

SECURITIES AND EXCHANGE COMMISSION

FORM 10-12G

Initial general form for registration of a class of securities pursuant to Section 12(g)

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Mewbourne Energy Partners 07-A, L.P.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8481823
(I.R.S. Employer
Identification No.)

3901 South Broadway, Tyler, Texas
(Address of principal executive offices)

75701
(Zip code)

(903) 561-2900
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class
to be so registered

Name of each exchange on which
each class is to be registered

Securities to be registered pursuant to Section 12(g) of the Act:

Limited Partner Interests
(Title of class)

General Partner Interests
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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FORWARD-LOOKING STATEMENTS

Forward-looking statements are inherently uncertain. Some statements in this Registration Statement constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements about the Registrant's industry, plans, objectives, expectations, intentions and assumptions and other statements contained herein that are not historical facts. When used in this Registration Statement, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Registrant does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 1. Business.

Mewbourne Energy Partners 07-A, L.P. (the “Registrant” or the “Partnership”) is a limited partnership that was organized under the laws of the State of Delaware on March 1, 2007. In accordance with the laws of the State of Delaware, Mewbourne Development Corporation (“MD”), a Delaware corporation, has been appointed as the Registrant’s managing general partner. MD has no equity interest in the Registrant.

Limited and general partner interests in the Registrant were offered at \$5,000 each to accredited investors in a private placement pursuant to Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder, with a maximum offering amount of \$70,000,000 (14,000 interests). On August 13, 2007, the offering of limited and general partnership interests in the Registrant was closed, with interests aggregating \$70,000,000 originally being sold to accredited investors of which \$65,710,000 were sold to accredited investors as general partner interests and \$4,290,000 were sold to accredited investors as limited partner interests.

The Registrant engages primarily in oil and gas development and production under a drilling program (the “Program”) and is not involved in any other industry segment. The Program is governed by a Drilling Program Agreement between the Registrant, MD and Mewbourne Oil Company (“MOC”), a wholly owned subsidiary of Mewbourne Holdings, Inc., which is also the parent of MD. See the financial statements in Item 13 of this Registration Statement for a summary of the Registrant’s revenue, income and identifiable assets.

The sale of crude oil and natural gas produced by the Registrant will be affected by a number of factors that are beyond the Registrant’s control. These factors include the price of crude oil and natural gas, the fluctuating supply of and demand for these products, competitive fuels, refining, transportation, extensive federal and state regulations governing the production and sale of crude oil and natural gas, and other competitive conditions. It is impossible to predict with any certainty the future effect of these factors on the Registrant.

While the Registrant does not have long-term contracts with purchasers of its crude oil or natural gas, MOC does have forward-sale contracts pursuant to which the Registrant’s natural gas may be sold. Natural gas may also be sold to local distribution companies, gas marketers and end users on the spot market. The spot market reflects immediate sales of natural gas without long-term contractual commitments. The future market condition for natural gas cannot be predicted with any certainty, and the Registrant may experience delays in marketing natural gas production and fluctuations in natural gas prices. The market for crude oil is such that the Registrant anticipates it will be able to sell all the crude oil it can produce.

Many aspects of the Registrant’s activities are highly competitive including, but not limited to, the acquisition of suitable drilling prospects and the procurement of drilling and related oil field equipment, and are subject to governmental regulation, both at Federal and state levels. The Registrant’s ability to compete depends on its financial resources and on the managing general partner’s staff and facilities, none of which are significant in comparison with those of the oil and gas exploration, development and production industry as a whole. Federal and state regulation of oil and gas operations generally includes drilling and spacing of wells on producing acreage, the imposition of maximum allowable production rates, the taxation of income and other items, and the protection of the environment.

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The Registrant does not have any employees of its own. MD is responsible for all management functions. MOC has been appointed Program Manager and is responsible for activities in accordance with the Drilling Program Agreement. At March 31, 2008, MOC employed 183 persons, many of whom dedicate a part of their time to the conduct of the Registrant's business.

The production of oil and gas is not considered subject to seasonal factors although the price received by the Registrant for natural gas sales will generally tend to increase during the winter months. Order backlog is not pertinent to the Registrant's business.

Item 2. Financial Information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Registrant was organized as a Delaware limited partnership on March 1, 2007. The offering of limited and general partner interests began May 1, 2007 and concluded August 13, 2007, with total investor partner contributions of \$70,000,000.

