

OA Number: _____

OPERATING AGREEMENT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

KNOW ALL MEN BY THESE PRESENTS:

This operating agreement, effective as of the date shown in Paragraph 11, is executed on the date or dates listed below, by and between the STATE MINERAL BOARD OF THE STATE OF LOUISIANA, acting for and on behalf of the State of Louisiana pursuant to the authority granted to it by Sections 208 and 209 of Title 30 of the Revised Statutes of Louisiana, represented herein by _____, its duly authorized Secretary, and whose mailing address is Post Office Box 2827, Baton Rouge, Louisiana 70821-2827 (hereinafter simply referred to as "State" or "Non-Operator"), and _____, represented herein by _____, its duly authorized _____, and whose mailing address is _____ (hereinafter simply referred to as "_____" or "OPERATOR");

WITNESSETH: That,

WHEREAS, State is the owner of the entirety of the mineral rights in, on, and under the tract of land or waterbottoms located in _____ Parish, Louisiana, more fully described in Exhibit "A" attached hereto as a part hereof (which tract is hereinafter simply referred to as "Operating Tract");

WHEREAS, the Operating Tract was covered and affected by a certain Oil, Gas and Mineral Lease, being State Lease No. _____, executed by the State of Louisiana on _____, in favor of parties named therein and referred to as Lessees, and recorded in Conveyance Book _____, Entry No. _____, of the records of _____ Parish, Louisiana (hereinafter "Leases");

WHEREAS, _____ (hereinafter "_____") succeeded to an undivided right, title and interest in and to the said Lease(s) and the well thereon; and

WHEREAS, The Lease expired by its own terms and was released by Lessee; and

WHEREAS, _____ (completed and) intends to (drill) produce in the _____ No. ____ (SN _____) well, being the existing unit well for the _____ Unit established by Conservation Order No. _____ effective _____, all as more precisely shown on the Unit Plat attached hereto and made a part hereof as Exhibit "A" and described in Exhibit "B".

WHEREAS, _____ drilling the _____ No. ____ well after creating the _____ unit and discovered that the operating tract was unleased state acreage after production was begun in the unit on _____, 200__; and,

WHEREAS, in consideration for this agreement, _____ agrees to pay the State Production Interest from the date of first production, _____, 200__, and that this date shall serve as the beginning date for the payout period; and,

WHEREAS, the parties have agreed, pursuant to the statutory authority of La. R.S. 30:209, to the mineral development of the Operating Tract to be accomplished through this operating agreement.

NOW, THEREFORE, in consideration of the premises, the covenants and agreements herein contained and the benefits to accrue hereunder, all of which are recognized to be adequate for the purposes hereof, it is understood and agreed, as follows:

1.

There is hereby created and established an operating agreement (hereinafter referred to as the "Operating Agreement" or "Agreement"), for the development of the Operating Tract for the production of oil, gas, condensate and other liquid or gaseous hydrocarbons (hereinafter referred to as "Hydrocarbons"). Accordingly, the State hereby grants to Operator the exclusive right to conduct operations on the Operating Tract, including but not limited to (a) the right to construct, maintain and use pipelines thereon for or relating to operations hereunder, (b) the right to remove from the said Operating Tract any property placed thereon by or for the Operator in conjunction with operations and (c) to draw and remove casing from any well underlying said Operating Tract. The operations and related work will be conducted in a careful, diligent and workmanlike manner and Operator shall have the exclusive charge, control, supervision and management of all such operations entitled under this agreement, including the drilling or re-completion, production, gathering, treating, processing, handling, storing, transporting, marketing and sale of Hydrocarbons produced from or attributable to the Operating Tract due to the operations.

2.

