CONFIDENTIAL INFORMATION MEMORANDUM

EAGLE
NATURAL RESOURCES

5445 Legacy Drive, Suite 440
Plano, Texas 75024

$1,500,000

BUFFALO GAP JOINT VENTURE

15 Units of Joint Venture Interest in a Texas Joint Venture

Offering Price: $100,000 per Unit

Minimum Purchase: $50,000 (1/2 Unit)

We are Eagle Natural Resources, LLC ("ENR"), a Nevada limited liability company, and we are offering, by way of this Confidential Information Memorandum (this "Memorandum"), units of interest ("Units") in a joint venture (the "Joint Venture" or "Venture") to certain qualified investors. The Venture will be formed under Texas partnership law to acquire and hold working interest in one (1) vertical field development well expected to be known as the "ENR Brown 2" (API No. 4244134717), to be drilled and completed on leasehold acreage located in Taylor County, Texas (generally referred to herein as the "Prospect Well"). We will serve as the Venture's initial managing venturer (the "Managing Venturer").

Upon our acceptance of Application Agreements meeting the requirements described in this Memorandum, the Venture will be formed and Applicants will be admitted as joint venturers ("Venturers" or "Participants") in the Venture. Should you choose to participate and be accepted, you will be obligated to enter into a Joint Venture Agreement (the "Joint Venture Agreement") in substantially the form described in this Memorandum and attached hereto as Exhibit "C."

The investment objectives of the Venture will be to: (1) acquire an interest in the Prospect Well and participate in operations on such well, (2) in its initial years of operation, provide current tax benefits to Venturers, and (3) provide cash distributions to the Venturers (see "PROPOSED ACTIVITIES" and "TAX ASPECTS"). We cannot assure you that any of the Venture's investment objectives will be achieved.

Participation in this Venture is speculative and involves a high degree of risk. Before buying Units, you should carefully consider the "Risk Factors" beginning on page 3, including:

• Speculative Nature of Oil and Gas Exploration • Speculative Revenues from Production • General Liability of All Venturers as General Partners • Inability to Sell or Transfer Units • Possible Additional Capital Requirements • Possible Assessments and Abandonment of Interests for Non-Payment • Uninsured Risks • Possible Loss of Entire Investment • Limited Financial Resources of Managing Venturer • Potential Environmental Liability and Pollution Hazards • Tax Risks. See "RISK FACTORS."

The Venture will be a separate legal entity from ENR, and as a Venturer you will not have any rights or obligations with respect to us or any other entity with which we may be affiliated, including other joint ventures we may manage.

BUFFALO GAP JOINT VENTURE
c/o EAGLE NATURAL RESOURCES, LLC
5445 Legacy Drive, Suite 440
Plano, TX 75024
972-674-1024

The Date of this Confidential Information Memorandum is April 1, 2025.

Participants in this Joint Venture are provided extensive and significant management powers. If you elect to participate and are admitted as a Venturer, you will be expected to exercise such powers and may not rely on us as the Managing Venturer for the Venture's success or profitability.

Participation as a Venturer involves a high degree of risk. You should only consider participating in the Venture if you are able to bear the financial risks described in this Memorandum. See "RISK FACTORS" for a detailed description of some of the risks of participating in the Venture.

In order to participate in the Venture, you must acknowledge, warrant and represent that you possess the requisite business knowledge and experience to select an appropriate Managing Venturer and effectively exercise the managerial powers and authority conferred on the Venturers in the Joint Venture Agreement. In addition, you must also acknowledge, warrant and represent that you are not relying on our managerial efforts for the Venture's success.

Neither this Memorandum nor any other information describing the Units has been filed with, submitted, approved or reviewed by the United States Securities and Exchange Commission (the "SEC"), or any state securities commission or similar regulatory agency. Neither the SEC nor any states securities commission or similar regulatory agency has passed upon, approved, disapproved or commented on the risks, merits or any other aspect of the Venture, the Units, this Memorandum or its contents. Any representation to the contrary is a criminal offense.

We have prepared this Memorandum for the benefit of potential participants who meet the certain, specific suitability standards. (See "PLAN OF ORGANIZATION AND SUITABILITY STANDARDS.") You are prohibited from reproducing or distributing this Memorandum, in whole or in part, to anyone other than your legal, tax or financial advisors, without our prior written consent. By accepting delivery of this Memorandum, you (and your advisors, if applicable) agree to keep its contents confidential and to return it and all enclosed documents to us in the event you decide not to participate in the Venture.

The information contained in this Memorandum is from sources we believe reliable. Information provided in this Memorandum is believed to be accurate and complete as of the date set forth on the cover. Neither the delivery of this Memorandum nor any participation in the Units creates any implication that the information is correct as of a date subsequent to the date on the cover. No one other than ENR's representatives has been authorized to give any information in connection with the interests described in this Memorandum, and if given or made, representations from persons other than representatives of ENR should not be relied upon. No one has been authorized to make any representations other than those persons named in this Memorandum.

This Memorandum is intended to provide you with information that we believe is pertinent in making an informed decision regarding your possible participation in the Venture. We realize that you may require additional information prior to purchasing Units in the Venture. We encourage you to ask questions regarding both the Venture and us as the Managing Venturer. Direct your requests for additional information to ENR. Any additional information regarding the Venture and/or ENR should only be relied upon if furnished in written form and signed by one of our officers.

You should not construe the contents of this Memorandum or any subsequent communications from ENR or any of our affiliates as legal or tax advice. You are strongly encouraged to seek independent legal and tax advice regarding your particular situation and, more specifically, the tax and legal ramifications of your participation in the Venture. We make no representations as to the effect of participating in the Venture by purchasing Units on your particular federal, state, or local income tax situation.

The Units will only be sold to persons we deem suitable. Any communications regarding participation in the Venture will only be made through personal negotiations between prospective Venturers and our representatives to help ensure, among other things, that the Venture's suitability standards are adhered to and that prospective Venturers have an opportunity to seek additional information about the Venture and ask specific questions regarding both the Venture and ENR.

You will be required to complete a questionnaire and make certain representations in order to participate in the Venture. All decisions regarding participation will be made by us. Only those meeting specific suitability standards will be considered. (See "PLAN OF ORGANIZATION AND SUITABILITY STANDARDS.")

Along with our advisors and affiliates, we have prepared certain statements, estimates and projections that are included in or accompany this Memorandum for the limited purpose of evaluating the Venture's proposed business plan, in which we may illustrate, under certain limited assumptions, the results of the Venture's projected operations. Although these projections may be presented with numerical specificity, they are based on assumptions that are subject to significant business, economic, political, regulatory and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of ENR and its affiliates and advisors. These assumptions are based on future business decisions that are subject to change. Therefore, we cannot assure you that the projections or their underlying assumptions will be realized. As a result, actual results of operations are very likely to be materially different from those shown. UNDER NO CIRCUMSTANCES SHOULD THE INCLUSION OF THE PROJECTIONS BE REGARDED AS A REPRESENTATION, WARRANTY OR PREDICTION BY THE VENTURE OR ANY OTHER PERSON WITH RESPECT TO THE ACCURACY THEREOF OR THE ACCURACY OF THE UNDERLYING ASSUMPTIONS, OR THAT THE VENTURE WILL ACHIEVE OR IS LIKELY TO ACHIEVE ANY PARTICULAR RESULTS. THERE CAN BE NO ASSURANCE THAT THE VENTURE'S ACTUAL FUTURE RESULTS WILL NOT VARY MATERIALLY FROM THE PROJECTIONS. We caution you not to place undue reliance on projections. Our accountants have not compiled or examined these projections and, accordingly, they do not express an opinion or any other form of assurance on them.

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SUMMARY OF THE VENTURE

The following summary is provided for your convenience, is not complete and is qualified in its entirety by the detailed information found elsewhere in or otherwise incorporated into this Memorandum. We urge you to read the Memorandum and all documents and exhibits referred to in this Memorandum in their entirety.

The Venture	BUFFALO GAP JOINT VENTURE will be a Texas Joint Venture formed to own working interest in one (1) vertical Prospect Well to be drilled and completed on leasehold acreage located in Taylor County, Texas (described below).
Managing Venturer	Eagle Natural Resources, LLC, a Nevada limited liability company. We will serve as the Venture's initial Managing Venturer. We will contribute 1% of the Venture's initial joint venture capital as an initial capital contribution to the Venture and will own 1% of the Venture
Offer and Sale of Units	We will offer up to 15 Units at a price of $100,000 per Unit.
Minimum Purchase	The minimum purchase will be one-half (1/2) Unit which will require a total initial capital contribution of $50,000. We may accept subscriptions for lesser amounts.
Initial Capitalization	Our officers, managers, members and/or employees will offer the Units on a "best efforts" basis. A capitalization amount of $50,000 (sale of 1/2 Unit) must be obtained before the Venture will be formed and its capital used for the Venture's operations.
Capitalization Period	Applications for Units will be accepted until October 30, 2025, unless we accept applications for all 15 Units or otherwise terminate the offering prior to that date. We also may elect to extend the capitalization period for up to an additional 90 days.
The Prospect Well	The Venture plans to acquire and hold Working Interest (see "DEFINITIONS" below) in the wellbore of one (1) oil and/or gas Prospect Well to target the Bend Arch-Fort Worth Basin Province. The Prospect Well is, or is expected to be, drilled to approximately 5,000 feet total vertical depth or a sufficient depth to test the "Upper Gray Sand" reservoir within the "Pennsylvanian/Permian Fluvial-Deltaic Sandstone" petroleum system of the Bend Arch-Fort Worth Basin Province. Assuming all Units are sold, the Venture will acquire and hold approximately 75.000% of the Working Interest (approximately 56.625% of the net revenue interest) in the Prospect Well. Prior to Payout (see "DEFINITIONS" below), ENR (or our assigns) will hold an approximate 10.000% Carried Working Interest (approximately 7.550% of the net revenue interest) outside the Venture and carried to the tanks by the Venture, and G5 Resources, LLC, an unaffiliated third party ("G5 Resources"), will hold an approximate 15.000% Carried Working Interest (approximately 11.325% of the net revenue interest) outside of the Venture and carried to the tanks by the Venture. Upon achieving Payout (assuming Payout is reached), ENR will no longer hold a Carried Working Interest, and G5 Resources will hold an approximate 25.000% Carried Working Interest (approximately 18.875% of the net revenue interest). Landowners and/or unrelated third parties are also expected to retain Landowner's Royalty

Interest and/or Overriding Royalty Interest (see "DEFINITIONS" below) totalling approximately 24.500% in the Prospect Well.

Assuming all Units are subscribed, each Unit will entitle Venturers to an interest in the Venture having an economic equivalent of approximately 4.950% of the Working Interest (being approximately 3.73725% of the net revenue interest) in the Prospect Well.

Turnkey Agreement

The Venture will enter into a "Turnkey Contract" with us (ENR), in our individual capacity, pursuant to which we will acquire an interest in the Prospect Well for the benefit of the Venture, pay the Venture's costs for drilling, completing and equipping the Prospect Well, as well all organizational costs relating to the formation of the Venture, for an aggregate fixed price to the Venture of $1,500,000 (the "Turnkey Price"), assuming all Units are subscribed. In the event that Completion is not attempted on the Prospect Well, we will refund the Venture up to $600,000 ($40,000 per Unit).

Operating Agreements

The Venture has or will enter into an Operating Agreement (the "Operating Agreement") with Eagle Capital Partners, LLC, an Affiliate of ENR (the "Operator"), to serve as the Operator of the Prospect Well. The Operating Agreement, copies of which will be made available upon request, will memorialize the contractual rights of the parties with respect to the Prospect Well. The Operator will be responsible for the supervision of the drilling, completion and equipping of the Prospect Well, as well as any production activities thereafter.

Special Assessments

Special assessments may be requested by the Venture if the Venture Votes to: (i) deepen a wellbore; (ii) sidetrack a wellbore if conditions or obstacles are encountered which render further drilling, reworking or recompleting impractical or permits the Operator to abandon a Prospect Well; (iii) plug back a wellbore and attempt Completion or recompletion in a higher zone; (iv) conduct any activity for the purpose of enhancing production; (v) install additional pumping equipment; (vi) install tubing with increased production capacity; (vii) install pipelines; (viii) install any type of gas treatment facilities or production facilities; or (ix) complete more than one zone.

Costs for which Special Assessments may be made have not been considered or included by us in our determination of the Turnkey Price. The costs to be incurred by the Venture and covered by the Special Assessment shall be presented to the Venture, in the discretion of the Managing Venturer, on either a turnkey basis or on the basis of our actual costs incurred in conducting such activities. If such Special Assessments are Voted upon and requested by the Venture, your failure to contribute your proportionate share of a Special Assessment within seven business days after the Vote (or within 48 hours if the rig is on location) shall (i) be deemed a request that your interest in the Joint Venture be abandoned, and you shall be effectively withdrawn as a Participant in the Joint Venture, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the Prospect Well; or (ii) entitle us to reduce your interest in the Venture to reflect the non-payment. See "RISK FACTORS - *Your failure to pay Special or Additional Assessments may result in a reduction in your interest in the Venture or your withdrawal from the Venture*" and "ADDITIONAL ASSESSMENTS AND FINANCING OF ADDITIONAL VENTURE ACTIVITIES."

Additional Assessments

Subsequent to Initial Operations (see "DEFINITIONS" below), "Additional Assessments" may be requested by the Venture for the purpose of undertaking

	Subsequent Operations (see "DEFINITIONS" below). The Venturers will have the election as to whether or not the Venture shall commence or undertake Subsequent Operations and whether or not to pay any such Additional Assessments and participate in Subsequent Operations. If a Venturer does not contribute an Additional Assessment that is called for by the Venture, the Venturer will not participate in the Subsequent Operation for which the Additional Assessment was requested. See "RISK FACTORS - *Your failure to pay Special or Additional Assessments may result in a reduction in your interest in the Venture or your withdrawal from the Venture*" "ADDITIONAL ASSESSMENTS AND FINANCING OF ADDITIONAL VENTURE ACTIVITIES – Additional Assessments."
Suitability Standards	Applications will be accepted only from accredited investors. See "PLAN OF ORGANIZATION AND SUITABILITY STANDARDS," and the Joint Venture Agreement attached hereto.
Management	The management of the operations and other business of the Venture will be the responsibility of all of the Venturers. The Joint Venture Agreement provides that we will be the initial Managing Venturer. The Venturers, by a vote of majority in interest, may remove us as the Managing Venturer. Subject to a contrary vote of the Venturers, all of our decisions concerning the day-to-day affairs and operations of the Venture, during the period we are the Managing Venturer, will be binding upon each of the Venturers and the Venture. See "PROPOSED ACTIVITIES - Initial Operations."
Our Compensation	We will receive a one time management fee in an amount equal to the difference between the Turnkey Price charged by us under the Turnkey Contract and our actual cost for the services we are obligated to provide pursuant to the Turnkey Contract. The Turnkey Price DOES NOT REPRESENT the actual costs for drilling and Completion of the Prospect Well. We will be entitled to use any such fees derived from the amounts paid under the Turnkey Contract for any purpose. If the Venturers Vote against the Completion of the Prospect Well, the Venture will return funds to the Venturers in an amount equaling $40,000 per Unit. In addition, we will receive additional compensation in connection with reimbursement of direct expenses paid for the Venture, and other transactions that may arise in connection with the operations of the Venture, including a monthly management fee of $1,000. Prior to Payout, ENR (or our assigns) will hold an approximate 10.000% Carried Working Interest (approximately 7.550% of the net revenue interest) outside the Venture and carried to the tanks by the Venture. If and when Payout shall occur, ENR (or our assigns) will no longer hold such Carried Working Interest. See "COMPENSATION AND REIMBURSEMENT."
Tax Status	We anticipate that the Venture will be treated as a partnership for federal income tax purposes, rather than as an association taxable as a corporation; however, the Venture has not received and does not intend to seek a ruling from the Internal Revenue Service (the "IRS") or an opinion from tax counsel with respect to any tax matter. See "RISK FACTORS – Tax Risks" and "TAX ASPECTS."
Distributions to Venturers	Subject to a Vote of the Venturers to the contrary, Venture net revenues which, in the judgment of the Managing Venturer, are not required to meet obligations of the Venture, or held for working capital reserves, shall be distributed as often as practicable to the Venturers.

Conflicts of Interest	We are, and intend to become, a venturer in other entities engaged in operations similar to that of the Venture or otherwise make or arrange for similar operations as those contemplated for the Venture. Such activities may place constraints on the time that ENR and our officers have to devote to Venture activities. See "COMPENSATION AND REIMBURSEMENT" and "CONFLICTS OF INTEREST."
	Our Affiliate, Eagle Capital Partners, LLC, will serve as the Operator of the Prospect Well. None of the Operating Agreement, the Joint Venture Agreement and the Turnkey Contract to be entered between the Venture and ENR, or their Affiliates, and the Turnkey Price, have been the subject of arm's-length negotiations. The Turnkey Price may exceed the cost to ENR of acquiring the Venture's interest in the Prospect Well and performing the services pursuant to the Turnkey Contract.

We urge you to read the remainder of this Memorandum, which provides details regarding the matters summarized above, as well as other important information about the Venture, the offering and the Managing Venturer. Copies of the Operating Agreement and the Turnkey Contract will be furnished upon request.

RISK FACTORS

Participating in this Venture involves a high degree of investment, business, financial and tax risk. Anyone considering participating in the Venture should carefully consider the following risks in addition to those discussed elsewhere in this Memorandum.

Specific Risks of the Venture

The Venture is newly formed and has limited financial resources.

Upon initial capitalization, Venture funds are expected to be sufficient to conduct Initial Operations only. We have minimal capital. Thus, to the extent there are cost overruns in excess of the amounts paid to us under our Turnkey Contract, we will have limited resources to pay such overruns. If we are unable to meet our obligations under the Turnkey Contract, the Venture may be required to pay for such costs or face losing its interest in the Prospect Well. See "PLAN OF ORGANIZATION AND SUITABILITY STANDARDS" and "MANAGEMENT."

The Minimum Initial Capitalization is insufficient to conduct planned operations.

A minimum initial capitalization amount of $50,000 (at least ½ of a Unit) must be obtained before capital of the Venture will be utilized by the Venture for any purpose. After an amount is accepted equivalent to the sale of at least ½ of a Unit ($50,000), the funds will be distributed to the Venture for the purpose of commencing preparatory Venture operations. This minimum initial capitalization would be insufficient to conduct the Venture's planned operations on the Prospect Well and there can be no assurance that we will be able to sell additional Units to meet the capitalization requirements of the Venture. If the Venture is unable to meet its capitalization requirements, the Venture may be required to acquire a smaller percentage interest in the Prospect Well, seek third-party financing (the availability of which cannot be assured) to pay for planned operations, or otherwise modify its planned operations.

Your ability to sell or transfer the Units is restricted and there is no public market for the Units.

A Venturer has the status of a general partner under the provisions of the Texas Business Organizations Code ("TBOC"). As a Venturer, your right in specific Venture property is not assignable except in connection with the assignment of rights of all of the Venturers in the same property. You should not expect to be able to readily liquidate your interest, if needed, and, therefore, the Units may not represent satisfactory collateral for a loan. See "LIMITED TRANSFERABILITY AND RIGHTS OF FIRST REFUSAL," "ARTICLE VI OF THE JOINT VENTURE AGREEMENT" attached hereto, and the APPLICATION AGREEMENT attached hereto.

No public market exists for the Units and it is anticipated that none will ever exist. The transferability provisions in the Joint Venture Agreement make the Units a non-liquid investment. Participation in this Venture is limited to persons qualifying under the suitability standards set forth in "PLAN OF ORGANIZATION AND SUITABILITY STANDARDS" and the QUESTIONNAIRE attached hereto.

Venturers will be subject to "drag along" rights.

The Joint Venture Agreement includes requirements that a Venturer ***must sell*** its Units in the Venture in the event that holders of more than fifty percent (50%) of the Units (the "Requisite Selling Venturers") enter into an agreement to sell or exchange all of their Units, upon the same terms and conditions. None of the remaining Venturers shall have the right to participate in the negotiation of the terms and conditions of the sale or exchange; rather, the remaining Venturers must participate in the sale or exchange at the same purchase price and on precisely the same terms and conditions as the Requisite Selling Venturers. Each Venturer must also take all necessary or desirable actions in connection with the consummation of the sale as requested by the Managing Venturer. As such, a Venturer may be obligated to sell its Unit interest on terms that are negotiated or accepted by Requisite Selling Venturers.

Venturers will have joint and several liability for the debts, obligations, acts, omissions, risks and liabilities of the Venture.

Each of the Venturers will be a joint venturer in a joint venture, which is a general partnership formed for a specific business purpose. As a Venturer, you will have unlimited joint and several liability for all of the debts, obligations, acts, omissions, risks and liabilities of the Venture, which we believe will be ameliorated by the provision of necessary and proper insurance coverage with respect to Venture Operations. The general discussions herein concerning partnerships also apply to the Venture.

The TBOC provides that every partner of a general partnership is an agent of the partnership for the purposes of its business, and that the act of every partner for apparently carrying on in the usual way the business of such partnership binds the partnership, unless the partner so acting has in fact no authority to act for the partnership in the particular matter in question, and the person with whom he is dealing has knowledge of the fact that the partner has no such authority. The TBOC further provides that a general partnership (and each partner thereof) is liable to third parties for losses, injuries or penalties arising out of the wrongful acts or omissions of any partner acting in the ordinary course of the business of such partnership or acting with the authority of his co-partners.

The Joint Venture Agreement provides that no Venturer (other than the Managing Venturer or by a Vote of the Venturers) shall have any right or authority to take any action on behalf or in the name of the Venture or to obligate the Venture to any third party for any reason or in any matter whatsoever, and that each Venturer shall indemnify, defend and hold harmless the Venture and all other Venturers (including ENR as the initial Managing Venturer) and their officers, directors, agents and attorneys from and against any loss, claim, cause of action, item of damages, expense or cost (including attorneys' fees and court costs) arising directly or indirectly out of any act of such Venturer in breach of the Joint Venture Agreement. Further, the Joint Venture Agreement provides that any act of any Venturer inconsistent with the delegated rights and authority of the Managing Venturer shall constitute a breach thereof by the Venturer so acting, rendering such Venturer liable for damages and subject to expulsion from the Venture.

We believe that the joint and several liability of each Venturer for all debts, obligations, acts, omissions, risks and liabilities of the Venture will be ameliorated by the provision of necessary and proper insurance coverage with respect to the Operations of the Venture, to the extent that such insurance can be obtained at reasonable cost to the Venture. There is no assurance that all risks and liabilities that exist or may arise can be adequately insured against.

The Venture may be dissolved by, among other things, a Vote of the Venturers or a cessation of business by the Venture. Upon dissolution, the Venture is not terminated, but continues until the winding up of Venture affairs is completed. Absent an agreement to the contrary by and between a Venturer, the Venture, the creditors of the Venture and the persons or venture continuing the business of the Venture, the dissolution of the Venture does not of itself discharge the existing liability of any Venturer. In the event that the business of the Venture is continued without the liquidation or the winding-up of its affairs, the creditors of the first or dissolved venture are also creditors of the venture so continuing the business. Under the Joint Venture Agreement, only the Managing Venturer may conduct Operations relating to creditors whether before or after dissolution of the Venture.

The Joint Venture Agreement provides that each Venturer waives his right to cause or obtain the dissolution and liquidation of the Venture, except upon the occurrence of certain specified events, or to withdraw from the Venture for any reason, and provides, except upon the occurrence of certain special events, for the continuation of the Venture upon the occurrence of any event which would otherwise give rise to the dissolution and liquidation of the Venture under applicable law. Furthermore, each person proposing to become a Venturer must represent and warrant to the Venture, as an express condition to the acceptance of his application that he possesses the requisite financial suitability and capacity to participate in the Venture upon the terms and conditions established therefor, and that he is not, as of the date of any such application and has not been at any time during the 90 day period immediately preceding the date of such proposed participation insolvent or an adjudicated bankrupt under the federal bankruptcy statutes.

Your failure to pay Special or Additional Assessments may result in a reduction in your interest in the Venture or your withdrawal from the Venture.

As a Venturer, you may be called upon to pay Special Assessments with respect to certain proposed operations on the Prospect Well. The payment of Special Assessments is subject to a Vote. Your failure to contribute your proportionate share of a Special Assessments within seven business days from delivery of a notice by mail, email, facsimile or overnight delivery (or within 48 hours if the rig that will effect Completion or recompletion is on location) shall, in the exercise of the sole and absolute discretion of the Managing Venturer, (i) be deemed a request that your

interest in the Venture be abandoned, and you shall be effectively withdrawn as a Venturer in the Venture, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the Prospect Well; or (ii) entitle the Managing Venturer to reduce your interest in the Venture to reflect the non-payment. Similar provisions may apply to Additional Assessments.

If the Venture is unable to secure funds or otherwise pay for such activity, the Venture might have to abandon Initial Operations and you could lose your funds provided for participation in Initial Operations. See "ADDITIONAL ASSESSMENTS AND FINANCING OF ADDITIONAL VENTURE ACTIVITIES" and "CONFLICTS OF INTEREST."

Capital shortages could result in a loss of opportunities for the Venture.

Because Venturers are not subject to mandatory additional assessments for additional capital contributions to the Venture for Subsequent Operations, capital shortages could result in a loss of substantial opportunities to the Venture and, therefore, to you as a Venturer. See "CONFLICTS OF INTEREST" and "ADDITIONAL ASSESSMENTS AND FINANCING OF ADDITIONAL VENTURE ACTIVITIES."

You may be liable for financial obligations in excess of your capital contribution.

The Venturers will bear all of the financial risk associated with the Venture's interest in any nonproductive or marginally productive Prospect Well, and may be liable for Venture obligations in excess of their capital contributions. See "PARTICIPATION IN COSTS AND REVENUES WITHIN VENTURE." In addition, you will be a general partner in a general partnership, and therefore will have joint and several liability for all of the debts, obligations, acts, omissions, risks, and liabilities of the Venture.

There are conflicts of interest associated with ENR serving as Managing Venturer.

There are conflicts of interest inherent in the activities of the Venture. We and/or our Affiliates currently act and intend to act in the future as general partners and joint venturers of other partnerships and ventures and intend to manage other drilling ventures and own and operate other oil and gas properties on our own behalf as well as on behalf of others. In addition, we and/or our affiliates will hold interest in the Prospect Well outside of the Venture. Any conflicts of interest could adversely affect the Venture and/or the interests of the Venturers. See "CONFLICTS OF INTEREST."

We depend on the management of our principal officer.

Our ability to manage the partnership's day to day operations is predominately dependent upon our manager and principal executive officer, Jeremy A. Paul. The loss of Mr. Paul could adversely affect the Venture and its ability to manage Venture operations. See "MANAGEMENT."

Our prior performance is not an indication of how the Venture will perform.

Information concerning the prior drilling performance of previous ventures we have sponsored is presented under the caption "PRIOR ACTIVITIES," and does not indicate the results to be expected by the Venture. Any successful ventures described herein are not indicative of the results to be expected by this Venture, and relying on the results of any previous venture in making an investment decision may prove detrimental.

The Prospect Well may not be productive.

Although there may be other wells that have been drilled, tested and Completed on acreage in the vicinity of the Prospect Well, the production from any such wells should not be deemed a guarantee that the Prospect Well will be commercially productive. See "PROPOSED ACTIVITIES."

You may not recover your investment in the Venture.

As a Venturer, you may not recover your investment in the Venture, and even if the full investment is recovered, a rate of return on the investment that is competitive with other types of investments is not guaranteed. You will be able to recover your investment only through the Venture's distributions of sales proceeds from the production of oil and/or gas from a productive well. The quantity of oil and/or gas in a well, which is referred to as its reserves, decreases over time as the oil and/or gas is produced until the well is no longer economical to operate. The Venture's distributions may not be enough for you to recover all of your investment or to receive a rate of return on your investment that is competitive with other types of investments.

We may profit from the Venture's Operations even if the Venture is not profitable.

We will receive certain fees and other compensation, payments and reimbursements regardless of profitability or loss of Venture Operations. See "PARTICIPATION IN COSTS AND REVENUES WITHIN VENTURE," "COMPENSATION AND REIMBURSEMENT" and "CONFLICTS OF INTEREST."

Tax Risks

For a more detailed discussion of certain federal income tax consequences of owning and disposing of Units in the Venture, see "TAX ASPECTS."

Certain tax considerations and tax risks may impact your economic return from the Venture.

While participation in the Venture is intended to appeal to investors primarily from an economic profit standpoint, favorable federal income tax treatment available under current tax rules with respect to oil and gas drilling and production may have an effect on the economic return resulting from participating in an oil and gas drilling program for certain taxpayers. In particular, the availability and timing of deductions for federal income tax purposes available to you resulting from participation in the Venture may have a material effect upon the economic result you may obtain. With respect to any particular Venturer, though, the benefit of various deductions will depend on the nature, extent, and timing of his or her other income, deductions and credits. You should note that a change in tax law, which could be retroactive, could result in a change in the current favorable tax treatment for oil and gas drilling and production that could result in a material change to the economic aspects of the Venture.

The tax treatment of the Venture depends on the Venture's classification as a partnership.

