

EXHIBIT "A-2"

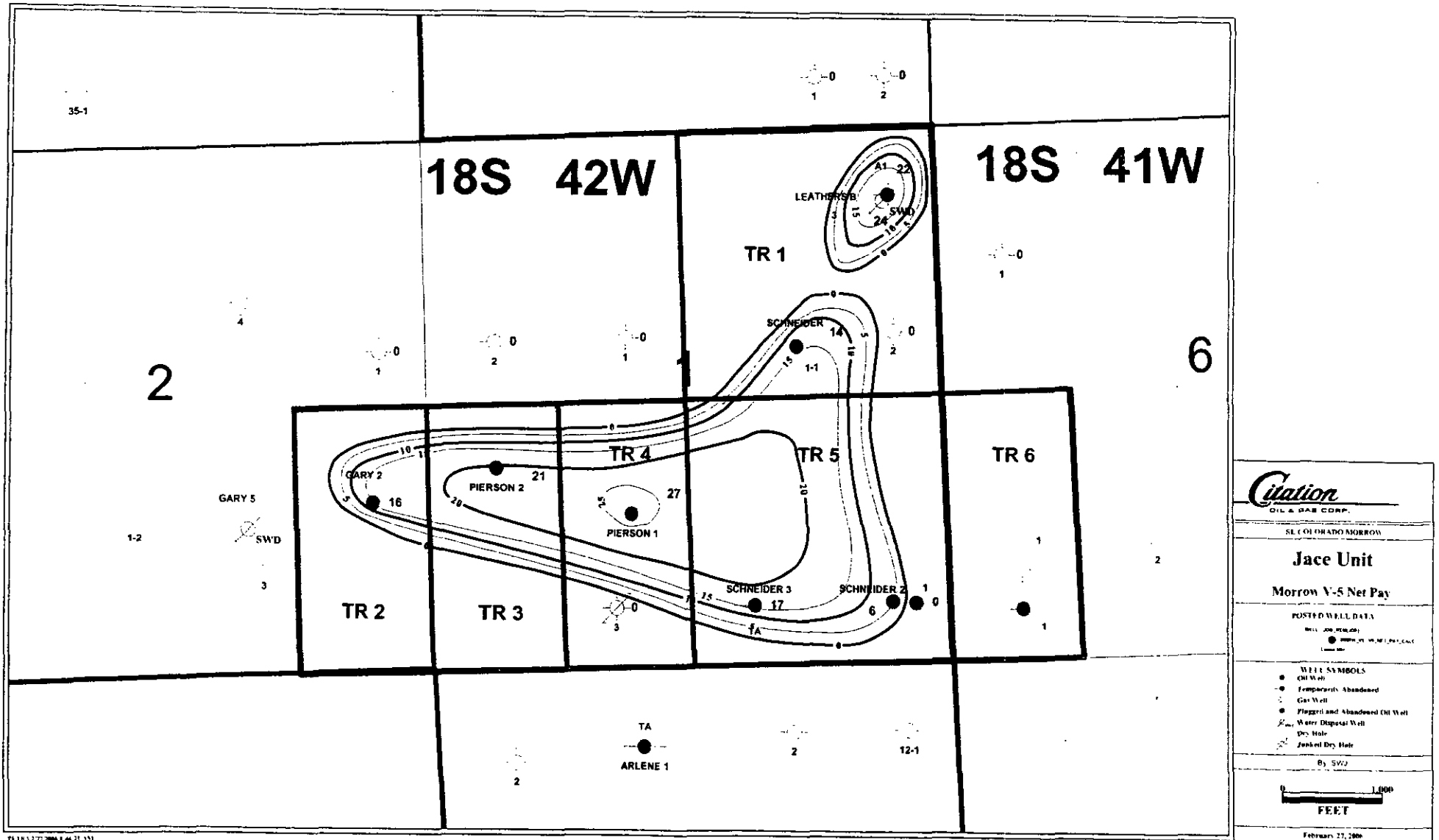
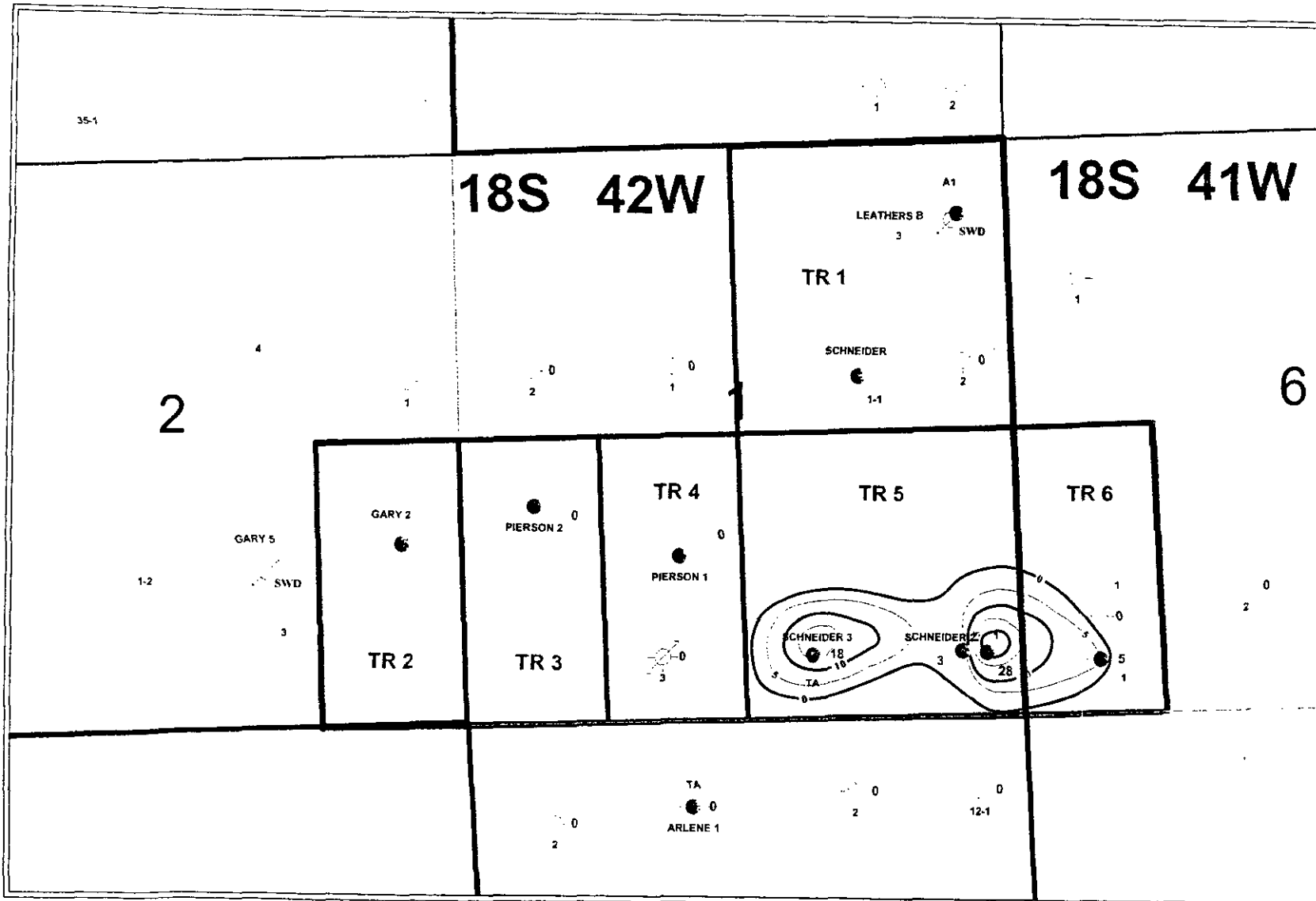


EXHIBIT "A-3"



Citation
OIL & GAS CORP.

NE COR OREGON MORRIS

Jace Unit
Morrow V-7 Net Pay

POSTED WELL DATA

Well and Location

- Well Symbols
- Oil Well
- Temporarily Abandoned Gas Well
- Plugged and Abandoned Oil Well
- Water Disposal Well
- Dry Hole
- Junked Dry Hole

by S.O.D.

0 1,000
FEET

February 27, 2000

EXHIBIT "B-1"

List of all working interest, mineral interest and surface interest owners located within one-quarter (1/4) mile from the proposed injection well, Leathers B-3 Well:

Working Interest Owners:

Christopher P. Gough
1645 Ct. PL. #235
Denver, CO 80202

Allen & Allen Resources, Ltd.
PO Box 1046
Perryton, TX 79070

A. Scott Ritchie III Living Trust (2/4/04)
c/o Richie Exploration, Inc
PO Box 783188
Wichita, KS 67278

A. Scott Ritchie III Revocable Living Trust
(8/8/80)
c/o Richie Exploration, Inc
PO Box 783188
Wichita, KS 67278

David F. Jamis
PO Box 783188
Wichita, KS 67278

Edward B. Lange
1803 E. 16th Place
Tulsa, OK 74104

Eveningside Co., LLC
c/o Donna Depew
6322 East English
Wichita, KS 67218

FDEC, Inc
Mr. David C. Nesbitt, Vice President
PO BOX 782170
Attn: Richard Strunk
Wichita, KS 67278

Fee Oil & Gas, Ltd
PO Box 702765
Tulsa, OK 74170

John C. Niernberger
c/o Richie Exploration, Inc
PO Box 783188
Wichita, KS 67278

Madiera Oil Co
PO Box 385
Bryn Mawr, PA 19010

Robert A. Geist
PO Box 385
Wichita, KS 67278

Ronny G Altman Trustee of Ronny G
Altman, Revocable Inter Vivos Trust
Bank IV Center, Ste. 1401
15 W. 6th St
Tulsa, OK 74119

Shaffer IV, Inc.
3220 Paddock Road
Weston, FL 33331

Star Partnership
c/o Richie Exploration, Inc
PO Box 783188
Wichita, KS 67278

Two Guys, LLC
c/o Richie Exploration, Inc
PO Box 783188
Wichita, KS 67278

W. Perry Gresh & Tucker C Gresh
tennants with rights of survivorship
PO Box 385
Bryn Mawr, PA 19010

Mineral Interest Owners:

Colorado State Land Board
1313 Sherman St. #621
Denver, CO 80203

Bradley K. & Deeanna Schnieder
PO Box 661
Tribune, KS 67879

(Mineral Interest Owners Continued):

Bristol Resources Corporation (Royalty Pool)
6655 South Lewis, Suite 200
Wichita, Kansas 67278

Floyd E. & Wynona M. Barnes
6449 CR 78
Towner, CO 81071

Robert G. & Marilyn R. Hopkins
3858 1st St.
Towner, CO 81071
Joyce Lee Appel
211 Willow Valley
Lamar, CO 81052

Pandora Trust
PO Box 730
Stockdale, TX 78160

Ritchie Exploration, Inc.
P.O. Box 783188
Wichita, Kansas 67278

Sharon A. Allen
3707 East 47th Street
Tulsa, Oklahoma 74135-1917

Surface Interest Owners:

Bradley K. & Deeanna Schnieder
PO Box 661
Tribune, KS 67879

George W. Miller Revocable Trust
1001 Maple St
Pratt, KS 67124

Earlene J. Miller Family Trust
1001 Maple St
Pratt, KS 67124

Robert G. & Marilyn R. Hopkins
13858 1st St
Towner, CO 81071

EXHIBIT "B-2"

List of all working interest, mineral interest and surface interest owners located within one-quarter (1/4) mile from the proposed injection well, Schneider 34-1 #3 Well:

Working Interest Owners:

Citation Oil & Gas Corp
8223 Willow Pl. South
Houston, TX 77070

Frank E. Whitham
d/b/a Whitco Petroleum
PO BOX J
Leoti, KS 67861

J. Fred Hambright, Inc.
125 N. Market #1415
Wichita, KS 67202

JAD Resources, LLC
PO Box 1157
Morrison, CO 80465

Paladin Energy Partners, LLC
410 17th St. Ste. 1200
Denver, CO 80202

Samuel Gary Jr. & Associates, Inc.
1775 Sherman St. Ste. 1925
Denver, CO 80203

Savant Resources LLC
730 Seventeenth St, Suite 410
Denver, CO 80265-3510

Mineral Interest Owners:

Bradley K. & Deeanna Schnieder
PO Box 661
Tribune, KS 67879

Dirk A. Schneider
PO Box 332
Tribune, KS 67879

Duane N. Schneider
PO Box 665
Tribune, KS 67879

Jean M. Miller
30 Scott Road
Harvard, Massachusetts 01451

Lee Martin
1460 South Fenton Street
Lakewood, Colorado 80232

Lola Barnard
16990 CR Rd. 78
Towner, CO 81071

Lyll G. Murdock, Jr.
400 SW 15th #301
Amarillo, TX 79101

Mabel K. Rogers
4707 Bell St. Apt. 322
Amarillo, TX 79109

Maloy D. Breitenbach
2209 Cleveland
Great Bend, KS 67530

Murdock Family Living Trust
El Valle Del Sol
2500 E. Hwy. 83 #216
Mission, TX 78572

Scott M. Schneider
Rt. 1 Box 1
Tribune, KS 67879

Stanley J. Murdock
1509 Ashworth Rd
West Des Moines, IA 50265

Steve B. Schneider
PO Box 344
Tribune, KS 67879

Surface Interest Owners:

Bradley K. & Deeanna Schnieder
PO Box 661
Tribune, KS 67879

Maloy D. Breitenbach
2209 Cleveland
Great Bend, KS 67530

Lola Barnard
16990 CR Rd. 78
Towner, CO 81071

EXHIBIT "C"

Description of Operations

Secondary recovery operations will commence with one (1) gas injection well and five (5) producing wells utilizing six existing wellbores. Nitrogen gas will be injected in order to augment the current gravity drainage recovery process. Low volumes of produced water will continue to be injected into two current SWD wells, one of which is injecting into one of the unitized formations and will be re-permitted as an enhanced recovery injection well with-in the unit area and will become a unit well. The other SWD disposes into the Arbuckle at a location outside the unit area. It is possible an alternative or additional gas injector will be added dependent on response. Nitrogen will not be separated from produced fluid initially for re-injection, but separation will be considered at a future date dependent on the produced nitrogen volumes realized. There is only a slight possibility that in the future a water supply source will be desired in order to increase the water volumes being injected into the unitized formations.

Gas Injection:

Nitrogen gas injection will be injected into the unitized formations in the injector identified as follows:

WELL NAME	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	ZONE
SCHNEIDER 34-1 #3	SW SE	600' FSL; 1983' FEL	1	18S	42W	MRW V5 & V7

Nitrogen will not be separated from produced fluid initially for re-injection, but separation will be considered at a future date dependent on the produced nitrogen volumes realized.

Water Injection:

A portion of the produced water from the unitized Morrow formations will be injected into one of the unitized Morrow formations in the current SWD identified as follows:

WELL NAME	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	ZONE
Leathers B #3	NE NE	660' FNL; 660' FEL	1	18S	42W	MRW V5

The well will be re-permitted as an enhanced recovery injection well with-in the unit area and will become a unit well

Water Disposal:

A portion of the produced water from the unitized Morrow formations will continue to be injected into the Arbuckle formation in a current SWD located outside the unit area identified as follows:

WELL NAME	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	ZONE
Gary 33-2 #5	NW SE	1562' FSL; 1974' FEL	2	18S	42W	ARB

Oil Producing Wells:

The following wells will initially be utilized as oil producing wells:

WELL LABEL	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	ZONE
SCHNEIDER 1-1	SE SW NE	2106' FNL; 1600' FEL	1	18S	42W	MRW V5
GARY 43-2 #2	SW NE SE	1800' FSL; 700' FEL	2	18S	42W	MRW V5
PIERSON 13-1 #2	NE NW SW	2035' FSL; 690' FWL	1	18S	42W	MRW V5
PIERSON 1-1	SE NE SW	1550' FSL; 2040' FWL	1	18S	42W	MRW V5
SCHNEIDER 44-1 #2	SE SE SE	600' FSL; 630' FEL	1	18S	42W	MRW V5 & V7

Facilities:

The planned development for nitrogen gas injection operations in the Morrow Sand as proposed herein is to electrify the field, convert the Schneider 34-1 #3 well to injection, and install two nitrogen generation units with electric compression packages. These units will supply 95-99% pure nitrogen for gas injection down the Schneider 34-1 #3 well. The existing production facilities and artificial lift equipment will remain in operation. Initially, produced nitrogen will not be separated from the produced fluid for re-injection. Once nitrogen breakout occurs in the producers, the option to recompress the produced nitrogen will be evaluated.