The Registrant was formed to engage primarily in the business of drilling development wells, to produce and market crude oil and natural gas produced from such properties, to distribute any net proceeds from operations to the general and limited partners and to the extent necessary, acquire leases which contain drilling prospects. The economic life of the Registrant depends on the period over which the Registrant's oil and gas reserves are economically recoverable.

Results of Operations

For the period from March 1, 2007 (date of inception) through December 31, 2007

	<u>2007</u>
Oil and gas sales	\$1,715,231
Barrels produced	3,962
Mcf produced	188,534
Average price/bbl	\$90.03
Average price/mcf	\$7.21

Because the Registrant was formed during 2007, no trend analysis based on yearly changes in liquidity, capital resources or results of operations is available.

Revenues and other income for the period from March 1, 2007 (date of inception) through December 31, 2007 totaled \$2,960,984, and consisted of oil and gas sales in the amount of \$1,715,231, and interest income in the amount of \$1,245,753. Gas production volume during the year ended December 31, 2007 amounted to approximately 188,534 Mcf of gas at a corresponding average realized price of \$7.21 per Mcf of gas. Oil production volume during the

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year ended December 31, 2007 amounted to approximately 3,962 Bbls of oil at a corresponding average realized price of \$90.03 per Bbl of oil. Expenses totaling \$740,743, consisted primarily of depreciation, depletion and amortization of \$578,512. Lease operating expenses totaled \$37,681. Production taxes were \$119,158. Administrative and general expenses were \$4,833. Asset retirement obligation accretion expenses were \$559. At December 31, 2007, 26 wells had been drilled and were productive. The Registrant's oil and gas revenues should increase during 2008 as additional wells are completed and oil and gas production is sold. Interest income should decrease in 2008 as the remaining wells are drilled and the available cash is utilized for equipping of such wells. The Registrant expects that drilling and completion costs will decrease during 2008 and that lease operating cost and depletion provisions will increase.

Liquidity and Capital Resources

Cash and cash equivalents were \$42,951,823 at December 31, 2007. Approximately \$23,262,777 of the initial partners' capital of \$70,000,000 was used for drilling and completion and prepaid well costs and \$5,950,000 was utilized for sale commissions and marketing fees. Capital requirements in the future are expected to be paid with remaining cash on hand. Management of MD believes that funds are sufficient to complete the wells for which funds have been committed. Management of MD expects these wells to be drilled in 2008. Under certain circumstances, as provided in the Registrant's Partnership Agreement, the Registrant may use revenues and/or borrow monies, either through a financial institution or through an affiliate of MD, to fund additional capital requirements. Revenues which, in the sole judgment of the managing general partner, are not required to meet the Registrant's obligations will be distributed to the partners at least quarterly in accordance with the Registrant's Partnership Agreement.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates inherent in the Registrant's financial statements include the estimate of oil and gas reserves and future abandonment costs. Changes in oil and gas prices, changes in production estimates and the success or failure of future development activities could have a significant effect on reserve estimates. The reserve estimates directly impact the computation of depreciation, depletion and amortization, asset retirement obligation, and the ceiling test for the Registrant's oil and gas properties.

The Registrant follows the full-cost method of accounting for its oil and gas activities. Under the full-cost method, all productive and non-productive costs incurred in the acquisition, exploration and development of oil and gas properties are capitalized. Depreciation, depletion and amortization of oil and gas properties subject to amortization is computed on the units-of-production method based on the proved reserves underlying the oil and gas properties. Oil and gas properties are subject to a quarterly ceiling test that limits such costs to the aggregate of the

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present value of future net cash flows of proved reserves and the lower of cost or fair value of unproved properties. The present value of future net cash flows has been prepared assuming year-end selling prices, year-end development and production costs and a 10 percent annual discount rate.

All financing activities of the Registrant are reported in the financial statements. The Registrant does not engage in any off-balance sheet financing arrangements. Additionally, the Registrant has no contractual obligations but has a financial obligation to plug and abandon non-producing properties as discussed below.