The anticipated after-tax economic return on an investment in the Venture depends largely on the Venture's treatment as a partnership, rather than as a corporation, for federal income tax purposes. The Venture has not received or requested, and does not plan to request, a ruling from the IRS or any state or local tax authority or an opinion from tax counsel on the classification of the Venture for federal income tax purposes. If the Venture were treated as a corporation for federal income tax purposes, (i) income, gains, losses, deductions and credits of the Venture would not flow through to the Venturers, (ii) the taxable income of the Venture would be subject to the federal income tax imposed on corporations, and (iii) distributions would be treated as corporate distributions to the Venturers and could be taxable as dividends. The Venture would potentially pay state taxes as well. Because any taxes imposed on the Venture would require cash payments, the Venture's cash available for distribution to Venturers would potentially be substantially reduced. Thus, treatment of the Venture as a corporation would result in a material reduction in the after-tax return to the Venturers. See "TAX ASPECTS - Tax Status of the Joint Venture."

The IRS may challenge tax positions taken by the Venture.

The Venture has not received or requested a ruling from the IRS or an opinion from tax counsel with respect to the federal, state, or local tax treatment of any item of income, gain, loss, deduction, or credit related to or resulting from the Venture, including without limitation the deductibility of fees and expenses, or allocations (among the Venturers and us as the Managing Venturer) of income, gain, loss, deduction and credit (including without limitation the Venture's intangible drilling and development costs ("Intangible Costs") arising from Initial Operations that are paid from Venturer's capital contributions) in accordance with the terms of the Joint Venture Agreement and other agreements described herein, or with respect to the transactions or allocations among the entities named and/or described in this Memorandum. The IRS may adopt positions that differ from the positions taken by the Venture and Managing

Venturer. It may be necessary to resort to administrative or court proceedings to attempt to sustain some or all of the positions taken by the Venture and Managing Venturer. A court may disagree with some or all of the positions taken by the Venture and Managing Venturer. The cost of any contest between the Venture (and/or any other entity named or described herein) and the IRS, even if successful, would result in a reduction in cash available for distribution to Venturers. See "TAX ASPECTS – Tax Status of the Venture as a Partnership," "TAX ASPECTS – Organizational Costs," "TAX ASPECTS – Allocations," and "TAX ASPECTS - Audit of Tax Returns."

Only "independent producers" may take percentage depletion.

Percentage depletion allowable by reason of the "independent producer exemption" will be available to the Venturers who qualify as independent producers. Since you must individually determine your eligibility for the "independent producer exemption," there can be no assurance that percentage depletion will be available to you or any particular Venturer. See "TAX ASPECTS - Depletion."

The Venture's passive activity losses are subject to limited deductibility.

It is expected that the Venture will initially incur tax losses from Initial Operations (primarily from deductions of Intangible Costs). The availability of tax losses generated to you by the Venture to offset your income from other sources depends on (i) the classification of the Venture's interest in the Prospect Well as a "working interest" as defined by the passive loss limitations added by the Tax Reform Act of 1986, and (ii) the determination that the Venture does not have an effect on the Venturers' liability that is substantially equivalent to a limited partnership. There can be no assurance that the IRS will not challenge the Venture's conclusions with regard to these determinations. If losses generated by the Venture are reclassified as "passive", such losses would not be available to deduct against your income from other sources. See "TAX ASPECTS - Limitations on Passive Activity Losses."

Tax losses you deduct due to your ownership of Units may only defer taxable income.

To the extent you are able to deduct losses generated by the Venture, the basis of your interest will be reduced. Amounts realized by you on the sale of your Joint Venture interest may produce taxable gain that may be ordinary income to some extent. Thus, the tax deductions afforded in the early years may only defer to later years your overall federal income tax liability. See "TAX ASPECTS."

Intangible Costs and Depletion are tax preference items that are subject to recapture.

Certain Intangible Costs and depletion are tax preference items and are also subject to recapture, as ordinary income, on disposition by the Venture of oil and gas properties at a gain, or upon disposition by a Venturer of an interest in the Venture at a gain. See "TAX ASPECTS - Tax Preference Income: Alternative Minimum Tax."

State and local taxes may be imposed on the Venture.

States and other taxing authorities may impose entity level taxes on the Venture and/or certain Venturers. If the Venture is subjected to entity level taxation for state or local income tax purposes, the cash available for distribution to Venturers will be reduced. See "TAX ASPECTS – State and Local Income Taxes."

Your tax liability could exceed your cash distributions from the Venture.

If you receive taxable income from the Venture, you will be required to pay any federal income taxes and, if required, any state and local income taxes, whether or not you receive cash distributions from the Venture. You may not receive cash distributions from the Venture equal to your respective share of the Venture's taxable income. You will not have a right to demand a distribution of cash or property from the Venture. See "TAX ASPECTS."

Tax-exempt entities and foreign persons may experience adverse tax consequences.

Investment in the Venture by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs) and non-U.S. persons may result in adverse tax consequences to them. For example, the

Venture expects that income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to such Venturer. In addition, allocations and distributions with respect to non-U.S. persons may be subject to withholding taxes imposed at the highest effective applicable tax rate, and non-U.S. persons may be required to file United States federal income tax returns and pay tax on such Venturer's share of the Venture's taxable income. See "TAX ASPECTS – Participation by IRAs, Employee Benefit Plans and Similar Tax Exempt Organizations," and "TAX ASPECTS – Foreign Participants."

You may be subject to state and local taxes and return filing requirements.

In addition to federal income taxes, you may be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which the Venture does business or owns property now or in the future or in which you reside. You may be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. **IT IS YOUR RESPONSIBILITY TO FILE ALL UNITED STATES FEDERAL, STATE AND LOCAL TAX RETURNS AND TO PAY ANY RESULTING TAX THAT MAY BE REQUIRED**. See "TAX ASPECTS – State and Local Income Taxes."

Potential tax law changes may impact the Venture.

The tax treatment currently available with respect to oil and natural gas exploration and production may be modified or eliminated without prior notice on a retroactive or prospective basis by future legislative, judicial, or administrative actions at the federal, state or local levels. Various legislative proposals at the federal level concerning the tax treatment of exploring for and producing oil and gas would, if adopted, reduce or eliminate some of the tax benefits described in this Memorandum. **IT IS NOT POSSIBLE TO PREDICT WHETHER CHANGES WILL BE MADE TO APPLICABLE LAW AT THE FEDERAL, STATE OR LOCAL LEVELS.** Therefore, you are urged to consult with your own tax advisor regarding the impact that a change in federal, state, or local tax law could have on your decision to invest in the Venture.

General Risks of Oil and Gas Ventures

There are significant risks associated with drilling for oil and gas.

Exploration for oil and/or gas is speculative by its very nature, and involves a high risk of loss. A large number of wells result in dry holes, and others do not produce oil and/or gas in sufficient quantities to make them commercially profitable to complete and/or produce. Many risks are involved that experience, knowledge, scientific information and careful evaluation cannot avoid. Since initial capitalization will be sufficient only to conduct Initial Operations, the failure of the Prospect Well to produce would mean that you would receive no return from the Venture. Therefore, you must be prepared to lose all of your capital contribution, as there can be no assurance that drilling and Completion of the Prospect Well will result in oil and/or gas production or that production, if obtained, will be profitable. Oil and/or gas wells sometimes experience Production Decline that is rapid and irregular. Initial Production from a well (if any) does not accurately indicate any consistent level of production to be derived therefrom.

The production and producing life of oil and/or gas wells is uncertain. Production will decline.

It is not possible to predict the life and production of any well. The actual lives could differ significantly from those anticipated. Production, if any, from the Prospect Well will decline over time.

Our dependence on third parties for the processing and transportation of oil and/or gas may adversely affect Venture revenues.

We anticipate relying upon third parties to process and/or transport oil and/or gas produced by the Prospect Well. In the event a third party upon which we rely is unable to provide transportation or processing services, and another third party is unavailable to provide such services, then we will be unable to transport or process the oil and/or gas produced by the well. In such an event, the Venture's revenues will be adversely impacted.

Environmental hazards associated with oil and gas exploration may result in significant liability to the Venture.

Natural hazards involved in the drilling and completing of wells in locations such as that of the Prospect Well include the risk to persons and property interest therein. Other natural hazards include unusual or unexpected formations, pressures, blowouts and other unanticipated geological conditions. Substantial liability for environmental damage, bodily injury or damage to or loss of equipment can result from any of such hazards. The Venture may be subject to liability for pollution and other similar damages or may lose portions of its properties due to hazards against which it cannot insure or for which insurance proves inadequate. Such liabilities to third parties could reduce the funds available for exploration and development, result in loss of Venture property or result in personal liability of Venturers if the liability exceeds insurance proceeds and the Venture's assets.

Numerous factors could affect the Venture's ability to market production from the Prospect Well.

The availability of a ready market for oil and/or gas, if any, discovered from the Prospect Well and the price obtained therefor will depend upon numerous factors, including the extent of domestic production and foreign imports of oil and/or gas, the proximity and capacity of pipelines, intrastate and interstate market demands, the extent and effect of federal regulations on the sale of oil and/or gas in interstate and intrastate commerce, and other government regulations affecting the production and transportation of oil and/or gas. In addition, certain daily allowable production constraints may change from time to time, the effect of which cannot be predicted by the Managing Venturer. There is no assurance that the Venture will be able to market any oil and/or gas found by it at favorable prices, if at all. See "COMPETITION, MARKETS AND REGULATION."

Problems with title to the Prospect may result in a reduction in the amount of working interest held by the Operator and thus affect the contractual rights of the Venture.

Title to the leases comprising the Prospect has been reviewed by our representatives. However, no such review can assure that the title is free from defects. Title will be held by the Operator on our behalf pursuant to a Power of Attorney, and will not be recorded in the Venture's name. To the extent that defects to a Prospect title exist and cannot be remedied, it is possible that the Venture's Working Interest and/or Net Revenue Interest rights in the Prospect Well may be reduced. If such interests are reduced, you will not be entitled to recover from the Venture or us any amounts contributed for your proportionate share of the costs of Operations attributable to the lost interest, unless the defect can be established prior to the time the Venture commences such Operations. If any portion of the Venture's Working Interest or Net Revenue Interest rights in a Prospect is reduced or lost due to failure of title, the operating results and/or the financial returns, if any, to the Venture, and you as a Venturer, could be adversely affected.

Numerous factors could delay income distributions.

Unavailability of or delay in connection with pipelines or other transportation systems, unavailability of or delay in obtaining necessary materials for Completion of the Prospect Well, repayment of loans (if any) obtained by the Venture to finance drilling, Completion, fracking or other activities, delays in obtaining satisfactory contracts and connections for the Prospect Well, and delays in obtaining division orders and other circumstances may delay the distribution of income, if any, for significant periods after discovery of oil and/or gas, if any.

Shortages of drilling equipment could result in lesser distributions.

In the past, increased drilling activities have, from time to time, created shortages of certain equipment necessary in the drilling and Completion of wells. Due to a shortage of such equipment and general inflationary trends, the prices at which equipment was available escalated during such periods. Although not presently anticipated, there is a possibility that further price escalations will increase the Venture's operating expenses, thus reducing the distributions, if any, available to you.

Many of our competitors have greater resources.

There are numerous individuals, partnerships, and major and independent oil and gas companies with which the Venture will be in competition that have greater financial and technical resources than those available to the Venture. Such an inferior competitive position could have a material adverse effect upon the productivity, marketability and profitability of the Venture. See "COMPETITION, MARKETS, AND REGULATION."

You will be jointly and severally liable for uninsured and under-insured liabilities of the Venture.

The Venture's Operations will be subject to all of the operating risks normally connected with producing oil and gas, such as blow-outs and pollution, which could result in the Venture incurring substantial losses or liabilities. Certain risks are uninsurable and others may be either uninsured or only partially insured because of high premium costs or other reasons. If the Venture incurs uninsured losses or liabilities, the Venture's funds available for exploration and development and distributions will be reduced, Venture assets may be substantially reduced or lost completely, and the Venturers will be jointly and severally liable therefor.

THE JOINT VENTURE

The Venture shall have the status of a general partnership under the laws of the State of Texas, and the Venturers shall have the status of general partners therein. See "RISK FACTORS - Specific Risks of the Venture: *Venturers will have joint and several liability for the debts, obligations, acts, omissions, risks and liabilities of the Venture*."

Assuming all Units are subscribed, the Venture is expected to be responsible for approximately 100% of all costs associated with the Initial Operations (and will be responsible for the Turnkey Price associated therewith) on the Prospect Well, which includes costs associated with the Carried Working Interests (which include the 10% Carried Working Interest held by ENR and the 15% Carried Working Interest held by G5 Resources before Payout and the 25% Carried Working Interest held by G5 Resources after Payout) which will be carried to the tanks by the Venture. The Venture is expected to be responsible for its Working Interest percentage (approximately 75% if all Units are subscribed) of all operating costs relating to the Prospect Well thereafter.

The principal office mailing address for the Venture will be located in ENR's offices at 5445 Legacy Drive, Suite 440, Plano, Texas 75024. The Venture is a separate legal entity from ENR and its Affiliates. There will be no commingling of funds between the Venture and ENR or any Affiliate thereof other than as may temporarily occur during the payment of bills and/or distributions by ENR on behalf of the Venture. The rights of the Venturers will be defined by the TBOC and the Joint Venture Agreement. Venturers will acquire an interest in the Venture and not in ENR.

PLAN OF ORGANIZATION AND SUITABILITY STANDARDS

Eligible Potential Venturers

The Managing Venturer reserves the right to refuse to accept the application of any person. Participation in the Venture is intended only for persons meeting certain minimum suitability standards and who are able to make the representations contained in the Questionnaire and Application Agreement annexed hereto.

Managing Venturer's Capital Contributions

The Managing Venturer shall contribute to the Venture, as its initial capital contribution, the sum of 1% of Initial Venture Capital.

Venturers' Capital Contributions

Initial Venturers' capital contributions may be accepted by the Managing Venturer in the amount of $100,000 per Unit. Capital contributions must be paid in full, in cash, upon application. Funds included with unaccepted applications will be promptly returned in full without interest as described below. Prior to the closing of the Capitalization Period, all initial capital contributions will be held in a segregated bank account. In the event the

Venture has not received an aggregate of $50,000 in capital contributions from proposed Venturers by the close of the Capitalization Period or the Venture is unable to acquire an interest in the Prospect Well or commence Initial Operations, all funds received by ENR with applications will be promptly returned in full, without interest.

After an amount of $50,000 is accepted, the funds will be disbursed to the Venture for the purpose of commencing preparatory Venture operations. At such time, the Managing Venturer shall continue to accept applications for participation in the Joint Venture until the Venture is fully capitalized or the Capitalization Period expires.

Participation in Units by Managing Venturer

ENR, as Managing Venturer, and its Affiliates and/or its officers, directors or employees, may participate in the Initial Capitalization of the Venture on the same terms and conditions (except transferability) as all other Venturers and thereby acquire interests in addition to the 1% initial Managing Venturer's interest. Alternatively, ENR may participate in the Working Interests as an industry participant in addition to the 10% Carried Working Interest it will hold outside of the Venture prior to Payout. Such participation may be made for the purpose of completing the Initial Capitalization. See "LIMITED TRANSFERABILITY AND RIGHTS OF FIRST REFUSAL."

Organizational Costs

All Organizational Costs of the Initial Capitalization will be paid by ENR pursuant to the Turnkey Contract when the Venture is capitalized and commences Operations. If the minimum capitalization amount is not received, ENR will be responsible for the payment of all Organizational Costs.

Suitability Standards

Prospective Venturers must be "accredited investors" as that term is defined in Rule 501(a)(i) under the Securities Act of 1933, as amended, in order to be considered as a potential Venturer.

Suitability shall be determined from the signed "QUESTIONNAIRE" delivered to the Managing Venturer by the prospective Venturer prior to the time of participation in the Venture and from such other information available to the Managing Venturer.

An "Accredited Investor" is defined as:

(i) A bank as defined in section 3(a)(2) of the Securities Act of 1933, as amended;

(ii) A private business development company as defined in section 202(a)(22) of the Investment Advisors Act of 1940;

(iii) Any organization described in section 501(c)(3) of the Internal Revenue Code (the "Code"), corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the Units, with total assets in excess of $5,000,000;

(iv) An individual whose net worth, individually or in addition to that of his or her spouse, at the present time, exceeds $1,000,000 (excluding the value of such individual's primary residence);

(v) An individual who has had individual income in each of the two most recent years in excess of $200,000 or joint income with his or her spouse in excess of $300,000 in each of those years and who reasonably expects the same income level in the present year;

(vi) An entity, all of the equity owners of which are "accredited investors;" or

(vii) An individual or entity who may otherwise be deemed an "accredited investor" as that term is defined in Rule 501(a) of Regulation D as promulgated by the Securities and Exchange Commission.

LIMITED TRANSFERABILITY; DRAG ALONG AND RIGHTS OF FIRST REFUSAL

Restrictions on Transfer. The Joint Venture Agreement provides that a Venturer (except in certain circumstances involving transfers among certain family members, to trusts for the benefit of the Venturer or certain family members of such Venturer, or where the Managing Venturer or its Affiliates acquire Units) is obligated to hold his or her interest and is prohibited from transferring, assigning or otherwise disposing of same without first satisfying certain conditions. One such condition provides that the Managing Venturer may request an opinion of counsel (the cost of which shall be borne by the transferor) to the effect that such transaction will not result in certain adverse tax consequences or violations of law. In addition, the Units are subject to certain rights of first refusal, and the transferee will not be admitted as a Substitute Venturer without prior written approval of the Venturers by a Vote. See Article VI to the Joint Venture Agreement annexed hereto.

Drag Along Rights. In the event that holders of more than fifty percent (50%) of the Units (the "Requisite Selling Venturers") enter into an agreement to sell or exchange all of their Units, the remaining Venturers shall also be required to sell or exchange all of their Units upon the same terms and conditions. See Article VI to the Joint Venture Agreement annexed hereto.

No Right of Presentment. Neither the Venture nor the Managing Venturer has obligated itself to repurchase, redeem or allow withdrawal, has established a procedure for repurchasing, redemption or withdrawal, or has a present plan to repurchase, redeem or allow withdrawal of any Units from the Venturers, other than the abandonment provisions relating to failure to pay certain assessments.

ADDITIONAL ASSESSMENTS AND FINANCING OF ADDITIONAL VENTURE ACTIVITIES

Special Assessments

Special Assessments may be requested by the Venture in the event the Venture Votes to:

(i) deepen a wellbore;

(ii) sidetrack a wellbore if conditions or obstacles are encountered which render further drilling, reworking or recompleting impractical or permits the Operator to abandon the Prospect Well;

(iii) plug back a wellbore and attempt Completion or recompletion in a higher zone;

(iv) conduct any activity for the purpose of enhancing production;

(v) install additional pumping equipment;

(vi) install tubing with increased production capacity;

(vii) install pipelines;

(viii) install any type of gas treatment facilities or production facilities; or

(ix) complete more than one zone.

The costs for which Special Assessments may be made have not been considered or included by ENR in its determination of the Turnkey Price. The costs to be incurred by the Venture and covered by the Special Assessment

may be based on a turnkey agreement. The failure of a Venturer to contribute his proportionate share of a Special Assessment within seven business days after the Vote to request such Special Assessment (or within 48 hours if the rig is on location) shall (i) be deemed a request that his interest in the Joint Venture be abandoned, and he shall be effectively withdrawn as a Participant in the Joint Venture, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the Prospect Well or (ii) entitle the Managing Venturer to reduce such Venturer's interest in the Venture to reflect the non-payment.

Operating Expenses

Venturers and their Units will also be subject to assessments for their proportionate share of monthly Operating Expenses for producing Prospect Well pursuant to the Joint Venture Agreement. Such expenses may be deducted from distributions, but Venturers are responsible for paying their pro-rata share of Operating Expenses regardless of whether the revenue generated by the Venture is sufficient to cover such costs.

Additional Assessments

The Managing Venturer anticipates that Initial Joint Venture Capital, with capital from other Working Interest (or Working Interest equivalent rights) owners, will be sufficient only to pay for the acquisition of the Prospect Well and Initial Operations. However, following the expenditure or commitment of Initial Joint Venture Capital, it is possible that the Managing Venturer will deem it appropriate to conduct Subsequent Operations on the Prospect Well. Everything other than Initial Operations and those matters for which a Special Assessment may be made should be considered to be Subsequent Operations of the Venture and may require financing greatly in excess of the Initial Venture Capital.

If the Managing Venturer or Operator determines that a Subsequent Operation, for which Additional Assessments will be requested, should be commenced, written notice of the proposed operation will be given to the Venturers. The notice given by the Venture to the Venturers will specify the nature and purpose of the Subsequent Operation, will describe the effect of not participating in the Subsequent Operation and estimate each Venturer's proportionate share of the expenditure necessary to finance the Subsequent Operation. A Venturer may elect by Vote to participate in the Subsequent Operation described in the notice by sending to the Managing Venturer payment in the amount of such Venturer's proportionate share of the expenditure necessary to finance the Subsequent Operation, as such share is more fully described in the notice. The Venturer's payment must be postmarked no later than seven business days (48 hours if the rig is on location) after the initial notice is delivered and must be received by the Managing Venturer no later than 20 days after such notice is delivered. Thereafter, the Venture shall be under no obligation to include such Venturer in such Subsequent Operation.

Venturers who elect to Vote to participate in Subsequent Operations (hereinafter referred to as "Participating Venturers") will do so by paying their proportionate share of the Additional Assessment required from the Participating Venturers for the expenses for the Subsequent Operations. The Managing Venturer will estimate the complete cost of the Subsequent Operation and each Venturer's proportionate share of the expenses thereof. The Managing Venturer may choose to request payment in full of such expenses or any portion thereof. The estimate shall not be conclusive as to the expenses incurred and additional contributions by Participating Venturers for the Subsequent Operation may be necessary. Such additional amounts will be billed by the Managing Venturer to the Participating Venturers, but such amounts shall not be deemed an asset of the Venture until received.

In the event Additional Assessment proceeds are not paid to the Managing Venturer by the due date stated in the notice or the bill sent to the Venturers (who previously agreed to pay same), and if the Managing Venturer (or other Venturers) does not elect to pay the unpaid assessment, the Managing Venturer shall have the right, but not the obligation, to abandon the proposed Subsequent Operation and refund the Additional Assessments previously paid by the Venturers. In that event, the Venture may sell or Farmout, to any person or entity, the Prospect Well (subject to an appropriate Vote of the Venturers) or portions thereof upon such terms as the Venture shall deem appropriate. In the event that the Managing Venturer (or other Venturers) should elect to pay such unpaid assessment, the Non-Participating Venturers will not participate in the financial benefits of the Subsequent Operation.

Payment of Costs Through Utilization of Revenues

To the extent the Venture has revenues, revenues may also be utilized in the payment of certain costs incurred by the Venture, including Operating Expenses. To the extent Venture revenues are utilized and reinvested, federal income tax liability and/or deductions may accrue to the Venturers even though no funds are actually distributed to the Venturers. Revenues will be utilized typically for short-term activities such as Completion of the Prospect Well in progress and the payment of certain equipment costs.

PROPOSED ACTIVITIES

Initial Operations

When the Venture commences Operations, the Venture will enter into a Turnkey Contract with ENR, pursuant to which ENR will (1) acquire interest in the Prospect Well for the benefit of the Venture, (2) pay Organizational Costs relating thereto, (3) pay all drilling, completion, stimulation, and equipping costs for the working interest acquired in the Prospect Well, all for an aggregate fixed price to the Venture of $1,500,000 (the "Turnkey Price"), assuming all Units are sold. Except as provided for herein, the Venture's total financial responsibility for the costs relating to the acquisition of the Venture's Working Interest rights in the Prospect Well, Organizational Costs pertaining to the Venture and Initial Operations will be the Turnkey Price. In the event that the Prospect Well is not completed, we will refund to the Venture up to $600,000 ($40,000 per Unit) for such uncompleted Prospect Well. In the event that all units are not sold in the offering, for each unsold unit the Turnkey Price shall be reduced by $100,000, the amount of working interest in the Prospect Well to be acquired by the Venture thereunder shall be proportionately reduced for each unsold Unit, and the amount returned in the event that Completion is not undertaken on the Prospect Well shall also be proportionately reduced by $40,000 for each unsold Unit.

The Prospect Well

The Venture plans to acquire and hold Working Interest in the wellbore of one (1) vertical field development oil and/or gas Prospect Well expected to be known as "ENR Brown 2" [API No. 4244134717] to target the Bend Arch-Fort Worth Basin Province on leasehold acreage in Taylor County, Texas. The Prospect Well is expected to be drilled to a total vertical depth of approximately 5,000 feet or a sufficient depth to test the "Upper Gray Sand" reservoir within the "Pennsylvanian/Permian Fluvial-Deltaic Sandstone" petroleum system of the Bend Arch-Fort Worth Basin Province.

Notwithstanding the proposed operations described above, ENR may cause the Venture to abandon the Prospect Well if (i) granite or other impenetrable substances are encountered, (ii) a condition in the hole occurs which renders further drilling, testing and/or completion impractical, or (iii) the Operator decides to abandon the Prospect Well because to do so is a commercially reasonable decision for the Venture under the conditions or situation encountered. See "PROPOSED ACTIVITIES" and "COMPENSATION AND REIMBURSEMENT."

Venture's Participation in Costs and Revenues in the Prospect Well

Assuming all Units are sold, the Venture will acquire and hold approximately 75.000% of the Working Interest (approximately 56.625% of the net revenue interest) in the Prospect Well. Prior to Payout, ENR (or our assigns) will hold an approximate 10.000% Carried Working Interest (approximately 7.550% of the net revenue interest) outside the Venture and carried to the tanks by the Venture, and G5 Resources will hold an approximate 15.000% Carried Working Interest (approximately 11.325% of the net revenue interest) outside of the Venture and carried to the tanks by the Venture. Upon achieving Payout (assuming Payout is reached), ENR will no longer hold a Carried Working Interest, and G5 Resources will hold an approximate 25.000% Carried Working Interest (approximately 18.875% of the net revenue interest). Landowners and/or unrelated third parties are also expected to retain Landowner's Royalty Interest and/or Overriding Royalty Interest totalling approximately 24.500% in the Prospect Well. Assuming all Units are subscribed, each Unit will entitle Venturers to an interest in the Venture having an economic equivalent of approximately 4.950% of the Working Interest (being approximately 3.73725% of the net revenue interest) in the Prospect Well. In the event that less than all Units are subscribed, ENR and/or its Affiliates may retain or acquire interest in the Prospect Well outside of the Venture and/or offer such interest to industry

participants on terms and at pricing that may be different than those terms and pricing upon which the Venture would otherwise have acquired the Working Interest.

The following chart shows the Landowner Royalty Interests and/or Overriding Royalty Interests ("RI"), Working Interests ("WI") and Net Revenue Interests ("NRI") to be acquired or retained in the Prospect Well before Payout, assuming all 15 Units are subscribed.

INTEREST OWNERSHIP IN PROSPECT WELL BEFORE PAYOUT						
		RI		WI		NRI
Landowner's Royalty Interest and/or Overriding Royalty Interest		24.500%		--		24.500%
G5 Resources, LLC (1)		--		15.000%		11.325%
Eagle Natural Resources, LLC (2)		--		10.000%		7.550%
Buffalo Gap Joint Venutre (3)		--		75.000%		56.625%
TOTALS		**24.500%**		**100.000%**		**100.000%**

(1) The Working Interest to be held outside the Venture by G5 Resources is a Carried Working Interest, which will be carried to the tanks by the Venture and represents the Working Interest before Payout.
(2) The Working Interest to be held outside the Venture by ENR (or our assigns) is a Carried Working Interest, which will be carried to the tanks by the Venture and represents the Working Interest before Payout.
(3) Includes the 1% interest ENR will purchase in the Venture, which has the economic equivalent of an approximate 0.75% working interest and an approximate 0.56625% net revenue interest in the Prospect Well.

The following chart shows the Landowner Royalty Interest and/or Overriding Royalty Interests ("RI"), Working Interests ("WI") and Net Revenue Interests ("NRI") to be acquired or retained in the Prospect Well after Payout, assuming all 15 Units are subscribed.

INTEREST OWNERSHIP IN PROSPECT WELL AFTER PAYOUT						
		RI		WI		NRI
Landowner's Royalty Interest		24.500%		--		24.500%
G5 Resources, LLC (1)		--		25.000%		18.875%
Buffalo Gap Joint Venutre (2)		--		75.000%		56.625%
TOTALS		**24.500%**		**100.000%**		**100.000%**

(1) The Working Interest to be held outside the Venture by G5 Resources is a Carried Working Interest, which will be carried to the tanks by the Venture and represents the Working Interest after Payout (assuming Payout is reached). After Payout, ENR will no longer hold a Carried Working Interest.
(2) Includes the 1% interest ENR will purchase in the Venture, which has the economic equivalent of an approximate 0.75% Working Interest and an approximate 0.56625% net revenue interest in the Prospect Well.

Other Venture Operations. In the event that the Venture should determine that additional Venture activities are not justified, the Managing Venturer will use its best efforts to dispose of the Venture's interest in the Prospect Well on the best terms available for the benefit of the Venture, subject to appropriate Venturers' Vote.

Farmout by the Venture. Although the Venture does not presently intend to Farmout the Prospect Well, it has the authority to Vote to do so. The Venture may Vote to Farmout if the Venturers determine that the best interest of the Venture would be served. If the Venture determines to Farmout a leasehold interest, the Venture will make every effort to retain such economic interest and concessions that are consistent with industry practice.

Dealings Among Related Parties. The Venture may participate in joint drilling ventures and Farmouts with other partnerships or joint ventures sponsored by the Managing Venturer or its Affiliates. There will be no loans between this Venture and any other entities controlled by the Managing Venturer or its Affiliates.