EXHIBIT "D"
UNIT AGREEMENT
JACE MORROW SAND UNIT AREA
KIOWA COUNTY, COLORADO
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UNIT AGREEMENT

JACE MORROW SAND UNIT AREA

KIOWA COUNTY, COLORADO

THIS AGREEMENT entered into as of the 1st day of March, 2006 but effective as of the Effective Date (as hereinafter defined) by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a Party hereto,

W I T N E S S E T H :

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the Jace Field in Kiowa County, Colorado, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided pursuant to the applicable statutes of the State of Colorado.

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

ARTICLE 1

DEFINITIONS

As used in this Agreement:

1.1 "Effective Date" shall mean the time and date this Agreement becomes effective as provided in Section 17.1.

1.2 "Interest(s)" shall mean Royalty Interest(s), Overriding Royalty Interest(s) or Working Interest(s).

1.3 "Ipso Facto Termination Date" shall mean the date provided for in Section 17.2.

1.4 "Marketing Expense(s)" shall mean the costs and expenses related to transporting, processing, compressing, treating or otherwise rendering produced Unitized Substances marketable, which costs and expenses shall be borne in accordance with the leases or other instruments pertaining to the ownership of the production from the respective tracts or, in the event of unleased Oil and Gas Rights, shall be borne by the owner thereof.

1.5 "Oil and Gas Rights" shall mean the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, and/or to share in the production so obtained or the proceeds thereof.

1.6 "Outside Substances" shall mean substances purchased or otherwise obtained to enhance the production of Unitized Substances and injected into the Unitized Formation.

1.7 "Overriding Royalty Interest(s)" shall mean a right to or an interest in Unitized Substances created out of Working Interest(s), which has no obligation to bear a portion of the Unit Expense.

1.8 "Overriding Royalty Owner" shall mean a Party who owns an Overriding Royalty Interest.

1.9 "Party" shall mean a party to this Agreement.

1.10 "Royalty Interest(s)" shall mean the right to or interest in any portion of the Unitized Substances created by virtue of oil and gas lease(s) or fee title, which has no obligation to bear a portion of the Unit Expense.

1.11 "Royalty Owner" shall mean a Party who owns a Royalty Interest.

1.12 "Tract" shall mean each parcel of land described as such and given a Tract number in Exhibit "B".

1.13 "Tract Participation" shall mean the percentage shown in Exhibit "C" for allocating Unitized Substances and Unit Expenses to each Tract.

1.14 "Unit Area" shall mean the land described by Tracts in Exhibit "B" and shown within the "Unit Outline" in Exhibit "A" as to which this Agreement governs and the land to which this Agreement may also apply as herein provided.

1.15 "Unit Equipment" shall mean all personal property, lease and well equipment, plants and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.16 "Unit Expenses" shall mean all costs, expenses and indebtedness incurred by the Working Interest Owners pursuant to this Agreement or the Unit Operating Agreement for exploration, production, development and operating costs, excluding Marketing Expenses.

1.17 "Unit Operating Agreement" shall mean the agreement entered into by the Working Interest Owners, having the same Effective Date as this Agreement, entitled "Unit Operating Agreement, Jace Morrow Sand Unit Area, Kiowa County, Colorado".

1.18 "Unit Operations" shall mean all operations conducted pursuant to this Agreement or the Unit Operating Agreement.

1.19 "Unit Operator" shall mean the Working Interest Owner designated by the Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.

1.20 "Unit Participation" shall mean the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract that qualifies for inclusion within the Unit Area by the Tract Participation of such Tract.

1.21 "Unitized Formation" shall mean the Morrow Sand V-5 common source of supply being the stratigraphic equivalent of the interval found between 5,095 feet and 5,119 feet, and the Morrow Sand V-7 section described as the stratigraphic equivalent of the interval found between 5,148 feet to 5,169 feet, in the Dual Induction log run on May 17, 1991 for the Schneider 34-1 #3 Well located in the SW/4 SE/4 of Section 1, Township-18-South, Range-42-West, Kiowa County, Colorado,

1.22 "Unitized Substances" shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation.

1.23 "Working Interest(s)" shall mean an interest in Unitized Substances by virtue of lease(s), operating agreement(s), fee title or otherwise, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expenses in accordance with Unit Operating Agreement. A Royalty Interest or Overriding Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

1.24 "Working Interest Owner" shall mean a Party that owns a Working Interest.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits are attached hereto and are incorporated herein by reference:

2.1.1 Exhibit "A" is a map that shows the boundary lines of the Unit Area and of the Tracts.

2.1.2 Exhibit "B" is a schedule that describes each Tract and the percentages and types of ownership in the Unit Area.

2.1.3 Exhibit "C" is a schedule that shows the Tract Participation of each Tract.

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

2.3 Exhibits Considered Correct. Exhibits "A", "B" and "C" shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse Royalty Interest or Working Interest ownership on the Effective Date, should have been divided into more than one Tract, or that any miscalculation or error has been made, the Unit Operator, with the approval of the Working Interest Owner(s) owning a majority of the Unit Participation, and, if required, the Oil and Gas Conservation Commission of the State of Colorado, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation, nor shall it include any redetermination of Tract Participation as a result of a resurvey of the surface unless required by any governmental body having jurisdiction. Any revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Any revision thereafter made shall be effective at 7:00 A.M. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by the Working Interest Owners owning a majority of the Unit Participation and shall be set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised, the Unit Operator shall execute an appropriate instrument with the revised exhibit attached and file the same for record in Kiowa County, Colorado and, if required, file the same with the Oil and Gas Conservation Commission of the State of Colorado.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of the Working Interest Owners, Overriding Royalty Owners and Royalty Owners are hereby unitized, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all of the Royalty Owners, as lessors, in favor of all of the Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement. The owner of unleased Oil and Gas Rights is the Working Interest Owner of 100% of the Working Interest attributable to such unleased Oil and Gas Rights and is deemed the Royalty Owner of a 12.5% Royalty Interest burdening such Working Interest.

3.2 Personal Property Excepted. All lease and well equipment, materials and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners pursuant to the provisions set forth in the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division orders, transfer orders or other instruments pertaining to the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, including the term hereof, but otherwise shall remain in full force and effect.

3.4 Continuation of Leases and Term Interests. Production from any part of the Unitized Formation or other Unit Operations shall be considered as production from or operations upon each Tract, and such production or operations shall continue in effect each lease or term mineral or Royalty Interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each Tract.

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

3.6 Development Rights. The Royalty Owners hereby grant to the Working Interest Owners the right to inject gas, water or other fluids into the Unitized Formation and to dispose into other formations within the Unit Area any substances in amounts necessary and prudent in accordance with standard industry procedures and practices, together with the right to drill, use and maintain injection, production and disposal wells on the Unit Area, and to use for injection, production or disposal purposes any nonproducing, abandoned or producing wells or dry holes within the Unit Area.

3.7 Development Obligation. Nothing herein shall relieve the Working Interest Owners from any obligation to develop reasonably as a whole the lands and leases committed hereto.

3.8 Cooperative Agreements. The Unit Operator may, after approval by the Working Interest Owners owning a majority of the Unit Participation, enter into cooperative agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 4

PLAN OF OPERATIONS

4.1 Unit Operator. The Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement, designating Citation Oil & Gas Corp. as the initial Unit Operator. The Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this Agreement shall govern.

4.2 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, the Working Interest Owners shall, with diligence and in accordance with good engineering and production practices and the terms and provisions of the Unit Operating Agreement, engage in secondary recovery operations by injecting gas, water or other fluids or combinations thereof deemed necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances.

4.3 Change of Method of Operation. Nothing herein shall prevent the Working Interest Owners from discontinuing or changing in whole or in part, pursuant to the Unit Operating Agreement, any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by the Working Interest Owners from time to time pursuant to the Unit Operating Agreement if determined by them to be feasible, necessary or desirable to increase the ultimate recovery of Unitized Substances. Changes in the method of operation shall be subject to approval, if required, of the Oil and Gas Conservation Commission of the State of Colorado.

ARTICLE 5

TRACT PARTICIPATIONS

5.1 Tract Participations. The Tract Participation of each Tract is shown in Exhibit "C". The Tract Participation of each Tract has been determined on the following basis:

5.1.1 Phase One is from 7:00 a.m. on the first day of the calendar month following the issuance of an order of the Oil and Gas Conservation Commission of the State of Colorado approving the formation of the Jace Morrow Sand Unit until the recovery of 140,000 barrels of oil from the unit. The Tract Participation of each Tract during Phase One has been determined on the following basis:

72% Remaining reserves from the Unitized Formation;
25% production volumes for six (6) month period from
April through September 2005; and
3% acreage contributed to the Unit Area.

5.1.2 Phase Two is on the first day of the calendar month following the recovery of 140,000 barrels of oil from the Jace Morrow Sand Unit until unit termination. The Tract Participation of each Tract during Phase Two has been determined on the following basis:

65% Cumulative production;
32% remaining reserves from the Unitized Formation; and
3% acreage contributed to the Unit Area.

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

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved, except such portion thereof as is used, lost or consumed in Unit Operations, shall be allocated to the several Tracts in accordance with the respective Tract Participations that were effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances and other credits and proceeds allocated to each Tract shall be distributed among, or allocated to, the Parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided Interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances and other credits and proceeds allocated to the Tract, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Parties entitled and electing to take such production-in-kind. Such parties shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained and operated so as not to interfere with Unit Operations. Any extra expenditures incurred by the Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the owners of such portion. If a Royalty Owner has the right to take in kind a share of the Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

6.4 Failure to Take in Kind. If any Party fails to take in kind or separately dispose of such Party's share of the Unitized Substances, the Unit Operator shall have the right, but not the obligation, subject to revocation by the Party owning the share on or before sixty (60) days prior to the expiration of any sales contracts entered into by the Unit Operator, to purchase or sell such share to others from time to time; however, all contracts of sale by the Unit Operator of any other Party's share of the Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so sold by the Unit Operator shall be paid to the Working Interest Owners of each affected Tract or a Party designated by such Working Interest Owners who shall distribute such proceeds to the parties entitled thereto.

6.5 Responsibility for Royalty Settlements. Any Party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract shall be responsible for the payment to Royalty Owners owning Royalty Interests and Overriding Royalty Owners owning Overriding Royalty Interests in Unitized Substances, and shall indemnify and hold harmless all parties hereto, including the Unit Operator, against any liability for such payment.

6.6 Royalty on Outside Substances. If any Outside Substance consisting of natural gases is injected into the Unitized Formation, seventy-five percent (75%) of any like substance contained in the Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total volume deemed to be such Outside Substance equals the total volume of such natural gas so injected. If any Outside Substance which prior to injection is liquefied petroleum gas or other liquid hydrocarbon is injected into the Unitized Formation, ten percent (10%) of all the Unitized Substances produced and sold after one year from the time the injection of such Outside Substance was commenced shall be deemed to be a part of the Outside Substance so injected until the total volume of the production deemed to be such Outside Substance equals the total volume of the liquefied petroleum gas or other liquid hydrocarbons so injected. Such ten percent (10%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as herein above provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected. No payment shall be due or payable to Royalty Owners nor Overriding Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. The Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that are in lease and power-oil tanks as of 7:00 A.M. on the Effective Date. Oil or other liquid hydrocarbons in treating vessels, separation equipment and tanks below pipeline connections shall not be considered to be merchantable. Any such merchantable oil or other liquid hydrocarbons shall remain the property of the parties entitled thereto as if this Agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by the Unit Operator for the account of the Working Interest Owners entitled thereto who shall pay all royalty due thereon under the provisions of applicable leases or other contracts. Any oil or liquid hydrocarbons in excess of that attributable to the prior allowable of the wells from which they were produced shall be regarded as Unitized Substances produced after the Effective Date.

ARTICLE 8

USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. The Working Interest Owners may use or consume the Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty or other payments shall be payable on account of Unitized Substances used, lost or consumed in Unit Operations.

ARTICLE 9

TRACTS TO BE INCLUDED IN UNIT AREA

9.1 Qualification of Tracts. On and after the Effective Date and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts depicted in Exhibit "A" and listed on Exhibit "B".

9.2 Commitment of Interests to Unit. The execution of this Agreement by a Party shall commit all Interests owned or controlled by such Party as of the date of execution, and additional Interests acquired thereafter. After the Effective Date, the commitment of any Interest in any Tract within the Unit Area shall be upon such terms as may be negotiated and evidenced in writing by the Working Interest Owners and the owner of such Interest. An Overriding Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement shall be subject to this Agreement and the Unit Operating Agreement.

9.3 Revision of Exhibits. If any of the Tracts described in Exhibit "B" fail to qualify for inclusion in the Unit Area, the Unit Operator shall recompute the Tract Participation of each of the qualifying Tracts, using the original basis of computation, and shall revise Exhibits "A", "B" and "C" accordingly. Such revised exhibits shall be effective as of 7:00 A.M. on the Effective Date.

9.4 Approval by the Oil and Gas Conservation Commission of the State of Colorado Notwithstanding anything in this Section to the contrary, all of those Tracts and only those Tracts deemed to be qualified for participation if and as the Application Authorizing Unit Development and Operation of the Jace Morrow Sand Unit Area, Kiowa County, Colorado is approved by Order of the Oil and Gas Conservation Commission of the State of Colorado, shall be included in the Unit Area.

ARTICLE 10

TITLES

10.1 Removal of Tract From Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this Agreement to meet the conditions of Article 9 because of failure of title of any Party, such Tract shall be removed from the Unit Area effective as of 7:00 A.M. on the first day of the calendar month in which the failure of title is finally determined, unless within ninety (90) days after the date of final determination of the failure of title the Tract re-qualifies under Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of failure of title, the Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits "A", "B" and "C" accordingly. The revised exhibits shall be effective as of 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of the Working Interest Owners by reason of and with respect to the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Interest Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the Royalty Owner(s) whose title fails shall not be entitled to its share pursuant to this Agreement with respect to such Royalty Interest.

10.5 Production Where Title is in Dispute. If the title or right of any Party claiming the right to receive in kind all or any portion of the Unitized Substances is in dispute, the Unit Operator, at the direction of the Working Interest Owners and without any liability to any Party, shall withhold and market the portion of Unitized Substances with respect to which title or right is in dispute and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Unit Operator, whereupon the proceeds so impounded shall be paid to the Party rightfully entitled thereto.

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

10.7 Warranty and Indemnity. Each Party who, by acceptance of produced Unitized Substances or the proceeds thereof, claims to own an Interest, shall be deemed to have warranted its title to such Interest unless otherwise indicated in the underlying lease, and, upon receipt of the Unitized Substances or the proceeds thereof to the credit of such Interest, shall indemnify and hold harmless all other Parties in Interest from any loss due to failure, in whole or in part, of its title to any such Interest.

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. To the extent of their rights and interests, the Parties hereby grant to the Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area; however, nothing herein shall be construed as leasing or otherwise conveying to the Working Interest Owners a camp site.

11.2 Use of Water. The Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond or irrigation ditch or water subject to a previous commitment of a Royalty Owner.

11.3 Surface Damages. The Working Interest Owners shall pay the appropriate owner of surface rights in a Tract for damages to growing crops, timber, fences, improvements and structures on such Tract that result from Unit Operations.

ARTICLE 12

CHANGES AND AMENDMENTS

12.1 Changes and Amendments. Any change of the Unit Area or any amendment to this Agreement or the Unit Operating Agreement shall be in accordance with Article 60 of Chapter 34 of the Colorado Revised Statutes, as amended.

