – ADMINISTRATIVE PROVISIONS**

17 **26.1 Term**

18 This Agreement shall remain in effect so long as a Lease remains in effect and
19 thereafter until (a) all wells have been abandoned and plugged or turned over to
20 the Parties owning an interest in the Lease on which the wells are located; (b) all
21 Production Systems, Facilities, and equipment have been disposed by the
22 Operator in accordance Article 18 (*Abandonment and Salvage*); (c) all Claims as
23 defined in Article 22 (*Liability, Claims, and Lawsuits*) have been settled or
24 otherwise disposed of; and (d) there has been a final accounting and settlement.
25 In accordance with Article 4.5 (*Selection of Successor Operator*), this Agreement
26 will also terminate if no Party is willing to become Operator, effective after all
27 conditions in clauses (a) through (d) above have been completed. Termination
28 of this Agreement shall not relieve a Party of a liability or obligation accrued or
29 incurred before termination and is without prejudice to all continuing
30 confidentiality obligations or other obligations in this Agreement.

1 **26.2 Waiver**

2 A term, provision, covenant, representation, warranty, or condition of this
3 Agreement may be waived only by written instrument executed by the Party
4 waiving compliance. The failure or delay of a Party in the enforcement or
5 exercise of the rights granted under this Agreement shall not constitute a waiver
6 of said rights nor shall it be considered as a basis for estoppel. Time is of the
7 essence in the performance of this Agreement, and all time limits shall be strictly
8 construed and enforced.

9 **26.3 Waiver of Right to Partition**

10 Each Party waives the right to bring an action for partition of its interest in the
11 Contract Area, Production System, Facilities, and equipment held under this
12 Agreement, and covenants that during the existence of this Agreement it shall
13 not resort at any time to an action at law or in equity to partition any or all of the
14 Leases and lands or personal property subject to this Agreement.

15 **26.4 Compliance With Laws and Regulations**

16 This Agreement, and all activities or operations conducted by the Parties under
17 this Agreement, are expressly subject to, and shall comply with, all laws, orders,
18 rules, and regulations of all federal, state, and local governmental authorities
19 having jurisdiction over the Contract Area. No Party shall suffer a forfeiture or be
20 liable in damages for failure to comply with any of the provisions of this
21 Agreement if such compliance is prevented by or if such failure results from
22 compliance with any applicable law, order, rule, or regulation.

23 **26.4.1 Applicable Law**

24 **THIS AGREEMENT AND THE RELATIONSHIP OF THE PARTIES**
25 **UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND**
26 **INTERPRETED UNDER FEDERAL LAWS AND LAWS OF THE**
27 **STATE OF _____, WITHOUT REGARD TO PRINCIPLES OF**
28 **CONFLICTS OF LAWS THAT WOULD OTHERWISE REFER THE**
29 **MATTER TO THE LAWS OF ANOTHER JURISDICTION.**

30 **26.4.2 Severance of Invalid Provisions**

31 If, for any reason and for so long as, a clause or provision of this
32 Agreement is held by a court of competent jurisdiction to be illegal,
33 invalid, unenforceable, or unconscionable under a present or future law
34 (or interpretation thereof), the remainder of this Agreement will not be

1 affected by that illegality or invalidity. An illegal or invalid provision will
2 be deemed severed from this Agreement, as if this Agreement had
3 been executed without the illegal or invalid provision. The surviving
4 provisions of this Agreement will remain in full force and effect unless
5 the removal of the illegal or invalid provision destroys the legitimate
6 purposes of this Agreement, in which event this Agreement shall be null
7 and void.

8 **26.4.3 Fair and Equal Employment**

9 Each of the Parties is an Equal Opportunity Employer, and the equal
10 opportunity provisions of 30 CFR 270 and 41 CFR 60-1 are
11 incorporated in this Agreement by reference. The affirmative action
12 clauses concerning disabled veterans and veterans of the Vietnam era
13 (41 CFR 60-250) and the affirmative action clauses concerning
14 employment of the handicapped (41 CFR 60-741) are also
15 incorporated in this Agreement by reference. In performing work under
16 this Agreement, the Parties shall comply with (and the Operator shall
17 require each independent contractor to comply with) the governmental
18 requirements in Exhibit "E" that pertain to non-segregated facilities.