Title to Venture Properties. Title to the Venture's interest in the Prospect Well will be held in the name of ENR or the Operator, for the benefit of those holding Working Interest in the Prospect Well, including the Venture, pursuant to a Power of Attorney contained in the Operating Agreement. The Managing Venturer does not guarantee legal title to the Prospect Well, but will obtain an attorney's title opinion with respect to the drill site on the Prospect Well prior to the commencement of any activities.

Operating Agreement. Upon acquisition of the interest in the Prospect Well by the Venture, the Venture and the other Working Interest owners intend to enter into (or otherwise become party to) an Operating Agreement with Eagle Capital Partners, LLC, an Affiliate of ENR, to serve as the Operator of the Prospect Well. The Operating Agreement will govern the Operations of the Prospect Well and appoint the Operator. The Operator will be responsible for conducting Operations on the Prospect Well, overseeing production, employing field personnel, keeping production records, and other related matters. The Operator will be responsible for overseeing all Operations, as applicable, on the Prospect Well, as well as any production activities thereafter. A copy of the Operating Agreement will be made available upon request.

Marketing of Production. The Operator will market the oil production, if any, of the Venture. The Managing Venturer may execute contracts for the sale of oil, gas or other hydrocarbons on the Venture's behalf. See "COMPETITION, MARKETS AND REGULATION."

Distribution of Revenues. Subject to a contrary Vote, net Venture revenues which, in the judgment of the Managing Venturer, are not required to meet obligations of the Venture, or held for working capital reserves, shall be distributed as often as practicable to the Venturers.

Insurance. ENR may maintain various types of insurance coverage in such amounts as it deems appropriate. The Operator, although not required to, typically will acquire insurance that will protect the Venture and other working interest owners from damages caused by fire, lightning, explosion or blowout. Also, although it is proposed that the Operator will set surface casing below the level of all known producing fresh water zones, it will typically secure insurance to protect the Venture and other working interest owners in the event that saltwater produced from a well contaminates existing fresh water zones or reservoirs. If any of the aforementioned events should occur, and the Venture has not obtained adequate insurance for such event, and the Venture is held liable for any resulting loss, it would reduce the cash available from the Venture for distributions and might severely adversely affect the Venture, including but not limited to total loss of all Venture assets, and the Venturers will be jointly and severally liable therefor. See "RISK FACTORS - Specific Risks of the Venture: *Venturers will have joint and several liability for the debts, obligations, acts, omissions, risks and liabilities of the Venture*."

Services. The Managing Venturer will provide technical services and perform such acts, employ such persons and execute such agreements as may be necessary or in its judgment, appropriate, in order to contract for the drilling, testing, Completion, as applicable, of the Prospect Well and provide for production facilities. The Managing Venturer will be responsible to the Venture for the Operation of the Prospect Well. The Managing Venturer will pay and collect all monies the Venture is obligated to pay and collect.

Venturers' Authority to Replace ENR. Notwithstanding the initial appointment of ENR as Managing Venturer, the Joint Venture Agreement provides that the management of the Operations and other business of the Venture shall be the responsibility of all the Venturers. The Venturers, by a Vote of a majority in interest, have the absolute authority to replace ENR or any other acting Managing Venturer at any time (other than retroactively). All proposed Venturers are required to acknowledge, warrant and represent that they possess the experience to select appropriate replacement Managing Venturers, that the Venturers are not relying on the managerial efforts of ENR or an Affiliate for the success of the Venture; and that their experience and knowledge enable them to effectively exercise the managerial power and authority conferred upon them by the Joint Venture Agreement. In addition, such qualifications are required as a prerequisite to becoming a Venturer as described herein.

SOURCE AND APPLICATION OF PROCEEDS

Upon closing of the Capitalization Period, assuming sale of all Units, the Venturers' initial capital contributions will be $1,500,000. In addition, the Managing Venturer will contribute 1% of all Initial Venture Capital

actually received by the Venture. The following tables reflect anticipated applications of Venture funds, excluding Additional Assessments.

	Maximum Offering
Venturers' Capital Contributions (1)	$ 1,500,000
Managing Venturer's Capital Contributions	$ 15,152
TOTALS	**$ 1,515,152**

ESTIMATED EXPENDITURES OF VENTURE FUNDS (1)	
	Maximum Offering
Turnkey Price (2)	$ 1,500,000
Organization Costs	(3)
Managing Venturer's Management Fee	(3)
Working Capital Reserve	$ 15,152
TOTAL	**$ 1,515,152**

(1) Assumes all Units are subscribed and no capital contributions are returned as a result of non-completion of the Prospect Well ($40,000 per Unit for the non-completed Prospect Well). Up to $600,000 of Venturers' capital contributions may be returned in the event that the Prospect Well is not completed.
(2) See "PROPOSED ACTIVITIES."
(3) These amounts are included in the Turnkey Price.

PARTICIPATION IN COSTS AND REVENUES WITHIN VENTURE

Interest of Venturers. The interest of a Venturer in the Venture as it relates to Initial Operations will be the proportion which such Venturer's Unit(s) bear(s) to the total Units of all Venturers in the Venture. The fraction thus attained will represent the fractional interest of each such Venturer in the costs and revenues, if any, of the Venture attributable to the Venturers relating to Initial Operations, which are 99% of the costs and revenues of the Venture. The Managing Venturer and/or its Affiliates, to the extent they acquire Units, will share in Venture costs and revenues in the same manner as any other Venturer who purchases Units.

The Managing Venturer will be allocated 1% of all items of revenues, costs and expenses attributable to Initial Operations allocable to the Venture.

All customary expenses of Operation and production incurred by and allocated to the Joint Venture in connection with the production and marketing of any oil and gas found by the Venture from Initial Operations will be allocated 99% to the Venturers, 1% to the Managing Venturer.

COMPENSATION AND REIMBURSEMENT

In the event the Venture is fully capitalized and commences Initial Operations, the Managing Venturer will receive certain consideration and reimbursement, both directly and indirectly, for serving as Managing Venturer of the Venture.

One-Time Management Fees, Turnkey Contract, and Administrative Fees. As a Management Fee for the supervision and management of the affairs of the Venture during Initial Operations the Managing Venturer will receive an amount equal to the excess, if any, of the Turnkey Price over the actual cost of such operations it is obligated to undertake under the Turnkey Contract. The Turnkey Price DOES NOT REPRESENT the actual or equal estimated

drilling, Completion, stimulation or equipping costs. ENR cannot accurately predict the excess amount of the Turnkey Price, if any, over the actual cost of such operations that the Managing Venturer will receive. Costs to be expended under the Turnkey Contract are a direct result of the acquisition of the Ventures Interest in the Prospect Well, drilling and if warranted completion and equipping of the Prospect Well. During operations, a variety of conditions may be encountered, such as loss of circulation, blowouts, detachment and/or loss of equipment, necessity for the purchase and installation of down-hole equipment to keep the wellbore intact, and repair of inadequate cement to hold production casing in place. As such, costs are unpredictable with any degree of certainty. In the event of totally uneventful operations, compensation payable pursuant to the Turnkey Contract could equal or exceed the actual costs. Likewise, in the event that a series of major difficulties are encountered, these costs could equal or exceed the amount of the Turnkey Price, and ENR would be responsible for such excess costs. ENR may use any funds it receives from management fees and/or profits, if any, for any purpose, including payment of General and Administrative Expenses of ENR, including employee, consulting and principals salaries and office expenses. If the Venturers Vote to not attempt the Completion of the Propsect Well, ENRwill return funds to the Venture in an amount equaling $40,000 per Unit (up to $600,000 if all Units are subscribed) under the terms of the Turnkey Contract, which would lower our management fee proportionately. ENR also will receive additional compensation in connection with reimbursement of direct expenses paid for by ENR, and other transactions that may arise in connection with the operations of the Venture, including a monthly management fee of $1,000.

Carried Working Interests. Before the Prospect Well reaches Payout, ENR (or our assigns) will hold an approximate 10.000% Carried Working Interest (approximately 7.550% of the net revenue interest) outside the Venture and carried to the tanks by the Venture, and G5 Resources, an unrelated third party, will hold an approximate 15.000% Carried Working Interest (approximately 11.325% of the net revenue interest) outside of the Venture and carried to the tanks by the Venture. Upon achieving Payout (assuming Payout is reached), ENR will no longer hold a Carried Working Interest, and G5 Resources will hold an approximate 25.000% Carried Working Interest (approximately 18.875% of the net revenue interest). These are considered Carried Working Interests because it is anticipated to be paid for from the Turnkey Price.

Transfer of Units. The Joint Venture Agreement provides for a right of first refusal to the Managing Venturer and the Venturers regarding the sale of Units by a Venturer. If the income received from any such Unit purchased by the Managing Venturer or the price received by the Managing Venturer on subsequent resale exceeds the price paid, such excess may be considered to be additional compensation to the Managing Venturer. For a more detailed description of these rights and obligations, see the Joint Venture Agreement annexed hereto.

Withdrawal Due to Assessments. To the extent that the Managing Venturer advances a Non-Participating Venturer's Special Assessment and succeeds to the abandoned interest, such amount may be deemed to be additional compensation to the Managing Venturer.

MANAGEMENT

Managing Venturer

The management of the Operations and other business of the Venture shall be the responsibility of all of the Venturers. The Venturers, acting by a Vote of a majority in interest, may from time to time designate one or more of the Venturers to act as the managing venturer of the Venture, for a specified period. The Joint Venture Agreement provides for the appointment of ENR as initial Managing Venturer. All decisions concerning the day-to-day affairs and the Operations of the Venture by the Managing Venturer, during the period so designated, shall be binding upon each of the Venturers and the Venture.

Eagle Natural Resources, LLC, the initial Managing Venturer, was organized under the laws of the State of Nevada in March 2009 as Alexander Capital, LLC for the principal purpose of oil and gas exploration, development and production activities. Alexander Capital, LLC changed its name to LexStar Energy, LLC on May 3, 2013. The company subsequently changed its name to Eagle Natural Resources, LLC on March 17, 2016. It is intended that the services that ENR will provide to the partnership will be supplied by ENR to other programs, partnerships, joint ventures or entities with which the Company may participate in connection with oil and gas exploration, development and production activities.

The Managing Venturer may rely upon the services and advice of consultants who are available to the Managing Venturer on a per-day or hourly basis. The Managing Venturer may employ such geologists and engineers on a consulting basis in order to have available the benefit of their specific knowledge.

Jeremy A. Paul, President and Founder of Eagle Natural Resources, LLC, is 35 years old, has nearly a decade of experience in the oil and gas sector with a proven track record of taking advantage of market opportunities—especially down market environments. Over the past year alone, he has spearheaded the efforts behind acquiring interest in thousands of net mineral acres across Texas and Oklahoma. ENR's portfolio of held-by-production (HBP) properties currently features minority and majority interest ownership in over 87 producing wells.

Mr. Paul has spent a great deal of time and resources within lower risk redevelopment projects where an infusion of capital in proven-producing fields and an existing stable of wells will deliver solid return potential. With experience in all phases of upstream development including drilling, testing, completing, acidizing, hydraulic fracturing, and enhanced oil recovery techniques, Mr. Paul works with his technical team to implement plans designed to increase daily production and overall returns. Over his career, Mr. Paul has also strategically placed investor capital into developmental drilling to help amplify leasehold production while collaborating with oil and gas auction houses to divest certain assets with the objective of delivering a multiple return on investment.

Prior to forming the Company, Mr. Paul provided consulting services to other independent oil and gas producers, overseeing the start-up and expansion of their private equity departments.

Mr. Paul has been subject to certail legal proceedings described in more detail in this Memorandum under the section entitled “LEGAL PROCEEDINGS.”

Operator

Eagle Capital Partners, LLC, an Affiliate of ENR, is expected to serve as the Operator of the Prospect Well. The Operator will enter into an Operating Agreement with the Venture and other working interest owners to operate the Prospect Well.

PRIOR ACTIVITIES

ENR was formed in March 2009 and has sponsored numerous other oil and gas drilling programs since its inception. Information regarding the programs sponsored and managed by ENR is set forth below. Participants should be cautioned that prior performance may not be indicative of future returns. There can be no prediction as to the future production, if any, of any producing well or any well to be drilled.

J.C. Kelly #1-H Project. The J.C. Kelly #1-H was formed in 2010 and raised approximately $240,500 from outside investors. The J.C. Kelly 1-H Project was formed to drill and own working interest in one horizontal oil and gas well located in Wood County, Texas, drilled to a depth of approximately 7,200 feet. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Tamale 3 Well Project. The Tamale 3 Well Project was formed in 2011 and raised approximately $177,000 from outside investors. The project was formed to drill and own working interest in three oil and/or gas wells located in San Patricio (Tamale #1), San Jacinto (Crescent Prospect BLM #1) and Lavaca Counties (Yoakum Re-frac Prospect Konvicka #1), in Texas. All three wells were drilled and the Tamale #1 and Crescent Prospect BLM #1 wells were deemed dry holes. The Yoakum Re-frac Prospect Konvicka #1 well, which had some initial production, underwent operations to enhance production in 2012 but was unable to establish commercial production and was subsequently plugged and abandoned. The wells were drilled to depths of approximately 4,850, 7,400 and 11,000 feet, respectively. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

2011 Woodbine Joint Venture. The 2011 Woodbine Joint Venture was formed in 2011 and raised approximately $192,500 from outside investors. The 2011 Woodbine Joint Venture was formed to drill and own

working interest in five oil and/or gas wells and one salt water disposal well located in Upshur County, Texas. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Poblano #1 Joint Venture. The Poblano #1 Joint Venture was formed in 2012 and raised approximately $100,000 from outside investors. The Poblano #1 Joint Venture was formed to drill and own working interests in one oil and/or gas well located in San Patricio County, Texas. The well was drilled in 2012, deemed noncommercial and was subsequently plugged and abandoned. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Woodbine Ridge Joint Venture. The Woodbine Ridge Joint Venture was formed in 2013 and raised approximately $375,875 from outside investors. The Woodbine Ridge Joint Venture was formed to drill and own working interests in five oil and/or gas wells and one salt water disposal well located in Upshur County, Texas. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Chappell Maddux Joint Venture. The Chappell Maddux Joint Venture was formed in 2014 and raised approximately $1,019,375 from outside investors. The Chappell Maddux Joint Venture was formed to own working interest in 32 existing wells, which consisted of 26 existing oil and/or gas wells, five injection wells and one existing water supply well, and to drill 20 oil and/or gas wells and 5 injection wells located in Nowata County, Oklahoma. All 26 existing oil and/or gas wells have been worked over and the additional 20 oil and/or gas wells and 5 injection wells were all drilled. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Durango Horizontal Joint Venture. The Durango Horizontal Joint Venture was formed in 2014 and raised approximately $276,875 from outside investors. The Durango Horizontal Joint Venture was formed to drill and own working interest in the one horizontal well to be drilled in Wichita County, Texas. The venture well initially produced 130 barrels of oil per day. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Woodbine Multi Well Joint Venture. The Woodbine Multi Well Joint Venture was formed in 2015 and raised approximately $146,250 from outside investors. The venture was formed under Texas partnership law to own working interest in five oil and/or gas wells and one salt water disposal well located in Upshur County. As of the date of this Memorandum, this venture has been dissolved and the working interest held by the venture has been assigned to its venturers.

Rinn Valley Ranch Joint Venture. The Rinn Valley Ranch Joint Venture was formed in February of 2019 and raised approximately $1,525,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 25 producing wells in Weld County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in 2023.

Cecil Mankins Joint Venture. The Cecil Mankins Joint Venture was formed in February 2018 to participate in the MMH Project and raised approximately $190,625 from outside investors. The Venture was formed under Texas partnership law to acquire working interest in 29 shut in wells, 7 injection wells, and 4 plugged and abandoned wells in Archer Wilbarger and Foard Counties, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in 2023.

Double Play Program. The Double Play Program involved a sale of units of working interest to various investors beginning in August of 2020 who participate in the LWW (Double Play) Project and raised approximately $987,000 from outside investors. The investors in this program collectively acquired units of working interest in 1 producing well, one shut in well and one injection well in Henderson County, Texas and 5 producing wells and 2 injection wells in Anderson County, Texas. Certain of the working interests in this program were acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Wolfberry & Strawn, LP. The Wolfberry & Strawn, LP was formed in October of 2020 to participate in the Wolfberry and Strawn Project and raised approximately $1,144,000 from outside investors. The venture was

formed under Texas limited partnership law to acquire working interest in 3 producing wells, one injection well and 2 plugged and abandoned wells in Gaines County, Texas, 3 producing wells and one injection well in Dawson County, Texas and one producing well in Wichita County, Texas. ENR acquired the managing general partner interest in this partnership in the first quarter of 2022. This partnership was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Four Rivers Joint Venture. The Four Rivers Joint Venture was formed in June of 2021 to participate in the Four Rivers Project and raised approximately $429,375 from outside investors. The venture was formed under Texas partnership to acquire working interest in 15 producing wells, 3 injection wells and 20 plugged and abandoned wells located in Coleman County, Texas and 5 producing wells located in Irion County, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Rio La 26 Joint Venture. The Rio La 26 Joint Venture was formed in November of 2019 and raised approximately $965,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 12 producing wells in Adams County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Pipeline Canyon #1 Completion Joint Venture. The Pipeline Canyon #1 Completion Joint Venture was formed in August of 2020 and raised approximately $187,500 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 1 existing wellbore to be re-completed which is located in White Pine County, Nevada. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Motley Completion Joint Venture. The Motley Completion Joint Venture was formed in September of 2020 and raised approximately $120,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 8 producing wellbores located in Weld County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

ENR Tatanka Joint Venture. The ENR Tatanka Joint Venture was formed in November of 2020 and raised approximately $1,405,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 8 producing wells in Weld County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Calvary Farms Joint Venture. The Calvary Farms Joint Venture was formed in July of 2021 to participate in the Niobrara (Colorado) Calvary Farms Project and raised approximately $752,500 from outside investors. The Venture was formed under Texas partnership law to acquire working interest in 8 producing wells in Weld County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Riverdale Joint Venture. The Riverdale Joint Venture was formed in April of 2021 and raised approximately $1,031,250 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 9 wells permitted to be drilled in Adams County, Colorado. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Lone Wolf Joint Venture. The Lone Wolf Joint Venture was formed in September of 2021 and raised approximately $1,320,001 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 1 producing well located in Reeves County, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

ENR Black Rock Joint Venture. The ENR Black Rock Joint Venture was formed in November of 2021 and raised approximately $2,455,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 54 total wells, including 21 producing wells, 16 shut in wells, 5 injection wells and 12 plugged and abandoned wells, located in Reagan, Winkler, Irion, Tom Green, Archer, and Taylor Counties, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Loco Hills Joint Venture. The Loco Hills Joint Venture was formed in December of 2021 and raised approximately $5,002,000 from outside investors. The venture was formed under Texas partnership law to acquire

working interest in 78 producing wells, and one shut in well in Eddy and Lea Counties, New Mexico. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Big Sandy Joint Venture. The Big Sandy Joint Venture was formed in February of 2022 and raised approximately $1,615,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 1 producing well in Laramie County, Wyoming. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Tejas Joint Venture. The Tejas Joint Venture was formed in February of 2022 and raised approximately $4,687,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 103 total wells, including 50 producing wells, 33 shut in wells, 6 injection wells and 14 plugged and abandoned wells located in Wilbarger, Wichita, Stonewall, Irion, Sterling, Edwards, Dawson and Gaines Counties, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

El Diablo Joint Venture. The El Diablo Joint Venture was formed in February of 2022 and raised approximately $1,135,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 4 producing wells in Martin County, Texas. This venture was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

The Norman Mesa, LP. The Norman Mesa, LP was formed in August of 2021 to participate in the Norman Mesa Project and raised approximately $960,000 from outside investors. The Venture was formed under Texas limited partnership law to acquire working interest in 5 producing wells, 1 shut in well and 2 injection wells in Gaines County, Texas, and one producing well in Upton County, Texas. ENR acquired the managing general partner interest in this partnership in the first quarter of 2022. This partnership was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Wild Horse Joint Venture. The Wild Horse Joint Venture was formed in April of 2022 and raised approximately $1,462,500 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 2 producing wells in Sublette County, Wyoming. This partnership was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Wolfcamp Joint Venture. The Wolfcamp Joint Venture was formed in July of 2022 and raised approximately $1,449,500 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 2 wells permitted to be drilled in Irion County, Texas and 6 permitted wells to be drilled in Mountrail County, North Dakota. This partnership was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Jubilee Joint Venture. The Jubilee Joint Venture was formed in August of 2022 and raised approximately $4,804,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in 1 well permitted to be drilled in Laramie County, Wyoming, 2 wells permitted to be drilled in Mountrail County, North Dakota and 2 wells to be permitted and drilled in Irion County, Texas. This partnership was acquired by Eagle Energy Partners, Inc. in a roll up acquisition in November 2023.

Sapphire Joint Venture. The Sapphire Joint Venture was formed in February of 2023 and raised approximately $10,782,033 from outside investors. The venture was formed under Texas partnership law to acquire working interest in six (6) horizontal oil and gas wells located in Campbell County, Wyoming and working interest in one (1) horizontal oil and gas well located in Converse County, Wyoming, and subsequently venturers approved the venture's acquisition of interest in sixty-four (64) additional oil and gas wells, forty-eight (48) of which are located on leasehold acreage in Weld County, Colorado, one (1) of which is located on leasehold acreage in Converse County, two (2) of which are located on leasehold acreage in Sweetwater County, Wyoming, nine (9) of which are located on leasehold acreage in Lea County, New Mexico, and four (4) of which are located on leasehold acreage in Eddy County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Rio Bravo Joint Venture. The Rio Bravo Joint Venture was formed in May of 2023 and raised approximately $5,000,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in forty-eight (48) horizontal oil and gas wells located in Weld County, Colorado, and subsequently venturers approved the venture's acquisition of interest in twenty-three (23) additional oil and gas wells, six (6) of which are located on leasehold acreage in Campbell County, Wyoming, two (2) of which are located on leasehold acreage in Converse County, Wyoming, two (2) of which are located on leasehold acreage in Sweetwater County, Wyoming, nine (9) of which are located on leasehold acreage in Lea County, New Mexico, and four (4) of which are located on leasehold acreage in Eddy County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Rolling Hills Joint Venture. The Rolling Hills Joint Venture was formed in May of 2023 and raised approximately $1,335,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in one (1) horizontal oil and gas well located in Converse County, Wyoming, and subsequently venturers approved the venture's acquisition of interest in seventy (70) additional oil and gas wells, forty-eight (48) of which are located on leasehold acreage in Weld County, Colorado, six (6) of which are located on leasehold acreage in Campbell County, Wyoming, one (1) of which is located on leasehold acreage in Converse County, Wyoming, two (2) of which are located on leasehold acreage in Sweetwater County, Wyoming, nine (9) of which are located on leasehold acreage in Lea County, New Mexico, and four (4) of which are located on leasehold acreage in Eddy County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Iron Horse Joint Venture. The Iron Horse Joint Venture was formed in July of 2023 and raised approximately $2,490,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in four (4) horizontal oil and gas wells located in Eddy County, New Mexico, and subsequently venturers approved the venture's acquisition of interest in sixty-seven (67) additional oil and gas wells, forty-eight (48) of which are located on leasehold acreage in Weld County, Colorado, six (6) of which are located on leasehold acreage in Campbell County, Wyoming, two (2) of which are located on leasehold acreage in Converse County, Wyoming, two (2) of which are located on leasehold acreage in Sweetwater County, Wyoming, and nine (9) of which are located on leasehold acreage in Lea County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Alpha Wolf Joint Venture. The Alpha Wolf Joint Venture was formed in July of 2023 and raised approximately $1,150,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in nine (9) horizontal oil and gas wells located in Lea County, New Mexico, and subsequently venturers approved the venture's acquisition of interest in sixty-two (62) additional oil and gas wells, forty-eight (48) of which are located on leasehold acreage in Weld County, Colorado, six (6) of which are located on leasehold acreage in Campbell County, Wyoming, two (2) of which are located on leasehold acreage in Converse County, Wyoming, two (2) of which are located on leasehold acreage in Sweetwater County, Wyoming, and four (4) of which are located on leasehold acreage in Eddy County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Red Desert Joint Venture. The Rio Bravo Joint Venture was formed in October of 2023 and raised approximately $3,250,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in two (2) horizontal oil and gas wells located in Sweetwater County, Wyoming, and subsequently venturers approved the venture's acquisition of interest in sixty-nine (69) additional oil and gas wells, forty-eight (48) of which are located on leasehold acreage in Weld County, Colorado, six (6) of which are located on leasehold acreage in Campbell County, Wyoming, two (2) of which are located on leasehold acreage in Converse County, Wyoming, nine (9) of which are located on leasehold acreage in Lea County, New Mexico, and four (4) of which are located on leasehold acreage in Eddy County, New Mexico. As of the date of this Memorandum, fifty four (54) of the wells are producing, nine (9) of the wells are completed-pending production, three (3) of the wells are drilled-pending completion, two (2) of the wells are drilling and three (3) of the wells are expected to be drilled in 2025.

Antelope Valley Joint Venture. The Antelope Valley Joint Venture was formed in August of 2024 and has raised $1,000,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in eight (8) horizontal oil and gas wells located in Converse and Campbell Counties, Wyoming. As of the date of this Memorandum, two (2) of the wells are producing, four (4) of the wells are completed-pending production, one (1) of the wells is drilled-pending completion and one (1) of the wells has not commenced drilling but is permitted and expected to be drilled in 2025.

Crossbow Joint Venture. The Crossbow Joint Venture was formed in December of 2024 and has raised $3,600,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in eight (8) horizontal oil and gas wells located in Campbell County, Wyoming. As of the date of this Memorandum, seven (7) of the wells are completed-pending production and one (1) of the wells has not commenced drilling but is permitted and expected to be drilled in 2025.

Comanche Creek Joint Venture. The Comanche Creek Joint Venture was formed in January of 2025 and has raised $1,500,000 from outside investors. The venture was formed under Texas partnership law to acquire working interest in one (1) vertical field development well located Taylor County, Texas. As of the date of this Memorandum, the well has not commenced drilling but is permitted and expected to be drilled in 2025.

Investors should be cautioned that prior performance may not be indicative of future returns. There can be no prediction as to the future production, if any, of any well to be drilled.

It should not be assumed that any Venturer in this Venture will have either success or failure comparable to those experienced by venturers in the other venture sponsored by ENR. Each oil and gas well has unique characteristics and ENR believes that a Venturer cannot predict future performance of any given well based upon the performance of a prior well, even if the prior well was drilled in the same area. ENR further believes the rates of return and/or production, or lack thereof, related to its other venture are not material as indicative of the future performance of the Venture. It should also be noted that all wells decline over time, some more frequently and drastically than others. For these and other reasons, including the unpredictability of oil and gas pricing and development and differences in program structure, property location, program size and economic conditions, operating results obtained by the other venture sponsored by ENR should not be considered as indicative of the operating results obtainable by the Venture. Specific information concerning the other ventures sponsored by ENR will be furnished upon request.

INDEMNIFICATION AND LIMITATION OF LIABILITY

The Venture has agreed to indemnify, protect, defend and hold harmless any person who is or was the Managing Venturer (including ENR) and its managers, members, officers, employees and agents for "losses" (as defined below) incurred by them acting on behalf of the Venture or in furtherance of the objectives of the Venture or arising out of or in connection with the Venture, except to the extent such losses are incurred as a result of the willful misconduct or gross negligence of such Managing Venturer or its managers, members, officers, agents or attorneys. "Losses" for these purposes means actual losses; liabilities; demands; causes of action; judgments; awards; damages; contribution, fines; fees; penalties; and costs and expenses (including reasonable litigation costs and attorneys' and experts' fees and expenses). See Article X of the Joint Venture Agreement attached hereto.

The Joint Venture Agreement also provides that each Venturer shall indemnify, defend and hold harmless the Venture and all other Venturers, in certain circumstances, from and against any loss, claim, cause of action, item of damages, expense and cost (including attorneys' fees and court costs) arising directly or indirectly out of any act of such Venturer that is inconsistent with the delegated rights and authority of the Managing Venturer of the Venture.

The Managing Venturer and its managers, members, officers, agents and attorneys will not be liable to the Venture or Venturers for any act or omission, except to the extent of any willful misconduct or gross negligence of the Managing Venturer or such persons; provided, however, that the foregoing provision shall not be construed to eliminate a Venturer's duty of loyalty, duty of care or obligation of good faith to the Venture and other Venturers under the TBOC. Neither the Managing Venturer nor any Venturer shall be liable for consequential, incidental, punitive, exemplary or indirect damages, lost revenues, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise.

REMOVAL AND CHANGE OF MANAGING VENTURER

The Joint Venture Agreement provides a method by which a majority in interest of all the Venturers may remove the Managing Venturer and substitute a new managing venturer to operate and carry on the day-to-day business of the Venture.

CONFLICTS OF INTEREST

The Managing Venturer will have the authority to purchase properties for the Venture for exploration and development purposes, including the authority to purchase properties for the Venture from ENR or its Affiliates in their individual capacities. The Managing Venturer will be permitted to purchase oil and gas properties for its own account, and conduct operations on properties contiguous to or in the area of the Joint Venture's properties, regardless of what business, if any, is conducted by the Venture. Since the control of the Venture expenditures is at the discretion of the Managing Venturer at all times during the term of its office as Managing Venturer, conflicts of interest may arise.

The Venture is expected to enter into a Turnkey Contract with ENR in its individual capacity, concerning the acquisition of interests in the Prospect Well and the drilling and Completion of the Prospect Well (and certain other services) for the Turnkey Price. Pursuant to such contract, ENR will be entitled to any amounts representing the difference between the Turnkey Price and the actual costs to ENR of the services it is obligated to perform pursuant to such Contract. Neither the Turnkey Contract nor the Turnkey Price have been the subject of arm's-length negotiations.