ARTICLE 13

TRANSFER OF TITLE-PARTITION

13.1 Transfer of Title. Any conveyance of all or any part of any Interest owned by any Party with respect to any Tract shall be made expressly subject to this Agreement. No change of title shall be binding upon the Unit Operator or any Party other than the Party so transferring, until 7:00 A.M. on the first day of the calendar month following the date of receipt by the Unit Operator of a photocopy, or a certified copy, of the recorded instrument evidencing such change in ownership.

13.2 Waver of Rights to Partition. Each Party agrees that, during the existence of this Agreement, it will not resort to any action to partition the Unitized Formation or the Unitized Reservoir or any of the Unit Equipment, and to that extent waives the benefits or laws authorizing such partition.

ARTICLE 14

RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations and liabilities of the Parties are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the Parties. Each Party shall be individually responsible for its own obligations as herein provided.

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

ARTICLE 15

LAWS AND REGULATIONS

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

ARTICLE 16

FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this Agreement on each Party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute, fire, war, civil disturbance, act of God; by federal, state or municipal laws; by any rule, regulation or order of a governmental agency; by inability to secure materials, permits or rights of way; or by any other cause or causes, whether similar or dissimilar, beyond the reasonable control of the Party. No Party shall be required against its will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 17

EFFECTIVE DATE

17.1 Effective Date. This Agreement shall become binding upon each Party as of the date such Party signs the instrument by which it becomes a Party hereto. This Agreement shall become effective as of 7:00 a.m. on the first day of the calendar month following the issuance of an order of

19.2 Joinder in Dual Capacity. Execution as herein provided by any Party as either a Working Interest Owner, an Overriding Royalty Interest Owner or a Royalty Interest Owner shall commit all interests owned or controlled by such Party and additional interest thereafter acquired by such Party.

ARTICLE 20

SUCCESSORS AND ASSIGNS


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

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

UNIT OPERATOR

Address: 8223 Willow Place South,
Suite 250
Houston, Texas 77070-5623

CITATION OIL & GAS CORP.

By: 
Gary C. Johnson
Senior Vice President

Date of Execution: 4/26/06

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

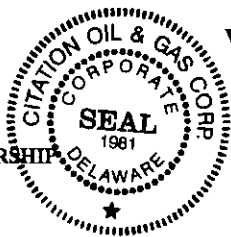
This instrument was acknowledged before me on the 26th day of April, 2006, by Gary C. Johnson, Senior Vice President of Citation Oil & Gas Corp., a Delaware corporation, on behalf of said corporation.

My commission expires:



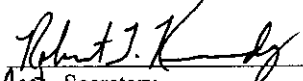

Notary Public

Melissa McCleskey
Printed Name of Notary Public



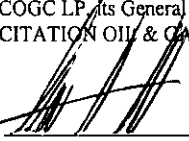
WORKING INTEREST OWNERS

Attest:
PARTNERSHIP


Asst. Secretary
Date Signed: 5/01/2006

CITATION 2004 INVESTMENT LIMITED

By: COGC LP, its General Partner
By: CITATION OIL & GAS CORP., its General Partner

By: 
Gary C. Johnson
Senior Vice President



Attest:

Secretary
Date Signed: _____

**RONNY G ALTMAN REVOCABLE INTER
VIVOS TRUST**

By: _____
Title: _____

Attest:

Secretary
Date Signed: _____

EVENINGSIDE CO., LLC

By: _____
Title: _____

Attest:

Secretary
Date Signed: _____

FEDC, INC.

By: _____
Title: _____

Attest:

Secretary
Date Signed: _____

FEE OIL & GAS, LTD

By: _____
Title: _____

ROBERT A GEIST

Date Signed: _____

By: _____
Title: _____

W PERRY GRESH & TUCKER C GRESH

Date Signed: _____

By: _____
W PERRY GRESH

Date Signed: _____

By: _____
TUCKER C GRESH

DAVIS F JAMIS

Date Signed: _____

By: _____
DAVIS F JAMIS

Attest:

MADIERA OIL CO.

Secretary
Date Signed: _____

By: _____
Title: _____

JOHN C NIERNBERGER

Date Signed: _____

By: _____
JOHN C NIERNBERGER

Attest:

PALADIN ENERGY PARTNERS LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

A SCOTT RITCHIE III LIVING TRUST (2/4/04)

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

**A SCOTT RITCHIE III REVOCABLE LIVING
TRUST (8/8/80)**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

SAVANT RESOURCES LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

SHAFFER IV, INC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

STAR PARTNERSHIP

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

TWO GUYS, LLC

Secretary
Date Signed: _____

By: _____
Title: _____

WORKING INTERST AND OVERRIDING ROYALTY INTEREST OWNERS

Attest:

COLLINS PINE COMPANIES

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

JUDITH A HILTNER REV TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

EDWARD B LANGE

Date Signed: _____

By: _____
EDWARD B LANGE

Attest:

BETTY I MULL TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

JENNIFER MULL REVOCABLE TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

LEWIS M MULL REVOCABLE TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

**KATHERINE MCKENZIE MULL
TRUST**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

RJG COMPANY

Secretary
Date Signed: _____

By: _____
Title: _____

MARK A & BARBARA S SHREVE

Date Signed: _____

By: _____
MARK A SHREVE

Date Signed: _____

By: _____
BARBARA S SHREVE

Attest:

TROUSIL & ASSOCIATES INC

Secretary
Date Signed: _____

By: _____
Title: _____

MINERAL OWNER

Attest:

LAS ANIMAS MINERALS LTD

Secretary
Date Signed: _____

By: _____
Title: _____

ROYALTY INTEREST OWNERS

:

LOLA L BARNARD

Date Signed: _____

By: _____
LOLA L BARNARD

JEAN M MILLER

Date Signed: _____

By: _____
JEAN M MILLER

LYALL G MURDOCK

Date Signed: _____

By: _____
LYALL G MURDOCK

STANLEY J MURDOCK

Date Signed: _____

By: _____
STANLEY J MURDOCK

Attest:

MURDOCK FAMILY LIVING TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

PANDORA TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

MABLE K ROGERS

Date Signed: _____

By: _____
MABLE K ROGERS

BRADLEY K SCHNEIDER

Date Signed: _____

By: _____
BRADLEY K SCHNEIDER

DIRK A SCHNEIDER

Date Signed: _____

By: _____
DIRK A SCHNEIDER

DUANE N SCHNEIDER

Date Signed: _____

By: _____
DUANE N SCHNEIDER

SCOTT M SCHNEIDER

Date Signed: _____

By: _____
SCOTT M SCHNEIDER

STEVE B SCHNEIDER

Date Signed: _____

By: _____
STEVE B SCHNEIDER

GARY TUTTLE

Date Signed: _____

By: _____
GARY TUTTLE

OVERRIDING ROYALTY INTEREST OWNERS

SHARRON A ALLEN

Date Signed: _____

By: _____
SHARRON A ALLEN

Attest:

BRISTOL RESOURCES CORP

Secretary
Date Signed: _____

By: _____
Title: _____

MICHAEL L BURNS

Date Signed: _____

By: _____
MICHAEL L BURNS

Attest:

DALLAS E DONNER & DEBRA L DONNER JT

Secretary
Date Signed: _____

By: _____
Title: _____

PAUL M GUNZELMAN

Date Signed: _____

By: _____
PAUL M GUNZELMAN

Attest:

SCOTT E HAMPEL & JEANANNE HAMPEL JT

Secretary
Date Signed: _____

By: _____
Title: _____

ROBERT W KEY

Date Signed: _____

By: _____
ROBERT W KEY

Attest:

LEE MARTIN

Date Signed: _____

By: _____
LEE MARTIN

ROBERT MARTIN & ANN AMSDEN MARTIN

Date Signed: _____

By: _____
ROBERT MARTIN

Date Signed: _____

By: _____
ANN AMSDEN MARTIN

Attest:

**BARBARA J SWANN REVOCABLE TRUST
DTD 9/19/03**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

**ROBERT D SWANN REVOCABLE TRUST
DTD 9/11/03**

Secretary
Date Signed: _____

By: _____
Title: _____

GARY D TURYBURY & LINDA G TURYBURY

Date Signed: _____

By: _____
GARY D TURYBURY

Date Signed: _____

By: _____
LINDA G TURYBURY

MICHAEL L UNRUH

Date Signed: _____

By: _____
MICHAEL L UNRUH

PARTNERSHIP ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 26th day of April, 2006, by Gary C. Johnson, Senior Vice President of Citation Oil & Gas Corp., a Delaware corporation, general partner of COGC L.P., a Delaware limited partnership, general partner of Citation 2004 Investment Limited Partnership, a Texas limited partnership.

My Commission Expires: _____

Melissa McCleskey
Notary Public



Melissa McCleskey
Printed Name of Notary Public

ACKNOWLEDGEMENT

STATE OF _____ §
 §
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2006.

Notary Public in and for the State of _____

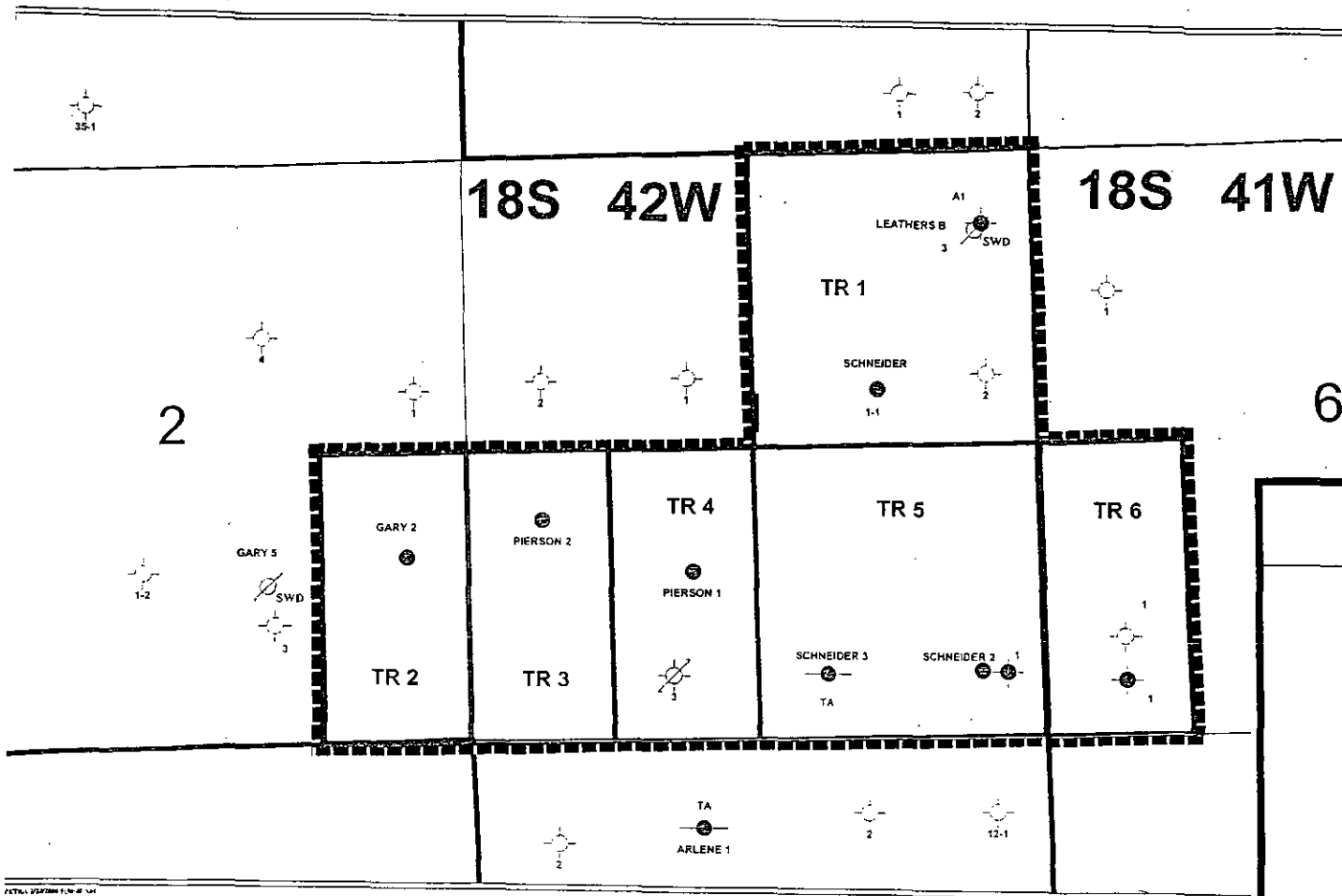
ACKNOWLEDGEMENT

STATE OF _____ §
 §
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2006.

Notary Public in and for the State of _____



Citation
OIL & GAS CORP.

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
THE UNIT AGREEMENT FOR THE
JACE MORROW SAND UNIT AREA

KIOWA COUNTY, COLORADO

0 1,000
FEET

UNIT OUTLINE

EXHIBIT "B"

Attached to and made a part of the Jace Morrow Sand Unit Area Unit Agreement - Kiowa County, Colorado

Schedule that Describes Each Tract and the Percentages and Kinds of Ownership of the Oil and Gas Interests in the Unit Area