Asset Retirement Obligations

In accordance with FAS 143, the Partnership has recognized an estimated liability for future plugging and abandonment costs. The estimated liability is based on historical experience and estimated well life. The liability is discounted using the credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in well plugging and abandonment costs or well useful lives, or if federal or state regulators enact new well restoration requirements. The Partnership recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

A reconciliation of the Partnership's liability for well plugging and abandonment costs for the year ended December 31, 2007 is as follows:

	<u>2007</u>
Balance, beginning of period	\$-
Liabilities incurred	55,599
Accretion expense	<u>559</u>
Balance, end of period	<u>\$56,158</u>

Organization and Related Party Transactions

The Partnership was organized on March 1, 2007. In accordance with the laws of the State of Delaware, MD, a Delaware corporation, has been appointed as the Registrant's managing general partner. MD has no equity interest in the Registrant. MOC is operator of oil and gas properties owned by the Partnership. Mewbourne Holdings, Inc. is the parent of both MD and MOC. Substantially all transactions are with MD and MOC.

In the ordinary course of business, MOC will incur certain costs that will be passed on to well owners of the well for which the costs were incurred. The Partnership will receive its portion of these costs based upon its ownership in each well incurring the costs. These costs are referred to as operator charges and are standard and customary in the oil and gas industry. Operator charges include recovery of gas marketing costs, fixed rate overhead, supervision, pumping, and equipment furnished by the operator. Reimbursement to MOC for operator charges totaled \$345,936 for the year ended December 31, 2007. Operator charges are billed in accordance with the Program and Partnership Agreement.

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In consideration for services rendered by MD in managing the business of the Partnership, the Partnership during each of the initial three years of the Partnership will pay to MD a management fee in the amount equal to 7/10's of 1% of the subscriptions by the investor partners to the Partnership. Management fees can only be paid out of funds available for distributions. Since there were not sufficient funds available for distribution, management fees were not allocated to the Partnership for the year ended December 31, 2007.

In general, during any particular calendar year, the total amount of administrative expenses allocated to the Partnership by MOC shall not exceed the greater of (a) 3.5% of the Partnership's gross revenue from the sale of oil and natural gas production during each year (calculated without any deduction for operating costs or other costs and expenses) or (b) the sum of \$50,000 plus 0.25% of the capital contributions of limited and general partners. Administrative expenses can only be paid out of funds available for distributions. Under this arrangement, \$1,195 was allocated to the Partnership during the year ended December 31, 2007.

The Partnership participates in oil and gas activities through a Drilling Program Agreement (the "Program"). The Partnership and MD are parties to the Program Agreement. The costs and revenues of the Program are allocated to MD and the Partnership as follows:

	<u>Partnership</u>		<u>MD</u>
Revenues:			
Proceeds from disposition of depreciable and depletable properties	70	%	30 %
All other revenues	70	%	30 %
Costs and expenses:			
Organization and offering costs (1)	0	%	100%
Lease acquisition costs (1)	0	%	100%
Tangible and intangible drilling costs (1)	100	%	0 %
Operating costs, reporting and legal expenses, general and administrative expenses and all other costs	70	%	30 %

- (1) As noted above, pursuant to the Program, MD must contribute 100% of organization and offering costs and lease acquisition costs which should approximate 20% of total capital costs. To the extent that organization and offering costs and lease acquisition costs are less than 20% of total capital costs, MD is responsible for tangible drilling costs until its share of the program's total capital costs reaches approximately 20%.

The Partnership's financial statements reflect its respective proportionate interest in the Program.

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Item 3. Properties.

The Registrant's properties consist primarily of interests in properties on which oil and gas wells are located, both producing and in progress. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Anadarko Basin of Western Oklahoma, the Texas Panhandle, and the Permian Basin of New Mexico and West Texas, were acquired by the Registrant, resulting in the Registrant's participation in the drilling of oil and gas wells. At December 31, 2007, 26 wells had been drilled and were productive. The following table summarizes the Registrant's drilling activity for the year ended December 31, 2007:

	2007	
	Gross	Net
Development Wells		
Oil and natural gas wells	26	5.306
Non-productive wells	2	0.470

Item 4. Security Ownership of Certain Beneficial Owners and Management.

Beneficial owners of more than five percent

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Owner</u>	<u>Percent of Class</u>
None	None	N/A	N/A

Security ownership of management

The Registrant does not have any officers or directors. The managing general partner of the Registrant, MD, has the exclusive right and full authority to manage, control and administer the Registrant's business. Under the Registrant's Partnership Agreement, limited and general partners holding a majority of the outstanding limited and general partnership interests have the right to take certain actions, including the removal of the managing general partner. The Registrant is not aware of any current arrangement or activity that may lead to such removal.