I. This agreement is given for and in consideration of the following:

a. Payment to the State of a State Production Interest ("SPI") equal to _____ percent (_____%) before payout, increasing to _____ percent (_____%) after the payout, of the fair market value of hydrocarbons produced (oil produced includes sales, stored or traded in kind), (gas produced includes sales, vented which does not fall under the Department of Conservation statute Statewide Order #45-1-A-Louisiana Administrative Code 43:XIX.3507, stored and utilized gas), saved, sold, utilized, and/or marketed from the Operating Tract, allowing for deduction of a reasonable sum for transportation from the field boundary to the point of delivery by means of facilities belonging to a non-affiliated party, not in excess of actual cost. If such transportation is by means of facilities owned by one other than a non-affiliated party, Lessee may deduct the actual cost of such transportation,

but only if such cost is no greater than the fair market value of the services performed; if actual cost is greater than fair market value, the fair market value shall determine the amount to be deducted and, in the case of gas, Lessee may deduct costs incurred for compression of gas at a point in or adjacent to the field for insertion into a purchaser's line or into a line owned by Lessee or a carrier for transportation to a point a delivery outside the field. Without limiting the foregoing sentence and without regard to classification as production costs, or otherwise, the following costs are not to be deducted from the value of production: (1) costs incurred for gathering or transporting production in the field; (2) costs incurred for handling, treating, separating, or in any way processing production to make it marketable by methods considered ordinary at the time such oil is run or the gas is sold; (3) the cost of storage on the lease or in the field; and (4) marketing fees incurred for oil and/or gas sales.

- b. **PAYOUT** - The term "payout" shall mean a cumulative total of _____ gross BOE, cumulative production from any well or wells which produce hydrocarbons from any sand underlying the Operating Tract as described in Exhibit "A" utilizing any method of production in the field at the time of production and shall be comprised of the total number of barrels of oil (including condensate) produced plus the volume of gas (including casinghead gas) produced converted to barrels of oil equivalent (BOE) utilizing a conversion factor of 5.8 MCF of gas per barrel of oil equivalents at 15.025 psia. This Payout volume represents the State's estimate of the production activity necessary for the Operator to recoup the cost of development which is based upon the operator provided estimates of investment costs and operating costs, combined with values for royalty and/or bonus payments based on historical offset leasing activity. The State will forgo its greater share in revenues from production until such time as this production volume is produced.
- c. **RISK** - The State assumes a portion of the risk cost of development, and production activity by receiving a reduced share of revenues from production of oil, gas and other minerals ("before payout" or "BPO") in return for a greater share of revenues from production ("after payout" or "APO"). The State calculates results of a successful project yielding an overall effective rate of return to the State which is equal to the combination of the BPO and APO SPI. Terms of this agreement are based on the State's best estimate and the recognition that the State may ultimately receive either a lesser or greater effective return depending on the final project outcome.
- d. Should the Operator secure the extraction of gasoline, distillate or other liquid hydrocarbons and petroleum products from gas produced from the subject well by passing said gas through

- plants operated by Operator or others at or near the field, then, and in such event, State shall be paid its SPI share of the value thereof. The State shall be paid its SPI share of the value of any residue gas remaining after the said processing, without deduction of any other cost.
- e. State shall also receive its proportionate part of the value of the proceeds from the sale of any residue gas remaining after the said processing.
 - f. In all cases, the State Production Interest shall be calculated and paid after deduction of all State of Louisiana severance or production taxes.
 - g. The term "value" as used herein shall be defined as the best obtainable market price, including any economic benefit received by Operator which may be monetarily valued on production saved, sold, and/or utilized which shall be calculated under the prevailing circumstances at the time of the Operator's prudently entering, in good faith, into an arm's length transaction but in no event shall the "value" be less than the full proceeds received by the Operator from the sale of Hydrocarbons derived from or attributable to the Operating Tract.
 - h. Notwithstanding anything herein contained to the contrary, the State's right to take its SPI "In Kind", at its option, is hereby reserved and may be exercised at any time and from time to time, while this Agreement is in effect by written notice from the State to the Operator stating same. However, should the State not exercise its option to take "in kind" at any time, Operator shall calculate and pay the State its SPI in accordance with the provisions of this agreement as herein set forth. Nothing contained herein shall be interpreted as limiting the right of the State to take its SPI "in kind" at a later time or times.
- II. The first payment of the State Production Interest shall be made within one hundred twenty (120) days following commencement of production from, or allocation of production to the Operating Tract. Thereafter, the State Production Interest on oil, including condensate or other liquid mineral, produced and saved at the well by ordinary production methods shall be paid by the 25th of each month for production of the previous month; and the State Production Interest on gas, including liquids or other products extracted or processed from gas other than by ordinary production methods, or other liquid or gaseous mineral not specifically mentioned shall be paid on or before the 25th day of the second month following that in which produced or extracted or processed. Checks shall be sent to the Office of Mineral Resources timely as herein set forth. In the event any payment is not correctly or timely made, the remedies provided by L.S.A.:R.S. 31:137 through 142 relative to notice, damages, interest, attorney fees, and dissolution for mineral leases shall be applicable to this operating agreement, except that interest shall be payable thereon until paid without any requirement for prior written notice by State to Operator.