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
PHASE ONE:						
1	<u>Township-18-South, Range-42-West</u> Section 1: NE/4 (Tract Participation Factor = 0.0289400)	160.00	PANDORA TRUST	RI	16.666667%	0.482333%
			BRISTOL RESOURCES CORP	OR	2.000000%	0.057880%
			SHARRON A ALLEN	OR	1.000000%	0.028940%
			ROBERT W KEY	OR	1.000000%	0.028940%
			EDWARD B LANGE	OR	2.500000%	0.072350%
			A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	WI	28.082583%	0.812710%
			RONNY G ALTMAN REVOCABLE INTER VIVOS TRUST	WI	7.683333%	0.222356%
			FEDC, INC.	WI	6.530833%	0.189002%
			MADIERA OIL CO.	WI	6.530833%	0.189002%
			W PERRY GRESH & TUCKER C GRESH	WI	6.530833%	0.189002%
			STAR PARTNERSHIP	WI	4.571583%	0.132302%
			TWO GUYS, LLC	WI	3.265417%	0.094501%
			ROBERT A GEIST	WI	3.265417%	0.094501%
			FEE OIL & GAS, LTD	WI	2.305000%	0.066707%
			EDWARD B LANGE	WI	1.536667%	0.044471%
			EVENINGSIDE CO., LLC	WI	1.306167%	0.037800%
			DAVIS F JAMIS	WI	1.306167%	0.037800%
			JOHN C NIERNBERGER	WI	1.306167%	0.037800%
			A SCOTT RITCHIE III LIVING TRUST (2/4/04)	WI	1.306167%	0.037800%
			SHAFFER IV, INC	WI	1.306166%	0.037800%
2	<u>Township-18-South, Range-42-West</u> Section 2: E/2 SE/4 (Tract Participation Factor = 0.5681100)	80.00	GARY TUTTLE	RI	12.500000%	7.101375%
			BARBARA J SWANN REVOCABLE TRUST DTD 9/19/03	OR	0.250000%	0.142028%
			BETTY I MULL TRUST	OR	0.410882%	0.233426%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
			COLLINS PINE COMPANIES	OR	0.710296%	0.403526%
			DALLAS E DONNER & DEBRA L DONNER JT	OR	0.300000%	0.170433%
			GARY D TURYBURY & LINDA G TURYBURY	OR	0.500000%	0.284055%
			JENNIFER MULL REVOCABLE TRUST	OR	0.201810%	0.114650%
			JUDITH A HILTNER REV TRUST	OR	0.225586%	0.128158%
			KATHERINE MCKENZIE MULL TRUST	OR	0.111447%	0.063314%
			LEWIS M MULL REVOCABLE TRUST	OR	0.451496%	0.256499%
			MARK A & BARBARA S SHREVE	OR	0.003008%	0.001709%
			MICHAEL L BURNS	OR	0.090363%	0.051336%
			MICHAEL L UNRUH	OR	0.090363%	0.051336%
			PAUL M GUNZELMAN	OR	1.200000%	0.681732%
			RJG COMPANY	OR	0.403906%	0.229463%
			ROBERT D SWANN REVOCABLE TRUST DTD 9/11/03	OR	0.250000%	0.142028%
			ROBERT MARTIN & ANN AMSDEN MARTIN	OR	0.500000%	0.284055%
			SCOTT E HAMPEL & JEANANNE HAMPEL JT	OR	0.500000%	0.284055%
			TROUSIL & ASSOCIATES INC	OR	0.300781%	0.170877%
			CITATION 2004 INVESTMENT LIMITED PARTNERSHIP	WI	31.687500%	18.001986%
			LEWIS M MULL REVOCABLE TRUST	WI	5.335875%	3.031364%
			BETTY I MULL TRUST	WI	2.634205%	1.496518%
			KATHERINE MCKENZIE MULL TRUST	WI	1.317102%	0.748259%
			JENNIFER MULL REVOCABLE TRUST	WI	1.317103%	0.748259%
			COLLINS PINE COMPANIES	WI	8.394409%	4.768948%
			MARK A & BARBARA S SHREVE	WI	0.035547%	0.020195%
			JUDITH A HILTNER REV TRUST	WI	2.666016%	1.514590%
			BETTY I MULL TRUST	WI	2.221680%	1.262159%
			PALADIN ENERGY PARTNERS	WI	9.750024%	5.539086%
			RJG COMPANY	WI	4.773438%	2.711838%
			SAVANT RESOURCES LLC	WI	7.312476%	4.154291%
			TROUSIL & ASSOCIATES INC	WI	3.554687%	2.019453%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
3	Township-18-South, Range-42-West Section 2: W/2 SW/4 (Tract Participation Factor = 0.0134100)	80.00	LOLA L BARNARD LEE MARTIN CITATION 2004 INVESTMENT LP PALADIN ENERGY PARTNERS LLC SAVANT RESOURCES INC	RI OR WI WI WI	18.750000% 0.350000% 52.812500% 16.050000% 12.037500%	0.251438% 0.004694% 0.708216% 0.215231% 0.161423%
4	Township-18-South, Range-42-West Section 2: E/2 SW/4 (Tract Participation Factor = 0.1416100)	80.00	LOLA L BARNARD LEE MARTIN CITATION 2004 INVESTMENT LP PALADIN ENERGY PARTNERS LLC SAVANT RESOURCES INC	RI OR WI WI WI	18.750000% 0.350000% 52.812500% 16.050000% 12.037500%	2.655188% 0.049564% 7.478778% 2.272841% 1.704630%
5	Township-18-South, Range-42-West Section 2: SE/4 (Tract Participation Factor = 0.2441800)	160.00	MABLE K ROGERS LYALL G MURDOCK JEAN M MILLER MURDOCK FAMILY LIVING TRUST STANLEY J MURDOCK STEVE B SCHNEIDER SCOTT M SCHNEIDER DUANE N SCHNEIDER DIRK A SCHNEIDER BRADLEY K SCHNEIDER LEE MARTIN CITATION 2004 INVESTMENT LIMITED PARTNERSHIP PALADIN ENERGY PARTNERS LLC SAVANT RESOURCES INC	RI RI RI RI RI RI RI RI RI RI OR WI WI WI	1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 1.875000% 0.500000% 52.487500% 16.150000% 12.112500%	0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.457838% 0.122090% 12.816398% 3.943507% 2.957630%
6	Township-18-South, Range-41-West Section 6: W/2 SW/4 (Tract Participation Factor = 0.0037500)	80.00	LAS ANIMAS MINERALS LTD	MINERAL OWNER	100.000000%	0.375000%
PHASE TWO:						
1	Township-18-South, Range-42-West Section 1: NE/4 (Tract Participation Factor = 0.0438000)	160.00	PANDORA TRUST BRISTOL RESOURCES CORP SHARRON A ALLEN	RI OR OR	16.666667% 2.000000% 1.000000%	0.730000% 0.087600% 0.043800%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
			ROBERT W KEY	OR	1.000000%	0.043800%
			EDWARD B LANGE	OR	2.500000%	0.109500%
			A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	WI	28.082583%	1.230017%
			RONNY G ALTMAN REVOCABLE INTER VIVOS TRUST	WI	7.683333%	0.336530%
			FEDC, INC.	WI	6.530833%	0.286050%
			MADIERA OIL CO.	WI	6.530833%	0.286050%
			W PERRY GRESH & TUCKER C GRESH	WI	6.530833%	0.286050%
			STAR PARTNERSHIP	WI	4.571583%	0.200235%
			TWO GUYS, LLC	WI	3.265417%	0.143025%
			ROBERT A GEIST	WI	3.265417%	0.143025%
			FEE OIL & GAS, LTD	WI	2.305000%	0.100959%
			EDWARD B LANGE	WI	1.536667%	0.067306%
			EVENINGSIDE CO., LLC	WI	1.306167%	0.057210%
			DAVIS F JAMIS	WI	1.306167%	0.057210%
			JOHN C NIERNBERGER	WI	1.306167%	0.057210%
			A SCOTT RITCHIE III LIVING TRUST (2/4/04)	WI	1.306167%	0.057210%
			SHAFFER IV, INC	WI	1.306166%	0.057210%
2	Township-18-South, Range-42-West Section 2: E/2 SE/4	80.00	GARY TUTTLE	RI	12.500000%	4.799000%
			BARBARA J SWANN REVOCABLE TRUST DTD 9/19/03	OR	0.250000%	0.095980%
	(Tract Participation Factor = 0.3839200)		BETTY I MULL TRUST	OR	0.410882%	0.157746%
			COLLINS PINE COMPANIES	OR	0.710296%	0.272697%
			DALLAS E DONNER & DEBRA L DONNER JT	OR	0.300000%	0.115176%
			GARY D TURYBURY & LINDA G TURYBURY	OR	0.500000%	0.191960%
			JENNIFER MULL REVOCABLE TRUST	OR	0.201810%	0.077479%
			JUDITH A HILTNER REV TRUST	OR	0.225586%	0.086607%
			KATHERINE MCKENZIE MULL TRUST	OR	0.111447%	0.042787%
			LEWIS M MULL REVOCABLE TRUST	OR	0.451496%	0.173338%
			MARK A & BARBARA S SHREVE	OR	0.003008%	0.001155%
			MICHAEL L BURNS	OR	0.090363%	0.034692%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
			MICHAEL L UNRUH	OR	0.090363%	0.034692%
			PAUL M GUNZELMAN	OR	1.200000%	0.460704%
			RJG COMPANY	OR	0.403906%	0.155068%
			ROBERT D SWANN REVOCABLE TRUST	OR		0.095980%
			DTD 9/11/03		0.250000%	
				OR		0.191960%
			ROBERT MARTIN & ANN AMSDEN MARTIN		0.500000%	
			SCOTT E HAMPEL & JEANANNE HAMPEL	OR		0.191960%
			JT		0.500000%	
			TROUSIL & ASSOCIATES INC	OR	0.300781%	0.115476%
			CITATION 2004 INVESTMENT LIMITED	WI	31.687500%	12.165465%
			PARTNERSHIP			
			LEWIS M MULL REVOCABLE TRUST	WI	5.335875%	2.048549%
			BETTY I MULL TRUST	WI	2.634205%	1.011324%
			KATHERINE MCKENZIE MULL TRUST	WI	1.317102%	0.505662%
			JENNIFER MULL REVOCABLE TRUST	WI	1.317103%	0.505662%
			COLLINS PINE COMPANIES	WI	8.394409%	3.222782%
			MARK A & BARBARA S SHREVE	WI	0.035547%	0.013647%
			JUDITH A HILTNER REV TRUST	WI	2.666016%	1.023537%
			BETTY I MULL TRUST	WI	2.221680%	0.852947%
			PALADIN ENERGY PARTNERS	WI	9.750024%	3.743229%
			RJG COMPANY	WI	4.773438%	1.832618%
			SAVANT RESOURCES LLC	WI	7.312476%	2.807406%
			TROUSIL & ASSOCIATES INC	WI	3.554687%	1.364715%
3	Township-18-South, Range-42-West	80.00	LOLA L BARNARD	RI	18.750000%	2.780250%
	Section 2: W/2 SW/4		LEE MARTIN	OR	0.350000%	0.051898%
	(Tract Participation Factor = 0.1482800)		CITATION 2004 INVESTMENT LP	WI	52.812500%	7.831038%
			PALADIN ENERGY PARTNERS LLC	WI	16.050000%	2.379894%
			SAVANT RESOURCES INC	WI	12.037500%	1.784921%
4	Township-18-South, Range-42-West	80.00	LOLA L BARNARD	RI	18.750000%	3.962625%
	Section 2: E/2 SW/4		LEE MARTIN	OR	0.350000%	0.073969%
	(Tract Participation Factor = 0.2113400)		CITATION 2004 INVESTMENT LP	WI	52.812500%	11.161394%
			PALADIN ENERGY PARTNERS LLC	WI	16.050000%	3.392007%
			SAVANT RESOURCES INC	WI	12.037500%	2.544005%

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	OWNER NAME	*TYPE OF INTEREST	TRACT OWNERSHIP PERCENTAGE	UNIT OWNERSHIP PERCENTAGE
5	Township-18-South, Range-42-West Section 2: SE/4 (Tract Participation Factor = 0.2089100)	160.00	MABLE K ROGERS	RI	1.875000%	0.391706%
			LYALL G MURDOCK	RI	1.875000%	0.391706%
			JEAN M MILLER	RI	1.875000%	0.391706%
			MURDOCK FAMILY LIVING TRUST	RI	1.875000%	0.391706%
			STANLEY J MURDOCK	RI	1.875000%	0.391706%
			STEVE B SCHNEIDER	RI	1.875000%	0.391706%
			SCOTT M SCHNEIDER	RI	1.875000%	0.391706%
			DUANE N SCHNEIDER	RI	1.875000%	0.391706%
			DIRK A SCHNEIDER	RI	1.875000%	0.391706%
			BRADLEY K SCHNEIDER	RI	1.875000%	0.391706%
			LEE MARTIN	OR	0.500000%	0.104455%
			CITATION 2004 INVESTMENT LIMITED	WI		10.965164%
			PARTNERSHIP		52.487500%	
6	Township-18-South, Range-41-West Section 6: W/2 SW/4 (Tract Participation Factor = 0.0037500)	80.00	PALADIN ENERGY PARTNERS LLC	WI	16.150000%	3.373897%
			SAVANT RESOURCES INC	WI	12.112500%	2.530422%
			LAS ANIMAS MINERALS LTD	MINERAL OWNER	100.000000%	0.375000%

*** Type of Interest**

RI = ROYALTY INTEREST

OR = OVERRIDING ROYALTY INTEREST

WI = WORKING INTEREST

EXHIBIT "C"

Attached to and made a part of the Jace Morrow Sand Unit Area Unit Agreement

PARTICIPATION FACTORS

PHASE ONE: From 7:00 a.m. on the first day of the calendar month following the issuance of an order of the Oil and Gas Conservation Commission of the State of Colorado approving the formation of the Jace Morrow Sand Unit until the recovery of 140,000 barrels of oil from the unit, all Unitized Substances produced from the Unit Area shall be distributed to the Tracts as follows:

<u>Tract Number</u>	<u>Tract Participation Factor</u>
1	0.0289400
2	0.5681100
3	0.0134100
4	0.1416100
5	0.2441800
6	<u>0.0037500</u>
	1.0000000

PHASE TWO: From 7:00 a.m. on the first day of the calendar month following the recovery of 140,000 barrels of oil from the Jace Morrow Sand Unit until unit termination, all Unitized Substances produced from the Unit Area shall be distributed to the Tracts as follows:

<u>Tract Number</u>	<u>Tract Participation Factor</u>
1	0.0438000
2	0.3839200
3	0.1482800
4	0.2113400
5	0.2089100
6	<u>0.0037500</u>
	1.0000000

EXHIBIT "E"
UNIT OPERATING AGREEMENT
JACE MORROW SAND UNIT AREA
KIOWA COUNTY, COLORADO

THIS AGREEMENT, entered into as of the 1st day of March, 2006, but is effective as of the Effective Date (as defined in the Unit Agreement).

WITNESSETH:

WHEREAS, an agreement entitled "Unit Agreement, Jace Morrow Sand Unit Area, Kiowa County, Colorado" (the "Unit Agreement"), has been made which, among other things, provides for a separate agreement to provide for Unit Operations (as therein defined),

NOW THEREFORE, it is provided as follows:

ARTICLE 1

CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits, attached to the Unit Agreement or to this Agreement, are incorporated herein by reference:

2.1.1 Exhibits "A", "B" and "C" of the Unit Agreement.

2.1.2 Exhibit "D-1", which is a schedule showing the Working Interest percentage of each Working Interest Owner in each Tract. Exhibit "D-2" which is a schedule showing the percentage of total Unit Participation attributable to each Tract, and the Unit Participation of each Working Interest Owner. Except and until it is shown to be in error or is revised as herein authorized, Exhibit "D-1" and Exhibit "D-2", or a revision thereof shall be conclusive with respect to the Unit Participation of the Working Interest Owners for purposes of this Agreement.

2.1.3 Exhibit "E", which is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit "E", this Agreement shall govern.

2.1.4 Exhibit "F", which is the Insurance Provisions applicable to Unit Operations.

2.1.5 Exhibit "G", which is the Inventory and Pricing Procedure.

2.1.6 Exhibit "H", which is the form of oil and gas lease for use as provided in Section 17.1.

2.2 Revision of Exhibits. Whenever the Unit Operator revises Exhibits "A", "B" and "C", it shall revise Exhibit "D-1" and "D-2" accordingly, and the revisions shall be effective as of the same date. The Unit Operator also shall revise Exhibits "D-1" and "D-2" from time to time

as required to conform to changes in ownership of which the Unit Operator has been notified as provided in the Unit Agreement and this Agreement.

2.3 Reference to Exhibits. Whenever reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

ARTICLE 3

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. The Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authority and Duties. The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including the type of recovery program to be employed.

3.2.2 Change in Method of Operation. Any change in the method of operation, including the type or types of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.3 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.4 Well Recompletions and Changes of Status. The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

3.2.5 Expenditures. The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00); however, approval by the Working Interest Owners of the drilling, reworking, deepening, sidetracking, re-completing or plugging back of any well shall include approval of all necessary expenditures required therefore, and for completing, testing and equipping the well, including necessary flow lines, separators and lease tankage.

3.2.6 Disposition of Unit Equipment. The sale or other disposition of any item of surplus Unit Equipment, if the current price of new equipment similar thereto is in excess of Fifty Thousand Dollars (\$50,000.00).

3.2.7 Audit Exceptions. The settlement of unresolved audit exceptions.

3.2.8 Inventories. The taking of periodic inventories as provided for by Exhibit "G".

3.2.9 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.10 Removal of Operator. The removal of the Unit Operator and the selection of a successor as provided for in Sections 6.2 and 6.3.

3.2.11 Amendments. The amendment of this Agreement.

3.2.12 Investment Adjustment. The adjustment and readjustment of investments.

ARTICLE 4

MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform the Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to the Unit Operator.

4.2 Meetings. The Unit Operator shall call all meetings of the Working Interest Owners upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than ten percent (10%). Except in case of an emergency requiring immediate action to preserve and protect Unit Operations that otherwise would be jeopardized by any delay, the Unit Operator shall not call any meeting on less than fourteen (14) days advance written notice, with the agenda for the meeting attached to such notice. The Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of the Unit Operator shall be the chairman of each meeting.

4.3 Voting Procedure. The Working Interest Owners shall determine all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, the Working Interest Owners shall determine all matters by the affirmative vote of one or more Working Interest Owners having a combined voting interest of at least fifty five percent (55%). In the event only two Working Interest Owners are entitled to vote, the vote of the one with the greater interest shall prevail.

4.3.3 Vote at Meeting by Nonattending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or telegram or facsimile addressed to the representative of the Unit Operator; provided that, in order to count, the Unit Operator must receive such vote prior to the vote at the meeting. A vote cast by such letter, facsimile, or telegram will not be counted with respect to any item on the agenda which is amended at the meeting until the non-attending Working Interest Owner is advised of the amendment and given a sufficient opportunity to change or confirm its vote.