Item 5. Directors and Executive Officers.

The Registrant does not have any officers or directors. Under the Registrant's Partnership Agreement, the Registrant's managing general partner, MD, is granted the exclusive right and full authority to manage, control and administer the Registrant's business. MD is a wholly owned subsidiary of Mewbourne Holdings, Inc.

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Set forth below are the names, ages and positions of the directors and executive officers of MD, the Registrant's managing general partner. Directors of MD are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

<u>Name</u>	<u>Age as of December 31, 2007</u>	<u>Position</u>
Curtis W. Mewbourne	72	President and Director
J. Roe Buckley	45	Vice President and Chief Financial Officer
Alan Clark	55	Treasurer and Controller
Michael F. Shepard	61	Secretary and General Counsel
Dorothy M. Cuenod	47	Assistant Secretary and Director
Ruth M. Buckley	46	Assistant Secretary and Director
Julie M. Greene	44	Assistant Secretary and Director

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Curtis W. Mewbourne, age 72, formed Mewbourne Holdings, Inc. in 1965 and serves as Chairman of the Board and President of Mewbourne Holdings, Inc., MD and MOC. He has operated as an independent oil and gas producer for the past 43 years. Mr. Mewbourne received a Bachelor of Science Degree in Petroleum Engineering from the University of Oklahoma in 1957. Mr. Mewbourne is the father of Dorothy M. Cuenod, Ruth M. Buckley, and Julie M. Greene and the father-in-law of J. Roe Buckley.

J. Roe Buckley, age 45, joined Mewbourne Holdings, Inc. in July, 1990 and serves as Vice President and Chief Financial Officer of both MD and MOC. Mr. Buckley was employed by Mbank Dallas from 1985 to 1990 where he served as a commercial loan officer. He received a Bachelor of Arts in Economics from Sewanee in 1984. Mr. Buckley is the son-in-law of Curtis W. Mewbourne and is married to Ruth M. Buckley. He is also the brother-in-law of Dorothy M. Cuenod and Julie M. Greene.

Alan Clark, age 55, joined MOC in 1979 and serves as Treasurer and Controller of both MD and MOC. Prior to joining MOC, Mr. Clark was employed by Texas Oil and Gas Corporation as Assistant Supervisor of joint interest accounting from 1976 to 1979. Mr. Clark has served in several accounting/finance positions with MOC prior to his current assignment. Mr. Clark received a Bachelor of Business Administration from the University of Texas at Arlington.

Michael F. Shepard, age 61, joined MOC in 1986 and serves as Secretary and General Counsel of MD. He has practiced law exclusively in the oil and gas industry since 1979 and formerly was counsel with Parker Drilling Company and its Perry Gas subsidiary for seven years. Mr. Shepard holds the Juris Doctor degree from the University of Tulsa where he received the National Energy Law and Policy Institute award as the outstanding graduate in the Energy Law curriculum. He received a B.A. degree, magna cum laude, from the University of Massachusetts in 1976. Mr. Shepard is a member of the bar in Texas and Oklahoma.

Dorothy M. Cuenod, age 47, received a B.A. degree in Art History from The University of Texas and a Masters of Business Administration Degree from Southern Methodist University. Since 1984 she has served as a Director and Assistant Secretary of both MD and MOC. Ms. Cuenod is the daughter of Curtis W. Mewbourne and is the sister of Ruth M. Buckley and Julie M. Greene. She is also the sister-in-law of J. Roe Buckley.

Ruth M. Buckley, age 46, received a Bachelor of Science Degree in both Engineering and Geology from Vanderbilt University. Since 1987 she has served as a Director and Assistant Secretary of both MD and MOC. Ms. Buckley is the daughter of Curtis W. Mewbourne and is the sister of Dorothy M. Cuenod and Julie M. Greene. She is also the wife of J. Roe Buckley.

Julie M. Greene, age 44, received a B.A. degree in Business Administration from The University of Oklahoma. Since 1988 she has served as a Director and Assistant Secretary of both MD and MOC. Prior to that time she was employed by Rauscher, Pierce, Refsnes, Inc. Ms. Greene is the daughter of Curtis W. Mewbourne and is the sister of Dorothy M. Cuenod and Ruth M. Buckley. She is also the sister-in-law of J. Roe Buckley.