Should production have occurred on or allocable to the Operating Tract prior to the effective date of this Operating Agreement for which the State has not received payment due and owing, Operator hereby agrees to pay Non-operator its State Production Interest, whether or not Operator has received any payment from said prior production, from date of first production, payment to be made within one hundred and twenty (120) days of the effective date of this Operating Agreement.

III. In the event a compulsory unit is established in which the Operating Tract, either in whole or in part, participates, the SPI shall be calculated on the decimal participation of the Operating Tract within the said unit. Notwithstanding anything herein contained to the contrary, the State's right to take its SPI "In Kind", at its option, is hereby reserved and may be exercised at any time and from time to time, while this Agreement is in effect by written notice from the State to the Operator stating same. However, should the State not exercise its option to take "in kind" at any time, Operator shall calculate and pay the State its SPI in accordance with the provisions of this agreement as herein set forth. Nothing contained herein shall be interpreted as limiting the right of the State to take its SPI "in kind" at a later time or times. The Operator shall file a monthly production and SR report with the Office of Mineral Resources with supporting documentation if requested.

Operator agrees to acknowledge and verify in any appropriate manner to any bankruptcy court or to any other authority, and hereby also acknowledges and verifies, that neither the State's "in-kind" portion, nor any amounts paid to the State as its Non-Operating Production Charge, are part of the debtor's estate, and that the estate has no claim or interest therein. Operator further acknowledges that all legal and equitable title to any "in-kind" portion or Non-Operating Production Charge is vested in the State and that Operator relinquishes all dominion, control and title to same. Operator and State agree that so long as this agreement remains in effect that this operating agreement is an executory contract and unexpired operating agreement within the meaning of Section 365 of the United States Bankruptcy Code.

Operator agrees that this operating agreement is subject to the provisions of La. R.S. 30:127(G), and that access to the public to public waterways through the state owned acreage covered by this Operating Tract shall be maintained and preserved for the public by the Operator.

The Operator further agrees that in addition to all other audit rights otherwise set forth in this agreement or required by law, the State Mineral Board shall have the same audit rights which the United States of America would have under 30 U.S.C. 1713(a) and under State of Louisiana Act 449 of 2005, Regular Session, and that both provisions may be applied retroactively.

3.

All costs and expenses incurred in connection with operations on or associated with the Operating Tract shall be advanced and borne solely by Operator, and State shall be held free and

harmless from liability or responsibility for any and all costs and expenses so incurred under the terms of this Operating Agreement. All wells, pipelines, tank batteries, and other facilities and equipment placed in or on the Operating Tract, or on lands pooled therewith, prior to and after the date hereof, and used in connection with operations hereunder, shall be owned and controlled by Operator and the State shall have no interest (ownership, controlling or otherwise) therein whatsoever.

Prior to the effective date as set forth in Paragraph 11 hereof, Operator shall furnish or cause to be furnished to Non-Operator a certificate of insurance, with Non-Operator as a named insured, evidencing public liability insurance issued by an insurance company qualified to do business in the State of Louisiana and acceptable to the State, which insurance coverage shall afford protection against third persons sustaining injury or damage as a result of negligent operation or construction, maintenance and/or use of any facilities or structures of any kind in connection with operations, and shall have no less than the following limits of liability, to-wit:

- (1.) For each accident causing bodily injury, One Million Dollars (\$1,000,000.00) for each accident and
- (2.) One Million Dollars (\$1,000,000.00) for property damage sustained in any accident.

The policy shall remain in full force and effect so long as any well or other facility or structure constructed, maintained and/or used in connection with operations is located and operated on the Operating Tract, or lands pooled therewith, and shall provide that the State shall be given at least thirty (30) days written notice prior to its cancellation. In the event notice of cancellation is given and another certificate of insurance evidencing the issuance of a policy meeting all terms and conditions hereof is not furnished prior to the end of the thirty (30) day period, this Operating Agreement shall automatically be forfeited and Operator shall immediately discontinue operations hereunder. Provided, however, that the reinstatement of the insurance coverage provided herein and the furnishing of a certificate of such insurance coverage to the State shall entitle Operator to immediate reinstatement of this Operating Agreement, provided however, that no more than ninety (90) days have elapsed without acceptable operations as defined in paragraph 5 on or attributable to the Operating Tract.