4.3.4 Poll Votes. The Working Interest Owners may vote by letter or telegram on any matter submitted in writing to all of the Working Interest Owners. If a meeting is not requested, as provided in Section 4.2, within fourteen (14) days after a written proposal is received by the Working Interest Owners or twenty four (24) hours for matters concerning a well if a drilling rig is on location, the vote taken by letter or telegram or facsimile shall control.

4.3.5 Binding Effect of Vote. All of the Working Interest Owners shall be bound for their proportionate share of Unit Expenses pertaining to the Unit Operations approved by the Working Interest Owners by the vote required herein.

ARTICLE 5

INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Except as otherwise provided in this Agreement and the Unit Agreement, the Working Interest Owners shall retain all of their rights in the lands within the Unit Area.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations and the records and data pertaining thereto.

5.2.2 Reports. Upon written request, the right to receive from the Unit Operator copies of all reports sent to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by the Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

5.2.3 Audits. The right to audit the accounts of the Unit Operator pertaining to Unit Operations in accordance with the provisions of Exhibit "E".

5.3 Reversionary Interest. When the ownership of a Tract is subject to change due to the payout (or multiple payout) of a well within the Unit, such payout will be calculated on a Tract basis after the effective date of the Unit. For purposes of the Unit Agreement and this Agreement, payout will be deemed to have occurred on the first day of the month following the time that the payout balance becomes zero.

ARTICLE 6

UNIT OPERATOR

6.1 Unit Operator. Citation Oil & Gas Corp. is designated as the Unit Operator.

6.2 Resignation or Removal. The Unit Operator may resign at any time. Unit Operator may be removed at any time by the affirmative vote of three (3) or more Working Interest Owners having eighty-five (85%) or more of the voting interest remaining after excluding the voting interest of Unit Operator if Unit Operator: (i) terminates its legal existence, (ii) no longer is capable of serving as Unit Operator, (iii) fails or refuses in a material way to carry out its duties hereunder, (iv) becomes insolvent, bankrupt or, (v) is placed in a receivership. Such resignation or removal shall not become effective for a period of three (3) months after the resignation or removal, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.

6.3 Selection of Successor. Upon the resignation or removal of Unit Operator, a successor Unit Operator shall be selected by the Working Interest Owners. Upon the removal of Unit Operator in accordance with the provisions of Section 6.2, a successor Unit Operator shall be selected by a majority vote of the Working Interest Owners, and, if the removed Unit Operator fails to vote or votes only to succeed itself, the successor Unit Operator shall be selected by the affirmative vote of Working Interest Owners having eighty-five percent (85%) or more of the voting interest remaining after excluding the voting interest of the removed Unit Operator.

ARTICLE 7

AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Agreement, the Unit Operator shall have the exclusive right to conduct Unit Operations.

7.2 Workmanlike Conduct. The Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a reasonably prudent operator under the same or similar circumstances. The Unit Operator shall freely consult with the Working Interest Owners and keep them informed of all matters that the Unit Operator, in the exercise of its best judgment, considers important. The Unit Operator shall not be liable to the Working interest Owners for damages resulting from any act or omission by the Unit Operator in conducting Unit Operations, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. The Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except those provided for in Article 11.

7.4 Employees. The number of employees used by the Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by the Unit Operator. Such employees shall be the employees of the Unit Operator.

7.5 Records. The Unit Operator shall keep correct books, accounts and records of Unit Operations.

7.6 Reports to Working Interest Owners. The Unit Operator shall, upon request, furnish the Working Interest Owners copies of timely filed reports of production and injection required by any governmental agency.

7.7 Reports to Governmental Authorities. The Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator, and shall appear when necessary before any court or regulatory agency in matters pertaining to Unit Operations.

7.8 Engineering and Geological Information. The Unit Operator shall furnish to all of the Working Interest Owners upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Without the prior approval of the Working Interest Owners, the Unit Operator shall not make any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00). In the event of an emergency, however, the Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. The Unit Operator shall report to the Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

Unless a higher amount is established by the Working Interest Owners pursuant to Section 4.3.2 hereof, Unit Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifty Thousand Dollars (\$50,000.00).

7.10 Unit Operations. Unit Operator shall arrange for Unit Operations to be performed at the usual rates prevailing in the area and, when practicable, shall select contractors and vendors on the basis of competitive bidding.

7.11 Wells Drilled by Unit Operator. All wells drilled by the Unit Operator shall be at the rates prevailing in the area. The Unit Operator may employ its own tools and equipment, but the charge for them shall not exceed the usual prevailing rate in the area, and the work shall be performed by the Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

7.12 Technical Services. The Unit Operator shall have the authority to incur charges to the joint account for services by consultants or Unit Operator's technical personnel that are not covered by the charges provided for in Exhibit "E".

ARTICLE 8

TAXES

8.1 Production Related Taxes and Ad Valorem Taxes.

8.1.1 Production Related Taxes.

Any Party taking its share of Unitized Substances in kind shall pay or cause to be paid all production, severance, ad valorem, excise, gathering and other taxes imposed upon or with respect to the production or handling of such Party's share of Unitized Substances so taken in kind. Any Party so taking in kind shall not file an election with the Department of Revenue or any other governmental department for the Unit Operator to report and pay taxes for said Party. Otherwise, Unit Operator shall pay or cause to be paid all production, severance, ad valorem, excise, gathering and other taxes imposed upon or with respect to the production or handling of Unitized Substances produced under the terms of this Agreement, except any production taken in kind by an owner of a

Royalty Interest and/or Overriding Royalty. Production taxes shall be borne by the Parties in the same proportions that they share in such production. The Unit Operator shall deduct a monthly estimate of all taxes from the owners to whom Unit Operator disburses proceeds from produced Unitized Substances by the Unit Operator in the same proportion that they share in the Unitized Substances. When the taxes are paid, the estimated withholding will be compared to the actual taxes and any difference shall be charged or credited to the respective owner.

8.1.2 Ad Valorem Taxes on Property or Equipment.

Beginning with the first calendar year after the effective date hereof, Unit Operator shall render for ad valorem taxation all property subject to this Agreement which by law should be rendered for such taxes, and it shall pay all taxes assessed thereon before they become delinquent. Taxes paid by the Unit Operator shall be charged to the joint account and paid by the Parties in proportion to their Participating Interest. Unit Operator shall bill the Non-Operators for their proportionate shares of all tax payments in the manner provided in Exhibit "E".

8.2 Tax Protests. If the Unit Operator considers any tax assessment improper, the Unit Operator may, after notice to the Working Interest Owners, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all Parties agree to abandon the protest prior to final determination. All direct expenses incurred by the Unit Operator in protesting an assessment will constitute a direct charge to the joint account. During the pendency of administrative or judicial proceedings, the Unit Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, the Unit Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the Parties, and be paid by them as provided for in Exhibit "E" and the Unit Agreement, respectively.

8.3 Notices. Each Working Interest Owner shall promptly furnish the Unit Operator with copies of notices, assessments, levies or tax statements received by it pertaining to the taxes to be paid by the Unit Operator.

8.4 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all gathering or other taxes or excises due the State of Colorado, the federal government, or otherwise, together with all licenses and excises, which are now imposed or may be imposed upon or with respect to the production or handling of its share of Unitized Substances.

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

ARTICLE 9

INSURANCE

9.1 Insurance. With respect to Unit Operations, the Unit Operator shall:

- (a) comply with the Workmen's Compensation Laws of the State of Colorado,
- (b) comply with Employer's Liability and other insurance requirements of the laws of the State of Colorado, and
- (c) provide insurance or other protection as set forth in Exhibit "F".

ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1 Property Taken Over. Upon the Effective Date, the Working Interest Owners shall deliver to the Unit Operator the following:

10.1.1 Wells. All wells completed in the Unitized Formation.

10.1.2 Equipment. The casing and tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which the Unit Operator determines is necessary or desirable for conducting Unit Operations.

10.1.3 Records. A copy of all production, ownership and other records of such wells.

10.2 Inventory and Evaluation. The Unit Operator shall, at Unit Expense, inventory and evaluate the wells and equipment taken over. The inventory of equipment shall be limited to those items considered controllable under Exhibit "E" except, upon a favorable determination by the Working Interest Owners, the Unit Operator may include in the inventory items considered noncontrollable in order to ensure a more equitable adjustment of investment. The method of evaluating wells and equipment shall be in accordance with Exhibit "G".

10.3 Investment Adjustment. Upon approval by the Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all wells and equipment taken over under Section 10.1, and shall be charged with an amount equal to that obtained by multiplying the total value of all wells and equipment taken over under Section 10.1 by each Working Interest Owner's Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by the Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems and office building necessary for Unit Operations shall be by negotiation between the owners thereof and the Unit Operator, subject to the approval of the Working Interest Owners.

10.5 Ownership of Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest equal to its Unit Participation in all wells, equipment and facilities taken over or otherwise acquired by the Unit Operator pursuant to this Agreement.

10.6 Representation and Indemnity. Each Party represents that the wells and equipment which it delivers to Unit Operator pursuant to this Article comply with all government

regulations, are in sound working condition and are free and clear of any liens, charges, encumbrances, suits or actions of whatsoever kind of nature, and each such Party indemnifies and agrees to hold harmless all other Parties from any and all liability, loss, cost or damage sustained by them and resulting from failure or deficiency in its title thereto.

ARTICLE 11

UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owners. The Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse the Unit Operator for its share of Unit Expense in proportion to its respective Unit Participation in accordance with Exhibit "D-2" in effect at the time such Unit Expense is incurred. All charges, credits and accounting for Unit Expense shall be in accordance with Exhibit "E".

11.2 Advance Billings. The Unit Operator shall have the right to require the Working Interest Owners to advance their respective shares of estimated Unit Expenses as provided for by Exhibit "E".

11.3 Commingling of Funds. Funds received by the Unit Operator under this Agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.4 Unpaid Unit Expense. If any Working Interest Owner fails or is unable to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by the Unit Operator, the non-defaulting Working Interest Owners shall, upon request by the Unit Operator, pay the unpaid amount as if it were Unit Expense in the proportion that the Unit Participation of each such non-defaulting Working Interest Owner bears to the Unit Participation of all such non-defaulting Working Interest Owners. Each Working Interest Owner so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in Section 11.5 of this Agreement.

11.5 Security Rights. In addition to any other security rights and remedies provided for by the laws of the State of Colorado with respect to services rendered or materials and equipment furnished under this Agreement, (i) the Unit Operator shall have a first and prior lien upon each Working Interest, including the Unitized Substances and the Unit Equipment credited thereto, in order to secure payment of the Unit Expense charged against such Working Interest, together with interest thereon at the rate set forth in Exhibit "E" or the maximum rate allowed by law, whichever is less, and (ii) if any Working Interest Owner does not pay its share of Unit Expense when due, the Unit Operator shall have the right to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed, plus interest at the rate of two (2) percent above prime rate as established by the Chase Manhattan Bank of New York City (or successor bank) on the last day of the calendar month in which the unpaid balance becomes due or the maximum contract rate permitted by the applicable usury laws, whichever is the lesser, has been paid. Each purchaser shall be entitled to rely on the Unit Operator's statement concerning the amount owed and the interest payable thereon.

11.6 Carved-Out Interests. Any overriding royalty, production payment, net proceeds interest, carried interest or any other interest carved out of a Working Interest shall be subject to this Agreement. If a Working Interest Owner does not pay its share of Unit Expense and the proceeds from the sale of Unitized Substances under Section 11.5 are insufficient for that purpose, the security rights provided for therein may be applied against the carved-out interests with which such Working Interest is burdened. In such event, the owner of such carved-out interest shall be subrogated to the security rights granted by Section 11.5.

ARTICLE 12

NONUNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas or other minerals from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising this right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator shall produce Unitized Substances. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to the Working Interest Owners so that the production of Unitized Substances will not be affected adversely, and no additional cost will be incurred by the Working Interest Owners.

ARTICLE 13

TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit "D-1", and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 A.M. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of a title failure.

13.2 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract because of Unit Operations, including nonproduction from such tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

ARTICLE 14

LIABILITY, CLAIMS AND SUITS

14.1 Individual Liability. The duties, obligations and liabilities of the Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association or trust among the Working Interest Owners.

14.2 Settlements. The Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Fifty Thousand Dollars (\$50,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the Working Interest Owners shall determine the further handling of the claim or suit. All costs and expense of handling, settling or otherwise discharging such claim or suit shall be an item of Unit Expense, subject to such limitation as is set forth in Exhibit "E". If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given the Working Interest Owners and the Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

14.3 Notice of Loss. The Unit Operator shall report to the Working Interest Owners as soon as practicable after each occurrence of damage or loss to Unit Equipment, and each

accident, occurrence, claim or suit involving third-party bodily injury or property damage not covered by insurance carried for the benefit of the Working Interest Owners.

ARTICLE 15

NONDISCRIMINATION

15.1 During the performance of work under this Agreement, the Unit Operator agrees to comply with all of the provisions under Executive Order 11246 (reference to which includes amendments and orders superseding in whole or in part) and shall be bound by and agrees to the provisions as contained in Section 202 of said Executive Order and the Equal Opportunity clause as set forth in 48 CFR Section 52.222-26, which clause is hereby incorporated by reference and any amendments, modifications or changes thereto by the appropriate governmental agency.

ARTICLE 16

NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, telefax, overnight delivery, or telegram to the address of the representative of each Working Interest Owner as furnished to the Unit Operator in accordance with Article 4.

ARTICLE 17

WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw, all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment, all wells used in Unit Operations and all of its other rights under this Agreement and the Unit Agreement, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by the Unit Operator of such transfer. The delivery of the transfer shall be made to the Unit Operator for the benefit of the transferee Working Interest Owners. The transferred interest shall be owned by the transferee Working Interest Owners in proportion to their respective Unit Participations. The transferee Working Interest Owners, in proportion to the respective interests so acquired, shall pay the transferor Working Interest Owner for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same, and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by the transferee Working Interest Owners. In the event such withdrawing Working Interest Owner's interest in the aforesaid salvage value is less than such Working Interest Owner's share of such estimated costs, the withdrawing Working Interest Owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of the transferee Working Interest Owners succeeding to its interest a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, the Unit Operator shall render a final statement to the withdrawing Working Interest Owner for its share of Unit Expense, including any deficiency in salvage value, as determined by the Unit Operator, incurred through the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing Working Interest Owner has been paid in full within thirty (30) days after rendering of such final statement by the Unit Operator, the transfer shall be effective the first day of the month following its receipt by the Unit Operator and, as of such effective date, the withdrawing Working Interest Owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, except obligations and liabilities arising under Section 13.1 and Article 14 of this Agreement attributable to periods prior to the effective date of such Working Interest Owner's withdrawal, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred. Exhibits "B", "D-1" and "D-2" shall be revised to reflect any withdrawal and resulting transfer of Oil and Gas Rights. If a Working Interest Owner of an unleased interest withdraws from this Agreement

pursuant to this Section, such Working Interest Owner shall execute a lease on the withdrawn Working Interest in the form of lease attached hereto as Exhibit "H".

17.2 Limitation on Withdrawal. Notwithstanding anything set forth in Article 17.1, the Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (1/8) lessor's royalty, unless the other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens.

ARTICLE 18

ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If the Working Interest Owners determine to permanently abandon any well within the Unit Area prior to termination of the Unit Agreement, the Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of thirty (30) days after the sending of such notice to notify the Unit Operator in writing of their election to take over and own the well, subject to any rights to takeover such well created prior to the Effective Date. Within ten (10) days after the Working Interest Owners of the Tract have notified the Unit Operator of their election to take over the well, they shall pay the Unit Operator, for credit to the joint account, the amount determined by the Unit Operator to be the net salvage value of the Unit Equipment in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized Formation, and upon abandonment, to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, the well shall be plugged and abandoned as a Unit Operation in compliance with applicable laws and regulations.

ARTICLE 19

EFFECTIVE DATE AND TERM

19.1 Effective Date. This Agreement shall become effective on the Effective Date, as provided for in the Unit Agreement.

19.2 Term. This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or taken over by individual Working Interest Owners in accordance with Article 18, (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of the Working Interest Owners, and (c) a final accounting has been provided to the Working Interest Owners.