The Venture is expected to enter into an Operating Agreement with Eagle Capital Partners, LLC, an affiliate of ENR, to serve as Operator of the Prospect Well. The Operating Agreement witll not be the subject of arm's-length negotiations.

The Managing Venturer intends to become a venturer in other entities engaged in operations similar to that of the Venture or otherwise make or arrange for similar operations as those contemplated for the Venture. Such activities may place constraints on the time that ENR and its officers have to devote to Venture activities. In addition, ENR will hold a Carried Working Interest in the Prospect Well outside of the Venture, and we may purchase additional Working Interest in the Prospect Well outside of the Venture.

If, after the Venture acquires its interest in the Prospect Well, the Venture later determines that the Prospect Well is unsuitable for oil exploration by the Venture because of, among other things, lack of funds or high risks involved, or if the Prospect Well has been downgraded by events occurring after its assignment to the Venture to the point that exploration would no longer be desirable or if the Venture determines that the best interest of the Venture would otherwise be served, the Venture may Farmout its interest in the Prospect Well or sell or otherwise dispose of the Venture's interest therein. The decision with respect to making a Farmout and the terms of a Farmout may involve conflicts of interest, as the Managing Venturer may benefit from cost savings and reduction of risk.

Most of the areas of conflict of interest described above are common to many oil drilling programs. The terms of the Joint Venture Agreement are intended to ameliorate the conflicts of interest inherent in such a situation to the extent practicable, taking into consideration the uncertainties involved in attempting to determine in advance the location of the well to be drilled, the progress of drilling, Completion, recompletion, conversion and other exploratory activity in the area of the Prospect Well and the outcome of exploration operations.

In connection with establishing the terms of loans or advances to the Venture, commercial banks may consider cash balances of the Venture that are not required for the conduct of Venture business operations. To the extent the terms of such loans may be affected by the Venture's deposits, the Managing Venturer may have an incentive to maintain a larger portion of the Venture assets in the form of cash balances than would otherwise be necessary.

DEFINITIONS

Certain terms as used herein have special meanings that are set forth below and other terms, of general use in the industry, are also defined below for your reference. Certain other terms are defined throughout this Memorandum.

"ADDITIONAL ASSESSMENTS" shall mean assessments of Venturers requested by the Venture to fund Subsequent Operations, the payment of which shall be wholly voluntary.

"AFFILIATE" with respect to the Managing Venturer shall mean (i) any person directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the outstanding voting securities of the Managing Venturer; (ii) any person, 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Managing Venturer; (iii) any person directly or indirectly controlling, controlled by or under common control with the Managing Venturer; (iv) any officer, director or partner of the Managing Venturer; and (v) if the Managing Venturer is an officer, director, or partner, any company for which the Managing Venturer acts in any such capacity. For purposes of this Memorandum and accompanying documentation, any partnership of which ENR is a general partner, and any joint venture in which ENR is a venturer, is an Affiliate of ENR.

"CAPITALIZATION PERIOD" means the period of time during which Venturers shall be accepted and initial capitalization amounts will be received, up to and including October 30, 2025, unless extended by the Managing Venturer for a period of not more than 90 days; provided, however, that the Managing Venturer may terminate the Capitalization Period in its sole and absolute discretion at any time prior to such date.

"CARRIED WORKING INTEREST" shall mean Working Interest, for which the holder will pay no portion of the Turnkey Price, but for which it will pay operation costs after commercial production, if any, is attained.

"CODE" means the Internal Revenue Code of 1986, as from time to time amended and any federal legislation that may be substituted therefor.

"COMPLETION" of a well is an indefinite term. In the context of the Venture, Completion shall mean the cleaning out of a well after reaching a specified depth, and/or conducting those processes or operations which the Managing Venturer decides to employ in a good faith effort to make a well capable of producing oil and/or gas in commercial quantities or determine that it will not produce oil and/or gas in commercial quantities. Such effort shall not require an obligation by the Managing Venturer or the Venture to attempt Completion or recompletion in more than one potentially productive horizon or geological formation and includes a single pumping unit and primary formation frac, but does not include secondary fracs, other stimulation procedures or other pumping or lifting equipment.

"DRY HOLE" means a well that is not capable of producing oil and/or gas in commercial quantities. A well may qualify as a dry hole either before or after Completion.

"EXPENSES AND COSTS" shall mean all of the costs and expenses of the Venture, including but not limited to the following, each of which shall have the special meaning set forth opposite each such term:

(a) "ORGANIZATIONAL COSTS" shall mean the aggregate of (i) expenses for printing and mailing material used in connection with the applications for participation in the Venture and/or collection of assessments; (ii) allocable salaries and expenses of employees and consultants of the Managing Venturer assisting with the organization and formation of the Venture and/or the initial capitalization and/or collection of assessments; (iii) charges of depositories in connection with the Units; (iv) attorneys', accountants' and consultants' fees in connection with the organization and formation of the Venture and the preparation of this Memorandum, the applications for participation in the Venture, and/or the collection of assessments; (v) General and Administrative Expenses of ENR during the Capitalization Period; and (vi) any and all other expenses incurred by the Venture or the Managing Venturer in connection with the formation of the Venture, the

applications for participation in the Venture, and the collection of assessments, if any, including engineering and geological expenses.

(b) "OPERATING EXPENSES" shall mean the customary expenses of operations of oil and/or gas wells, and producing and marketing the oil and/or gas therefrom, including but not limited to the costs of reworking or workover or similar expenses relating to any well, but excluding drilling or Completion Costs or the depletion, depreciation or amortization thereon, or the expenses for recompletion in or deepening to another potentially productive zone.

(c) "GENERAL AND ADMINISTRATIVE EXPENSES" shall mean all customary and routine legal, accounting, geological, engineering, consulting, travel, office rent, telephone, compensation to officers and employees, and other incidental expenses of the Managing Venturer necessary to the conduct of Venture Operations, but shall not mean annual tax preparation fees.

"FARMOUT" shall mean an agreement whereby the Venture would agree to assign its interest in a specific leasehold or working interest owned by it to other parties while retaining some part of its original interest (such as an overriding royalty interest, oil and/or gas payment, offset acreage, or other type of interest) subject to the drilling of one or more specified wells or other performance by the other parties as a condition of the assignment.

"INITIAL JOINT VENTURE CAPITAL" means the total capital contribution to the Venture actually paid by the Managing Venturer and Venturers with respect to the acquisition of Units or interests in the Venture, excluding Special Assessments and Additional Assessments.

"INITIAL OPERATIONS" means any Venture activity commenced in connection with the acquisition of the Venture's interest in the Prospect Well, including legal and accounting services, geological services, organizational activities, administrative activities drilling and completion of the Prospect Well, and, as applicable, the production of oil and/or gas therefrom. The term "Initial Operations" does not include activities for which Special Assessments may be assessed, including any actions to enhance production, or deepening, plugging back, side tracking, or any activities to Complete the Prospect Well in more than one zone.

"INITIAL PRODUCTION" or "IP" shall mean the early production of an oil well, recorded after the testing operations and the recovery of oil or other fluids used to fracture and stimulate the target formation have been completed, used as a potential indicator of the maximum ability of a well to produce upon completion, without subsequent reservoir damage; provided, however, that, historically, the actual sustained production of oil and/or gas realized from a well is usually less, on an ongoing basis, than Initial Production; and, provided, further, that there can be no assurance that the actual production to be realized from a well on an ongoing basis following the conclusion of all Completion activities with respect thereto will be equal to Initial Production.

"JOINT VENTURE AGREEMENT" or "AGREEMENT" shall mean the Joint Venture Agreement between ENR as the Managing Venturer, and the Venturers, pursuant to which the Venture will be formed, a copy of which is attached hereto, together with all amendments thereto.

"LANDOWNER'S ROYALTY INTEREST" shall mean an interest in production or the proceeds therefrom, to be received free and clear of all costs of drilling, development, operation, or maintenance, reserved by a landowner upon the creation of an oil and gas lease.

"MANAGING VENTURER" shall refer to ENR (or its successor or replacement) when acting in the capacity of the Managing Venturer of the Venture.

"NET PROCEEDS" shall mean Proceeds reduced by the Venture's adjusted basis in such oil and gas property for capital accounts, as determined under Section 8.2.2 of the Joint Venture Agreement.

"NON-PARTICIPATING VENTURER" means any Venturer who fails to contribute Special Assessments or Additional Assessments.

"OPERATIONS" shall mean any Joint Venture activity related to acquiring the Venture's interest in the Prospect and the Prospect Well; drilling, testing, completing, equipping, reworking, deepening, recompleting, converting, capping or plugging the Prospect Well; installing pumping, production, processing, gathering and/or transporting facilities to produce, process, gather, and/or transport any oil produced from the Prospect Well; conducting any secondary recovery operation on or with respect to the Prospect Well; or conducting any activity incident to the foregoing as may be deemed necessary by the Venturers in furtherance of a Venture purpose.

"OVERRIDING ROYALTY INTEREST" shall mean an interest in the oil produced pursuant to a specified oil lease or leases, or the proceeds from the sale thereof, carved out of the Working Interest granted by the landowners in said lease(s), to be received free and clear of all costs of drilling, development, operations or maintenance.

"PARTICIPATING VENTURER" means any Venturer, including the Managing Venturer, electing pursuant to Sections 2.9 or 2.14 of the Joint Venture Agreement to contribute Special Assessments or Additional Assessments, and/or any additional Venturers admitted to the Venture to contribute Additional Assessments on behalf of a Non-Participating Venturer.

"PAYOUT" shall be deemed to have occurred when the Operator has recovered the following costs, including without limitation, the cost of drilling, testing, equipping, reworks, equipment both surface and downhole, materials, and operating the Propsect Well from gross proceeds received from the sale of hydrocarbons from such well less applicable taxes on gross production, gathering fees, ad valorem and severance taxes, and all royalties and overriding royalty interests of record.

"PROCEEDS" shall mean the amount realized by the Venture on the disposition of oil and/or gas.

"PRODUCTION DECLINE" shall mean the characteristic of wells in most formations, similar to certain wells in other parts of the country, to decline over time in production from a variety of factors, some of which may be corrected or ameliorated. Over the effective producing life of a given well, production levels are expected to decline in accordance with published industry data.

"PROPORTIONATE SHARE" with respect to the Venturers shall mean that share described in Article VIII of the Joint Venture Agreement.

"PROSPECT" shall mean the oil, gas and mineral leasehold estate or estates, or undivided interest therein, and other contract rights and interests in oil, gas and minerals on which the Prospect Well is located and in which Operations are conducted. Nothing herein shall prevent another venture or other entity organized by the Managing Venturer or any of its Affiliates from acquiring a prospect which, subsequent to such acquisition, is determined to be in the same geological reservoir as the Prospect Well owned by the Venture.

"PROSPECT WELL" means the oil and/or gas wellbore proposed to be acquired, drilled and completed as a part of Initial Operations.

"SPECIAL ASSESSMENTS" shall mean such assessments that may be requested in the event the Venture votes to: (i) deepen a wellbore; (ii) sidetrack a wellbore if conditions or obstacles are encountered which render further drilling, reworking or recompleting impractical or permits the Operator to abandon the Prospect Well; (iii) plug back a wellbore and attempt Completion or recompletion in a higher zone; (iv) conduct any activity for the purpose of enhancing production; (v) install additional pumping equipment; (vi) install tubing with increased production capacity; (vii) install pipelines; (viii) install any type of gas treatment facilities or production facilities; or (ix) complete more than one zone.

"SUBSEQUENT OPERATIONS" means activities not part of Initial Operations that the Venturers deem necessary to further develop the Prospect Well subsequent to the initial drilling and completion of the Prospect Well.

"SUBSTITUTE VENTURER" means any person not previously a Venturer who purchases Units from a Venturer in accordance with the terms of the Joint Venture Agreement. After admission, all Substitute Venturers shall have all of the rights of a Venturer.

"TURNKEY CONTRACT" shall mean the agreement to be entered into by and between ENR, in its individual capacity, and the Venture providing for the obligation of the Managing Venturer to bear the costs of acquiring the Prospect Well and conduct Initial Operations at a fixed or turnkey price.

"TURNKEY PRICE" shall mean the amount to be paid by the Venture to ENR to perform the Turnkey Contract.

"UNITS" mean interests in the Joint Venture initially authorized under the Joint Venture Agreement and allocated to the Venturers as shown on the books and records of the Venture on the date of the event for which such Units are to be computed.

"VENTURE" or "JOINT VENTURE" means BUFFALO GAP JOINT VENTURE, the Texas joint venture governed by the Joint Venture Agreement and the TBOC.

"VENTURERS" means the Managing Venturer and all of the Venturers of the Joint Venture, unless the context requires a reference to all Venturers other than the Managing Venturer. The term "Venturer" refers to any Venturer or to the Managing Venturer of the Joint Venture, as the context requires. Venturers are general partners under the TBOC.

"VOTE" shall have the meaning set forth in the Joint Venture Agreement.

"WORKING INTEREST" or "WORKING INTERESTS" shall mean an interest in the Prospect Well that is subject to some portion of the expense of the drilling, development, operation or maintenance.

TAX ASPECTS

ANY TAX ADVICE CONTAINED HEREIN AND IN ANY ATTACHMENTS HERETO IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED BY ANY VENTURER FOR THE PURPOSE OF (1) AVOIDING PENALTIES THAT MAY BE IMPOSED THEREON OR (2) PROMOTING, RECOMMENDING OR MARKETING TO ANOTHER PARTY ANY TRANSACTION OR MATTER DISCUSSED HEREIN. THIS ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. EACH VENTURER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain of the federal, state, or local tax matters affecting the Venture or the Venturers. The full implications of federal, state and local laws, regulations, and other rules that may affect the tax consequences of participating in the Venture are too complex and numerous to describe in this Memorandum. This discussion is based upon current provisions of the Code, current Treasury Regulations administrative rulings, and court decisions, all of which are subject to change. Subsequent changes in these authorities may cause the tax consequences to vary substantially from the consequences described herein. Moreover, certain of the federal tax aspects applicable to the Venture are unsettled and not free from doubt. Moreover, in determining the deductibility of certain expenditures made by the Venture, there are many factual and legal questions involved, including but not limited to the proper characterization of income and expense, the reasonableness of amounts involved, the purpose of the expenditures and the period or periods to which the expenditures are properly attributable.

The material tax benefits of participating in the Venture will be deductions attributable to intangible drilling and development costs ("Intangible Costs"), accelerated cost recovery on equipment and other tangible property and, if production is achieved, depletion. There can be no assurance that some of the deductions taken by the Venture will not be challenged and disallowed in whole or in part or permitted as deductions only in a subsequent taxable year of the Venture. Moreover, certain gains, if any, realized from the subsequent sale or disposition of a Venture interest will be taxed at ordinary rates to the extent attributable to unrealized receivables (which term includes recapture of depreciation, depletion and other Intangible Costs). Therefore, the tax benefit a prospective Venturer may derive from participating in the Venture will depend, in part, on the value of such a tax deferral to the Venturer.

THE DISCUSSION IS DIRECTED TOWARD INDIVIDUAL TAXPAYERS THAT ARE CITIZENS OR RESIDENTS OF THE UNITED STATES. PERSONS WHO ARE NOT UNITED STATES CITIZENS OR RESIDENTS, PERSONS WHO ARE TAX-EXEMPT ENTITIES, CORPORATE ENTITIES IN GENERAL, TRUSTS AND OTHER PERSONS THAT ARE SUBJECT TO SPECIALIZED RULES, (E.G., S CORPORATIONS OR INSURANCE COMPANIES) ARE CAUTIONED TO CONSULT THEIR TAX ADVISORS BEFORE PARTICIPATING IN THE VENTURE. FURTHER, EACH PROSPECTIVE VENTURER IS URGED TO SATISFY HIMSELF OR HERSELF AS TO THE CURRENT AND POTENTIAL FEDERAL, STATE, AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF PARTICIPATING IN THE VENTURE BY OBTAINING ADVICE FROM HIS OR HER OWN TAX ADVISER.

Tax Status of the Joint Venture as a Partnership.

Under the "check the box" regulations, Treasury Regulation Section 301.7701-1 et seq, the Venture is expected to be treated as a partnership for federal tax purposes because (i) the Venture will be engaged in a trade or business and, therefore, pursuant to Treasury Regulation Section 301.7701-1(a)(2), it should be treated as a separate entity; (ii) pursuant to Treasury Regulation Section 301.7701-2(a), the Venture should be treated as a business entity because it is not properly classified as a trust under Treasury Regulation Section 301.7701-4; (iii) the Venture would not be considered a corporation as defined in Treasury Regulation Section 301.7701-2(b); and (iv) the Venture does not intend to elect to be classified as an association pursuant to Regulation Section 301.7701-3(a) and, therefore, should be treated as a partnership under the "default rule" of Treasury Regulation Section 301.7701-3(b)(1).

Notwithstanding the foregoing, Section 7704 treats certain "publicly traded partnerships" as corporations for federal tax purposes. Section 7704 defines a publicly traded partnership as a partnership in which the interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent of a secondary market. Treasury Regulations establish a safe harbor exception to the application of Section 7704. Under the Treasury Regulations, interests in a partnership are not considered to be readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in transactions not required to be registered under the 1933 Act and (2) the partnership does not have more than 100 partners at any time during the taxable year of the partnership. The Treasury Regulations do, however, contain anti-avoidance rules to be applied in determining the number of partners in the partnership. Under these anti-avoidance rules, a beneficial owner owning an interest in a partnership, grantor trust, or S corporation that owns, directly or through other pass-through entities, an interest in the partnership is treated as a partner in the partnership only if (1) substantially all of the value of the beneficial owner's interest in the flow-through entity is attributable to the flow-through entity's direct or indirect interest in the partnership and (2) a principal purpose of the use of the tiered arrangement is to permit the partnership to satisfy the 100-partner limitation described above. It is not anticipated that the Venture will constitute a publicly traded partnership.

Further, Section 7704 is specifically inapplicable to a partnership for any year if at least 90% of the partnership gross income for such year and all preceding years consists of, among other things, income or gains from the exploration, development, production, processing, refining, transportation, or marketing of oil and gas and gains from the sale of assets used to generate that income. The Venture has not requested, and does not intend to request, a ruling from the IRS or an opinion from tax counsel that the Venture will be treated as a partnership for federal tax purposes. Nevertheless, based on the applicable regulatory authorities referenced above and other appropriate authority concerning the classification of entities for federal tax purposes, the Managing Venturer believes that it is more likely than not that for federal tax purposes the Venture will be determined to be a partnership and not an association taxable as a corporation.

If the Venture were instead taxable as a corporation in any taxable year, the Venture's items of income, gain, loss and deduction (including without limitation the Venture's intangible drilling and development costs arising from Initial Operations that are paid from Venturer's capital contributions) would be reflected only on the Venture's federal tax return rather than being passed through to the Venturers, and the Venture's net income would be taxed to the Venture at corporate rates. In addition, any distribution made to a Venturer would be treated as either taxable dividend income, to the extent of the Venture's current or accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the Venturer's tax basis in his Units, or taxable capital gain, after the Venturer's tax basis in the Venturer's Units is reduced to zero. Accordingly, taxation of the Venture as a

corporation would result in a loss of material tax benefits that would otherwise flow directly to a Venturer's tax return, and a material reduction in a Venturer's cash flow and after-tax return.

Taxation of the Venturers' Distributive Shares of the Profits and Losses of the Joint Venture. Under present federal tax law, a joint venture that is treated as a partnership for federal tax purposes generally is not a taxable entity and is not subject to federal income tax liability. Therefore, assuming that the Joint Venture is classified as a partnership for federal tax purposes, the Joint Venture generally will not be subject to federal income tax. However, the Venture will be required to file an annual partnership tax return, and each Venturer will required to report on his individual income tax return his distributive share of the income, gains, losses, deductions, and credits of the Joint Venture, whether or not any actual cash distribution is made to the Venturer during that taxable year.

Subject to the restrictions described below and to the extent not further limited by the "passive activity" and "at risk" limitations, a Venturer will be entitled to deduct on his personal income tax return his distributive share of the Joint Venture's losses, if any, to the extent of the tax basis of his Units at the end of the taxable year of the Joint Venture in which the losses occur. See "Tax Aspects - Tax Basis in Venture Interest," "Tax Aspects - Limitations on Passive Activity Losses" and "Tax Aspects - At-Risk Limitation on Deductions for Expenses." Because Venturers will be required to include their distributive shares of the Venture's income in their gross incomes without regard to whether there are distributions of that income to the Venturers, the Venturers may become liable for income taxes even though they have received no distributions from the Joint Venture with which to pay those taxes.

Allocations. Under Code Section 704, allocations of all Venture items of income, gain, loss, deduction and credit under the Joint Venture Agreement must have "substantial economic effect" to be recognized for federal tax purposes. Otherwise, the allocation of such items must be made in accordance with the Venturers' interests in the Venture. Treasury Regulations issued under Code Section 704(b) provide that an allocation will have substantial economic effect if it satisfies a two-part test. First, the allocation must have economic effect. Second, the economic effect must be substantial.

Treasury Regulation provide that, in general, an allocation will have economic effect if throughout the term of the partnership the partnership agreement:

(i) provides for the determination and maintenance of the partners' capital accounts in accordance with the rules set forth in the Treasury Regulations;

(ii) requires that on liquidation of the partnership (or any partner's interest in the partnership), liquidating distributions must in all cases be made in accordance with the positive capital account balances of the partners; and

(iii) either obligates a partner with a deficit in his capital account following the liquidation of his interest in the partnership to restore such deficit or contains a "qualified income offset" pursuant to which a partner that unexpectedly receives an allocation, adjustment or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) will be allocated income and gain in an amount and manner sufficient to eliminate any deficit capital account balance of such partner as quickly as possible.

Treasury Regulations also provide that generally the economic effect of an allocation is substantial if there is a reasonable possibility that the allocation (or allocations) will affect substantially the dollar amounts to be received by the partners from the partnership, independent of tax consequences. However, the economic effect of an allocation (or allocations) is not substantial if at the time the allocation becomes part of the partnership agreement: (i) the after-tax economic consequences of at least one partner may, in present value terms, be enhanced compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement; and (ii) if there is a strong likelihood that the after-tax economic consequences of no partner will, in present value terms, be substantially diminished compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement.

The allocations made under the Joint Venture Agreement may not satisfy the substantial economic effect requirements. Accordingly, the allocations therein may not be respected unless they are found to be in accordance with the Venturers' interests in the Venture.

Classification of Relationship with Other Working Interest Holders. Pursuant to the Operating Agreement to be executed between the Venture and the other holders of a working interest in the wellbore of the Prospect Well, the working interest holders will generally share costs and profits from the Prospect Well. Under these circumstances, the Working Interest holders could be deemed to have created a partnership for federal tax purposes even though no partnership exists between them under Texas law. However, Section 761(a) of the Code permits the Joint Venture and the other working interest owners to exclude their arrangement from treatment as a partnership for federal tax purposes. The Operating Agreement is expected to contain an agreement among the working interest holders to exclude themselves from treatment as a partnership under the Code.

Leasehold Cost and Abandonment. The cost of acquiring oil and gas lease interests, or other similar oil and gas property interests, is a capital expenditure that may not be deducted in the year paid or incurred. However, if a lease is proved to be worthless by drilling or abandonment, the cost of that lease constitutes a loss and is deductible for federal tax purposes. The deduction for such loss is taken in the year in which the lease becomes worthless or is abandoned.

Organizational Costs. The federal tax treatment of Organizational Costs incurred by the Venture depends on their characterization under the Code and related Treasury Regulations and rules. Certain expenses connected with the organization and capitalization of the Venture, known as syndication fees, are not deductible by the Venturers or the Venture and are not eligible for amortization. Syndication fees include expenditures connected with the initial capitalization of the Venture, such as sales commissions, some professional fees, selling expenses and printing costs. Such expenses are instead capitalized, thereby reducing the gain, if any, which may otherwise be recognized on the liquidation of the Venture.

Other expenses incident to the organization of the Venture and chargeable to a capital account may be deducted (with applicable limitations) and then amortized. If the Venture makes a proper election, up to $5,000 of such other organizational costs may be deducted for the tax year the Venture begins business. The $5,000 amount must be reduced by the amount by which the organizational expenditures exceed $50,000. Such remaining organizational costs can be deducted pro rata over a 180-month period beginning with the month in which the Venture begins business. If the Venture is liquidated within the 180 month period, the Venture would be able to deduct as a loss the balance of the deferred expenses.

There can be no assurance that the IRS will not take the position that some of the expenses treated by the Venture as amortizable organization expenses are non-amortizable syndication fees and that any such position taken by the IRS would not be sustained by the courts if litigated. Further, no assurance can be given that amounts allocated by the Venture to amortizable organization expense should instead be capitalized. If the IRS were successful in recharacterizing certain expenses as described above, the Venturers would not be able to amortize amounts otherwise allocable to amortizable organization expenses.

Management Fees. Management fees paid by the Venture will be deductible only to the extent such fees are ordinary and necessary business expenses and are reasonable in amount. The Managing Venturer will determine whether all or only part of the amounts paid as management fees by the Venture are properly deductible under the Code in the year paid. The issue as to the allocation of such management fees between deductible ordinary and necessary business expenses, organization and offering costs, and other costs required to be capitalized, if any, and the reasonableness thereof, are inherently factual and, to a certain extent, predicated upon future events. For that reason, the Managing Venturer cannot predict the outcome of a challenge by the IRS with regard to these matters. There can be no assurance that the IRS will not attempt to disallow, in whole or in part, a deduction for management fees that the Managing Venturer determines are deductible and that, if litigated, any such position by the IRS would not be sustained by the courts, at least as to a portion of such fees.

General and Administrative Expenses. Under the terms of this Memorandum and the Joint Venture Agreement, the Managing Venturer will be reimbursed for General and Administrative Expenses incurred in the course of conducting the business of the Venture. Under the Code, the reimbursements will be deductible only if they

constitute ordinary and necessary business expenses. The Managing Venturer will cause the Venture to deduct the reimbursement for General and Administrative Expenses as an ordinary and necessary business expense. The issue as to the allocation of such General and Administrative Expenses between deductible ordinary and necessary business expenses, organization and offering costs, and other costs required to be capitalized, if any, and the reasonableness thereof, are inherently factual and, to a certain extent, predicated upon future events. For that reason, the Managing Venturer cannot predict the outcome of a challenge by the IRS with regard to these matters. There can be no assurance that the IRS will not attempt to disallow, in whole or in part, a deduction for General and Administrative Expenses that the Managing Venturer determines are deductible and that, if litigated, any such position by the IRS would not be sustained by the courts, at least as to a portion of such expenses.

Operating Expenses. Under the terms of the Joint Venture Agreement, Operating Expenses will be incurred in the course of conducting the business of the Venture. Under the Code, these expenses will be deductible only if they constitute ordinary and necessary business expenses. The Venture will deduct such Operational Expenses as an ordinary and necessary business expense. The issue as to the allocation of such Operating Expenses between deductible ordinary and necessary business expenses, organizational costs, and other costs required to be capitalized, if any, and the reasonableness thereof, are inherently factual and, to a certain extent, predicated upon future events. For that reason, the Managing Venturer cannot predict the outcome of a challenge by the IRS with regard to these matters. There can be no assurance that the IRS will not attempt to disallow, in whole or in part, a deduction for Operating Expenses that the Managing Venturer determines are deductible and that, if litigated, any such position by the IRS would not be sustained by the courts, at least as to a portion of such expenses.

Intangible Costs. Treasury Regulation Section 1.612-4(a) provides that the Venture may deduct as expenses the intangible drilling costs (i.e., expenses that are incidental to, and necessary for, the drilling and preparation of wells for the production of oil, natural gas, or geothermal energy) paid or incurred by it only to the extent the costs are attributable to its share of the total of all operating mineral interests in a well. Thus, only the Intangible Costs allocable to the working interest held by the Venture will be subject to deduction by the Venturers. To the extent the costs are attributable to the fraction of the total operating mineral interests held by others, they must be capitalized.

Each Venturer will be entitled to currently deduct his share of the Intangible Costs that have been properly allocated to the Venturers under the Joint Venture Agreement, assuming such costs are properly classified as Intangible Costs and are not non-deductible capital costs or some other costs that are not currently deductible. The Joint Venture Agreement obligates the Managing Venturer to cause the Venture to elect to deduct those expenses or costs that may be deducted pursuant to Code Section 263(c) and the Treasury Regulations relating to the deduction of Intangible Costs. Even if a proper election is made by the Venture to currently deduct Intangible Costs, each Venturer may elect to capitalize all or a portion of his share of Intangible Costs and amortize them on a straight-line basis over a 60-month period beginning with the month the expenditure is made.

Some drilling cost expenditures may be made as prepayments during a year for drilling and completion operations that in large part may be performed during the following year. All or a portion of these prepayments may be currently deductible by the Venture as Intangible Costs if: (i) drilling on the well to which the prepayment relates occurs within 90 days after the end of the year the prepayment is made; the payment is not a mere deposit; and the payment serves a business purpose or otherwise satisfies the clear reflection of income rule. The Venture could, however, fail to satisfy the requirements for current deduction of prepaid intangible drilling and development costs, and the IRS may challenge the timing of the deduction of these prepayments. If a challenge were successful, a Venturer could owe additional tax and penalties and interest for the years in which the deductions are disallowed. The challenged prepaid expenses would be deductible in the tax year in which the services under the drilling contracts are actually performed, rather than the tax year in which the payment was made.