Operator agrees that it will indemnify and hold State free and harmless of and from any and all claims of whatsoever kind or nature, including, but not limited to damages to persons or property, that may arise out of, or by reason of, the performance of all services and obligations under this Operating Agreement by Operator, or any of Operator' employees, agents, contractors, subcontractors, or other representatives, and that may be due to the negligence, commission or omission of any act by Operator, or any of its employees performing work hereunder, and of and from any and all costs and

expenses relating to the defense of any such claims, including reasonable attorney' fees incident thereto.

4.

Operator shall keep accurate records of all accounts hereunder showing the value of the Hydrocarbons produced, saved, marketed and sold, or used in operations on the Operating Tract, or lands pooled therewith, which records shall be available at all reasonable times for examination and inspection by the State. The State and any of its duly authorized representatives shall have access at all times to the Operating Tract, or lands pooled therewith, and to the Subject Well and to all records and reports relating thereto.

To the extent that such information is received or acquired by Operator from or in connection with operations hereunder subsequent to the date hereof, Operator agrees, upon written request by the State, to furnish timely to the State the following information, to-wit:

- (a) Copy of any application for any amended reworking permits;
- (b) A daily recompletion report giving depth, with corresponding lithological information, unusual drilling difficulties or delays, if any, and any other pertinent information relative thereto;
- (c) Samples of cuttings and cores to be shipped to the address designated in the request, with information marked thereon as to the depth from which the same was taken;
- (d) A full and complete copy of the workover log within three (3) days after completion, re-completion or abandonment thereof;
- (e) A composite electrical log of any Well after each completion or re-completion, and, if same are made, any radioactivity log, temperature survey, deviation or directional survey, caliper log and any other pertinent data;
- (f) Complete reports of analysis of all cores, when and if any analysis is made;
- (g) Report of subsurface pressure observed in all producing and shut in wells;
- (h) A copy of tank tables for each stock tank;
- (i) A copy of each oil run ticket;
- (j) Daily gauge reports showing opening and closing gauges of oil stocks to be furnished not more often than once a week;
- (k) Monthly report on the production and the volume and value of sales from each producing well being operated on the area described above;
- (l) Report analysis of all oil distillate and gas produced when an analysis of same is made;
- (m) Copies of any and all reports made to any regulatory body or bodies; and

- (n) Copy of any report which is made to any regulatory body showing the gauge taken on each well producing during the preceding month, which gauge shall show oil or distillate production, water production, choke size, tubing pressure, casing pressure, gas-oil ratio, gravity of oil or distillate and date of such tests; however, if no such report is made, then a special report showing same shall be furnished.

Operator hereunder agrees and obligates itself, without the express written consent of the Non-Operator, not to acquire any seismic data covering all or a portion of the Operating Tract under any licensing or other type of agreement which will prohibit the State from obtaining said seismic data under the terms of this Agreement. Non-Operator may, at its sole discretion, withhold such consent, even though withholding same may be regarded by Operator or others as arbitrary and capricious. In the event Operator acquires seismic data which it is not contractually prohibited from providing to the State, Operator agrees, upon receipt of written request by State and upon entering into a confidentiality agreement with the State, to timely furnish to the State the following information related to the Operating Tract, to-wit:

- (1.) One hard copy (1/2 scale) of all 2-D seismic time sections, to be selected by the State, and one (1) copy of a digital cassette (8mm SEG Y format) of the final processed time or depth migrated 3-D seismic data set recorded full fold within the boundaries of the Operating Tract and all additional seismic information, which will include, but may not be limited to, all geographical, positioning and base map data; or
- (2.) At the option of the State, access to the aforementioned seismic data, at Operator' office for the purpose of State' review of and/or possible selection of same data; or
- (3.) If the aforementioned data is not available for review at Operator' or State' office, at the option of the State, the State shall have access to Operator's seismic data files through Operator's third-party contractor. Operator further agrees, upon written request from the State, to timely furnish to the State all other pertinent information relating to any well or wells drilled on lands pooled with the Operating Tract, which information shall not include any interpretive data generated by Operator.