ARTICLE 20

ABANDONMENT OF OPERATIONS

20.1 Termination: After the termination of the Unit Agreement and prior to the termination of this Agreement:

20.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement and thereafter the Parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. The Working Interest Owners of any Tract that desire to take over and continue to operate any wells located thereon may do so by paying the Unit Operator, for credit to the joint account, the net salvage value, as determined by the Unit

Operator, of the Unit Equipment in and on the wells taken over, and by agreeing to plug each well upon its abandonment in compliance with applicable laws and regulations.

20.1.3 Salvaging Wells. The Unit Operator shall salvage as much of the casing and equipment in or on any wells not taken over by the Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be a Unit Expense.

20.1.5 Distribution of Assets. The Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

20.1.6 Impact on Final Accounting. Actions taken under the provisions of this Article 20 shall be incorporated into the final accounting.

ARTICLE 21

APPROVAL

21.1 Original, Counterpart or Other Instrument. An owner of a Working Interest may approve this Agreement by signing the original, a counterpart thereof, a ratification thereof or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Parties had signed the same instrument.

ARTICLE 22

SUCCESSORS AND ASSIGNS

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

UNIT OPERATOR

CITATION OIL & GAS CORP.

By: 

Gary C. Johnson
Senior Vice President

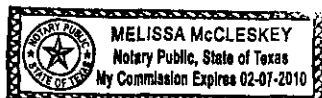
Date of Execution: April 26, 2006

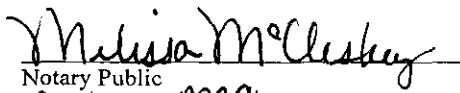
CORPORATE ACKNOWLEDGMENT

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 26th day of April, 2006, by Gary C. Johnson, Senior Vice President of Citation Oil & Gas Corp., a Delaware corporation, on behalf of said corporation.

My commission expires: _____




Notary Public
Melissa McCleskey
Printed Name of Notary Public

Attest:

**RONNY G ALTMAN REVOCABLE INTER
VIVOS TRUST**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

EVENINGSIDE CO., LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

FEDC, INC.

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

FEE OIL & GAS, LTD

Secretary
Date Signed: _____

By: _____
Title: _____

ROBERT A GEIST

Date Signed: _____

By: _____
Title: _____

W PERRY GRESH & TUCKER C GRESH

Date Signed: _____

By: _____
W PERRY GRESH

Date Signed: _____

By: _____
TUCKER C GRESH

DAVIS F JAMIS

Date Signed: _____

By: _____
DAVIS F JAMIS

Attest:

MADIERA OIL CO.

Secretary
Date Signed: _____

By: _____
Title: _____

JOHN C NIERNBERGER

Date Signed: _____

By: _____
JOHN C NIERNBERGER

Attest:

PALADIN ENERGY PARTNERS LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

A SCOTT RITCHIE III LIVING TRUST (2/4/04)

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

**A SCOTT RITCHIE III REVOCABLE LIVING
TRUST (8/8/80)**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

SAVANT RESOURCES LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

SHAFFER IV, INC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

STAR PARTNERSHIP

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

TWO GUYS, LLC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

COLLINS PINE COMPANIES

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

JUDITH A HILTNER REV TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

EDWARD B LANGE

Date Signed: _____

By: _____
EDWARD B LANGE

Attest:

BETTY I MULL TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

JENNIFER MULL REVOCABLE TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

LEWIS M MULL REVOCABLE TRUST

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

**KATHERINE MCKENZIE MULL
TRUST**

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

RJG COMPANY

Secretary
Date Signed: _____

By: _____
Title: _____

MARK A & BARBARA S SHREVE

Date Signed: _____

By: _____
MARK A SHREVE

Date Signed: _____

By: _____
BARBARA S SHREVE

Attest:

TROUSIL & ASSOCIATES INC

Secretary
Date Signed: _____

By: _____
Title: _____

Attest:

LAS ANIMAS MINERALS LTD

Secretary
Date Signed: _____

By: _____
Title: _____

ACKNOWLEDGEMENT

STATE OF _____ §
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2006.

Notary Public in and for the State of

ACKNOWLEDGEMENT

STATE OF _____ §
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2006.

Notary Public in and for the State of

EXHIBIT "D-1"

Attached to and made a part of the Jace Morrow Sand Unit Area Operating Agreement

Schedule Showing the Working Interest Percentage of Each Working Interest Owner in Each Tract

WORKING INTEREST OWNER NAME	TRACT 1	TRACT 2	TRACT 3	TRACT 4	TRACT 5	TRACT 6
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP		39.000000%	65.000000%	65.000000%	65.000000%	
RONNY G ALTMAN REVOCABLE INTER VIVOS TRUST	10.000000%					
COLLINS PINE COMPANIES		10.331580%				
EVENINGSIDE CO., LLC	1.700000%					
FEDC, INC.	8.500000%					
FEE OIL & GAS, LTD	3.000000%					
ROBERT A GEIST	4.250000%					
W PERRY GRESH & TUCKER C GRESH	8.500000%					
JUDITH A HILTNER REV TRUST	1.700000%	3.281250%				
DAVIS F JAMIS						
EDWARD B LANGE	2.000000%					
LAS ANIMAS MINERALS LTD						100.000000%
MADIERA OIL CO.	8.500000%					
BETTY I MULL TRUST		5.976473%				
JENNIFER MULL REVOCABLE TRUST		1.621050%				
LEWIS M MULL REVOCABLE TRUST		6.874848%				
KATHERINE MCKENZIE MULL TRUST		1.621049%				
JOHN C NIERNBERGER	1.700000%					
PALADIN ENERGY PARTNERS LLC		12.000000%	20.000000%	20.000000%	20.000000%	
RJG COMPANY		5.875000%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)	1.700000%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	36.550000%					
SAVANT RESOURCES LLC		9.000000%	15.000000%	15.000000%	15.000000%	
SHAFFER IV, INC	1.700000%					
MARK A & BARBARA S SHREVE		0.043750%				
STAR PARTNERSHIP	5.950000%					
TROUSIL & ASSOCIATES INC		4.375000%				
TWO GUYS, LLC	4.250000%					
TOTALS:	100.000000%	100.000000%	100.000000%	100.000000%	100.000000%	100.000000%

EXHIBIT "D-2"

Attached to and made a part of the Jace Morrow Sand Unit Area Operating Agreement
Schedule Showing the Percentage of Total Unit Participation attributable to each Tract, and the Unit Participation of each Working Interest Owner

PHASE ONE:

WORKING INTEREST OWNER NAME	TRACT FACTORS:	TOTAL UNIT	TRACT 1	TRACT 2	TRACT 3	TRACT 4	TRACT 5	TRACT 6
		PARTICIPATION	2.894000%	56.811000%	1.341000%	14.161000%	24.418000%	0.375000%
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP		48.104290%		22.156290%	0.871650%	9.204650%	15.871700%	
RONNY G ALTMAN REVOCABLE INTER VIVOS TRUST		0.289400%	0.289400%					
COLLINS PINE COMPANIES		5.869474%		5.869474%				
EVENINGSIDE CO., LLC		0.049198%	0.049198%					
FEDC, INC.		0.245990%	0.245990%					
FEE OIL & GAS, LTD		0.086820%	0.086820%					
ROBERT A GEIST		0.122995%	0.122995%					
W PERRY GRESH & TUCKER C GRESH		0.245990%	0.245990%					
JUDITH A HILTNER REV TRUST		1.913309%	0.049198%	1.864111%				
DAVIS F JAMIS		0.000000%						
EDWARD B LANGE		0.057880%	0.057880%					
LAS ANIMAS MINERALS LTD		0.375000%						0.375000%
MADIERA OIL CO.		0.245990%	0.245990%					
BETTY I MULL TRUST		3.395294%		3.395294%				
JENNIFER MULL REVOCABLE TRUST		0.920935%		0.920935%				
LEWIS M MULL REVOCABLE TRUST		3.905670%		3.905670%				
KATHERINE MCKENZIE MULL TRUST		0.920934%		0.920934%				
JOHN C NIERNBERGER		0.049198%	0.049198%					
PALADIN ENERGY PARTNERS LLC		14.801320%		6.817320%	0.268200%	2.832200%	4.883600%	
RJG COMPANY		3.337646%		3.337646%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)		0.049198%	0.049198%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)		1.057757%	1.057757%					
SAVANT RESOURCES LLC		11.100990%		5.112990%	0.201150%	2.124150%	3.662700%	
SHAFFER IV, INC		0.049198%	0.049198%					
MARK A & BARBARA S SHREVE		0.024855%		0.024855%				
STAR PARTNERSHIP		0.172193%	0.172193%					
TROUSIL & ASSOCIATES INC		2.485481%		2.485481%				
TWO GUYS, LLC		0.122995%	0.122995%					
TOTALS:		100.000000%						

PHASE TWO:**TRACT FACTORS:**

		4.380000%	38.392000%	14.828000%	21.134000%	20.891000%	0.375000%
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP	51.927330%		14.972880%	9.638200%	13.737100%	13.579150%	
RONNY G ALTMAN REVOCABLE INTER VIVOS TRUST	0.438000%	0.438000%					
COLLINS PINE COMPANIES	3.966500%		3.966500%				
EVENINGSIDE CO., LLC	0.074460%	0.074460%					
FEDC, INC.	0.372300%	0.372300%					
FEE OIL & GAS, LTD	0.131400%	0.131400%					
ROBERT A GEIST	0.186150%	0.186150%					
W PERRY GRESH & TUCKER C GRESH	0.372300%	0.372300%					
JUDITH A HILTNER REV TRUST	1.334198%	0.074460%	1.259738%				
DAVIS F JAMIS	0.000000%						
EDWARD B LANGE	0.087600%	0.087600%					
LAS ANIMAS MINERALS LTD	0.375000%						0.375000%
MADIERA OIL CO.	0.372300%	0.372300%					
BETTY I MULL TRUST	2.294488%		2.294488%				
JENNIFER MULL REVOCABLE TRUST	0.622354%		0.622354%				
LEWIS M MULL REVOCABLE TRUST	2.639392%		2.639392%				
KATHERINE MCKENZIE MULL TRUST	0.622353%		0.622353%				
JOHN C NIERNBERGER	0.074460%	0.074460%					
PALADIN ENERGY PARTNERS LLC	15.977640%		4.607040%	2.965600%	4.226800%	4.178200%	
RJG COMPANY	2.255530%		2.255530%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)	0.074460%	0.074460%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	1.600890%	1.600890%					
SAVANT RESOURCES LLC	11.983230%		3.455280%	2.224200%	3.170100%	3.133650%	
SHAFFER IV, INC	0.074460%	0.074460%					
MARK A & BARBARA S SHREVE	0.016797%		0.016797%				
STAR PARTNERSHIP	0.260610%	0.260610%					
TROUSIL & ASSOCIATES INC	1.679650%		1.679650%				
TWO GUYS, LLC	0.186150%	0.186150%					
TOTALS:	100.000000%						

EXHIBIT "D-1"

Attached to and made a part of the Jace Morrow Sand Unit Area Operating Agreement

Schedule Showing the Working Interest Percentage of Each Working Interest Owner in Each Tract

WORKING INTEREST OWNER NAME	TRACT 1	TRACT 2	TRACT 3	TRACT 4	TRACT 5	TRACT 6
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP		39.000000%	65.000000%	65.000000%	65.000000%	
RONNIE G ALTMAN REVOCABLE INTER VIVOS TRUST	10.000000%					
COLLINS PINE COMPANIES		10.331580%				
EVENINGSIDE CO., LLC	1.700000%					
FEDC, INC.	8.500000%					
FEE OIL & GAS, LTD	3.000000%					
ROBERT A GEIST	4.250000%					
W PERRY GRESH & TUCKER C GRESH	8.500000%					
JUDITH A HILTNER REV TRUST	1.700000%	3.281250%				
DAVIS F JAMIS						
EDWARD B LANGE	2.000000%					
LAS ANIMAS MINERALS LTD						100.000000%
MADIERA OIL CO.	8.500000%					
BETTY I MULL TRUST		5.976473%				
JENNIFER MULL REVOCABLE TRUST		1.621050%				
LEWIS M MULL REVOCABLE TRUST		6.874848%				
KATHERINE MCKENZIE MULL TRUST		1.621049%				
JOHN C NIERNBERGER	1.700000%					
PALADIN ENERGY PARTNERS LLC		12.000000%	20.000000%	20.000000%	20.000000%	
RJG COMPANY		5.875000%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)	1.700000%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	36.550000%					
SAVANT RESOURCES LLC		9.000000%	15.000000%	15.000000%	15.000000%	
SHAFFER IV, INC	1.700000%					
MARK A & BARBARA S SHREVE		0.043750%				
STAR PARTNERSHIP	5.950000%					
TROUSIL & ASSOCIATES INC		4.375000%				
TWO GUYS, LLC	4.250000%					
TOTALS:	100.000000%	100.000000%	100.000000%	100.000000%	100.000000%	100.000000%

EXHIBIT "D-2"

Attached to and made a part of the Jace Morrow Sand Unit Area Operating Agreement
Schedule Showing the Percentage of Total Unit Participation attributable to each Tract, and the Unit Participation of each Working Interest Owner

PHASE ONE:

WORKING INTEREST OWNER NAME	TOTAL UNIT PARTICIPATION	TRACT 1 2.894000%	TRACT 2 56.811000%	TRACT 3 1.341000%	TRACT 4 14.161000%	TRACT 5 24.418000%	TRACT 6 0.375000%
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP	48.104290%		22.156290%	0.871650%	9.204650%	15.871700%	
RONNIE G ALTMAN REVOCABLE INTER VIVOS TRUST	0.289400%	0.289400%					
COLLINS PINE COMPANIES	5.869474%		5.869474%				
EVENINGSIDE CO., LLC	0.049198%	0.049198%					
FEDC, INC.	0.245990%	0.245990%					
FEE OIL & GAS, LTD	0.086820%	0.086820%					
ROBERT A GEIST	0.122995%	0.122995%					
W PERRY GRESH & TUCKER C GRESH	0.245990%	0.245990%					
JUDITH A HILTNER REV TRUST	1.913309%	0.049198%	1.864111%				
DAVIS F JAMIS	0.000000%						
EDWARD B LANGE	0.057880%	0.057880%					
LAS ANIMAS MINERALS LTD	0.375000%						0.375000%
MADIERA OIL CO.	0.245990%	0.245990%					
BETTY I MULL TRUST	3.395294%		3.395294%				
JENNIFER MULL REVOCABLE TRUST	0.920935%		0.920935%				
LEWIS M MULL REVOCABLE TRUST	3.905670%		3.905670%				
KATHERINE MCKENZIE MULL TRUST	0.920934%		0.920934%				
JOHN C NIERNBERGER	0.049198%	0.049198%					
PALADIN ENERGY PARTNERS LLC	14.801320%		6.817320%	0.268200%	2.832200%	4.883600%	
RJG COMPANY	3.337646%		3.337646%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)	0.049198%	0.049198%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	1.057757%	1.057757%					
SAVANT RESOURCES LLC	11.100990%		5.112990%	0.201150%	2.124150%	3.662700%	
SHAFFER IV, INC	0.049198%	0.049198%					
MARK A & BARBARA S SHREVE	0.024855%		0.024855%				
STAR PARTNERSHIP	0.172193%	0.172193%					
TROUSIL & ASSOCIATES INC	2.485481%		2.485481%				
TWO GUYS, LLC	0.122995%	0.122995%					
TOTALS:	100.000000%						