The Venture will enter into the Turnkey Contract with the Managing Venturer, with respect to the Venture's share of costs in connection with the drilling, testing, and Completion of the Venture’s well. Payment of the Turnkey Price and execution of the operating agreement by the other working interest owners will entitle the Venture to have such well(s) on the Prospect drilled, tested, and completed. It is possible that the Turnkey Price allocable to the Venture's share of costs of drilling, testing, and completing the Venture’s well(s) will exceed the Venture's share of actual cost of drilling, testing, and completing the well(s). Thus, there is some risk that a portion of the Turnkey Price paid by the Venture and treated as deductible Intangible Costs could be reclassified as lease acquisition costs, tangible costs, or some other costs that are not currently deductible. If any such position of the IRS were sustained, the

deductions attributable to that portion of the Turnkey Price could be disallowed, reduced, or delayed, and the tax liability of the Venturers would be increased. The issue as to the allocation of the Turnkey Price between deductible Intangible Costs, deductible other costs, nondeductible tangible costs, and other nondeductible capital costs and their reasonableness is a factual issue and to a certain extent predicated upon future events. For that reason, counsel to the Venture cannot predict the outcome of a challenge by the IRS with regard to this matter.

In addition to the requirements and limitations discussed above, Venturers constituting integrated oil companies can expense only 70% of the Intangible Costs that otherwise qualify for current deduction, and the other 30% must be deducted in 60 equal monthly installments. In order to qualify as an "independent producer" that is not subject to the Intangible Costs deduction limits that apply to integrated oil companies, a Venturer, either directly or through certain related parties, may not be involved in the refining of more than 75,000 barrels of oil (or an equivalent amount of gas) on any day during the taxable year or in the retail marketing of oil and gas products exceeding $5 million per year in the aggregate.

All or a portion of any gain recognized by a Venturer as a result of either the disposition by the Venture of an oil and gas property or the disposition by the Venturer of his Units may be taxed as ordinary income to the extent of recapture of Drilling Costs. Moreover, in certain circumstances, Intangible Costs deductions will be considered items of tax preference. See "TAX ASPECTS - Tax Preference Income: Alternative Minimum Tax."

The foregoing discussion of Intangible Costs does not purport to be a complete analysis of the complex legislation and Treasury Regulations relating to the deduction of intangible drilling costs by the Venturers. VENTURERS WHO INVEST AFTER DRILLING OPERATIONS COMMENCE MAY NOT BE ELIGIBLE TO EXPENSE ALL OR A PORTION OF INTANGIBLE DRILLING COSTS. THIS MAY REDUCE CURRENT TAX BENEFITS TO THEM FROM AN INVESTMENT IN THE JOINT VENTURE.

Depletion. Subject to the limitations on deductibility of taxable losses discussed herein, Venturers will be entitled to deductions for the greater of either cost depletion or (if otherwise allowable) percentage depletion with respect to the Venture's oil and gas properties. The Code requires each Venturer to compute his own depletion allowance and maintain records of his share of the tax basis of the underlying property for depletion and other purposes.

Percentage depletion generally will be available with respect to Venturers who qualify under the independent producer exemption contained in Section 613A(c) of the Code. For this purpose, an independent producer is a person not directly or indirectly involved in the retail sale of oil, natural gas, or derivative products or the operation of a major refinery. Percentage depletion is calculated as an amount generally equal to fifteen percent (15%) (and, in the case of marginal production, potentially a higher percentage) of the Venturer's gross income from the depletable property for the taxable year. The percentage depletion deduction with respect to any property will be limited to one hundred percent (100%) of the taxable income of the Venturer from the property for each taxable year, computed without the depletion allowance. Venturer that qualifies as an independent producer may deduct percentage depletion only to the extent the Venturer's daily production of domestic crude oil, or the natural gas equivalent, does not exceed 1,000 barrels. This depletable amount may be allocated between natural gas and oil production, with 6,000 cubic feet of domestic natural gas production regarded as equivalent to one barrel of crude oil. The 1,000-barrel limitation must be allocated among the independent producer and controlled or related persons and family members in proportion to the respective production by such persons during the period in question.

In addition to the foregoing limitations, the percentage depletion deduction otherwise available is limited to sixty-five percent (65%) of a Venturer's total taxable income from all sources for the year, computed without the depletion allowance, net operating loss carrybacks, or capital loss carrybacks. Any percentage depletion deduction disallowed because of the sixty-five (65%) limitation may be carried forward and deducted in the following taxable year if the percentage depletion deduction for such year plus the deduction carryover does not exceed sixty-five (65%) of the Venturer's total taxable income for that year.

Venturers that do not qualify under the independent producer exemption are generally restricted to depletion deductions based on cost depletion. Cost depletion deductions are calculated by (i) dividing the partner's share of the tax basis in the underlying mineral property by the number of mineral units (barrels of oil and thousand cubic feet, or

Mcf, of natural gas) remaining as of the beginning of the taxable year and (ii) multiplying the result by the number of mineral units sold within the taxable year.

All or a portion of any gain recognized by a Venturer as a result of either the disposition by the Venture of an oil and gas property or the disposition by the Venturer of his Units may be taxed as ordinary income to the extent of recapture of depletion deductions.

The foregoing discussion of depletion deductions does not purport to be a complete analysis of the complex legislation and Treasury Regulations relating to the availability and calculation of depletion deductions by the Venturers. Further, because depletion is required to be computed separately by each Venturer and not by the Venture no assurance can be given, and counsel is unable to express any opinion, with respect to the availability or extent of percentage depletion deductions to the Venturers for any taxable year. **EACH PROSPECTIVE PARTICIPANT IS URGED TO CONSULT WITH HIS PERSONAL TAX ADVISOR CONCERNING THE AVAILABILITY TO HIM OF THE PERCENTAGE DEPLETION ALLOWANCE.**

Tax Basis and Depreciation of the Venture's Assets. The tax basis of the assets owned by the Venture will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. To the extent allowable, the Venture will elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in earlier years rather than in later years. In particular, the Venture plans to take advantage of amendments made to Section 168(k) of the Code as a result of legislation enacted in 2017 that permits a depreciation deduction equal to 100% of the costs of "qualifying property" in the year the property is placed into service. Qualifying property includes tangible property that has a recovery period of 20 years (or less). The 100% bonus depreciation rate will remain in effect for tangible property placed into service prior to January 1, 2023, and will be phased out by 20% each subsequent year (until it becomes phased out beginning in 2027). Notwithstanding the foregoing, if the Venture disposes of its depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, generally will be subject to the recapture rules and taxed as ordinary income rather than capital gain.

Limitations on Passive Activity Losses. In addition to the limitations relating to taking deductions in excess of a partner's tax basis in a partnership, under the "passive activity loss rules," a taxpayer may not deduct losses from a passive activity against income from wages and salaries (or other so called "active" income) or against income from interest, dividends and royalties ("portfolio income"). However, a taxpayer may deduct such losses against income from such passive activity and/or other passive activities. The passive activity loss rules apply to individuals, estates, trusts, closely held C corporations (50% of the value of which is owned by five or fewer individuals), and "personal service corporations," whether such persons are conducting an activity directly or through an entity or arrangement treated as a partnership for federal tax purposes. An activity generally will be classified as "passive" if the activity is a rental activity or involves the conduct of a trade or business in which the taxpayer does not "materially participate." A taxpayer materially participates in an activity if the taxpayer is involved in the operations of the activity on regular, continuous, and substantial basis. In general, a taxpayer is not treated as materially participating in an activity if his interest in that activity is held as a limited partner in a limited partnership.

Should a taxpayer have net losses from passive activities, such losses may be carried forward indefinitely and deducted against any future net income and tax liability, respectively, from passive activities. Any unused losses are held in suspense until the taxpayer disposes of his entire interest in the passive activity in a taxable transaction to an unrelated person. On disposition of a passive activity, the taxpayer is generally permitted to deduct the suspended passive losses against the taxpayer's other income or gain (after first offsetting them against gain recognized on the disposition and against net income for the taxable year from all passive activities). Material participation, however, is not in all cases determinative as to whether an activity is a "passive activity." Under the "working interest exception," working interests in oil and gas properties are not treated as passive activities (regardless of whether the taxpayer materially participates) if the taxpayer owns the applicable interest directly or through an entity that does not limit his liability with respect to the activity. Two elements must be met before a taxpayer qualifies for the working interest exception to the passive activity loss rules, so that losses will not be treated as losses from a passive activity. First, the property generating the losses must constitute a "working interest" as defined by the passive loss rules. Second, the interest must not be held through an entity that limits the liability of the taxpayer with regard to the activity. Although it is possible that the IRS might take a contrary position and that, if litigated, a court might sustain

such position, based on applicable authorities, the Managing Venturer believes that the interests in the Venture held by the Venturers should qualify for the working interest exception. However, if a Venturer owns his interest in the Venture through an entity that limits his liability with respect to the Venture, such Venturer's interest in the Venture likely would be subject to the passive activity loss rules.

EACH PROSPECTIVE VENTURER IS URGED TO CONSULT HIS OR HER PERSONAL TAX ADVISOR WITH RESPECT TO THE POTENTIAL FOR AND APPLICATION OF THE PASSIVE ACTIVITY LOSS RULES TO HIS INVESTMENT IN THE VENTURE.

At-Risk Limitation on Deductions for Expenses. The "at-risk" limitation provision of Code Section 465 provides an additional restriction on the amount of loss a participant can deduct in connection with activities conducted in "exploring for, or exploiting oil and gas resources." Under this rule, all non-corporate taxpayers and certain corporate taxpayers that sustain a loss in connection with oil and gas activities may deduct such loss only to the extent of the amount "at risk" in such activities at the end of a taxable year. This limitation applies to each activity engaged in and not on an aggregate basis for all activities. For the purpose of initially computing the amount of such limitation, the amount "at risk" for each taxpayer is limited to: (1) the amount of money contributed to the activity, (2) the adjusted basis of other property contributed to the activity, and (3) any amount borrowed with respect to the activity for which the taxpayer is personally liable for repayment or with respect to which he has pledged property (other than property used in the activity) as security for the repayment of the amount borrowed from any person other than a person who has an interest in the activity or who is a related party (as defined), limited however, to the net fair market value of his interest in such pledged property. "Loss" is defined as the excess of allowable deductions for a taxable year from an activity over the amount of income actually received or accrued by the taxpayer during such year from the activity.

The amount the taxpayer has "at risk" may not include the amount of any loss against which the taxpayer is protected through non-recourse financing, guarantees, stop loss agreements or other similar arrangements. The amount of any such loss disallowed in any taxable year shall be carried over to the first succeeding taxable year. Further, a taxpayer's "at risk" amount in subsequent taxable years with respect to the activity involved shall be reduced by that portion of the loss allowable as a deduction and the amount of money withdrawn from the activity.

The "at-risk" rules also provide that a taxpayer must recognize income to the extent his "at-risk" basis is reduced below zero (limited to loss amounts previously allowed to the taxpayer over any amounts previously recaptured). Distributions to a Venturer, changes in the amount of indebtedness attributable to a Venturer may reduce a Venturer's amount "at-risk" with respect to the Venture. A Venturer may be allowed a deduction for the recaptured amounts included in taxable income if he increases his amount "at-risk" in a subsequent taxable year.

EACH PROSPECTIVE VENTURER IS URGED TO CONSULT HIS OR HER PERSONAL TAX ADVISOR WITH RESPECT TO THE POTENTIAL FOR AND APPLICATION OF THE AT-RISK RULES TO HIS INVESTMENT IN THE VENTURE.

Sales or Other Transfers of Venture Properties. The Venture will be primarily engaged in the acquisition, exploration and development of the Prospect Well. However, the Venture could choose to sell or otherwise dispose of a Prospect. These subsequent transactions could take the form of a sale, a lease or sublease or a sharing arrangement. The tax treatment of such transactions will depend upon the form of the transaction and the nature of any interest in a Prospect retained by the Venture.

If the Venture transfers the entire working interest in a Prospect to a third party for cash and/or a note and retains no interest in the Prospect, or if the Venture transfers a portion of the working interest and only retains the remainder of the working interest or a production payment with respect to the transferred Prospect, the transaction should be characterized as a sale or exchange for federal tax purposes. Under the Code, if property used in a trade or business, including a working interest in oil or gas property, is sold and if the seller is not a dealer in such property, gain on such property held more than one year constitutes "section 1231 gain," subject, however, to recapture of accelerated depreciation, depletion and Intangible Costs (which recapture is taxed as ordinary income). Section 1231 gains of the Venture will pass through to each Venturer, where such amounts must be combined with the Venturer's other section 1231 gains and losses. Except as otherwise provided in the rules relating to non-recaptured net section 1231 losses, the excess of section 1231 gains over section 1231 losses constitutes long-term capital gain. However,

net section 1231 gain will be ordinary income to the extent it does not exceed the "non-recaptured net section 1231 losses." Non-recaptured net section 1231 losses will include all net section 1231 losses claimed for the five most recent preceding taxable years to the extent they have not previously been recaptured (*i.e.*, converted into ordinary income).

Section 1231 gains and losses characterized as capital gains and losses are combined with all the taxpayer's other capital gains and losses. A non-corporate taxpayer's net capital gain generally is subject to tax at a maximum rate of 20%. A non-corporate taxpayer may deduct losses from sales or exchanges of capital assets to the extent of his gains from such sales or exchanges plus the lesser of (i) $3,000 or (ii) the excess of such losses over such gains.

If, on the other hand, the Venture transfers a working interest in a Prospect and retains a non-operating interest such as a royalty, an overriding royalty or a net profits interest, the transaction may be characterized as a lease or a sublease and the revenues received from the retained interest would be taxed at ordinary income rates and not capital gain rates.

Finally, if the Venture enters into certain Farmout agreements or other "sharing arrangements," the transaction generally will not be characterized as a sale, but rather as a lease or sublease or an investment in a separate joint venture depending upon the nature of the interest retained by the Venture.

Tax Basis in Venture Interest. The tax basis of a Venturer in his Units is important for several reasons including, but not limited to, determining: (1) the current deductibility of a Venturer's distributive share of Venture losses; (2) income tax consequences of distributions; and (3) gain or loss on the sale of a Venture interest. A Venturer's adjusted basis in his Units will be his capital contribution to the Venture increased by: (1) his distributive share of Venture income and gain (including tax-exempt income); and (2) his share of liabilities of the Venture for federal income tax purposes; and decreased (but not below zero) by: (a) distributions from the Venture to the Venturer; (b) his distributive share of Venture losses; (c) his share of any reduction in the Venture's liabilities to the extent such liability was included in his basis; (d) his share of nondeductible expenses of the Venture that are not properly chargeable to a capital account; and (e) the amount of the Venturer's deduction for depletion attributable to Venture oil or gas property to the extent such deduction does not exceed the basis of such property allocated to that Venturer.

Treatment of Cash Distributions from the Venture. A Venturer generally will not recognize gain or loss for federal tax purposes when he receives a cash distribution from the Venture in respect of, and not in liquidation of his Venture interest so long as it is not in exchange for his interest in the Venture's "unrealized receivables" (which include potential recapture of depletion, Intangible Costs and accelerated depreciation deductions) or "inventory items." However, a Venturer will recognize gain on cash distributions (including a deemed distribution resulting from any reduction in the Venturer's share of the Venture's indebtedness (including as a result of repayment thereof)) that exceed the adjusted basis in his Units immediately prior to such distribution. See "– At Risk Recapture of Losses," and "– Tax Basis in Venture Interest."

Sales of Interest in the Venture. If a Venturer sells his interest in the Venture pursuant to the provisions of the Joint Venture Agreement, he will recognize taxable gain or loss on the sale measured by the difference between the amount realized by him on such sale and his adjusted tax basis in his Units. The amount realized by such Venturer will include his allocable share of Venture indebtedness, if any, as well as the amounts paid to him as a result of the sale. If the Venture interest has been held by the selling Venturer for more than one year, the realized and recognized gain or loss on the sale will be taxed as long-term capital gain or loss, except to the extent the sale price is attributable to the Venturer's share of the Venture's "unrealized receivables" (which includes accelerated depreciation, depletion and Intangible Cost recapture) or "inventory items." The portion of the sale price attributable to Venturer's share of any such items will be taxed to the selling Venturer as ordinary income.

Election to Adjust Tax Basis of Venture Property. Code Section 754 permits an election at the partnership level that could adjust a partner's share of the partnership's tax basis in its assets in the event of a transfer of a partner's interest. The Managing Venturer may choose not to make the election to adjust the tax basis of the Venture's properties as provided by Code Section 754 on behalf of the Venture. The absence of any such effective election and of the power to compel the making of such an election may, in many circumstances, result in a reduction in value of a Venturer's interest to any potential transferee and may be considered an additional impediment to the transferability

of Venture interests. Each prospective Venturer is urged to consult his or her tax advisor as to the potential impact of the Venture's intention to not make this election.

Liquidation of the Venture. On expiration of its term or as otherwise provided in the Joint Venture Agreement, the Venture will dissolve and, if not reconstituted, after payment of its liabilities, distribute its property or proceeds from the sale of its property to the Venturers in complete liquidation. Each Venturer will be allocated gain or loss as a result of the Venture's sale of its assets. Assuming each item of Venture property is distributed to the Venturers on a pro rata basis, each Venturer will recognize gain to the extent any money distributed exceeds the adjusted tax basis of each such Venturer's Units immediately before the distribution. A Venturer will recognize loss on the liquidating distribution if no property other than cash, "unrealized receivables" (which include accelerated depreciation, depletion and Intangible Cost recapture) and "inventory items" are distributed to a Venturer. Such Venturer will recognize such loss only to the extent the adjusted basis of such Venturer's Units exceeds the sum of the cash, the basis to the Venturer of such unrealized receivables (which includes accelerated depreciation, depletion and Intangible Cost recapture) and the basis to the Venturer of such inventory items distributed. The aggregate tax basis of property distributed to each Venturer (other than cash) will be an amount equal to the Venturer's tax basis in his Units immediately prior to the distribution reduced by the amount of cash distributed to him. The tax consequences of the liquidation of the Venture described herein reflect only the general rules for such a liquidating distribution. On actual liquidation of the Venture, various exceptions to these rules may alter the tax consequences described above.

Tax on Self-Employment Income. Individuals are required to pay a tax on their income from self-employment, that is, from carrying on a trade or business as a sole proprietor or as a partner. The tax is designed to afford Social Security coverage to self-employed individuals. The tax is levied as part of the estimated tax liability of self-employed persons. The self-employment tax is imposed on "self-employment income," which is based on "net earnings from self-employment." Net earnings from self-employment include a taxpayer's distributive share (whether or not distributed) of income or loss from any trade or business carried on by a venture treated as a partnership for federal tax purposes.

While the portion of self-employment tax allocable to Social Security is subject to an annual earnings cap, the portion of the self-employment tax allocable to Medicare is not subject to such cap and, therefore, an investment in the Venture by a Venturer who has otherwise paid his maximum Social Security tax for the year (either through self-employment tax or through Social Security and Medicare tax as an employee) could still subject the Venturer to an additional Medicare tax with respect to his share of Venture income.

Tax Preference Income: Alternative Minimum Tax. Individuals and certain other taxpayers are subject to an "alternative minimum tax" on certain tax preference items. Subject to certain limitations, the Venture will generate tax preference items with respect to the current deduction of Intangible Costs and certain percentage depletion deductions. Notwithstanding the foregoing, Venturers may individually elect to amortize their allocable shares of the Venture's Intangible Costs over a five-year period beginning with the year the expenditure is made. If this election is made, there will be no preference items on these amounts.

Participation by IRAs, Employee Benefit Plans and Similar Tax Exempt Organizations. IRAs and employee benefit plans including trusts formed as part of such plans and certain charitable and other organizations described in Code section 501(c) are exempt from federal income tax. However, such entities are subject to tax on their unrelated business taxable income. Unrelated business taxable income is gross income derived by an exempt organization from any unrelated trade or business regularly carried on by it or by a partnership of which it is a member. Specific deductions directly connected with the carrying on of such trade or business, computed with modifications, are allowed. A tax-exempt Venturer may be considered to be regularly carrying on the trade or business of the Venture and any Venture income allocated to a tax-exempt Venturer may be unrelated business taxable income to such Venturer, unless such income is specifically exempt from such classification.

The receipt of unrelated business taxable income by a tax-exempt entity generally has no effect on that entity's tax-exempt status or on the exemption from tax of its other income. However, for certain types of tax-exempt entities, the receipt of any unrelated business income may have extremely adverse consequences. **ACCORDINGLY, EACH PROSPECTIVE TAX-EXEMPT VENTURER IS URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POSSIBLE CONSEQUENCES OF PARTICIPATING IN THE VENTURE.**

Foreign Participants. The Venture expects most Venturers will be United States residents. However, the federal income taxation of non-resident alien individuals, foreign corporations, and other foreign entities (hereinafter referred to collectively as "foreign participants") is a highly complex matter that may be affected by applicable tax treaties and other considerations. **FOREIGN PARTICIPANTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO PARTICIPATING IN THE VENTURE AND THE EFFECT OF THE FEDERAL, STATE, AND LOCAL TAX LAWS OF JURISDICTIONS IN THE UNITED STATES AND OF OTHER JURISDICTIONS TO WHICH THEY ARE OR MAY BE SUBJECT TO TAXATION WITH RESPECT TO SUCH PARTICIPATION.**

State and Local Income Taxes. Certain states or localities where the Venture may engage in business or where the Venturers may reside may levy income, franchise or other taxes for which the Venturers may be liable with respect to their share of the Venture income and/or property, and it may be necessary for each Venturer to file state or local income tax returns to report income and pay any resulting tax in such jurisdictions. The Managing Venturer has not reached any conclusions or rendered any opinion on matters of state or local income tax law. No law firm or accounting firm has provided or otherwise rendered any opinion as to the application of state and/or local income or other tax law to the Venture or Venturers. **EACH PROSPECTIVE VENTURER IS URGED TO CONSULT HIS OR HER PERSONAL TAX ADVISOR WITH RESPECT TO THE POTENTIAL FOR AND APPLICATION OF STATE AND LOCAL TAXES APPLICABLE TO OR POTENTIALLY APPLICABLE TO THE VENTURE AND A VENTURER'S PARTICIPATION IN THE VENTURE.** See "RISK FACTORS – Tax Risks – State and Local Tax Imposition on the Venture."

Reportable Transactions. Under federal law, certain transactions known as "Reportable Transactions" and "Listed Transactions" generally must be reported to the IRS by the participants on IRS Form 8886 and by the material advisors to the transactions on certain information returns. In addition, the material advisors must prepare and maintain lists of the persons they advise and provide the lists to the IRS upon written request. If a participant or material advisor to a reportable transaction fails to properly report it to the IRS, they could be subject to substantial tax penalties.

Reportable Transactions include, for example, certain (i) confidential transactions, (ii) transactions with certain contractual protections, and (iii) certain loss transactions. Listed Transactions are certain potentially-abusive transactions that are specifically identified by the IRS from time to time.

Although the Managing Venturer does not expect that the Venturers' investment and participation in the Venture will qualify as a reportable transaction. However, each Venturer is urged to consult his tax advisor regarding his obligation to disclose the investment and participation in the Venture to the IRS on Form 8886.

Audit of Tax Returns. The tax returns of the Venture may be audited by the IRS and such audit may result in adjustments to the Venture's taxable income (or items thereof). The Managing Ventured has been designated as the "partnership representative" for the Venture within the meaning of Code Section 6223. The Managing Venturer will have significant authority in dealing with the IRS on behalf of the Venture, including making certain elections or taking certain actions under Subtitle F, Chapter 63, Subchapter C, of the Code. Any adjustment of the Venture's tax return could result in additional tax liability that is imposed on the Venture or individual Venturers, depending on certain elections made by the Managing Venturer under Subtitle F, Chapter 63, Subchapter C, of the Code.

Penalty for Substantial Understatements. Code Section 6662, in part, imposes an accuracy-related penalty of 20% of the amount of any underpayment attributable to (i) negligence or intentional disregard of rules or regulations; and (ii) "substantial understatements" of income tax. In general, a "substantial understatement" is defined as a reported liability that understates the amount of tax owed by the greater of 10% of the tax required to be shown on the return or $5,000. Special rules apply to corporations. An understatement is reduced by that portion of the understatement attributable to an item (other than a "tax shelter" item) if there is "substantial authority" for the taxpayer's treatment of such item on his return or if the taxpayer's return (including the partnership return in the case of a partnership item) adequately discloses the facts relating to the item's tax treatment and there is a reasonable basis for the position taken thereon. The Treasury Regulations provide that the "substantial authority" standard requires stronger support than a mere "reasonable basis" for taking the position but the treatment need not be "more likely than not" the proper treatment. Under Treasury Regulations, there is substantial authority for the tax treatment of an item

only if the weight of the authorities supporting the treatment is substantial in relation to the weight of authorities supporting contrary positions.

In the case of a "tax shelter," the reductions described in the above paragraph for adequate disclosure and substantial authority do not apply. A "tax shelter" is defined as a (i) a partnership or other entity, (ii) any investment plan or arrangement, or (iii) any other plan or arrangement, if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of federal income tax.

There is a special accuracy-related penalty for Reportable Transactions and Listed Transactions. The penalty is equal to (i) 20% of the amount of an understatement attributable to adequately disclosed Reportable Transactions and Listed Transactions if a significant purpose of the transactions is the avoidance or evasion of federal income tax, and (ii) 30% of the amount of an understatement attributable to Reportable Transactions and Listed Transactions that are not adequately disclosed. An "understatement" is the sum of (1) the product of the highest corporate or individual income tax rate (as appropriate) and the increase in the taxable income resulting from the difference between the taxpayer's treatment of an item and the proper treatment of an item.

Certain reasonable cause exceptions may be applicable to provide relief from the application of the penalties discussed above. **EACH PROSPECTIVE VENTURER IS URGED TO CONSULT HIS PERSONAL TAX ADVISOR WITH RESPECT TO THE POTENTIAL FOR AND APPLICATION OF THE SUBSTANTIAL UNDERSTATEMENT PENALTY.**

Reports. The Venture will annually compute its taxable income or loss for the appropriate taxable period, and in computing such taxable income or loss, it will deduct Intangible Costs, depreciation and other deductible costs to the extent allowable under applicable federal income tax laws and regulations. Each Venturer will compute his depletion deduction individually. The Venture will file federal income tax returns that will be for information purposes only, and it will not pay federal income tax on the taxable income computed on that return. Each Venturer will be furnished either a copy of the Venture's federal income tax return or extracts of information therefrom suitable for his use in the preparation of his individual income tax return, and each Venturer will include in his individual federal income tax return his allocable share of the Venture taxable income (whether or not distributed) or loss, as computed on the federal income tax return of the Venture.

Each Venturer is required to treat Venture items on his return consistently with the treatment on the Venture return unless the Venturer files a statement with the IRS identifying the inconsistency. If a Venturer fails to satisfy these requirements the IRS may assess any deficiency attributable to any computational adjustment required to make the treatment consistent with the Venture return without commencement of a Venture proceeding or notification to the Venturer that the inconsistent item will be treated as a non-venture item.

If a Venturer sells an interest in the Venture, the selling Venturer must promptly notify the Venture of such transfer. The Venture is required to file a return for the year of the sale setting forth the name and address of the selling Venturer and the transferee. By regulation, the Secretary of the Treasury may require other information and establish rules regarding the time and manner for filing this return. The Venture must also furnish the information shown on the return to the persons named therein. A penalty may be imposed for failure to give notice, file the return or furnish information in a timely manner.

Venturers Required to Maintain Information. Venturers are required to maintain the records concerning their share of the basis of oil and gas properties and the related depletion allowances. The Venture will allocate the adjusted basis of each oil and gas property to the Venturers as set forth in the Joint Venture Agreement, and provide a report of such allocation to each Venturer, who then must keep his own records.

Other Taxes. This discussion is a summary of only certain of the tax rules affecting the Venture and the Venturers. The Venture and/or the Venturers could be subject to other taxes on the income and gains relating to the Venture, such as the 3.8% Medicare tax, net investment income tax, estate, inheritance and/or property taxes. Each prospective Venturer should consider the potential application of other taxes to an investment in the Venture.

Possible Changes in Federal Tax Laws. The statutes and Treasury Regulations with respect to all of the foregoing tax matters are subject to continual change by Congress and the Department of Treasury. Similarly, interpretations of these statutes and Treasury Regulations may be modified or affected by judicial decision or administrative interpretations by the Department of Treasury. Any such change may have an effect on the discussion set forth above.

Furthermore, in recent years there have been a number of other proposals made in Congress by government agencies and the executive branch of the federal government for changes in federal income tax laws relating to exploring for and producing oil and gas, and some of those proposals would, if adopted, reduce or eliminate some of the tax benefits described in this Memorandum. IT IS NOT POSSIBLE TO PREDICT WHETHER THESE OR OTHER PROPOSALS THAT HAVE BEEN MADE OR WILL BE MADE WILL BECOME LAW. HOWEVER, IT IS IMPORTANT TO NOTE THAT THE TAX TREATMENT CURRENTLY AVAILABLE WITH RESPECT TO OIL AND NATURAL GAS EXPLORATION AND PRODUCTION MAY BE MODIFIED OR ELIMINATED WITHOUT PRIOR NOTICE ON A RETROACTIVE OR PROSPECTIVE BASIS BY FUTURE LEGISLATIVE, JUDICIAL, OR ADMINISTRATIVE ACTIONS.