Compliance with this Paragraph 4 is a material consideration of the State in entering into this Operating Agreement, and a breach of the Operator's obligations hereunder shall be grounds for dissolution of this Operating Agreement.

5.

Subject expressly to the other provisions hereof (including particularly, but not limited to, Paragraph 11. hereof), this Operating Agreement, upon becoming operative and effective, shall continue in full force and effect for a period of one (1) year (hereinafter simply referred to as the

“Primary Term”), and for so long thereafter as there is any actual downhole drilling or downhole reworking activity relating to operations or production in paying quantities (herein after referred to as “Acceptable Operations”) without a lapse of more than ninety (90) days between cessation of Acceptable Operations, and the commencement of new Acceptable Operations. Operator shall within a reasonable period of time notify the State in writing of any discontinuance of such Acceptable Operations.

6.

It is understood and agreed that (a) this Operating Agreement shall not create the relationship of a partnership between the parties hereto and that no act done by any party pursuant to the provisions hereof shall operate to create such relationship nor shall the provisions of this Operating Agreement be construed as creating such relationship; (b) All undertakings of Operator under this Operating Agreement shall be those of an independent contractor; and (c) this Operating Agreement shall be so construed under all circumstances and conditions.

7.

It is expressly provided herein that neither this Agreement, nor anything herein contained, nor any of the data, maps, or exhibits considered in connection herewith, whether attached hereto or not, nor any course of conduct followed by any party hereto pursuant to this Agreement, shall ever be considered to be or permitted to serve as a basis of estoppel against any party hereto in question of title where title to the Operating Tract is in dispute, anything herein contained to the contrary notwithstanding.

8.

If at any time this Operating Agreement is being validly maintained under any of its provisions and Operator is in the process of either: A) commencing operating agreement operations which are herein defined as spudding a well [turning-to-the-right], downhole drilling, or downhole reworking operations, or B) diligently, timely and in good faith performing requisite tasks to commence operating agreement operations including, but not necessarily limited to, towing the required type of rig to a drill site, obtaining permitting from all necessary parties, or satisfying conditions and obligations under any validly enacted law, statute or regulation of an agency of the Federal Government, the State of Louisiana or any of its political subdivisions having proper jurisdiction, or C) producing in commercial quantities, and Operator is prevented from continuing A, B, or C by the occurrence of a Force Majeure event, as herein below defined, and Operator cannot maintain this Operating Agreement beyond the anniversary date under any other operative provisions of this Operating Agreement — such as payment of shut-in/in-lieu royalty — then, and only then, shall the anniversary date be postponed on a day-for-day basis for so long as the effects of the Force Majeure prevail, providing that Operator: i) has

given the Office of Mineral Resources reasonable, timely written notice of the Force Majeure event occurrence [notice given beyond three months shall be deemed unreasonable barring consequential extenuating circumstances] which shall contain the date and type of the occurrence of the Force Majeure event, its effects in preventing continuation of A, B, or C above, the steps being taken to mitigate and eliminate those effects and an estimated time for resuming of A, B, or C above, and ii) is diligently, reasonably and in good faith attempting to mitigate and eliminate the effects of the fortuitous event and resume A, B, or C above, and iii) has exhausted Operating Agreement provisions other than Force Majeure which may serve to maintain the Operating Agreement in full force and effect. The interpretation and operation of any term of this Force Majeure clause is at the sole, reasonable discretion of the Mineral Board and/or its duly authorized staff. The operation of Force Majeure alone shall not maintain this Operating Agreement in full force and effect for more than one year from date of the fortuitous event unless extended by, and at the sole discretion of, the State Mineral Board.