19 **26.5 Construction and Interpretation of this Agreement**

20 **26.5.1 Headings for Convenience**

21 Except for the definition headings in Article 2 (*Definitions*), all the table
22 of contents, captions, numbering sequences, and paragraph headings
23 in this Agreement are inserted for convenience only and do not define,
24 expand, or limit the scope, meaning, or intent of this Agreement.

25 **26.5.2 Article References**

26 Except as otherwise provided in this Agreement, each reference to an
27 article of this Agreement includes all of the referenced article and its
28 sub-articles.

29 **26.5.3 Gender and Number**

30 The use of pronouns in whatever gender or number is a proper
31 reference to the Parties to this Agreement though the Parties may be
32 individuals, business entities, or groups thereof. Reference in this

1 Agreement to the singular of a noun or pronoun includes the plural and
2 vice versa.

3 **26.5.4 Joint Preparation**

4 This Agreement shall be deemed for all purposes to have been
5 prepared through the joint efforts of the Parties and shall not be
6 construed for or against one Party or the other as a result of the
7 preparation, submittal, drafting, execution, or other event of negotiation
8 hereof.

9 **26.5.5 Integrated Agreement**

10 This Agreement contains the final and entire agreement of the Parties
11 for the matters covered by this Agreement and, as such, supersedes all
12 prior written or oral communications and agreements, less and except
13 the following: _____. If
14 there is a conflict between this Agreement and the listed exceptions,
15 _____ will prevail. This Agreement may not be modified
16 or changed except by written amendment signed by the Parties.

17 **26.5.6 Binding Effect**

18 To the extent it is assignable, this Agreement shall bind and inure to
19 the benefit of the Parties and their respective successors and assigns,
20 and shall constitute a covenant running with the land comprising the
21 Contract Area. This Agreement does not benefit or create any rights in
22 a person or entity that is not a Party to this Agreement.

23 **26.5.7 Further Assurances**

24 Each Party will take all actions necessary and will sign all documents
25 necessary to implement this Agreement. Except as otherwise provided
26 in this Agreement, within (30) days after their receipt of a valid written
27 request for those documents from a Party, all other Parties shall
28 prepare and execute the documents.

29 **26.5.8 Counterpart Execution**

30 This Agreement may be executed by signing the original or a
31 counterpart. If this Agreement is executed in counterparts, all
32 counterparts taken together shall have the same effect as if all Parties
33 had signed the same agreement. No Party shall be bound to this

1 Agreement until all Parties have executed a counterpart or the original
2 of this Agreement. This Agreement may also be ratified by a separate
3 instrument that refers to this Agreement and adopts by reference all
4 provisions of this Agreement. A ratification shall have the same effect
5 as an execution of this Agreement.

6 **26.5.9 Currency**

7 Any amounts due or payable under this Agreement shall be paid in
8 United States currency.

9 **26.5.10 Future References**

10 A reference to a Party includes such Party's successors and assigns
11 and, in the case of governmental bodies, persons succeeding to their
12 respective functions and capacities.

13 **26.6 Restricted Bidding**

14 If more than one Party is ever on the list of restricted joint bidders for OCS lease
15 sales, as issued by the MMS under 30 CFR 256.44, as amended, the Parties
16 shall comply with all statutes and regulations regarding restricted joint bidders on
17 the OCS.
18

1 **IN WITNESS WHEREOF**, each Party, through its duly authorized agent or
2 representative, has executed this Agreement as of the Effective Date.

3
4 **WITNESSES:**

Company Name

5 _____ By: _____

6 _____ Title: _____

7
8 **WITNESSES:**

Company Name

9 _____ By: _____

10 _____ Title: _____

11
12 **WITNESSES:**

Company Name

13 _____ By: _____

14 _____ Title: _____