CONSULTATION WITH PERSONAL TAX ADVISORS. IT IS THE RESPONSIBILITY OF EACH VENTURER TO INVESTIGATE THE TAX CONSEQUENCES, UNDER THE LAWS OF PERTINENT JURISDICTIONS, OF HIS OR HER INVESTMENT IN THE VENTURE. THE FOREGOING ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. ACCORDINGLY, EACH PROSPECTIVE VENTURER IN THE VENTURE IS URGED TO CONSULT WITH HIS OWN PERSONAL TAX ADVISOR CONCERNING (i) THE APPLICABILITY TO AND EFFECT ON HIM OF THE UNITED STATES INCOME TAX LAWS AND THEIR ADMINISTRATION, AND (ii) THE APPLICABILITY TO AND EFFECT ON HIM OF STATE, LOCAL AND FOREIGN TAX LAWS AND THEIR ADMINISTRATION. NO LAW FIRM OR ACCOUNTING FIRM HAS PROVIDED OR OTHERWISE RENDERED AN OPINION ON THE FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE VENTURE.

THE TAX BENEFITS OF OIL AND GAS EXPLORATION DO NOT ELIMINATE THE INVESTMENT, BUSINESS, FINANCIAL, AND/OR OTHER RISKS OF AN INVESTMENT IN THE VENTURE.

COMPETITION, MARKETS AND REGULATION

Competition. The oil and gas industry is highly competitive. The Venture will encounter frequent and intense competition from both major oil companies and other independent operators in its effort to secure drilling rigs, pipe, equipment and personnel necessary in the drilling, testing, Completion, recompletion and/or conversion of the Prospect Well. Many of such competitors have financial resources and staffs larger than those available to the Venture.

Prices of crude oil, condensate and natural gas liquids are not currently regulated and are generally determined by competitive forces.

Markets. The marketing of any oil and/or gas produced by any well in which the Venture will own an interest will be affected by a number of factors that are beyond our control and whose exact effect cannot be accurately predicted. These factors include:

- the amount of crude oil and natural gas imports;
- the availability and cost of adequate pipeline and other transportation facilities;
- the success of efforts to market competitive fuels, such as coal and nuclear energy;
- the effect of federal and state regulation of production, refining, transportation and sales of oil and natural gas; and

- other matters affecting the availability of a ready market, such as fluctuating supply and demand.

The supply and demand balance of crude oil and natural gas in world markets has caused significant variations in the prices of these products over recent years. Members of the OPEC establish prices and production quotas for petroleum products from time to time with the intent of reducing the current global oversupply and maintaining or increasing certain price levels. We are unable to predict what effect, if any, those actions will have on the amount of or the prices received for oil and/or gas produced and sold from any well in which the Venture owns an interest.

In view of the many uncertainties affecting the supply and demand for oil and refined petroleum products, it is not possible to predict future oil and/or gas prices or the overall effect, if any, that a decline in demand for or an oversupply of such products will have on the Venture or its participants.

Regulation. Operations regarding the Venture properties will be affected from time to time in varying degrees by domestic and foreign political developments, federal laws and the laws of the state in which the properties are to be located.

State Regulation. The state in which the Venture plans to conduct activities relating to the Prospect Well regulates the drilling, operation and production of oil and natural gas wells, such as the method of developing new fields, spacing of wells, the prevention and clean-up of pollution, and maximum daily production allowables based on market demand and conservation considerations.

Environmental. Operations regarding the Venture properties will also be subject to environmental protection regulations established by federal, state, and local agencies that in turn may necessitate significant capital outlays that would materially affect the operations of the Venture's interests in the properties. These regulations, enacted to protect against waste, conserve natural resources and prevent pollution, could necessitate spending funds on environmental protection measures, rather than on production operations.

Future Regulation. From time to time, legislative proposals are considered in U.S. Congress and in the legislatures of various states, which, if enacted, might significantly and adversely affect the petroleum and natural gas industries. Such proposals involve, among other things, the imposition of price controls on all categories of natural gas production, the imposition of land use controls, such as prohibiting drilling activities on certain federal and state lands in roadless wilderness areas, as well as other measures. At the present time, it is impossible to predict what proposals, if any, will actually be enacted by U. S. Congress or the various state legislatures and what effect, if any, such proposals will have on the operations of wells in which interests are owned.

The preceding discussion of regulation of the oil and natural gas industry is not intended to constitute a complete discussion of the various statutes, rules, regulations or governmental orders to which well operations may be subject.

LEGAL PROCEEDINGS

The Alabama Securities Commission issued a Cease and Desist Order (the "Order") on May 5, 2011 directing Jeremy A. Paul, Alexander Capital, LLC ("Alexander") and J.C. Kelly Well #1-H Venture to cease and desist from offers or sales of any security into, within or from the State of Alabama. The Order became final on June 13, 2011. As a result, ENR does not intentionally direct any sales efforts in Alabama. Alexander Capital, LLC changed its name to Eagle Natural Resources, LLC on May 3, 2013.

On or about January 6, 2023, Paul Dennis Hopkins ("Hopkins") as plaintiff, filed a petition in Anderson County, Texas against ENR Operating, LLC, Eagle Natural Resources, LLC and Jeremy Paul as defendants. Hopkins alleges in the Petition that Hopkins owns working interest in certain oil and gas leases in Henderson and Anderson Counties in Texas and ENR Operating, LLC owes Hopkins proceeds arising out of ENR Operating, LLC's operation of certain oil and gas leases in Herderson and Anderson Counties in Texas. ENR Operating, LLC, Eagle Natural Resources, LLC and Jeremy Paul have retained Josh Stein, Esq. to defend these claims in court.

On or about April 27, 2023, The County of Irion, Texas ("Irion") as plaintiff, filed a petition in Irion County, Texas against REO Operating, LLC, Eagle Natural Resources, LLC, Eagle Capital Partners, LLC, and Navarro Production Company, LLC as defendants. Irion alleges the defendants owe $2,083.65 to the County of Irion, Texas arising out working interest held by the plaintiffs on leases in Irion County, Texas. REO Operating, LLC, Eagle Natural Resources, LLC, Eagle Capital Partners, LLC, and Navarro Production Company, LLC have retained Josh Stein, Esq. to defend these claims in court.

In 2020, Jeremy A. Paul, President and Founder of Eagle Natural Resources, LLC, pleaded guilty to a Class A misdemeanor assault charge in Denton County, Texas. In 2023, Mr. Paul pleaded guilty to a Class A misdemeanor assault charge and Class A misdemeanor interference with an emergency call charge in Denton County, Texas.

ENR offers drilling programs in the form of joint venture interests to participating partners. Extensive federal case law supports the proposition that joint venture interests (being interests in a general partnership) are not securities as that term is defined in federal and state law. However, courts will review each joint venture on its own merits and then determine whether the investments are or are not "securities."

The Venturers' interests in the Venture are governed by the Joint Venture Agreement and the TBOC. The significant rights, obligations and duties of the Venturers are clearly defined in the Joint Venture Agreement and are fully disclosed and described in this Memorandum. Each Venturer executes several documents evidencing his understanding of the nature of the Venture and the joint and several liability to which that Venturer is subject. The willingness and ability of the Venturers to actively participate in the management of the Venture is a prerequisite to participation in the Venture that is prominently disclosed in the Memorandum and supporting documents.

As provided in the Joint Venture Agreement and as further described in this Memorandum, at each stage of the process, the Venturers have the right to Vote to conduct each operation. The Venturers are vested with the right to Vote, for example, to: remove the Managing Venturer; appoint a new Managing Venturer; determine to explore and develop substitute acreage; change the name of the Venture; change the location of the principal place of business of the Venture; approve loans to the Joint Venture; determine to abandon Operations; determine to conduct additional Operations; amend the Joint Venture Agreement; sell a portion or all of the Venture property; complete wells; rework wells; and farm out Venture property. The Managing Venturer cannot undertake a non-routine Venture Operation without obtaining an affirmative Vote from Venturers holding a majority in interest of the Joint Venture Units. For example, if Subsequent Operations are recommended as appropriate for a project, the Operations may be initiated only after those Venturers holding a majority of the Joint Venture Units have voted favorably on that issue. In all respects, the Joint Venture is a general partnership with the fortunes of the partnership, and the authority of ENR as the Managing Venturer, governed by the will of those holding a majority Interest in the Joint Venture, acting in their role as general partners.

The Joint Venture will be separate and distinct, financially, economically and otherwise, from every other Joint Venture participated in by ENR. The Joint Venture will own its own assets, conduct its own Operations, maintain separate books and records, and own interests in wells on specific acreage. A Venturer in one joint venture acquires no interest in any other entity and acquires no profit or loss potential with respect to any entity other than the one in which he participates. Income from the Venture is distributed only to the Venturers of the Venture. Likewise, losses incurred by the Venture are not allocated to any other entity. Venturers acquire only Joint Venture Units and have no right or title to any fractional undivided oil, gas or leasehold interests.

The Venture is structured as a general partnership to meet several objectives of the participants in the programs: (1) to provide increased tax benefits; and (2) to place ultimate control over the operations of the oil and gas programs in the hands of the participants. The Joint Venture Agreement vests broad and considerable rights and obligations in the Venturers, including all of the rights, obligations and liabilities of general partners under the TBOC. ENR believes that the vesting of such significant managerial powers in the Venturers should preclude a determination that the Joint Venture interests are securities as the term has been construed by the Securities and Exchange Commission and the courts.

FURTHER INFORMATION

ENR will make available to any potential Venturer, or his attorney, accountant, tax advisor or representative, any other information deemed necessary and appropriate by the potential Venturer, or such other person, if any, including geological information, to the extent such information is available to ENR or may be obtained by it without unreasonable cost or effort. Such information should not be relied upon unless it is in writing and signed by an officer of ENR.

EXHIBIT "C"

JOINT VENTURE AGREEMENT
OF
BUFFALO GAP JOINT VENTURE

(A TEXAS JOINT VENTURE)

THIS JOINT VENTURE AGREEMENT is made and entered into effective April 1, 2025, by and among Eagle Natural Resources, LLC ("ENR"), a Nevada limited liability company with offices and principal place of business at 5445 Legacy Drive, Suite 440 Plano, Texas 75024, as the Managing Venturer, Jeremy Paul, an individual, as the Initial Joint Venturer, and all of the parties admitted to the Joint Venture created hereby as Joint Venturers, as provided herein. All capitalized terms used herein shall have the meaning assigned thereto in Section 1.7 hereof, unless otherwise defined elsewhere herein.

ARTICLE I
GENERAL

1.1: Formation of Joint Venture. The parties hereby form a joint venture pursuant to the laws of the State of Texas, which shall be governed by this Agreement and the provisions of the Texas Business Organizations Code.

1.2: Managing Venturer. ENR shall be the Managing Venturer of the Joint Venture, and the address of such Managing Venturer is the address of ENR as designated above.

1.3: Name. The name of the Joint Venture shall be the "BUFFALO GAP JOINT VENTURE." The name of the Joint Venture may be changed at any time and from time to time, or the Joint Venture may operate under different names in any jurisdiction in which the Joint Venture does business, as determined by Vote of the Venturers.

1.4: Principal Business. The purposes for which the Joint Venture is organized are:

(a) To acquire a percentage of the working interest in that certain oil and/or gas Prospect Well (hereinafter, the "Prospect Well") more fully described in the Memorandum (as defined herein), and relating to this Joint Venture;

(b) To acquire, drill or otherwise explore for, discover, develop, work over, recomplete, convert and operate oil and/or gas wells and properties, or any interest therein whether on its own behalf or in association with others as joint venturer, partner or otherwise;

(c) To purchase, acquire, sell, dispose, explore, convert, rework, recomplete, operate and produce oil, gas, minerals and properties and all things incident thereto including, but not limited to the making of dry hole and bottom hole contributions, the granting or farming out of all types of mineral interests, and with respect to the business of the Joint Venture, the construction and operation, alone or with others, of any project or operation for the treatment or refining of oil, gas and minerals and for the construction of systems for the production, collection, storage, treatment or delivery of the same or the products thereof; and

(d) To perform any acts as the Joint Venture determines to be necessary, desirable or convenient in accomplishing the foregoing purposes.

1.5: Principal Place of Business. The location of the principal place of business of the Joint Venture is at 5445 Legacy Drive, Suite 440 Plano, Texas 75024, or such other place or places as the Joint Venture determines by the Managing Venturer. The place of residence of each Venturer shall be as set forth on his Execution Page and Power of Attorney attached hereto as Annex "A." All such addresses shall be subject to change upon notice pursuant to Section 11.1 hereof.

1.6: Term. The Joint Venture shall be effective from and after the date that first appears on this document. The Joint Venture shall terminate on the earlier to occur of:

(a) December 31, 2056;

(b) a Vote of the Venturers to terminate the Venture;

(c) the date upon which the Venture ceases active business; or

(d) such date as is required by Section 9.1 hereof.

1.7: Definitions. For the purposes of this Agreement, the following terms shall have the meanings indicated:

"ADDITIONAL ASSESSMENT CONTRIBUTIONS" means with respect to any Participating Venturer the sum of the Additional Assessments paid by such Participating Venturer on his own behalf plus the Additional Assessments paid by such Participating Venturer on behalf of a Non-Participating Venturer.

"ADDITIONAL ASSESSMENTS" means assessments of Venturers requested by the Joint Venture to fund Subsequent Operations, the payment of which shall be wholly voluntary.

"AFFILIATE" with respect to the Managing Venturer means:

(a) any person directly or indirectly owning, controlling or holding, with power to vote, 10% or more of the outstanding voting securities of the Managing Venturer;

(b) any person, 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Managing Venturer;

(c) any person directly or indirectly controlling, controlled by or under common control with the Managing Venturer;

(d) any officer, manager, member or partner of the Managing Venturer; and

(e) if the Managing Venturer is an officer, director or partner, any company for which the Managing Venturer acts in any such capacity.

For purposes of this Agreement, any partnership of which ENR is a general partner, or any joint venture in which ENR is a joint venturer, is an Affiliate of ENR.

"AGREEMENT" or "JOINT VENTURE AGREEMENT" means this Agreement between ENR as the Managing Venturer, and the Venturers, together with all amendments hereto.

"AMOUNT REALIZED" means the amount realized by the Joint Venture for federal income tax purposes on a sale of a Joint Venture oil and gas property.

"CAPITAL ACCOUNTS" of the Venturers shall be determined and maintained in accordance with the rules of Treasury Regulation section 1.704-1(b)(2)(iv) and, to the extent consistent therewith, each Venturer's Capital Account shall be increased by:

(a) the amount of money contributed by such Venturer to the Joint Venture;

(b) the fair market value of any property contributed by such Venturer to the Joint Venture (net of any liabilities securing such contributed property that the Joint Venture is considered to assume or take subject to under Code section 752);

(c) allocations to such Venturer of all profit, income or gain (including tax exempt income) pursuant to Article VIII; and each Venturer's Capital Account shall be decreased by:

(d) the amount of any money distributed to such Venturer by the Joint Venture;

(e) the fair market value of any property distributed to such Venturer by the Joint Venture (net of any liabilities securing such distributed property that such Venturer is considered to assume or take subject to pursuant to Code section 752);

(f) the amount of all losses, costs and expenses allocated to such Venturer under Article VIII;

(g) the Venturer's allocable share of simulated depletion computed in accordance with Section 8.2; and

(h) the Venturer's allocable share of expenditures of the Joint Venture described in Code section 705(a)(2)(B).

"CAPITALIZATION PERIOD" means the period of time during which Venturers shall be accepted and initial capitalization amounts will be received, up to and including October 30, 2025, unless extended by the Managing Venturer for a period of not more than 90 days; provided, however, that the Managing Venturer may terminate the Capitalization Period at any time prior to such date.

"CODE" means the Internal Revenue Code of 1986, as from time to time amended and any federal legislation that may be substituted therefor.

"COMPLETION" of a well is an indefinite term. In the context of the Venture, Completion shall mean the cleaning out of a well after reaching a specified depth, and/or conducting those processes or operations which the Managing Venturer decides to employ in a good faith effort to make a well capable of producing oil and/or gas in commercial quantities or determine that it will not produce oil and/or gas in commercial quantities. Such effort shall not require an obligation by the Managing Venturer or the Venture to attempt Completion in more than one potentially productive horizon or geological formation and may include a single pumping unit and primary formation frac, but does not include secondary fracs, other stimulation procedures or other pumping or lifting equipment.

"FEDERAL INCOME TAX ITEMS" means Profits, Losses, Gain From Capital Transactions and Loss From Capital Transactions.

"GAIN FROM CAPITAL TRANSACTIONS" means income or gain of the Joint Venture as determined for federal income tax purposes as a result of the sale, exchange, or refinancing of all or a portion of the Joint Venture's property other than depletable property.

"HOLDER OF RECORD" means the person in whose name any Unit is then registered on the books and records of the Joint Venture pursuant to Section 2.5 hereof.

"INITIAL JOINT VENTURER" means Jeremy Paul.

"INITIAL JOINT VENTURE CAPITAL" means the total capital contribution to the Joint Venture actually paid by the Managing Venturer and Venturers with respect to the acquisition of Units or interests in the Joint Venture, excluding Special Assessments and Additional Assessments.

"INITIAL OPERATIONS" means any Venture activity commenced in connection with the acquisition of the Venture's interest in the Prospect Well, including legal and accounting services, geological services, organizational activities, administrative activities, the drilling and completion of the Prospect Well, as applicable, the production of oil and/or gas therefrom. The term "Initial Operations" does not include activities for which Special Assessments may be assessed, including any actions to enhance production, or deepening, plugging back, side tracking, or any activities to Complete the Prospect Well in more than one zone.

"LIQUIDATOR" means the Liquidating Trustee(s) designated in Section 9.3 hereof to handle the liquidation of the Joint Venture.

"LOSSES" means each item of loss, deduction and credit of the Joint Venture as determined for federal income tax purposes, but excluding Loss From Capital Transactions.

"LOSS FROM CAPITAL TRANSACTIONS" means any loss of the Joint Venture as determined for federal income tax purposes as a result of the sale, exchange or refinancing of all or a portion of the Joint Venture's property other than depletable property.

"MANAGING VENTURER" means the person or entity appointed to act in the capacity of the managing joint venturer of the Joint Venture.

"MEMORANDUM" means the Confidential Information Memorandum, dated April 1, 2025, to which a copy of this Agreement is annexed.

"MINIMUM INITIAL CAPITALIZATION" means $50,000 from the sale of one-half (1/2) of a Unit during the Capitalization Period.

"NET CASH FLOW" means monies available from the operation of the Joint Venture without deduction for depreciation but after deducting monies used to pay or establish a reserve for all other expenses, debt payments, improvements and repairs related to the Operation and administration of the Joint Venture.

"NET PROCEEDS" means the amount realized by the Joint Venture on the disposition of a Joint Venture property, less all fees, costs or expenses paid or to be paid with respect thereto and the amount of indebtedness (if any) of the Joint Venture paid or to be paid from such monies.

"NON-PARTICIPATING VENTURER" means any Venturer who fails to contribute Special Assessments or Additional Assessments.

"OPERATIONS" shall mean any Joint Venture activity related to (i) acquiring the Venture's interest in the Prospect and the Prospect Well; (ii) drilling, (iii) testing, Completing, equipping, reworking, deepening, recompleting, converting, capping or plugging the Prospect Well; (iv) installing pumping, production, processing, gathering and/or transporting facilities to produce, process, gather, and/or transport any oil and/or gas produced from the Prospect Well; (v) conducting any secondary recovery operation on or with respect to the Prospect Well; or (vi) conducting any activity incident to the foregoing as may be deemed necessary by the Venturers in furtherance of a Venture purpose.

"PARTICIPATING VENTURER" means any Venturer, including the Managing Venturer, electing pursuant to the provisions of Sections 2.9 or 2.14 to contribute Special Assessments or Additional Assessments, and/or any additional Venturers admitted to the Joint Venture to contribute Additional Assessments on behalf of a Non-Participating Venturer.

"PROFITS" means each item of income and gain of the Joint Venture, as determined for federal income tax purposes, but excluding Gain From Capital Transactions.

"REQUISITE SELLING VENTURERS" shall have the meaning set forth in Section 6.9.

"SELLING NOTICE" shall have the meaning set forth in Section 6.9.

"SPECIAL ASSESSMENTS" shall mean such assessments that may be requested in the event the Venture votes to: (i) deepen a wellbore; (ii) sidetrack a wellbore if conditions or obstacles are encountered which render further drilling, reworking or recompleting impractical or permits the Operator to abandon the Prospect Well; (iii) plug back a wellbore and attempt Completion or recompletion in a higher zone; (iv) conduct any activity for the purpose of enhancing production; (v) install additional pumping equipment; (vi) install tubing with increased

production capacity; (vii) install pipelines; (viii) install any type of gas treatment facilities or production facilities; or (ix) complete more than one zone.

"SUBSEQUENT OPERATIONS" means activities not part of Initial Operations that the Venturers deem necessary to further develop the Prospect Well subsequent to Initial Operations.

"SUBSTITUTE VENTURER" means any person not previously a Venturer who purchases Units from a Venturer in accordance with the terms of this Agreement. After admission, all Substitute Venturers shall have all of the rights of a Venturer.

"TBOC" means the Texas Business Organizations Code, as from time to time amended.

"TURNKEY CONTRACT" shall mean the agreement to be entered into by and between ENR, in its individual capacity, and the Venture providing for the obligation of the Managing Venturer to bear the costs of acquiring, completing and if warranted equipping the Prospect Well at a fixed or turnkey price.

"TURNKEY PRICE" shall mean the amount to be paid by the Venture to ENR to perform the Turnkey Contract.

"UNITS" means interests in the Joint Venture initially authorized in accordance with the provisions of Article II hereof and allocated to the Venturers as shown on the books and records of the Joint Venture on the date of the event for which such Units are to be computed.

"VENTURE" or "JOINT VENTURE" means this Joint Venture formed under Texas law and governed by this Agreement and the TBOC. The Joint Venture will not commence Initial Operations until the Venture has reached Minimum Initial Capitalization.

"VENTURERS" means the Managing Venturer, the Initial Joint Venturer, and all of the Venturers of the Joint Venture, unless the context requires a reference to all Venturers other than the Managing Venturer (such as in sections concerning capital contributions). The term "VENTURER" refers to any Venturer (including the Initial Joint Venturer) or to the Managing Venturer of the Joint Venture, as the context requires. Venturers are general partners under the TBOC.

"VENTURE VALUE" means in connection with the drag-along rights in Section 6.9, the aggregate value of the Joint Venture implied by the consideration offered for the Units held by the Requisite Selling Venturers as stated in the Selling Notice, such that, had the Joint Venture sold all of its assets for cash in an aggregate amount equal to the Venture Value so determined, satisfied all of its liabilities, and then liquidated in accordance with the terms of this Agreement, the portion of the Venture Value payable to the Requisite Selling Venturer under Section 6.9, would exactly equal the consideration offered for such Selling Venturer's Units, as stated in the Selling Notice.

"VOTE" refers to the right of the Venturers, subject to all limitations set forth below and elsewhere in this Agreement, to decide any matter that may be submitted for decision by the Venturers in accordance with the express written terms of this Agreement or under the provisions of the TBOC. Each Venturer, including the Managing Venturer, shall be entitled to cast one vote for every Unit held of record by such Venturer on the date when notice is given of the matter to be voted on or consented to by the Venturers. Except as otherwise expressly provided in this Agreement, a Vote of the Venturers owning a simple majority of the Units shall be sufficient to pass and approve any matter submitted to a Vote of the Venturers. Whenever a Vote of the Venturers is required or permitted, a written consent to the action to be taken signed by the Venturers holding the required percentage may be used in lieu of holding a formal meeting at which a Vote is taken. The rights of the Venturers to require or be permitted to vote on any matter shall be subject to and conditioned upon the requirements set forth in Section 4.11 hereof.

ARTICLE II
VENTURERS, CAPITALIZATION AND ASSESSMENTS

2.1: Initial Joint Venturer. The Initial Joint Venturer shall contribute $100 in cash to the capital of the Joint Venture. Upon the admission of a subsequent Venturer (other than the Managing Venturer) to the Joint Venture, the Venture shall redeem in full, without interest or deduction, the Initial Joint Venturer's capital contribution, and the Initial Joint Venturer shall cease to be a Venturer.

2.2: Venturers. The Venturers of the Joint Venture shall be those persons participating in the Joint Venture as hereinafter authorized and provided, and defined as Venturers herein.

2.3: Participation in Venture by Managing Venturer. The Managing Venturer shall participate in the Venture as described in Article VIII hereof, and may also:

(a) acquire Units pursuant to Section 2.4 hereof; or

(b) purchase Units of selling Venturers pursuant to Article VI hereof.

2.4: Authorized Units. The interests of the Venturers in the Joint Venture (other than the interest of the Initial Joint Venturer as described in Section 2.1 (in his capacity as such) and Managing Venturer (in its capacity as such) as described in Article III hereof) shall be represented by Units, and there are hereby authorized a total of 15 Units and such additional Units as may be necessary to purchase additional working interests if available.

2.4.1: Applications by Proposed Venturers. During the Capitalization Period, the Managing Venturer shall have the right to admit to the Joint Venture as Venturers those persons who are acceptable to the Managing Venturer and who otherwise satisfy the requirements of this Agreement. The Managing Venturer may decline to admit any person as a Venturer for any reason whatsoever. Persons whose applications are accepted by the Managing Venturer will be admitted as Venturers in the order that their applications are accepted and payment is received by the Managing Venturer, until the initial capitalization is complete. Each Venturer, upon signing this Agreement, hereby Votes to admit all initial Venturers whose applications have been so accepted. When the Joint Venture begins Initial Operations, interest earned on application funds will be allocated in accordance with Article VIII hereof.

2.4.2: Time of Admission. A person shall be deemed to have been admitted as a Venturer:

(a) On the date this Agreement is fully executed by the Managing Venturer and all Venturers; or

(b) If applicable, on the first day of the calendar month after which a Venturer is accepted in accordance with Article VI herein.

2.4.3: Contribution Per Unit. The initial capital contributed for each Unit shall be $100,000. The amount so contributed by each Venturer shall be payable entirely in cash.

2.4.4: Execution by Venturers. By executing the Application Agreement attached to the Memorandum, each Venturer agrees to contribute to the capital of the Joint Venture the amount shown in his Application Agreement.

2.4.5: Minimum Venturers' Initial Capital. Applications to participate in Units will be accepted by the Managing Venturer during the Capitalization Period and will be deposited in a separate account until applications for at least one-half (1/2) of a Unit have been received and accepted. In the event applications for at least one-half (1/2) of a Unit have not been received and accepted prior to the close of the Capitalization Period, all funds received by the Managing Venturer will be returned in full without interest.

2.4.6: Contributions to Capital by Managing Venturer. Upon the admission of all Venturers, the Managing Venturer shall contribute to the Venture's capital an amount in cash equal to 1% of the aggregate Initial Joint Venture Capital.

2.5: Registration. Upon the admission of a person as a Venturer, such person shall be registered on the records of the Joint Venture as a Venturer and a Holder of Record, together with his address and the Unit(s) representing his aggregate contribution to Joint Venture capital. Upon the assignment of a Unit pursuant to the terms of Article VI hereof, the assignee of such Unit shall be registered on the records of the Joint Venture as a Holder of Record, together with his address and the Unit(s) representing his or his transferor's aggregate contribution to Joint Venture capital.

2.6: Rights of Holders of Record. A Holder of Record shall be entitled to all distributions and all allocations of Net Cash Flow, Net Proceeds, Amount Realized and Federal Income Tax Items with respect to Unit(s) registered in his name in the manner specified in Section 8.6 until his rights in such Unit(s) have been transferred and the Managing Venturer has been notified as required herein. The payment to the Holder of Record of any allocation or distribution with respect to such Unit(s) shall be sufficient to discharge the Joint Venture's obligation in respect thereto.

2.7: Initial Capital Contributions. The Joint Venture shall have as its initial capitalization an amount equal to the Venturers' initial capital contributions to the Venture, plus the Managing Venturer's initial capital contribution (which shall equal 1% of the Initial Joint Venture Capital), plus interest earned on funds pending completion of the initial capitalization. Failure by a Venturer to pay all of his or her agreed participation amount as reflected in the Application Agreement shall result in the forfeiture of such Venturer's interest in the Venture, without refund of amounts previously paid.

2.8: [Reserved].

2.9: Additional Assessments.

2.9.1: Assessment by Joint Venture. The Joint Venture may request Additional Assessments if it determines that Subsequent Operations are desirable in order to more fully develop the Prospect Well. A Venturer Votes for the Subsequent Operation by contributing his or her assessment. The Managing Venturer's participation in Additional Assessments will be 1% of the total Additional Assessments received.

2.9.2: Failure to Contribute Assessments. A Venturer shall initially have no obligation to pay any of the requested Additional Assessments. If a Venturer fails to contribute his or her entire proportionate share of an Additional Assessment called for by the Joint Venture with respect to any particular Subsequent Operation, within the time specified in any request therefor, such Venturer shall be deemed a Non-Participating Venturer with respect to such Subsequent Operation.

2.9.3: Notice of Assessment. As the Joint Venture recommends each Subsequent Operation, the Managing Venturer will give notice, in writing, to each Venturer stating the nature and purpose of the proposed expenditure, and will attach an estimate of the complete cost of such Subsequent Operation and such Venturer's proportionate share of the total Additional Assessment. The Managing Venturer may request payment in full of such amount or payment of any portion thereof. The estimate shall not constitute a limit as to the total Additional Assessments with respect to such Subsequent Operation.