Force Majeure, as herein utilized shall be defined as a fortuitous event such as: 1) a major storm, major flood, or other, similar natural disaster, or 2) a major accident such as a blowout, fire, or explosion beyond Operator's control and not ultimately found to be the fault of Operator [that is, due to Operator's negligent or intentional commission or omission, or failure to take reasonable and timely, foreseeable preventative measures which would have mitigated or negated the effects of the fortuitous event], or 3) the lack of availability of any required equipment — such as the specific type of rig necessary to accomplish the task or specific types of casing or drill stem pipe — after Operator has diligently, timely and in good faith attempted to secure same, or 4) the unreasonable delay by the Federal Government or any of its agencies, or the State of Louisiana or any of its agencies or political subdivisions (including, but not limited to, various departments, boards, commissions, parish governments and municipalities, each having proper authority and jurisdiction) in granting necessary permits, or 5) a valid order of any Federal or State court of competent jurisdiction, or 6) the act of a third party not under the control or at the instigation of Operator in shutting down and unreasonably refusing to reopen any facility through which hydrocarbons from the Operating Agreement are necessarily passed as part of production [and providing there is no other reasonably economical method of carrying on production].

9.

Notices, reports, statements, and any and all written documents herein required to be given or furnished by any of the parties hereto shall be in writing and mailed or delivered to the following addresses of the parties hereto, to-wit:

If to the State:

Department of Natural Resources

Attn.: State Mineral Board
Post Office Box 2827
Baton Rouge, Louisiana 70821-2827

If to the Operator:

10.

This Operating Agreement shall extend to and be binding upon the successors, assigns, and successive assigns of the parties hereto; however, it is understood and agreed that no future assignments of the rights granted hereunder shall be effective unless and until such assignment or assignments are first approved by the State Mineral Board and same shall be subject to any conditions imposed by the State Mineral Board in giving its approval.

11.

This Operating Agreement is made effective as of date of approval by the State Mineral Board.

12.

Operator agrees that it shall execute and record, within ninety (90) days after the expiration or termination of this Operating Agreement covering all or any portion of the Operating Tract an appropriate and legally sufficient release evidencing such expiration or termination, and shall also supply State with a copy or copies thereof properly certified by the recorder of each Parish in which the Operating Tract is located. In the event the Operator fails to comply therewith, it shall be liable for reasonable attorney's' fees and court costs incurred in bringing suit for such cancellation and for all damages resulting therefrom. It is agreed, however, that liquidated damages to be paid by Operator to State shall be One Hundred Dollars (\$100.00) per day for each day of non-compliance after expiration of said ninety (90) day period, regardless of whether suit is filed for cancellation, and for such additional compensatory damages as State may prove.

13.

Any well(s) located on this Operating Tract which are no longer necessary for operations on or production from or allocated to the Operating Tract, over which Operator maintains the appropriate rights, shall be properly plugged and abandoned at the sole cost, risk and expense of Operator in compliance with any and all laws, rules and regulations of any kind promulgated by the Federal Government or the State of Louisiana (in particularly the Office of Conservation). Non-use of said well(s) for a period in excess of ninety (90) days shall be deemed prima facie evidence that said well is no longer necessary for operations on or production from or allocated to the Operating Tract and same shall be so plugged and abandoned in accordance herewith. Properly plugging and abandoning shall necessarily include, but is not limited to, the removal of any and all surface facilities and constructions

of any kind erected by Operator, or for which Operator has assumed the obligation and/or liability for removal thereof, or which were erected or constructed with the knowledge and permission of operator (whether express or tacit) and located on the Operating Tract. Upon written request by the State, Operator shall furnish a bond, or other security as may be acceptable to Non-Operator with Non-Operator as payee, in the full amount necessary to cover Operator's obligations for plugging and abandoning wells as herein above set forth. Further, Operator shall be obligated at its sole cost, risk and expense to restore the Operating Tract to as near substantively equal condition as it was when Operator began operations under this Operating Agreement. Anything set forth herein to the contrary notwithstanding regarding termination of this Operating Agreement, should termination of this OA otherwise occur under its terms, the obligation of Operator to properly plug and abandon any well(s) and to restore the condition of the Operating Tract shall remain in full force and effect until said obligations are fulfilled by, or on behalf of, Operator, even though all other rights, duties and obligations of Operator have terminated under the terms of this Operating Agreement. Should Operator not fulfill its obligations to plug and abandon well(s) and restore the Operating Tract within one hundred eighty (180) days of termination of this agreement, the bond, or other acceptable security in-lieu thereof, shall be forfeited to the State, Operator agreeing herewith, without the necessity of further notice, putting in default or actions of any kind on the part of Non-Operator.

14.