PHASE TWO:**TRACT FACTORS:**

		4.380000%	38.392000%	14.828000%	21.134000%	20.891000%	0.375000%
CITATION 2004 INVESTMENT LIMITED PARTNERSHIP	51.927330%		14.972880%	9.638200%	13.737100%	13.579150%	
RONNIE G ALTMAN REVOCABLE INTER VIVOS TRUST	0.438000%	0.438000%					
COLLINS PINE COMPANIES	3.966500%		3.966500%				
EVENINGSIDE CO., LLC	0.074460%	0.074460%					
FEDC, INC.	0.372300%	0.372300%					
FEE OIL & GAS, LTD	0.131400%	0.131400%					
ROBERT A GEIST	0.186150%	0.186150%					
W PERRY GRESH & TUCKER C GRESH	0.372300%	0.372300%					
JUDITH A HILTNER REV TRUST	1.334198%	0.074460%	1.259738%				
DAVIS F JAMIS	0.000000%						
EDWARD B LANGE	0.087600%	0.087600%					
LAS ANIMAS MINERALS LTD	0.375000%						0.375000%
MADIERA OIL CO.	0.372300%	0.372300%					
BETTY I MULL TRUST	2.294488%		2.294488%				
JENNIFER MULL REVOCABLE TRUST	0.622354%		0.622354%				
LEWIS M MULL REVOCABLE TRUST	2.639392%		2.639392%				
KATHERINE MCKENZIE MULL TRUST	0.622353%		0.622353%				
JOHN C NIERNBERGER	0.074460%	0.074460%					
PALADIN ENERGY PARTNERS LLC	15.977640%		4.607040%	2.965600%	4.226800%	4.178200%	
RJG COMPANY	2.255530%		2.255530%				
A SCOTT RITCHIE III LIVING TRUST (2/4/04)	0.074460%	0.074460%					
A SCOTT RITCHIE III REVOCABLE LIVING TRUST (8/8/80)	1.600890%	1.600890%					
SAVANT RESOURCES LLC	11.983230%		3.455280%	2.224200%	3.170100%	3.133650%	
SHAFFER IV, INC	0.074460%	0.074460%					
MARK A & BARBARA S SHREVE	0.016797%		0.016797%				
STAR PARTNERSHIP	0.260610%	0.260610%					
TROUSIL & ASSOCIATES INC	1.679650%		1.679650%				
TWO GUYS, LLC	0.186150%	0.186150%					
TOTALS:	100.000000%						

EXHIBIT " E "

Attached to and made a part of that certain Unit Operating Agreement for the Jace Morrow
Sand Unit Area, Kiowa County, Colorado

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

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

2. Rentals and Royalties

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

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. Employee Benefits

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

5. Material

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

6. Transportation

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

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

- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

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

8. Equipment and Facilities Furnished By Operator

- A. ~~Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed ----- percent (-----%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.~~
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

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

10. Legal Expense

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

11. Taxes

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

12. Insurance

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

13. Abandonment and Reclamation

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

14. Communications

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

15. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

(x) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B

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

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

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

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 7,500.00
(Prorated for less than a full month)
Producing Well Rate \$ 585.00

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

(a) Drilling Well Rate

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

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

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

2. Overhead - Major Construction

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

- A. 5 % of first \$100,000 or total cost if less, plus
- B. 3 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2 % of costs in excess of \$1,000,000.

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

3. Catastrophe Overhead

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

- A. 5 % of total costs through \$100,000; plus
- B. 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

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

4. Amendment of Rates

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

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

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

1. Purchases

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

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2½ inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

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

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

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

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

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

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

C. Other Used Material

(1) Condition C

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

(2) Condition D

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

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

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

D. Obsolete Material

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

E. Pricing Conditions

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

3. Premium Prices

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

4. Warranty of Material Furnished By Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "F"

Attached to and made a part of that certain Unit Operating Agreement for the
Jace Morrow Sand Unit Area
Kiowa County, Colorado

The Operator shall carry for the benefit of the joint account insurance to cover the Operator's operations on the lease acreage covered by this agreement as follows:

1. Workmens' Compensation & Employer's Liability insurance for a combined total of \$500,000 for each occurrence.
2. Public Liability and property damage insurance for a combined total of \$1,000,000 for each occurrence.
3. Automotive liability insurance and property damage insurance in a combined total of \$1,000,000 for each occurrence.

The Operator shall require its contractors and subcontractors working or performing services on the Unit Area covered hereby to comply with the workmens' compensation laws of the State in which the Unit Area is located and to carry such other insurance and in such amounts as the Operator shall deem necessary.

All premiums paid on such insurance shall be charged to the joint account, except that no direct charge shall be made by Operator for premiums paid for insurance covering Operator's fully owned automotive equipment. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance, other than losses resulting from Operator's gross negligence or willful misconduct, shall be charged to the joint account. Each drilling or other contractor performing work for the joint account shall be required to maintain in force with respect to work performed by such contractor, the same insurance as specified above. Whenever Operator performs a drilling or reworking operation for the joint account with its own equipment, Operator, at its own expense, shall provide the same insurance coverage with respect thereto as would be required if the work were performed by an independent drilling contractor. Prior to commencement of operations hereunder, each drilling or other contractor, or Operator, if Operator performs drilling or reworking operations with its own equipment, shall furnish to Non-Operators for approval Certificates of Insurance signed by authorized representatives of the insurance companies, certifying the existence of the insurance coverage set forth above. Such Certificates of Insurance shall name the parties to this Agreement as additional insured parties, in cases in which certificates are required for drilling or other contractors, or shall name Non-Operators as additional insured parties, in cases in which Certificates are required for Operator. Additionally, such Certificates of Insurance shall contain a statement that the referenced insurance coverage shall not be cancelled or changed without at least ten (10) days prior written notice to Non-Operators.

EXHIBIT "G"

Attached to and made a part of the Jace Morrow Sand Unit Operating Agreement
Kiowa County, Colorado

INVENTORY AND PRICING PROCEDURE

1. INVENTORY EXPENSE. The cost of physical inventory will be charged to the joint account. An allowance of \$200.00 per day per persons, plus normal personal living expense including travel time between assigned office and unit location, not to exceed two days round trip. Witness of Working Interest Owners of inventory on own tract will not qualify for this allowance.

2. PHYSICAL INVENTORY. All equipment, including loose and idle, will be inventoried. Loose, idle or scrap equipment shall be noted on inventory and it will be the responsibility of each Working Interest Owner to remove material or equipment from its lease at its sole expense within a reasonable time not to exceed twelve (12) months. All material and equipment, other than loose, idle or scrap material and equipment inventoried will be referred to hereinafter as "loaned equipment". Any item of material and equipment in obvious poor condition shall be noted on inventory by inventory crews.

It is recognized and agreed that certain inventoried material and equipment now in use, may become surplus due to consolidation under unit operation. It is further agreed that such material and equipment will be loaned to the unit during the interim time of such consolidation at no cost to the unit. From time to time, as such consolidation progresses, Unit Operator will notify Working Interest Owners in writing of such surplus material or equipment declared surplus and such Working Interest Owners will remove such material or equipment from the unit area at their sole risk, cost and expense within a reasonable time. All such loaned equipment considered necessary for unit operations and not released as surplus within one year from the effective date of the unit will become unit property and credit will be given to the respective Working Interest Owners and priced according to the provisions of Exhibit "E", Section IV (Pricing of Joint Account Materials, Purchases, Transfers and Dispositions).

For purposes of inventory only, all controllable material and equipment inventoried and retained for unit operation, with the exception of loose, idle and scrap items in obvious poor condition and all material and equipment of less than Condition "B" value, will be priced according to the provisions of Exhibit "E", Section IV.

Each Operator's record of casing head and values will be accepted for the inventory.

Prior to or on date of inventory, each Operator will furnish Unit Operator, from its records of unitized wells, the following:

Casing – size, weight and grade, if known, and depth set.

Tubing – size, grade, weight and footage.

Tubing Anchors and Packers – manufacturer, type and size.

Sucker Poles – size and footage or number

Downhole Pumps or other Flow Equipment

Casing Heads – make, size, series, test, type of values of controllable nature.

The inventory shall be conducted in accordance with Article 10 of the Unit Operating Agreement and shall be limited to those items of equipment normally considered controllable by operators of oil and gas properties and indicated in Material Classification manual prepared by the Council of Petroleum Accountants' Society of North America, in general use at the time of such inventory.

EXHIBIT "H"
to Unit Operating Agreement
Jace Morrow Sand Unit
Kiowa County, Colorado
OIL AND GAS LEASE
(PAID-UP)

AGREEMENT, Made and entered into this _____ day of _____, 20____, by and between _____, Party of the first part, hereinafter called lessor (whether one or more), and _____, of _____, party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN AND NO/100 DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Cheyenne, State of Colorado, described as follows, to wit:

The _____ of Section _____, Township _____,
Range _____, and containing _____ acres, more or less.

It is agreed that this lease shall remain in force for a term of _____ years from the above date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipeline to which it may connect its wells, the _____th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold, used off the premises, or used in the manufacture of products therefrom, _____th of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than _____th of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production or oil or operation on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3rd. To pay for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, _____th of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the lessor shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed with the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, lessee shall pay lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit. If said lessor owns a less interest in the above described land than the entire and undivided free simple estate therein, then the royalties herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

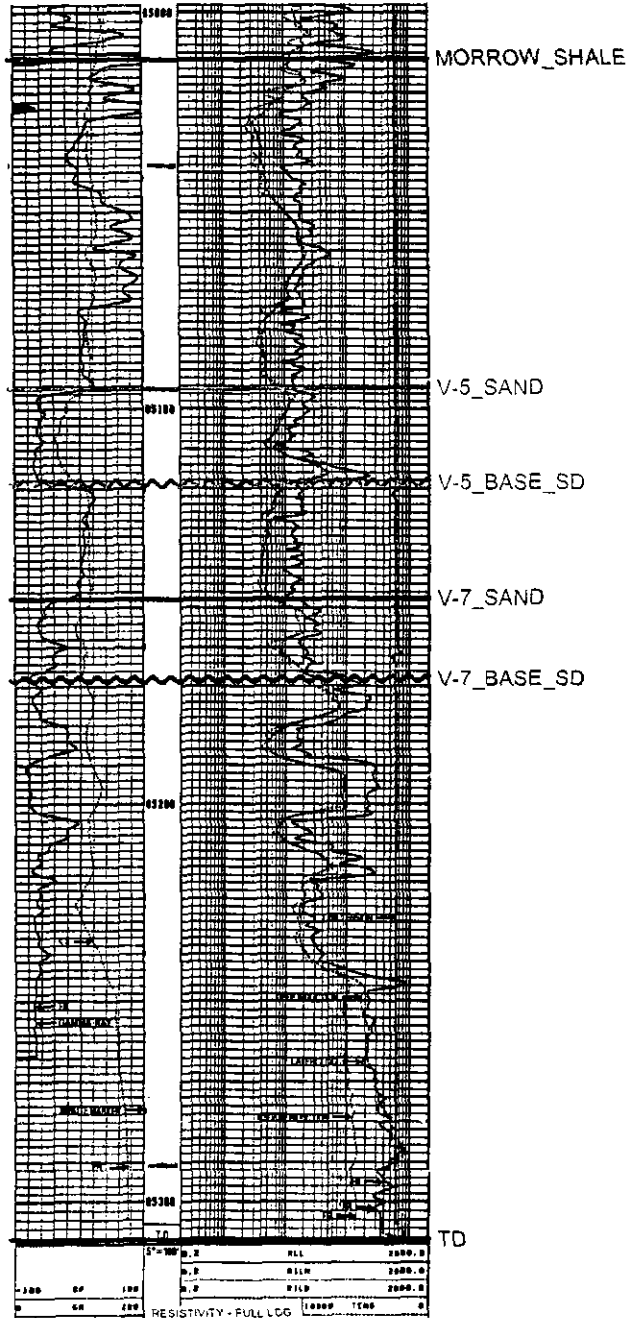
If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of lessee. No change in the ownership of the land or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

EXHIBIT "F"

CITATION
SCHNEIDER 34-1 #3
 T18S R42W S1
 ELEV_KB : 3,963
 COMP_DATE : 6/13/1991

UNITIZED MORROW SAND INTERVAL



Citation Oil & Gas Corp.
SE COLORADO MORROW
JACE TYPE LOG
MORROW SECTION
By S.W. JAMES

EXHIBIT "G"

Description of Formation

From which wells are producing in the Unit Area or have produced:

The Morrow Sand Formation is the only reservoir that has been productive in the Unit Area. The Morrow interval is identified as the stratigraphic equivalent of the interval between 5012' to 5169' on the Dual Induction Laterolog of the Schneider 34-1 #3 well located in the SW/4 SE/4 of section 1, township 18S, range 42W, Kiowa, County, Colorado in the proposed unit area. This interval includes two sands that have been mapped separately as the V-5 and V-7 sands. These sands are the result of fluvial deposition in channels that were incised into the subjacent carbonate rocks. The Morrow sands are typically medium to fine-grained, usually well sorted with good porosity and permeability. Based on core analysis of the Morrow in the Schneider 34-1 #3 and Schneider 44-1 #2 wells, average porosity ranges from 10 to 19% with average permeability from 19 to 343 millidarcies.

Formations from which wells in the Unit area will receive fluids to be injected:

Nitrogen will be injected only into the Morrow Sand Formation as identified above.

Formations in the unit area which are capable of limiting the movements of any fluids to be injected:

The injection of Nitrogen into the Morrow Sand Formation will be limited by an overlying impermeable shale section and below by impermeable lower Morrow shales and Mississippian limestones. It is believed that these lithologies isolate the Morrow Sands and therefore Nitrogen migration is not anticipated from the Morrow sands.

EXHIBIT "H"

Underground Sources of Drinking Water

Underground sources of drinking water within the proposed Unit Area are found only in the Ogallala Formation which is encountered at depths of 250' to over 400'. Surface pipe has been set over the Ogallala and cemented to ground level for protection of this interval.

A

EXHIBIT "I"

A'

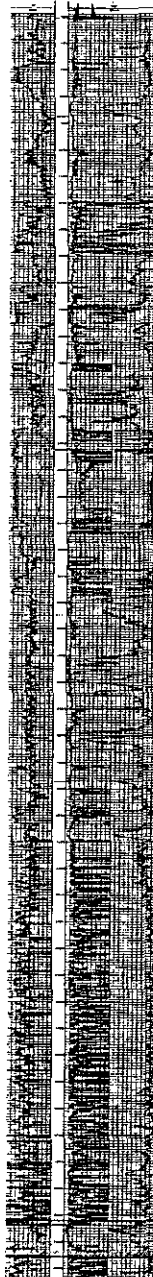
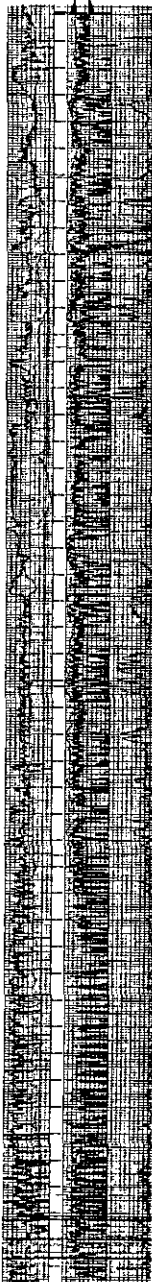
CITATION
SCHNEIDER 3
SCHNEIDER 34-1#3
T18S R42W S1
ELEV_KB : 3,963
COMP_DATE : 6/13/1991

RICHEL EXPL
3
LEATHERS B
T18S R42W S1
ELEV_KB : 3,942
COMP_DATE : 12/7/1990

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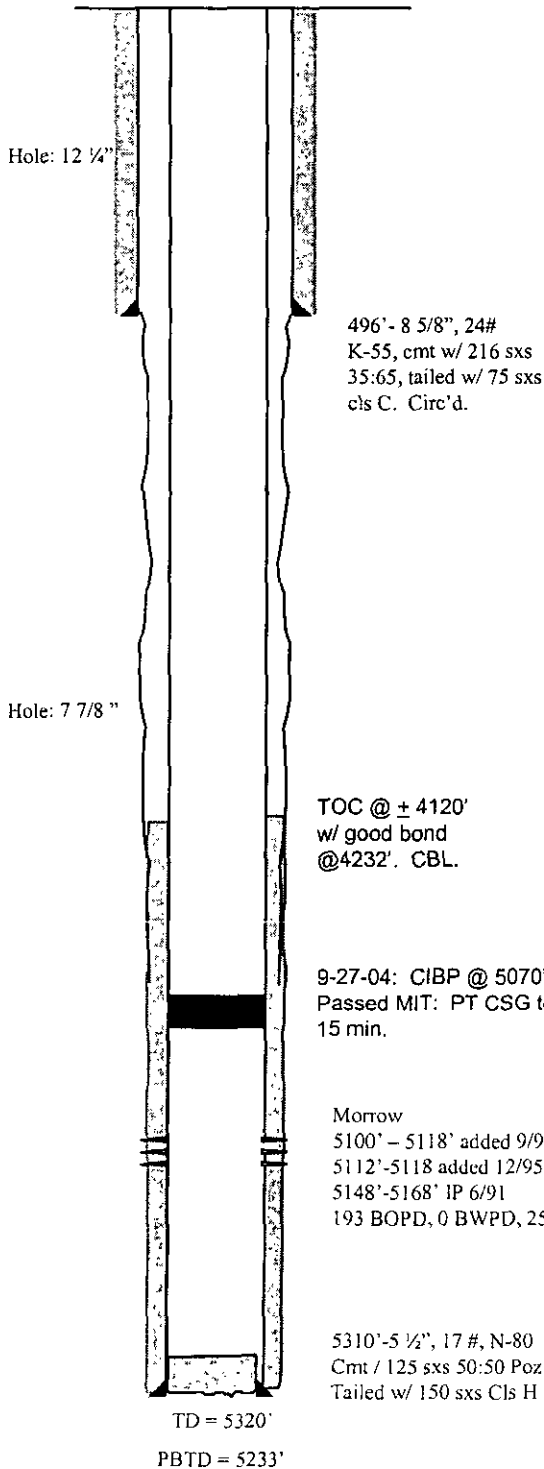
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EXHIBIT "J-1"