2.9.4: Election to Participate by Venturers. Venturers may elect to be Participating Venturers with respect to any particular Subsequent Operation for which the notice was sent by sending to the Managing Venturer, within seven business days (or such other period of time not less than seven business days as the Managing Venturer may specify) (48 hours if the rig is on location) after the mailing of such notice, payment in the amount of such Participating Venturer's proportionate share of the expenditure estimated by the Managing Venturer to be necessary to finance the Subsequent Operation. Any Venturer shall be a Non-Participating Venturer if his or her payment is either:

(a) postmarked later than seven business days (or such other period of time not less than seven business days as the Managing Venturer may specify) (48 hours if the rig is on location) after the mailing of the notice of such Subsequent Operation; or

(b) received by the Managing Venturer later than 20 days after the date of such notice.

It is further provided that the check in payment of the Additional Assessment must "clear" the bank on which it is drawn on the first attempt to present such check for payment. Failure of the check to "clear" or "be honored by" the bank on which it is drawn will result in the maker of such check being a Non-Participating Venturer.

2.9.5: [Reserved].

2.9.6: Funds to Replace Those of Non-Participating Venturers. If less than 100% of the Venturers pay the Additional Assessments for Subsequent Operations, the Managing Venturer shall have the option, subject to the provisions of Section 2.9.4 hereof, to:

(a) Pay the Non-Participating Venturer(s)' unpaid portion of such Additional Assessment and be entitled to receive the Non-Participating Venturer(s)' allocable shares of Net Cash Flow, Net Proceeds, Federal Income Tax Items and Amount Realized attributable to such Subsequent Operations pursuant to Section 8.3.2 below;

(b) Allow any or all Participating Venturers to pay the Non-Participating Venturer(s)' unpaid portion of such Additional Assessment and therefore be entitled to receive the Non-Participating Venturer(s)' allocable shares of Net Cash Flow, Net Proceeds, Amount Realized and Federal Income Tax Items attributable to such Subsequent Operations pursuant to Section 8.3.2 below;

(c) Offer Units of the Subsequent Operation to persons (other than the Venturers), who shall, upon payment of such assessment, be deemed to be additional Venturers and Participating Venturers with respect to such Subsequent Operations; or

(d) Abandon the Subsequent Operation for which such Additional Assessment was requested, refund the Additional Assessment proceeds previously paid by the Venturers and sell or Farmout the Prospect or portions thereof upon approval of the Venturers as provided herein.

2.10: Return of Capital. Except as specifically provided herein with respect to the Initial Joint Venturer, no Venturer has the right to require the return of all or any part of his capital contribution(s) or a distribution of any property from the Joint Venture prior to its termination and dissolution as provided herein.

2.11: Interest on Capital. No interest shall be payable on any capital contributions made to the Joint Venture or on any Capital Account.

2.12: Capital Account. An individual Capital Account shall be maintained for each of the Venturers as provided herein.

2.13: Liability for Continuing Obligations. As joint venturers, each Venturer has all of the rights, obligations, and liabilities under the TBOC, including joint and several liability for all of the debts, obligations, acts, omissions, risks and liabilities of the Joint Venture. Certain assessments, subject to appropriate Vote, may be made to meet Joint Venture obligations, as herein described. Upon the death, disability or other change in circumstances of a Venturer prior to completion of such Venturer's obligations to complete certain payments pursuant to this Section, such Venturer's estate, legal representative or successor shall have the status of the Venturer and of such Venturer's rights and responsibilities.

2.14: Special Assessments.

2.14.1: Special Assessment by Joint Venture. Special Assessments may be requested by the Venture in the event the Venture votes, with respect to the Prospect Well to:

(i) deepen a wellbore;

(ii) sidetrack a wellbore if conditions or obstacles are encountered which render further drilling impractical or permits the Operator to abandon the Prospect Well;

(iii) plug back a wellbore and attempt completion or recompletion in a higher zone;

(iv) conduct any activity for the purpose of enhancing production;

(v) install additional pumping equipment;

(vi) install tubing with increased production capacity;

(vii) install pipelines;

(viii) install any type of gas treatment facilities or production facilities; or

(ix) complete any zones in addition to the first Completion.

2.14.2: Time of Payment. The request for Special Assessments shall be in writing and shall set forth the particulars with respect to the estimated costs thereof, and the Venturers will have seven business days after the Vote (48 hours if a rig is on location) to make the requested additional contribution.

2.14.3 Failure to Contribute All Special Assessments. A Venturer shall initially have no obligation to pay any of the requested Special Assessments. If a Venturer elects not to pay any Special Assessment, or if a Venturer agrees to pay any portion of a Special Assessment with respect to any particular matter covered by Special Assessments as provided above and fails to contribute his or her entire proportionate share of all Special Assessments called for by the Joint Venture with respect to such matters, within the time specified in any request therefor, (i) such election or failure may be deemed a request that the Venturer's interest in the Joint Venture be abandoned, and he shall be effectively withdrawn as a participant in the Joint Venture, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the Venture Well; or (ii) the Managing Venturer shall have the discretion to reduce the Venturer's interest to reflect the non-payment.

2.14.4 Contribution by Managing Venturer. The Managing Venturer shall have the right to pay the Special Assessment of any Non-Participating Venturer and succeed to all rights that the Non-Participating Venturer would otherwise abandon by virtue of failing to pay such Special Assessment. Without limiting the foregoing, if the interest of the Non-Participating Venturer in the Joint Venture is reduced to reflect non-payment of a Special Assessment, and the Managing Venturer pays such assessment, the Managing Venturer shall be deemed to have acquired Units having an additional interest in the Venture equal to the percentage that the Non-Participating Venturer's interest was reduced.

2.14.5 Contribution by Other Venturers. If the Managing Venturer declines or is unable to pay all or any part of the Special Assessment of a Non-Participating Venturer, the Venturers who have contributed their Special Assessment may contribute the Special Assessment of such Non-Participating Venturer pro rata or in such other proportion as may mutually be agreed upon by the Venturers participating in the payment of the Special Assessment of such Non-Participating Venturer, and succeed to all rights that the Non-Participating Venturer would otherwise abandon by virtue of failing to pay such Special Assessment. Without limiting the foregoing, if the interest of the Non-Participating Venturer in the Joint Venture is reduced to reflect non-payment of a Special Assessment, and Venturers pay such assessment, such Venturers shall be deemed to have acquired Units having an additional interest in the Venture equal to the percentage that the Non-Participating Venturer's interest was reduced. The Venturers that pay all or a part of such Special Assessment shall succeed to rights of the Non-Participating Venturer in such Units in the proportion in which they have paid the Special Assessment of such Non-Participating Venturer.

2.14.6 Sale of Additional Units Representing Non-Participating Venturer Interest. If all Special Assessments are not paid by the Managing Venturer or the Venturers, the Venturers shall be conclusively deemed to have consented to the sale by the Joint Venture of additional Unit(s) or part(s) thereof having an additional interest in the Venture equal to the percentage that the Non-Participating Venturer's interest was reduced, and the admission of,

persons as Venturers as may be necessary to provide the capital required by the Joint Venture to fund the activity for which the Special Assessment was called.

2.14.7 Other Sources of Funds. The Managing Venturer shall have the right but not the obligation to secure the necessary funds from other sources including loans (subject to approval by a Vote of the Venturers), and if such funds are not obtainable, the Joint Venture may abandon the Operations to which such Special Assessment relates.

ARTICLE III
MANAGING VENTURER

3.1: Rights and Duties. The Joint Venture and all of its affairs, property, business, and Operations shall be managed and controlled collectively by the Venturers. The Venturers expressly delegate management of the day-to-day Operations of the Joint Venture to the Managing Venturer.

3.2: Reimbursement and Compensation to the Managing Venturer. The Managing Venturer shall receive as compensation for its services as managing venturer the following amounts:

3.2.1: Management Fees. In consideration of the supervision and management of the affairs of the Joint Venture during the period of Initial Operations, the excess, if any, of the Turnkey Price over the actual cost to the Managing Venturer of performing its obligations pursuant to the Turnkey Contract should be considered a management fee paid to the Managing Venturer. The Managing Venturer will also receive additional compensation in connection with reimbursement of direct expenses paid for the Venture, and other transactions that may arise in connection with the operations of the Venture, including a monthly management fee of $1,000 and a 10% Carried Working Interest (as defined in the Memorandum) to the tanks, before Payout (as defined in the Memorandum), in the Prospect Well.

3.2.2: Participation in Revenues. The Managing Venturer will be entitled to receive the allocations or distributions with respect to Net Cash Flow and Net Proceeds as set forth in Article VIII.

3.3: Interest of the Managing Venturer in Certain Transactions. The Managing Venturer shall not be deemed to have received commissions, fees or other compensation paid to any firm, proprietorship, partnership or corporation that is an Affiliate, or in which the Managing Venturer, or any partner, officer, member, manager or employee thereof or any member of any such person's respective immediate family, owns a beneficial interest. Nothing contained in this Agreement shall be deemed to:

(a) Restrict the right of the Managing Venturer or any Affiliate to be reimbursed for sums actually expended in conducting the business of the Joint Venture;

(b) Restrict the right of the Managing Venturer or any Affiliate to receive the income or distributions to which they would otherwise be entitled as the Managing Venturer or a Venturer under the terms of this Agreement; or

(c) Prevent or restrict the Managing Venturer, or any Affiliate from obtaining or sharing in all or any part of any commissions or other sums payable in connection with any property purchased or sold by the Joint Venture.

ARTICLE IV
MANAGEMENT AND OPERATION

4.1: Management. The Joint Venture and all of its affairs, property, business, and Operations shall be managed and controlled collectively by all the Venturers; provided, however, that the Venturers expressly delegate management of the day-to-day Operations of the Joint Venture to the Managing Venturer. With respect to the purposes for which this Joint Venture is organized and without limiting the generality of its powers, and the definition of

Operations hereunder, the Managing Venturer, unless expressly provided otherwise or subject to a Vote of the Venturers, is hereby vested with the full and plenary power to:

(a) Investigate, evaluate and, subject to an affirmative Vote of the Venturers, acquire, on behalf of the Joint Venture, oil, gas and mineral properties or other interests or investment opportunities, upon such terms as it deems advisable;

(b) Interview, and subject to an affirmative Vote of the Venturers, retain or act as operator(s) and to cause such operator(s) to drill, complete, equip, test, rework, operate, and if necessary, plug and abandon the wells of the Joint Venture;

(c) Conduct seismographic surveys and other geological operations and services;

(d) Execute and deliver any and all contracts and agreements approved by the Joint Venture, including purchase, joint venture, Farmout and operating agreements and turnkey contracts, binding the Joint Venture in furtherance of the business purposes of the Joint Venture;

(e) Execute and deliver, and receive or pay the consideration for, all deeds and assignments of properties or other interests transferred or acquired by the Joint Venture;

(f) Make all elections or decisions, and bind the Joint Venture thereby, that may be necessary or permissible in connection with any purchase, joint venture or Farmout agreement or other type of contract under which an interest in properties is to be acquired, operated, sold or assigned (subject to Venturers' approval) by the Joint Venture;

(g) Maintain leases in force and effect (including paying delay rentals);

(h) Execute and deliver all checks, drafts, or other orders for payment of funds belonging to the Joint Venture;

(i) Execute and deliver division orders, transfer orders, pooling orders, and assignments;

(j) Investigate and, subject to an affirmative Vote of the Venturers, enter into and bind the Joint Venture in the execution of dry hole letters, bottom hole and acreage contribution agreements, and Farmouts, whether such agreements cover the assignment or transfer of properties or funds to or from the Joint Venture;

(k) Execute operating agreements, whether or not the Joint Venture or the Managing Venturer or an Affiliate of either of them may be designated as operator thereunder;

(l) Execute powers of attorney, consents, waivers and other documents that may be necessary before any court, administrative board or agency of any governmental authority, affecting the properties owned by the Joint Venture;

(m) Take and hold title to property, execute evidences of indebtedness or other obligations or instruments in its name or the name of a nominee all on behalf of the Joint Venture and with or without disclosing the true owner or party in interest thereto. The Joint Venture shall be solely entitled to all rights, titles and interests held by the Managing Venturer or nominee on behalf of the Joint Venture and solely liable for all expenses, costs and other obligations incurred in connection therewith. All such instruments so executed may be transferred into the name of the Joint Venture by assignment or otherwise or held in the name of the Managing Venturer or nominee as the Managing Venturer may determine; provided, always, that the Managing Venturer shall keep as part of the books and records of the Joint Venture and properly account on its books for each such

contract, deed, note or other instrument indicating the nominal parties thereto, date, thereof and general description of such document; and

(n) In general, execute all instruments of any kind or character that may be necessary or appropriate in connection with the business of the Joint Venture. In addition, while the Venture has, based on currently available geological and geophysical information, selected an oil and gas leasehold interest for exploration and development, prior to the commencement of drilling activities, the Managing Venturer may review additional geological and geophysical data from other potential acreage and determine, subject to a contrary Vote, to explore and develop such other acreage in substitution for the drilling site described in supporting documents to the Memorandum. In the event that the Managing Venturer selects an alternative drilling site, Venturers will be appropriately notified, and the site will be located within the acreage designated on the geological map appended to the Memorandum, and the Managing Venturer believes that the geological considerations will be substantially the same (or more favorable) than the drilling site previously selected.

4.2: Third Parties. No person dealing with the Managing Venturer shall be required to determine its authority to make any undertaking or to execute any instrument on behalf of the Joint Venture, nor to determine any fact or circumstance bearing upon the existence of such authority, and all such instruments or undertakings shall contain such provisions as the Managing Venturer deems expedient.

4.3: Obligations of the Managing Venturer as Joint Venture Manager. The Managing Venturer shall manage the Joint Venture affairs in a prudent and businesslike manner, and in accordance with good practices in the industry. The Managing Venturer at all times shall act in the best interests of the Joint Venture in fulfillment of the purposes herein expressed and shall in all instances notify the Venturers of any transaction entered into between the Joint Venture and ENR or any Affiliate.

4.4: Insurance Coverage. In order to protect Joint Venture assets, the Managing Venturer may procure or cause to be procured and maintain or cause to be maintained in force, or contract with others to obtain and maintain in force, such insurance as in its best judgment it deems prudent to serve as protection against liability for loss and damage that may be occasioned by the activities of the Joint Venture. The cost of obtaining such insurance shall be charged to and borne by the Joint Venture. The Managing Venturer shall not be liable to any Venturer for any loss that may be sustained by the Joint Venture because the Managing Venturer did not acquire or cause to be acquired any particular type of insurance.

4.5: Expenses. The Managing Venturer may charge to the Joint Venture and be reimbursed or pay out of Joint Venture funds, as and when available, all reasonable expenses incurred by the Managing Venturer in the operation of the Joint Venture including but not limited to expenses, charges and fees relating to:

(a) the acquisition, preservation, protection or perfection of title to the Joint Venture's property, including insurance thereon,

(b) the maintenance, operation or reworking of any Joint Venture property,

(c) travel expenses, professional fees, attorneys' fees and court costs,

(d) taxes on real or personal property owned by the Joint Venture,

(e) interest on any loan to the Joint Venture,

(f) normal closing costs (in the event of a sale or transfer of all or any part of the Joint Venture's property),

(g) expenses incurred in connection with the negotiation for, or consummation of financing or renewing, rearranging or refinancing any indebtedness on the Joint Venture's property,

(h) Operating Expenses (as defined in the Memorandum), and

(i) General and Administrative Expenses (as defined in the Memorandum).

4.6: Interpretation. If any provision of this Agreement is unclear or ambiguous in the opinion of the Managing Venturer, the Managing Venturer shall have the right and power to interpret such provision in accordance with the purposes, and in the best interests of the Joint Venture and all the Venturers; provided that the Managing Venturer may not interpret the provisions of Section 3.2 and Articles VIII and IX hereof so as to increase its compensation as set forth herein.

4.7: Reliance Upon Experts. The Managing Venturer may employ or retain such counsel, accountants, engineers, geologists, landmen, appraisers or other experts or advisors as it may reasonably deem appropriate for the purpose of discharging its duties hereunder, and shall be entitled to pay the fees of any such persons from the funds of the Joint Venture. The Managing Venturer may act and shall be protected in acting in good faith on the opinion or advice of, or information obtained from any such counsel, accountant, engineer, geologist, appraiser or other expert or advisor, whether retained or employed by the Joint Venture, the Managing Venturer, or otherwise, in relation to any matter connected with the administration or operation of the business and affairs of the Joint Venture.

4.8: Limitations on Venturers' Acts.

4.8.1: Prohibited Acts. Except by the Vote of the Venturers, the Venturers, including the Managing Venturer, are expressly prohibited from entering into any contract or other transaction that would:

(a) Result in possession of Joint Venture property or assignment of any rights in specific Joint Venture property, other than for a Joint Venture purpose; or

(b) Authorize the lending of Joint Venture funds to any partnership or joint venture in which the Managing Venturer or an Affiliate is a general partner or managing venturer.

4.8.2: Acts Requiring Unanimous Approval. Except by the unanimous Vote of the Venturers, including the Managing Venturer, no Venturer has authority to:

(a) Assign the Joint Venture property in trust for creditors or on the assignee's promise to pay the debts of the Joint Venture;

(b) Dispose of the good will of the business;

(c) Do any other act which would make it impossible to carry on the ordinary business of the Joint Venture;

(d) Confess a judgment;

(e) Contravene this Agreement; or

(f) Submit a Joint Venture claim or liability to arbitration or reference.

4.9: Other Permissible Activities. No Venturer is prevented hereby from engaging in other activities for profit, whether in the oil and gas business or otherwise. The Venturers, including the Managing Venturer and its Affiliates, have and in the future may engage in other businesses including the organization and management of additional partnerships, limited partnerships, joint ventures, or corporations for the exploration of oil and gas and must necessarily divide their time between the business of the Joint Venture and their other activities. The Venturers, including the Managing Venturer and its Affiliates, are hereby authorized, during the life of the Joint Venture, to acquire oil or gas interests or properties and not offer the same to the Joint Venture. Further, nothing herein shall prevent another partnership organized by the Managing Venturer or any Affiliate from acquiring a prospect that is in the same geographical reservoir as any Prospect owned by this Joint Venture.

4.10: Purchase of Oil and Gas Equipment from the Managing Venturer and Affiliates. The Joint Venture may purchase or acquire equipment necessary in the drilling, Completion, reworking and Operation of Joint Venture well from the Managing Venturer, or an Affiliate, and such equipment may be new or used.

4.11: Meetings. The Venturers may develop such rules and procedures they deem necessary, desirable or convenient to provide for meetings of Venturers to Vote, or to obtain the written Vote or consent of Venturers as to matters on which a Vote of the Venturers is sought. Such rules and procedures shall be in writing and shall provide for call and notice of meeting and quorum requirements (which shall be based on interests in the Joint Venture and shall require that holders of not less than 50% in interest (not in numbers) in the Joint Venture be present in person or by proxy). A copy of such rules and procedures shall be available for inspection by any Venturer at the principal place of business of the Joint Venture.

4.12: "Partnership Representative." The Managing Venturer (or its designee) shall be the "partnership representative" within the meaning of Code section 6223 for purposes of partnership and joint venture proceedings as described in Subtitle F, Chapter 63, Subchapter C, of the Code and, except as otherwise expressly provided herein, shall have the authority to make all elections and take such actions as may be permitted thereunder.

ARTICLE V
RIGHTS AND OBLIGATIONS OF VENTURERS; AMENDMENTS

5.1: Venturers' Delegation of Powers. At no time during the term of the Joint Venture shall a Venturer, other than the Managing Venturer, have the power to act on behalf of, sign for or bind the Joint Venture with respect to Operations of the Joint Venture.

5.1.1: Indemnity by Venturer. Each Venturer shall indemnify, defend, and hold harmless the Joint Venture and all other Venturers (including any person who is or was the Managing Venturer), their officers, managers, members, agents and attorneys, from and against any loss, claim, cause of action, item of damage, expense, and cost (including attorneys' fees and court costs), but only to the extent of his or her total capital contributions to the Venture, arising directly or indirectly out of:

(a) Any act of such Venturer that is inconsistent with the rights and authority delegated to the Managing Venturer; and

(b) Any misrepresentation made by a Venturer in the Application Agreement or elsewhere, any breach by a Venturer of any of his warranties, and any failure by him to fulfill any of his covenants or agreements set forth herein or elsewhere.

5.1.2: Indemnity by Managing Venturer. The Managing Venturer shall indemnify, defend, and hold harmless the Joint Venture and all Venturers, their officers, directors, agents and attorneys, from and against any loss, claim, cause of action, item of damage, expense, and cost (including attorneys' fees and court costs) arising directly or indirectly out of:

(a) Any willful or grossly negligent act of the Managing Venturer that is inconsistent with the rights and authority delegated to the Managing Venturer; and

(b) Any willful or grossly negligent misrepresentation made by the Managing Venturer, and any willful or grossly negligent failure by it to fulfill any of its covenants or agreements set forth herein or elsewhere.

5.1.3: Breach. Any action of a Venturer that is inconsistent with Section 5.1 hereof, shall:

(a) Constitute a breach of this Agreement on the part of the Venturer so acting;

(b) Render such Venturer subject to claims for damages asserted by the Joint Venture or the Venturers, as the case may be, to all rights of indemnification in favor of the Joint Venture and all of the Venturers as set forth in this Agreement; and

(c) Constitute grounds for the expulsion of such Venturer from the Joint Venture, in the discretion of the Managing Venturer or based upon a Vote.

5.2: Rights of Venturers. A Venturer shall have all the rights and obligations granted to a general partner and joint venturer under the TBOC, subject to the terms and provisions in this Agreement, except those matters set forth in Section 152.002 of the TBOC.

5.3: Proposal of Amendments. Amendments to this Agreement may be proposed by either the Managing Venturer or, subject to Section 4.11 hereof, by Venturers owning not less than 20% of all Units outstanding. Proposed amendments, subject to the conditions set forth in Section 5.5 hereof, may concern any Article of this Agreement.

5.4: Procedure to be Followed. Following any proposal of an amendment pursuant to Section 5.3 hereof, the Managing Venturer shall, within 15 days after receipt thereof, submit to all Venturers a verbatim statement of the proposed amendment. All proposed amendments, whether proposed by the Managing Venturer or by Venturers owning not less than 20% of the Units, shall be submitted to the Venturers for a Vote, within 30 days after the date of mailing of such notice. For purposes of obtaining a written Vote, the Managing Venturer may require response within a specified time. Any Venturer failing to notify the Managing Venturer of his support for or opposition to the amendment within the specified time shall be conclusively deemed to have opposed the amendment.

5.5: Amendments Not Allowable. No amendment shall change the contributions of the Venturers required herein or retroactively adversely affect the rights and interests of any Venturer, including the Managing Venturer, including any change in the allocations set forth in Articles VIII and IX hereof without affirmative written consent.

5.6: Meetings of Venturers. Subject to the requirements of Section 4.11 hereof, meetings of the Venturers may be called by the Managing Venturer and shall be called by it upon the written request of Venturers holding 20% or more of the Units. The call will state the nature of the business to be transacted, and no other business will be considered. Venturers may Vote in person or by proxy at any such meeting.

5.7: Removal of Managing Venturer. Subject to the requirements of Section 4.11 hereof, a Vote of a majority in interest of the Venturers shall have the right to remove the Managing Venturer and substitute a new managing venturer to carry on the day-to-day Operations of the Joint Venture. The removal of the Managing Venturer shall not be retroactively effective.

5.8: Rights of the Managing Venturer Upon Removal. In the event the Managing Venturer is removed in accordance with Section 5.7 hereof, or the Managing Venturer withdraws or ceases to be a Venturer by operation of law, or otherwise, the removed Managing Venturer shall select an independent engineering firm to value the removed Managing Venturer's interest in the Joint Venture at its then present fair market value. In determining the fair market value of the Managing Venturer's interest, the independent engineer will take into account appropriate discount factors in light of the risk of recovery of oil and gas reserves. The incoming managing venturer or the Joint Venture may purchase for cash all or a portion of the interest of the removed Managing Venturer for the value determined by the independent engineering appraisal. The interest of the removed Managing Venturer not purchased by the incoming Managing Venturer or the Joint Venture shall be assigned to the removed Managing Venturer by the Joint Venture and the removed Managing Venturer shall thereafter have no further interest in the Joint Venture, except as to the interest so assigned to it. Further, upon removal or withdrawal, the Managing Venturer shall be released and indemnified from all liabilities arising after the Managing Venturer ceases to be Managing Venturer.

ARTICLE VI
TRANSFER AND ASSIGNMENT OF UNITS

6.1: By Managing Venturer. The Managing Venturer may not, without the consent of 50% in interest of the Venturers, sell, transfer or assign its managing venturer's interest in the Joint Venture; provided, however, that the Managing Venturer and any Affiliate, without the consent of the Venturers, may at any time sell, transfer or assign any Unit(s) then held by them as a Venturer, subject to this Article VI. Purchasers of Units from the Managing Venturer or such Affiliates shall be admitted as Substitute Venturers.

6.2: By Venturers. No Venturer (except the Initial Joint Venturer (in his capacity as such and as provided for herein) or a Venturer who sells his Units to the Managing Venturer or its Affiliates) may sell or transfer all or any part of his Unit(s) until he shall first comply with the provisions of this Section; provided, however, that any sale, assignment or other transfer to Venturer's parents, spouse, siblings or children (either natural or adoptive) or to any trust of which the primary beneficiaries are the Venturer, his parents, spouse, siblings or children shall not be subject to the restrictions on transfer set forth in this Section 6.2.

6.2.1: Notice Required. Such selling Venturer shall deliver to the Managing Venturer a written notice (the "Notice") in which he shall:

(a) state his intention to sell or dispose of his Unit(s) or a part thereof;

(b) state the price and terms of the best bona fide offer he has received for the purchase of such Unit(s) and the name and address of the offeror(s) making such offer; and

(c) offer to sell such Unit(s) to the Managing Venturer on the same terms and conditions at any time within 20 days after the delivery of such written notice.

6.2.2: Option. At any time during the 20 day period after the delivery of the Notice, the Managing Venturer shall have the right and option to purchase the Unit(s) so offered by the selling Venturer, and if the Managing Venturer shall decline such purchase, then the remaining Venturers shall have such option for an additional 20 days, on the terms and for the price set forth in the Notice. If the option is not exercised by the Managing Venturer or the remaining Venturers, the selling Venturer may within 30 days, subject to the other provisions of this Agreement, sell the Unit(s) designated in the Notice but only in accordance with the terms stated in the Notice. If the sale is not completed within such 30 day period, the Notice shall be deemed to have expired and a new Notice and option shall be required before any sale or disposition is made of the Units of the selling Venturer. No sale pursuant to this section may occur unless:

(a) the purchaser of such Unit(s) is a qualified purchaser and is approved as such by a Vote of the Venturers and in accordance with the suitability standards originally applied by the Managing Venturer to initial Venturers;

(b) the sale, transfer, assignment and conveyance is expressly made subject to the provisions of this Agreement;

(c) the purchaser assumes all of the obligations of the selling Venturer under this Agreement (including the execution of a power of attorney to the Managing Venturer); and

(d) the selling Venturer or purchaser delivers to the Managing Venturer the opinion referred to in Section 6.7.

6.2.3: Assignment of Venturer's Interest. Unless a Venturer is admitted as an additional Venturer, a conveyance by a Venturer of his interest in the Joint Venture does not of itself require winding up of the Joint Venture, nor, as against the other Venturers, entitle the assignee, during the continuance of the Joint Venture, to interfere in the management or administration of the Joint Venture business or affairs. Such Conveyance merely entitles the assignee to receive in accordance with his contract the profits to which the assigning Venturer would

otherwise be entitled and, for any proper purpose, to require reasonable information or account of Joint Venture transactions and to make reasonable inspection of the Joint Venture books.

6.2.4: Expenses. The Joint Venture may charge and receive from the selling Venturer an amount not exceeding $1,000 to defray its costs and expenses, including attorneys' fees, in effecting the transfer and registration on its books of such Unit(s) thus sold.

6.2.5: Exercise and Procedures. All rights and options provided in this Article VI may be exercised by the Managing Venturer and Venturers entitled and electing to exercise such options in proportion to their interests in the Joint Venture or as they may mutually agree. The Venturers by Vote may promulgate such rules as they may deem appropriate and desirable to enforce the limitations on transfer of Units as set forth in this Article VI, establishing such policies, methods and procedures for effecting and evidencing such transfers as are in accordance with the provisions hereof and as may seem necessary, reasonable or convenient.

6.3: Notice of Assignment. Notwithstanding anything in the joint venture or partnership laws of the State of Texas to the contrary, no transfer of any Unit(s), although otherwise valid under this Agreement and the TBOC, shall be recognized by the Joint Venture until the transferor has given written notice thereof as provided herein and the transferee has become a Holder of Record.

6.4: Bankruptcy, Death, Incapacity or Forfeiture.

6.4.1: Continuation Agreement; Waiver of Liquidation Rights. Upon the bankruptcy, insolvency, death, or legal incapacity of a Venturer or the abandonment of Units by a Venturer (or, in the case of a Venturer that is a partnership, joint venture, association, corporation or trust, its insolvency, dissolution or bankruptcy), or upon the occurrence of any other event that would otherwise give rise to the winding up of the Joint Venture, the Joint Venture shall not be wound up or terminated. Instead, in consideration of their mutual covenants, all of the Venturers specifically agree that in the event of the death, bankruptcy, insolvency, incapacity, or dissolution of any Venturer, or upon the occurrence of any other event that would otherwise give rise to the winding up of the Joint Venture, the Venturers, by executing this Agreement, hereby Vote in advance that the Joint Venture shall be continued; provided, however, that the Venturers by unanimous Vote may rescind such Vote for continuation within 30 days after the event causing the winding up. Upon continuation, the business affairs of the Joint Venture shall continue and not be liquidated, and each Venturer hereby specifically waives his liquidation rights in such an event. Liquidation of the Joint Venture shall be caused or obtained only in the manner set forth in Section 9.1 hereof. The continued joint venture shall assume all liabilities of the dissolved Joint Venture.