Operator agrees that in exercising the rights granted herein, it will comply with and be subject to all applicable environmental and other laws and regulations validly adopted or issued by the State of Louisiana, or its agencies, or by the United States, or its agencies. Operator further agrees that it will comply with all minimum water quality standards validly adopted by said governmental authorities with respect to oil pollution and noxious chemicals and waste being introduced into affected water areas. Further, in conducting all activities under this Operating Agreement requiring dredging, filling, or local navigation in order to explore, develop or exploit shallow-water areas, Operator shall comply with the applicable requirements of the appropriate Louisiana state agency(ies) charged with the environmental management of said area. Finally, it is understood and agreed that on depletion of production or completion of any activities under this Operating Agreement, the Operator shall remove all structures which would impede commercial fishing and trawling, including, without limitation, all submerged materials, equipment or debris placed on the Operating Tract by or for the account of Operator; and affected waterbottoms shall, to the extent reasonably possible of accomplishment, be returned or restored to a condition as nearly equivalent to that which existed before said activities were conducted and/or structures were constructed. Operator further agrees that in exercising the rights granted it hereunder and in discharging the obligations undertaken in the Operating Agreement, involving

issuance of advance certification, permits, or approvals, it will allow sufficient lead time in the planning of its activities to permit the affected regulatory agencies to make appropriate review of the proposed activities.

15.

This Operating Agreement is granted and accepted without any warranty of title and without any recourse against State whatsoever, either express or implied. It is expressly agreed that State shall not be required to return any payments received hereunder or be otherwise responsible to Operator therefor.

THUS DONE AND SIGNED on the date or dates herein below written, in the presence of the undersigned competent witnesses.

STATE OF LOUISIANA

By: _____
Name: _____
Title: _____
Date: _____

COMPANY NAME

By: _____
Name: _____
Title: _____
Date: _____

ACKNOWLEDGMENTS

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE

WITNESS ACKNOWLEDGMENT

BEFORE ME, the undersigned authority, personally came and appeared _____, who by me being first duly sworn, deposed and said, that he/she is one of the witnesses to the execution of the foregoing instrument and that he/she saw _____ sign said instrument as _____ of the State Mineral Board, in the presence of appearer and _____, the other subscribing witness.

SWORN TO AND SUBSCRIBED before me on this the _____ day of _____, 2009.

=====

STATE OF _____

PARISH/COUNTY OF _____

PARTY ACKNOWLEDGMENT

BEFORE ME, the undersigned, on this _____ day of _____, 2009 personally came and appeared _____, who, in the presence of me declared and acknowledged that he/she is the identical person who executed and attested the foregoing instrument in writing; that his/her signature thereto is a true and genuine signature; and that he/she executed and attested said instrument in his/her capacity as _____ of _____ of his/her own free will and accord as the free act and deed for and on behalf of _____, its predecessors-in-interest, successors-in-interest and affiliated companies, and for the purposes and considerations therein set forth and expressed.

My Commission expires:

Notary Public in _____ Parish/County,

State of _____

=====

STATE OF _____

PARISH/COUNTY OF _____

WITNESS ACKNOWLEDGMENT

BEFORE ME, the undersigned authority, personally came and appeared _____, who by me being first duly sworn, deposed and said, that he/she is one of the witnesses to the execution of the foregoing instrument and that he/she saw _____ sign said instrument as _____ of the State Mineral Board, in the presence of appearer and _____, the other subscribing witness.

SWORN TO AND SUBSCRIBED before me on this the _____ day of _____, 2009.

Notary Public in _____ Parish/County

State of _____

=====

STATE OF _____

PARISH/COUNTY OF _____

PARTY ACKNOWLEDGMENT

BEFORE ME, the undersigned, on this _____ day of _____, 2009, personally came and appeared _____, who, in the presence of me declared and acknowledged that he/she is the identical person who executed and attested the foregoing instrument in writing; that his/her signature thereto is a true and genuine signature; and that he/she executed and attested said instrument in his/her capacity as _____ of _____ of his/her own free will and accord as the free act and deed for and on behalf of _____, its predecessors-in-interest, successors-in-interest and affiliated companies, and for the purposes and considerations therein set forth and expressed.

My Commission expires:

Notary Public in _____ Parish/County,

State of _____

Revised 6/03/2009