CITATION OIL AND GAS CORPORATION WELLBORE DIAGRAM AND INFORMATION

Well Name: Schneider 34-1 #3 Field: Jace Field
 Date: 3/6/06 Location: SW SE Sec 1, T18S-R42W
 County: Kiowa State: Colorado

Surface: SW SE Sec 1, T18S-R42W
 Completed: 6/7/91
 Elevation: 3953'
 KB: 3963'
 API #: 05-061-6600



TUBING DETAIL

Qty	Description	Length	Depth

ROD DETAIL

Qty	Size	Type	Length

CASING DETAIL

Size	Weight	Grade	Depth
8 5/8	24	K-55	496
5 1/2	17	N-80	5,310

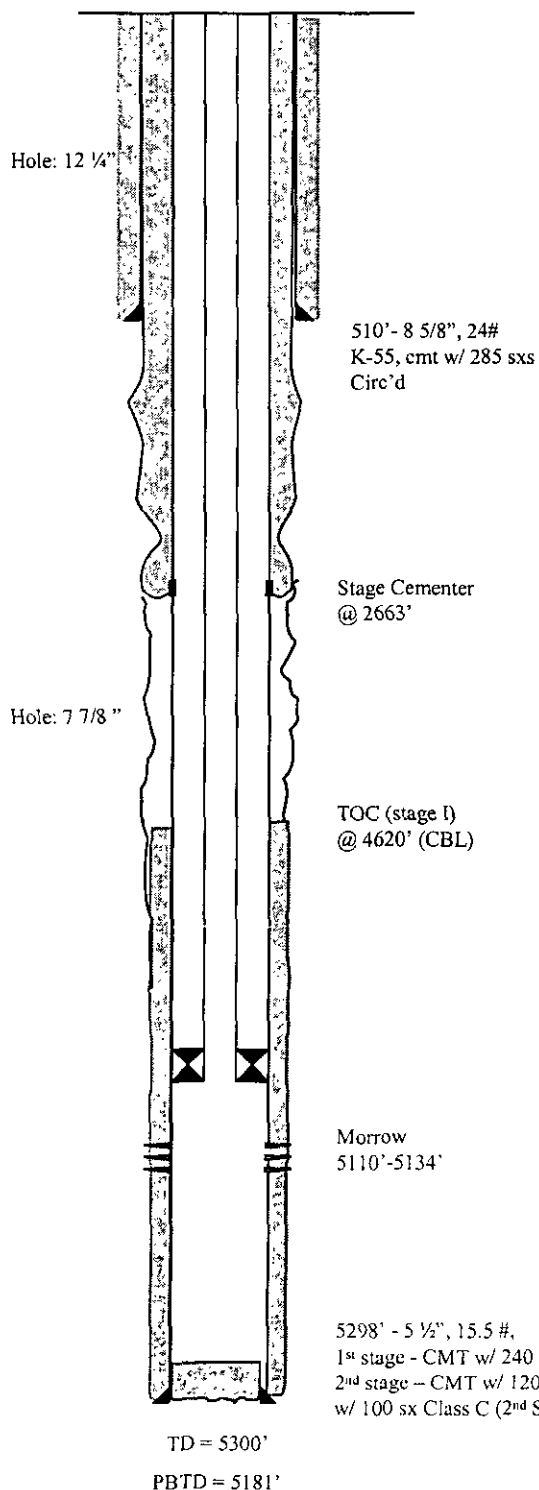
EXHIBIT "J-2"

CITATION OIL AND GAS CORPORATION
WELLBORE DIAGRAM AND INFORMATION

Well Name: Leathers B-3
 Date: 12/10/05
 County: Kiowa

Field: Jace Field
 Location: NE NE Sec 1, T18S-R42W
 State: Colorado

Surface: NE NE Sec 1, T18S-R42W
 Completed: 6/29/95
 Elevation: 3933'
 KB: 3942'
 API #: 05-061-6580



TUBING DETAIL

Qty	Description	Length	Depth
NA	2 3/8" 4.7 ppf IPC tubing	5078'	
	Injection PKR		5085'

CASING DETAIL

Size	Weight	Grade	Depth
8 5/8	24	K-55	510
5 1/2	15.5	J-55	5,298

EXHIBIT "K"

Statement Regarding Fluids to be Injected

Water will be injected into the following well through perforations within the interval set forth below:

WELL NAME	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	INTERVAL (Log Depth) (Feet)
LEATHERS B #3	NE NE	660' FNL; 660' FEL	1	18S	42W	MRW V5 5110 - 5134

The source of the injected water will be production from unitized wells in the Morrow V5 and V7 Sands. It is not anticipated that any additional water from other sources will be injected into the Leathers B #3. The water produced and then injected will be compatible with water in the zone since it will have been produced from the same zone.

The anticipated maximum rates, maximum surface pressure, maximum formation face pressure, and estimated formation fracture pressure (based on 0.65 psi/ft) for the current SWD well are tabulated below:

WELL NAME	Estimated Max Injection Rate (bbls/day)	Estimated Max Surface Pressure (psig)	Estimated Max Sandface Pressure (psig)	Estimated Formation Fracture Pressure (psig)
LEATHERS B #3	500	490	2790	3322

Nitrogen gas (95 - 99% N2 and 1 - 5% O2) will be injected into the following well through perforations covering intervals set forth below:

WELL NAME	DESCRIPTION	LOCATION (from section lines)	SEC	TWN	RNG	INTERVAL (Log Depth) (Feet)
SCHNEIDER 34-1 #3	SW SE	600' FSL; 1983' FEL	1	18S	42W	MRW V5 5110 - 5118 MRW V7 5148 - 5168

The source of the nitrogen gas to be injected will be from the processing of air.

The anticipated maximum rates, maximum surface pressure, maximum formation face pressure, and estimated formation fracture pressure (based on 0.65 psi/ft) for the proposed nitrogen injection well are tabulated below:

WELL NAME	Estimated Max Injection Rate (mcf/day)	Estimated Max Surface Pressure (psig)	Estimated Max Sandface Pressure (psig)	Estimated Formation Fracture Pressure (psig)
SCHNEIDER 34-1 #3	1000	1500	1850	3322

EXHIBIT "L"

There is no Exhibit "L" included in this Application

EXHIBIT "M"

List of all working interest, mineral interest and surface interest owners within the boundaries of the Jace Morrow Sand Unit and within one half (1/2) mile from the tracts to be unitized:

Working Interest Owners:

A. Scott Ritchie III Living Trust (2/4/04)
c/o Richie Exploration, Inc.
PO Box 783188
Wichita, KS 67278

A. Scott Ritchie III Revocable Living Trust
(8/8/80)
c/o Richie Exploration, Inc.
PO Box 783188
Wichita, KS 67278

Allen & Allen Resources, Ltd
PO Box 1046
Perryton, TX 79070

Betty I. Mull Trust
221 North Main Street, Suite 441
Wichita, KS 67202

Christopher P. Gough
1645 Ct. PL. #235
Denver, CO 80202

Citation Oil & Gas Corp.
8223 Willow Pl. South
Houston, TX 77070

Davis F. Jamis
PO Box 783188
Wichita, KS 67278

Edward B. Lange
1803 E. 16th Place
Tulsa, OK 74104

Eveningside Co., LLC.
c/o Donna Depew
6322 East English
Wichita, KS 67218

FDEC, Inc.
Mr. David C. Nesbitt, Vice President
PO BOX 782170
Attn: Richard Strunk
Wichita, KS 67278

Fee Oil & Gas, Ltd.
PO Box 702765
Tulsa, OK 74170

Katherine McKinzie Mull Trust
P.O. Box 2758
Wichita, KS 67201-2758

Lewis M. Mull Revocable Trust
221 North Main, Ste. 221
Whichita, KS 67201

Madiera Oil Co.
PO Box 385
Bryn Mawr, PA 19010

Mark A. & Barbara Shreve
944 Preserve Ct.
Wichita, KS 67206-4132

Ostrander Resources Co.
1618 SW First Avenue, Suite 500
Portland, OR 97201

Paladin Energy Partners, LLC
410 17th St. Ste. 1200
Denver, CO 80202

RJG Co.
200 East First, Suite 307
Wichita, KS 67202

Robert A. Geist
PO Box 385
Wichita, KS 67278

Ronny G Altman Trustee of Ronny G
Altman, Revocable Inter Vivos Trust
Bank IV Center, Ste. 1401
15 W. 6th St.
Tulsa, OK 74119

Samuel Gary Jr. & Associates, Inc.
1775 Sherman St., Ste. 1925
Denver, CO 80203

Savant Resources LLC
730 Seventeenth St, Suite 410
Denver, CO 80202-3510

(Working Interest Owners Continued):

Frank E. Whitham
d/b/a Whitco Petroleum
PO BOX J
Leoti, KS 67861

J. Fred Hambright, Inc.
125 N. Market #1415
Wichita, KS 67202

JAD Resources, LLC
PO Box 1157
Morrison, CO 80465

Jennifer A. Ayars (Mull) Revocable Trust
P.O. Box 2758
Wichita, KS 67201-2758

John C. Niernberger
c/o Richie Exploration, Inc.
PO Box 783188
Wichita, KS 67278

Shaffer IV, Inc.
3220 Paddock Road
Weston, FL 33331

Star Partnership
c/o Richie Exploration, Inc.
PO Box 783188
Wichita, KS 67278

Trousil & Assoc., Inc.
31500 Cattle Drive
Steamboat Springs, CO 80487

Two Guys, LLC
c/o Richie Exploration, Inc.
PO Box 783188
Wichita, KS 67278

W. Perry Gresh & Tucker C Gresh
tennants with rights of survivorship
PO Box 385
Bryn Mawr, PA 19010

Mineral Interest Owners:

Adele M. Hendrix
4743 Shallow Ridge Rd
Kennesaw, GA 30144

Barbara J Swann Revocable Trust Dated
9/19/03
Barbara J Swann, Trustee
16 N Lakeview Drive
Goddard, Kansas 67052

Barr Family Trust
C/O Constance Ruth Barr
316 Spyglass Dr
Rio Vista, CA 94571

Bradley K & Deeanna Schnieder
P.O. Box 661
Tribune, Kansas 67879

Bristol Resources Corporation (Royalty Pool)
6655 South Lewis, Suite 200
Wichita, Kansas 67278

Carolyn Meyer
795 S. Alton Way ,Apt. 12-B
Denver, CO 80231

Lee Martin
1460 South Fenton Street
Lakewood, Colorado 80232

Lola Barnard
16990 CR Rd. 78
Towner, CO 81071

Lyll G. Murdock, Jr.
400 SW 15th #301
Amarillo, TX 79101

Mabel K. Rogers
4707 Bell St. Apt. 322
Amarillo, TX 79109

Maloy D. Breitenbach
2209 Cleveland
Great Bend, KS 67530

Marcella Shriver
511 Okalla St.
Paris, IL 61944

(Mineral Interest Owners Continued):

Charles E. Hendrix
2805 S. Highlands Blvd. West
Richard, WA 99353

Charles W. Hendrix
909 S. Foley St
Champaign, IL 61820

Chris R. & Kellee K. Dixon
Box 128
Tribune, KS 67879

Colorado State Land Board
1313 Sherman St. #621
Denver, CO 80203

Dallas E Donner & Debra L Donner JT
1914 Pleasant View Circle
Wichita, Kansas 67203

David M. Hendrix
9655 Flaming Sun Dr.
Colorado Springs, CO 80903

Dirk A. Schneider
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Pratt, KS 67124

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Lamar, CO 81052

Floyd E. & Wynona M. Barnes
6449 CR 78
Towner, CO 81071

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PO Box 5
Padroni, CO 80745

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5395 Cyress Bay Dr.
Kalamazoo, MI 49009

Michael L Burns
1819 Baltimore #206
Kansas City, Missouri 64018

Michael L Unruh
16 Park View Road
Hesston, Kansas 67062

Murdock Family Living Trust
El Valle Del Sol
2500 E. Hwy. 83 #216
Mission, TX 78572

Pandora Trust
PO Box 730
Stockdale, TX 78160

Patricia A. Chicoine
1215 Shannon Valley Drive
Houston, TX 77077

Paul M Gunzelman
7207 Foster
Wichita, Kansas 67206

Ritchie Exploration, Inc.
P.O. Box 783188
Wichita, Kansas 67278

Robert D Swann Revocable Trust Dated
9/11/03
Robert D Swann, Trustee
101 Star Street
Eldorado, Kansas 67042

Robert G. & Marilyn R. Hopkins
13858 1st St.
Towner, CO 81071

Robert Martin & Ann Amsden Martin
100 North Broadway #55
Wichita, Kansas 67202

Robert W. Key
6655 South Lewis
Tulsa, Oklahoma 74136

Scott E. Hampel
9112 Woodspring
Wichita, Kansas 67226

(Mineral Interest Owners Continued):

Gary D Turybury & Linda G Turybury
523 North Wheatland Place
Wichita, Kansas 67235

Gary T. Tuttle
RR 1 Box 47
Towner, CO 81080

George W. Miller Revocable Trust
1001 Maple St.
Pratt, KS 67124

J.W. Winzeler
10718 Olympia
Houston, TX 77042

Jack Wade
1007 Country PL. Dr.
Lancaster, PA 17601

Jane D. & John A. Scarffe
785 E. 1055 Rd
Baldwin, KS 66006

Jean M. Miller
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Jean M. Miller
30 Scott Road
Harvard, Massachusetts 01451

Jeananne Hampel
7213 Shoal Creek
Wichita, Kansas 67226

John W. Hendrix
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Keith & Lucy Adelman
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Elmwood, OK 73935

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1509 Ashworth Rd.
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Steve B. Schneider
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2411 Auburn Rd.
Topeka, KS 66614

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Box 427
Tribune, KS 67879

Warren Lindle Wade
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Rancho Cordova, CA 95670

Wet Farms Corporation
1751 CR 40
Brandon, CO 81071

William E. Silliman
2436 Elm
Grand Junction, CO 81501

Surface Interest Owners:

Bernice O. Tuttle
13775 Co. Rd. 785
Towner, CO 81071

Keith & Lucy Adelman
RT 1 BOX 37
Elmwood, OK 73935

(Surface Interest Owners Continued):

Bradley K. & Deeanna Schnieder
PO Box 661
Tribune, KS 67879

Earlene J. Miller Family Trust
1001 Maple St
Pratt, KS 67124

Gary T. Tuttle
RR 1 Box 47
Towner, CO 81080

George W. Miller Revocable Trust
1001 Maple St.
Pratt, KS 67124

Lola Barnard
16990 CR Rd. 78
Towner, CO 81071

Maloy D. Breitenbach
2209 Cleveland
Great Bend, KS 67530

Robert G. & Marilyn R. Hopkins
13858 1st St.
Towner, CO 81071

Wet Farms Corporation
1751 CR 40
Brandon, CO 81071