6.4.2: Status of Successor In Interest. Except as otherwise provided in the TBOC, no assignee, transferee or successor in interest of a Venturer shall be deemed a Substitute Venturer or entitled to exercise any rights, powers or benefits of a Venturer other than the right to distribution and allocation of Net Cash Flow, Net Proceeds, Amount Realized and Federal Income Tax Items unless such assignee, transferee or successor in interest has been approved and accepted by the Venturers in accordance with this Article VI. Such successor in interest may transfer the Unit(s) of such Venturer only pursuant to the provisions of this Article VI.

6.5: Divorce. Upon the divorce of any Venturer, all of the interest in the Joint Venture of such divorced Venturer shall be determined in accordance with the TBOC.

6.6: Consent of Venturers. No assignee or transferee shall be deemed to be a Substitute Venturer or entitled to exercise or receive any rights, powers or benefits of a Venturer unless such assignee has been approved and accepted by the Venturers in accordance with Section 6.2.2(a), (b), (c) and (d).

6.7: Opinion Letter. Notwithstanding anything herein to the contrary, no Venturer may sell, transfer, assign, or gift any interest in the Joint Venture without first presenting to the Managing Venturer a written opinion of counsel (in form and substance acceptable to the Managing Venturer) to the effect that such sale, transfer, assignment or conveyance will not result in a termination of the Joint Venture's treatment as a partnership for federal tax purposes.

6.8: Subdivided Units Prohibited. Notwithstanding anything herein to the contrary, no Venturer other than the Managing Venturer shall be permitted to further subdivide any portion of a Unit for the purpose of a sale, transfer, assignment, conveyance, gift, donation or bequest.

6.9: Drag-Along Rights.

(a) Whenever Venturers holding more than fifty percent (50%) of the Units (the "Requisite Selling Venturers") enter into an agreement to sell or exchange all of their Units, the remaining Venturers shall also agree to sell or exchange all of their Units upon the same terms and conditions. The Requisite Selling Venturers shall give written notification (the "Selling Notice") to the other Venturers, enclosing a copy of the agreement to sell, which shall include the name of the purchaser, the terms of the sale or exchange and the anticipated date of closing. None of the remaining Venturers shall have the right to participate in the negotiation of the terms and conditions of the sale or exchange; rather, the remaining Venturers must participate in the sale or exchange at the same purchase price and on precisely the same terms and conditions as the Requisite Selling Venturers. Upon any substantial modification to the terms and conditions from those set forth in the Selling Notice, the Requisite Selling Venturers shall notify the remaining Venturers of such changed terms, and the procedure set forth herein shall be followed as if the earlier Selling Notice had not been given. The purchase price or exchange consideration shall be allocated among the selling Venturers in the same proportion as the proceeds, if any, such Venturers would have received if all of the assets of the Joint Venture were sold for the Venture Value, all of its liabilities were satisfied, and the Joint Venture was then liquidated in accordance with this Agreement. For clarity, such allocation of purchase price or exchange consideration shall take into account such adjustments as may be made by the Managing Venturer in his or its sole discretion to give effect to different economic rights with respect to distributions among the various Units being sold. The remaining Venturers must cooperate in the sale or exchange by delivering appropriate documentation evidencing the transfer of their Units in accordance with the requirements of the agreement for sale or exchange. The sale or exchange of the Units of the remaining Venturers shall close at the same time as the Requisite Selling Venturers complete the sale or exchange of Units.

(b): Each Venturer makes, constitutes and appoints the Managing Venturer as the true and lawful attorney-in-fact for such Venturer and in its name, place and stead and for its use and benefit, to sign, execute, certify, acknowledge, swear to, file and record any instrument that is now or may hereafter be deemed necessary by the Joint Venture in its reasonable discretion to carry out fully the provisions and the agreement, obligations and covenants of such Venturer in this Section 6.9 in the event that such Venturer becomes obligated to sell its Units pursuant to this Section 6.9. Each Venturer hereby gives such attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever requisite or advisable to be done in connection with such Venturer's obligations and agreements pursuant to this Section 6.9 as fully as such Venturer might or could do personally, and hereby ratifies and confirms all that any such attorney-in-fact shall lawfully do or cause to be done by virtue of the power of attorney granted by this Agreement. The power of attorney granted pursuant hereto is a special power of attorney, coupled with an interest, and is irrevocable, and shall survive the bankruptcy, insolvency, dissolution or cessation of existence of the applicable Venturer.

ARTICLE VII
ACCOUNTING, RECORDS AND REPORTS

7.1: Books, Records and Reports. The Joint Venture shall maintain at the principal office of the Joint Venture or at such other place as it may determine:

(a) the books and records of the Joint Venture; and

(b) an executed counterpart of this Agreement and all amendments thereto.

Such information, as is available pursuant to applicable Texas law, shall be open to reasonable inspection and examination by any of the Venturers, assignees, their agents, accountants, attorneys and other duly authorized representatives during regular business hours upon not less than 48 hours prior written request. The Managing Venturer may condition the disclosure of Venture books, records and reports upon a showing of a proper purpose and under such measures that the Managing Venturer reasonably believes are sufficient to maintain the confidential and proprietary nature of the information contained in such documents.

7.2: Accounting Method. The books and records of the Joint Venture shall be kept in accordance with the terms of this Agreement applied in a consistent manner and may be kept on the cash basis if such method of accounting is permissible and the Managing Venturer deems it in the best interest of the Venture. The accounting year of the Joint Venture shall be the calendar year.

7.3: Tax Returns and Drilling Reports. At the expense of the Joint Venture, the Managing Venturer shall engage a certified public accountant to prepare the Joint Venture's annual federal tax return and any returns or reports required by Code section 6050K relating to sales and exchanges of interests in the Joint Venture. Within a reasonable time after the close of each accounting year, the Managing Venturer shall transmit to each person who was a Venturer (or assignee) during such accounting year, a copy of such financial statements and reports (which may be in the form of Schedule K-1 to IRS Form 1065) indicating such person's respective share of Federal Income Tax Items, Amount Realized, tax preference items and investment credits, if any, for such year. The Managing Venturer shall furnish to the Venturers annually a report containing drilling summaries indicating the status of each Joint Venture well and a description of the Prospect Well and costs incurred on such Prospect Well.

7.4: Banks. All funds of the Joint Venture shall be deposited in a separate bank account or accounts in the name of the Joint Venture as may be determined from time to time by the Managing Venturer. Withdrawals from such account or accounts shall be made upon checks or other withdrawal orders executed by a duly authorized representative of the Managing Venturer.

7.5: Confidentiality. All information relating to the Joint Venture and the Joint Venturers is intended by all Joint Venturers to be confidential and a trade secret of the Venture. Any disclosure of such information to anyone other than a Venturer or their duly designated representative, or the use of any information regarding the Venture, its business or its Venturers is prohibited; provided, however, that nothing herein shall prevent or restrict the disclosure of any such information for a proper Venture business purpose or as otherwise may be required by law. The Venture and the Venturers acknowledge that any breach of the confidentiality provision herein contained may not provide the non-breaching party with an adequate remedy at law and thus, the Venturers, Venture and the Managing Venturer acknowledge and agree to injunctive relief with respect to any such breach.

ARTICLE VIII
ALLOCATIONS

8.1: Allocation of Basis of Depletable Properties.

8.1.1: Initial Operations. For purposes of depletion, the Joint Venture shall allocate to the Managing Venturer and to each Venturer on or before the date of acquisition of each oil and gas property acquired with respect to Initial Operations, a portion of the adjusted basis of such property. Such basis shall be allocated 1% to the Managing Venturer and 99% to the Venturers (and to each Venturer in the proportion that such Venturer's Units bears to the total Units of all Venturers).

8.1.2: Additional Property Acquired For Subsequent Operation. For purposes of depletion, the Joint Venture shall allocate to the Managing Venturer and to each Participating Venturer in a Subsequent Operation on or before the date of acquisition of any oil and gas property acquired for purposes of undertaking a Subsequent Operation, a portion of the adjusted basis of such property. Such basis shall be allocated 1% to the Managing Venturer and 99% to the Participating Venturers in such Subsequent Operation (and to each such Participating Venturer in the proportion that the interest of such Participating Venturer in such Subsequent Operation bears to the total interests of all such Participating Venturers in such Subsequent Operation).

8.1.3: Allocations to Additional Venturers. On the admission pursuant to Subsection 2.9.6(c) of additional Venturers to participate in a Subsequent Operation to be undertaken on a property the basis of which has previously been allocated pursuant to Subsections 8.1.1 or 8.1.2, the Joint Venture shall reallocate to the Venturers participating in such Subsequent Operation, in the proportion specified in Subsection 8.3.2, the adjusted basis of the portion of the property upon which the Subsequent Operation is to be undertaken.

8.1.4: Records and Adjustments. Each Venturer is solely responsible for and shall separately keep records of his share of the adjusted basis in each oil and gas property of the Joint Venture, adjust such share of

the adjusted basis for any depletion taken on such property, and use such adjusted basis each year in computing his cost depletion (if applicable) or his gain or loss on the disposition of such property by the Joint Venture. A Substitute Venturer shall succeed to the basis allocated to the transferor of his Unit(s).

8.2: Allocations with Respect to Oil and Gas Properties for Capital Accounts.

8.2.1: Simulated Depletion. For purposes of maintaining Capital Accounts only, the Joint Venture shall compute a "simulated" depletion allowance. The Joint Venture shall calculate this "simulated" depletion allowance on each property using the method, cost or percentage, that produces the greatest allowance and without regard to limitations to which any individual Venturer may be subject. The Joint Venture shall make its choice between the simulated cost depletion method and the simulated percentage depletion method on a property-by-property basis.

8.2.2: Simulated Adjusted Basis. The Joint Venture shall compute a simulated adjusted basis in each oil or gas property in the same manner as it determines the adjusted tax basis in such properties, except that it shall take into account simulated depletion allowances instead of actual depletion allowances.

8.2.3: Simulated Gain. On the taxable disposition of an oil and gas property by the Joint Venture, the Joint Venture shall compute a simulated gain or loss by subtracting its simulated adjusted basis in such property from the amount realized on the disposition of such property.

8.2.4: Capital Account Adjustments For Simulated Depletion. The Joint Venture shall make downward adjustments to the Capital Accounts of the Venturers for the simulated depletion allowance with respect to each oil and gas property of the Joint Venture, and allocate such adjustments among the Venturers in the same proportion as such Venturers (or their predecessors in interest) were allocated the adjusted tax basis of each such property pursuant to Section 8.1 hereof. The aggregate Capital Account adjustments for simulated percentage depletion allowances with respect to an oil or gas property of the Joint Venture shall not exceed the aggregate adjusted basis allocated to the Venturers with respect to such property pursuant to Section 8.1 hereof.

8.2.5: Capital Account Adjustments For Simulated Gain and Simulated Loss. The Joint Venture shall make upward adjustments to the Capital Accounts of the Venturers by the amount of any simulated gain in proportion to such Venturers' allocable shares of the portion of the total Amount Realized from the disposition of such property that exceeds the Joint Venture's simulated adjusted basis in such property as provided in Section 8.5(b) hereof. The Joint Venture shall make downward adjustments to the Capital Accounts of the Venturers by the amount of any simulated loss in proportion such Venturers' allocable shares of the total Amount Realized from the disposition of such property that represents recovery of the Joint Venture's simulated adjusted basis in the property in the manner provided in Section 8.5(a) hereof.

8.3: Allocations of Net Cash Flow, Net Proceeds and Federal Income Tax Items.

8.3.1: Initial Operations. All Net Cash Flow, Net Proceeds and Federal Income Tax Items as they relate to Initial Operations shall be shared by or charged:

(a) 99% to the Venturers (other than the Managing Venturer, except to the extent the Managing Venturer holds Units); and

(b) 1% to the Managing Venturer.

Each Venturer (or other Holder of Record), other than the Managing Venturer, except to the extent the Managing Venturer holds Units, shall share Net Cash Flow, Net Proceeds and Federal Income Tax Items attributable to Initial Operations and allocated to the Venturers as a class in the proportion that such Venturer's Units bear to the total Units of all Venturers.

8.3.2: Subsequent Operations. All Net Cash Flow, Net Proceeds and Federal Income Tax Items derived from and attributable to each Subsequent Operation shall be shared by or charged:

(a) 99% to the Participating Venturers in such Subsequent Operation (other than the Managing Venturer, except to the extent the Managing Venturer holds Units in such Subsequent Operation); and

(b) 1% to the Managing Venturer.

Each Participating Venturer, other than the Managing Venturer, except to the extent the Managing Venturer holds Units in such Subsequent Operation, shall share Net Cash Flow, Net Proceeds and Federal Income Tax Items derived from and attributable to such Subsequent Operation in the proportion that such Participating Venturer's Additional Assessment Contributions bear to the Additional Assessment Contributions of all such Participating Venturers and in accordance with Article II of this Agreement.

8.4: Recapture. All recapture of previously taken deductions or credits shall be allocated to the Venturers to whom such deductions or credits were allocated and in the same manner.

8.5: Amount Realized. Amount Realized shall be allocated among the Venturers as follows:

(a) to the extent such Amount Realized represents recovery of the simulated adjusted basis in the property, such Amount Realized shall be allocated among the Venturers in the proportion that under Section 8.1 hereof the Venturers were allocated adjusted basis in the property sold; and

(b) any such Amount Realized remaining after the allocation in paragraph (a) above shall be allocated among the Venturers in the manner consistent with allocation in Section 8.3 hereof.

8.6: Allocations to Holder of Record. To the extent permitted by applicable law, all Federal Income Tax Items, Amount Realized, Net Cash Flow and Net Proceeds allocable to Venturers under the terms of this Agreement shall be allocated to the Holders of Record on the basis of the number of days that such person or entity was a Venturer during the accounting year of the Joint Venture in which such item accrued; provided, that:

(a) Amount Realized, Gain From Capital Transactions and Loss From Capital Transactions recognized as a result of the sale or other disposition of property during the accounting year of such transfer shall be allocated to the Holder of Record on the date of such sale or other disposition; and

(b) To the extent such Amount Realized, Gain From Capital Transactions and Loss From Capital Transactions is recognized by the Joint Venture under the installment method of accounting, such items shall be allocated between the assignee and the assignor so that any gain recognized by the Joint Venture on a particular date is allocated to the Holder of Record on the date of the sale or other disposition giving rise to such gain.

8.7: Tax Allocations. In accordance with Code section 704(c) and the Treasury Regulations thereunder, items of income gain, loss and deduction with respect to property contributed to the Joint Venture shall solely for tax purposes be allocated among the Venturers so as to take account of any variation in the tax basis and fair market value of such items at the time of contributions. Further, in the event that the book value of any property of the Joint Venture is revalued in accordance with the principles of Treasury Regulation section 1.704-1(b)(2)(iv)(f), subsequent allocation of income, gain, loss or deduction with respect to any such property shall also be taken into account solely for tax purposes in accordance with Code section 704(c) and the Treasury Regulations thereunder.

8.8 Distributions. Subject to a Vote to the contrary, the Managing Venturer may at any time distribute Net Cash Flow and Net Proceeds to the Venturers in the proportion to which they are entitled, in a manner consistent with Section 8.3 hereof.

8.9: Distributions in Kind. In no event shall a Venturer have the right to demand property other than cash with respect to any return of invested capital. During the term of the Joint Venture the Managing Venturer shall make no distribution of property in any form other than in cash. On liquidation of the Joint Venture, the Managing Venturer may distribute property other than cash to any or all of the Venturers.

8.10: Tax Elections. The Joint Venture shall exercise its option to deduct Intangible Costs pursuant to Code section 263(c). In addition, the Managing Venturer (subject to a Vote to the contrary), may cause the Joint Venture to make or revoke the election referred to in Code section 754 or any similar provision enacted in lieu thereof, and make or revoke any other election or option that may be available to the Joint Venture under the Code.

8.11: Qualified Income Offset. Notwithstanding any other provision of this Article VIII, if a Venturer unexpectedly receives an allocation, adjustment or distribution described in Treasury Regulation section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), that creates a deficit balance in its Capital Account, such Venturer shall be allocated items of Profit or Gain From Capital Transactions of the Joint Venture in an amount and manner sufficient to eliminate such deficit Capital Account balance as quickly as possible.

ARTICLE IX
TERMINATION AND DISSOLUTION

9.1: Causes for Termination and Dissolution. The Joint Venture shall be wound up and terminated on the date set forth in Section 1.6 hereof. Otherwise, the Joint Venture shall be dissolved and terminated prior to such date only upon the happening of the events specified in the TBOC. Upon the bankruptcy, insolvency, death, or legal incapacity of a Venturer or the abandonment of Units by a Venturer (or, in the case of a Venturer that is a partnership, joint venture, association, corporation or trust, its insolvency, dissolution or bankruptcy), or upon the occurrence of any other event that would otherwise give rise to the winding up of the Joint Venture, the Joint Venture shall be wound up but not terminated. Instead, in consideration of their mutual covenants, all of the Venturers agree and Vote in advance that in the event of the death, bankruptcy, insolvency, incapacity, or dissolution of any Venturer, or upon the occurrence of any other event that would otherwise give rise to the winding up and termination of the Joint Venture, the Joint Venture shall be continued and the business affairs shall continue and not be liquidated, and each Venturer hereby specifically waives his or her liquidation rights in such an event. However, the Venturers may rescind their Vote to continue the Joint Venture by unanimous Vote within 30 days after the event causing the winding up. Termination of the Joint Venture shall be caused or obtained only in the manner set forth in this Article IX. The continued joint venture shall assume all liabilities of the dissolved Joint Venture.

9.2: Liquidation. Upon winding up and termination of the Joint Venture as set forth in Section 9.1 hereof, if the Joint Venture is not continued, the Joint Venture shall engage in no further business other than such business as may be necessary to wind up its affairs and to distribute its assets.

9.3: Liquidator. The Managing Venturer shall serve as Liquidator, unless a substitute is appointed by a Vote of the Venturers.

9.4: Disposition of Assets. On the winding up and termination of the Joint Venture, the Liquidator shall, by the later of the end of the taxable year in which the termination occurs or 90 days after the termination:

9.4.1: Determine Assets and Capital Accounts. Determine the interest of the Joint Venture in each Joint Venture asset and determine the Capital Account of each Venturer;

9.4.2: Pay Debts. Pay all Joint Venture debts, or otherwise make adequate provision therefor;

9.4.3: Adjust Capital Accounts For Depletable Properties. Sell or determine the fair market value of the Joint Venture's depletable properties using appraisal techniques it deems to be appropriate, taking into account the nature of the property interests held by the Joint Venture. The Joint Venture depletable property (at appraised value) or Net Proceeds from the sale thereof shall be distributed to each Venturer in the manner set forth in Section 8.5 hereof. With respect to depletable property not sold, the Liquidator shall, prior to any distribution of such property, adjust the Capital Accounts of the Venturers to reflect:

(a) the manner in which simulated gain or loss would have been allocated among the Venturers under section 8.2.4 as though all depletable property had been sold for cash; and

(b) any distributions under this Section.

9.4.4: Adjust Capital Accounts For Other Property. Sell or determine the fair market value of the remaining Joint Venture assets using such appraisal techniques it deems to be appropriate, taking into account the nature of the property interests. With respect to any properties not sold, the Liquidator shall, prior to any distribution of such property by the Joint Venture, adjust the Capital Accounts of all Venturers to reflect the manner in which the unrealized Federal Income Tax Items inherent in such assets (that have not been reflected in the Capital Accounts previously) would be allocated among the Venturers, if there was taxable disposition of such assets for their fair market value on the date of distribution.

9.4.5: Final Statement of Account. As promptly as possible after dissolution, the Liquidator shall cause a final statement of account to be prepared, which shall show with respect to each Venturer, the status of such Venturer's Capital Account and the amount, if any, owing to the Joint Venture. Such statement of each Venturer's Capital Account shall reflect all the allocations provided in Article VIII hereof and the allocations to the Capital Accounts set forth in Sections 9.4.3 and 9.4.4 hereof.

9.4.6: Distribute Assets. Subject to Section 9.4.7 below, the remaining Joint Venture assets (or cash realized from a sale thereof) shall be distributed to the Venturers at their fair market values as determined above, in the following order: to the Venturers in a manner consistent with Section 8.8

9.4.7: Withholding to Pay Debts of Venturers. Notwithstanding the foregoing, if any Venturer is indebted to the Joint Venture, then until repayment thereof by him, the Liquidator shall retain such Venturer's distributive share of Joint Venture properties and apply such properties and the income therefrom to the full discharge and payment of such indebtedness and the cost of the operation of such properties during the period of such Liquidation; provided, however, if at the expiration of six months after the final statement of account has been given to such Venturer, such amount has not been paid or otherwise settled in full, the Liquidator may sell the interest of such Venturer at a public or private sale at the best price immediately obtainable, which shall be determined in the sole and absolute judgment of the Liquidator. So much of the proceeds of such sale as shall be necessary shall be applied to the payment of the amount then due under this Section, and the balance of such proceeds, if any, shall be delivered to such Venturer.

9.4.8: Other Requirements of Law. The Liquidator shall comply with any requirements of the TBOC or other applicable law pertaining to the winding up of a partnership at which time the Joint Venture shall stand terminated.

9.5: No Recourse. Upon winding up or termination of the Joint Venture, each Venturer shall look solely to the assets of the Joint Venture for the return of such Venturer's investment. If the Joint Venture assets remaining after payment and discharge of debts and liabilities of the Joint Venture, including any debts and liabilities owed to any one or more of the Venturers, is not sufficient to satisfy the rights of each Venturer, such Venturer shall have no recourse or further right or claim against the Managing Venturer, any Affiliate, any officer, any manager, member, employee, attorney or agent of the Managing Venturer or of any Affiliate, or the remaining Venturers.

9.6: Reserves. In winding up the affairs of the Joint Venture and distributing its assets, the Liquidator shall set up a reserve to meet any contingent or unforeseen liabilities or obligations, and shall deposit funds for such purpose, together with funds held by the Joint Venture for distribution to Venturers which remain unclaimed after a reasonable period of time, with an escrow agent retained for the purpose of disbursing such reserves and funds. At the expiration of such period as the Liquidator deems advisable, the escrow agent shall be authorized and directed to distribute the balance thereafter remaining in the manner provided in Section 9.4 hereof.

9.7: Restoration of Negative Capital Accounts. No Venturer with a deficit in his Capital Account shall be obligated to restore the amount of such deficit to the Joint Venture.

ARTICLE X
INDEMNIFICATION

10.1: Indemnification. The Joint Venture shall indemnify, protect, defend and hold harmless any person who is or was (i) a Managing Venturer of the Joint Venture, (ii) a manager, member, officer, agent or attorney of a person who is or was a Managing Venturer, and (iii) while a Venturer of the Joint Venture, serving at the request of the Joint Venture as a partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against Losses (as defined below) incurred by them acting on behalf of the Venture or in furtherance of the objectives of the Venture or arising out of or in connection with the Venture, except to the extent such losses are incurred as a result of the willful misconduct or gross negligence of such Managing Venturer or its manager, members, officers, agents or attorneys. "Losses" for these purposes means actual losses; liabilities; demands; causes of action; judgments; awards; damages; contribution, fines; fees; penalties; and costs and expenses.

10.2: Successful Defense. The Joint Venture shall indemnify each Venturer against reasonable expenses incurred by him or her in connection with a proceeding in which he or she is a party because he or she is a Venturer if he or she has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

10.3: Scope of Indemnification. A PERSON MAY BE INDEMNIFIED UNDER THIS ARTICLE X IN CONNECTION WITH SUCH PERSON'S NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT (SHORT OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT).

10.4: Expenses. "Expenses" as used in this Article X means attorneys' and experts' fees and expenses, court and other litigation costs, judgments, penalties (including excise and similar taxes), fines, settlements and other reasonable expenditures actually incurred by the person in connection with the proceeding; provided, however, if the proceeding is brought by or in behalf of the Joint Venture, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding. A determination of reasonableness of expenses shall be made by a Vote.

10.5: Advance Reimbursement. Reasonable expenses incurred by a person described in Section 10.1 who was, is or is threatened to be named a defendant or respondent in a proceeding may be paid or reimbursed by the Joint Venture in advance of the final disposition of the proceeding after (i) the Joint Venture receives a written affirmation by the person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article X, and (ii) a written undertaking by or on behalf of the person to repay the amount paid or reimbursed if it is ultimately determined that he or she has not met the requirements of this Article X.

10.6: Appearance as Witness or Otherwise. The Joint Venture shall pay or reimburse expenses incurred by a person referred to in Section 10.1 under this Article X in connection with his or her appearance as a witness or other participant in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding, at a time when such person is not a named defendant or respondent in the proceeding.

ARTICLE XI
MISCELLANEOUS PROVISIONS

11.1: Notice. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been duly given and received for all purposes on the date delivered via e-mail, facsimile, overnight delivery or personally to the party or to an officer of the party to whom the same is directed, or when deposited by registered or certified mail, postage and charges prepaid and addressed as follows:

11.1.1: Joint Venture or Managing Venturer. If to the Joint Venture or to the Managing Venturer, then to the mailing address, e-mail address, or facsimile of the principal place of business of the Joint Venture set forth herein or as may be changed from time to time; and

11.1.2: Venturers. If to a Venturer, then to the mailing address, e-mail address, or facsimile number of such Venturer as set forth in his Execution Page and Power of Attorney attached hereto as Annex "A" executed by such Venturer or other agreement or instrument in which such Venturer has agreed to be bound by the terms and conditions of this Agreement. Any party hereto may change his or its address to which notice shall thereafter be given by furnishing written notice to all the Venturers and the Joint Venture in the manner set forth in this Section.

11.2: Integration. This Agreement, together with the Questionnaire and the Application Agreement attached to the Memorandum as Exhibits, respectively, constitute the entire understanding of the parties hereto with respect to the subject matter hereof. No amendment, modification, or alteration of the terms of this Agreement shall be binding unless the same shall be in writing, dated subsequent to the date hereof and duly adopted by the Venturers, as provided herein. In the event that any provision of this Agreement conflicts with any statement made in the Confidential Information Memorandum, or in any operating agreement, or in any other document, the provisions of this Agreement shall prevail over such other statement.

11.3: Severability. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or enforceability of the remainder of this Agreement.

11.4: Applicable Law. This Agreement and the application or interpretation hereof shall exclusively be governed by and construed in accordance with the laws of the State of Texas. This Agreement shall be deemed to be performable in and venue shall be mandatory in Dallas County, Texas. The Managing Venturer and each Venturer hereby expressly consents and submits to the jurisdiction of the courts and to venue in Dallas County, Texas.

11.5: Execution in Counterparts. This Agreement and any amendment hereto may be executed in any number of counterparts, either by the parties hereto or their duly authorized attorney-in-fact, with the same effect as if all parties had signed the same document, or by the execution of the Power of Attorney and Execution Page in the form attached hereto as Annex "A" and made a part hereof. All counterparts (including such executed Power of Attorney and Execution Pages) shall be construed as and shall constitute one and the same Agreement.

11.6: Descriptive Headings. The captions included herein are for administrative convenience only and shall not be considered in interpreting any of the terms or provisions of this Agreement.

11.7: Gender and Number. Whenever the context shall so require, all words used herein in the male or neuter gender shall be deemed to include the female or neuter gender; all singular words shall include the plural, and all plural shall include the singular, as the context may require.

11.8: Limitation of Damages and Liability. THE MANAGING VENTURER AND ITS MANAGERS, MEMBERS, OFFICERS, AGENTS AND ATTORNEYS WILL NOT BE LIABLE TO THE VENTURE OR VENTURERS FOR ANY ACT OR OMISSION, EXCEPT TO THE EXTENT OF ANY WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF THE MANAGING VENTURER OR SUCH PERSONS; PROVIDED, HOWEVER, THAT THE FOREGOING PROVISION SHALL NOT BE CONSTRUED TO ELIMINATE A VENTURER'S DUTY OF LOYALTY, DUTY OF CARE OR OBLIGATION OF GOOD FAITH TO THE VENTURE AND OTHER VENTURERS UNDER THE ACT. NEITHER THE MANAGING VENTURER NOR ANY VENTURER SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST REVENUES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE MANAGING VENTURER AND THE VENTURERS THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF THE MANAGING VENTURER OR ANY VENTURER, WHETHER SUCH NEGLIGENCE BE JOINT, SOLE, CONCURRENT, COMPARATIVE OR CONTRIBUTORY FAULT OR NEGLIGENCE, FAULT IMPOSED BY LAW, STRICT LIABILITY, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE MANAGING VENTURER OR ANY VENTURER, ITS MANAGERS, MEMBERS, OFFICERS, AGENTS AND/OR ATTORNEYS.

IN WITNESS WHEREOF, this Agreement has been executed by the Managing Venturer as of _____, 20__, and by each Venturer on the date indicated opposite his signature hereto or the date of each such Venturer's execution of an Execution Page and Power of Attorney hereto, each of which is hereby incorporated herein and made a part hereof.

MANAGING VENTURER:

Eagle Natural Resources, LLC

By: _____
Jeremy A. Paul, its Chief Executive Officer

INITIAL JOINT VENTURER:

_____
Jeremy Alexander Paul