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Item 6. Executive Compensation.

The Registrant does not have any officers or directors. Management of the Registrant is vested in the managing general partner. None of the officers or directors of MD or MOC will receive remuneration directly from the Registrant, but will continue to be compensated by their present employers. The Registrant will reimburse MD and MOC and affiliates thereof for certain costs of overhead falling within the definition of Administrative Costs, including without limitation, salaries of the officers and employees of MD and MOC; provided that no portion of the salaries of the directors or of the executive officer of MOC or MD may be reimbursed as Administrative Costs.

Item 7. Certain Relationships and Related Transactions.

Pursuant to the Registrant's Partnership Agreement, the Registrant had the following related party transactions with MD and its affiliates during the year ended December 31, 2007:

	<u>2007</u>
Administrative and general expense, management fees and payment of well charges and supervision charges in accordance with standard industry operating agreements	\$347,131

The Registrant participates in oil and gas activities through the Program. Pursuant to the Program, MD pays approximately 20% of the Program's capital expenditures and approximately 30% of its operating and general and administrative expenses. The Registrant pays the remainder of the costs and expenses of the Program. In return, MD is allocated approximately 30% of the Program's revenues.

Please also see "Item 2. Financial Information—Management's Discussion and Analysis of Financial Condition and Results of Operations—Organization and Related Party Transactions," which is incorporated herein by reference.

Item 8. Legal Proceedings.

The Registrant is not aware of any pending legal proceedings to which it is a party.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

At March 31, 2008, the Registrant had 14,000 outstanding limited and general partnership interests held of record by 1,778 subscribers, 1,664 of which subscribed to general partner interests and 114 of which subscribed to limited partner interests. None of the partnership interests may be sold pursuant to Rule 144 under the Securities Act of 1933. There is no established public or organized trading market for the limited and general partner interests.

Approximately \$23,262,777 of the initial partners' capital of \$70,000,000 was used for drilling and completion and prepaid well costs and \$5,950,000 was utilized for sale commissions and marketing fees.

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Revenues which, in the sole judgment of the managing general partner, are not required to meet the Registrant's obligations will be distributed to the partners at least quarterly in accordance with the Registrant's Partnership Agreement. No distributions have been made to limited and general partners for the year ended December 31, 2007.

Item 10. Recent Sales of Unregistered Securities.

In connection with the formation of the Partnership, the organizational partner contributed \$100 to the Partnership's capital. The remaining partnership interests in the Registrant were offered at \$5,000 each to accredited investors in a private placement pursuant to Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder, with a maximum offering amount of \$70,000,000 (14,000 interests).

Mewbourne Securities, Inc., an affiliate of MD, served as the dealer manager for the private placement. An amount equal to 8.5% of the proceeds realized from the sale of interests to investors was not received by the Registrant and was deducted to pay sales commissions and marketing fees. The remainder of the proceeds has been or will be used for drilling and completion and prepaid well costs. On August 13, 2007, the offering of limited and general partnership interests in the Registrant was closed, with interests aggregating \$70,000,000 originally being sold to accredited investors of which \$65,710,000 were sold to accredited investors as general partner interests and \$4,290,000 were sold to accredited investors as limited partner interests.

Item 11. Description of Registrant's Securities to be Registered.

The following is a summary of the provisions of the Partnership Agreement and the Drilling Program Agreement. This summary is qualified in all respects by reference to the full text of the Partnership Agreement, which appears as Exhibit 4.1 hereto; and the Drilling Program Agreement, which appears as Exhibit 10.1 hereto.

Term

The Partnership is organized under the Delaware Revised Uniform Limited Partnership Act. The Program is a partnership for income tax purposes only and, for all other purposes, is intended to be an agreement among MOC, as Program Manager, MD, the managing partner, and the Partnership as joint owners or tenants-in-common of undivided working interests in the Program's oil and gas properties. The Partnership and the Program will continue until terminated as provided for in the Partnership Agreement and the Drilling Program Agreement. See "--Dissolution, Liquidation and Termination" below.

Rights and Powers of Partners

General and Limited Partners. Under the terms of the Partnership Agreement, general and limited partners will have the following rights and powers with respect to the Partnership:

- (a) to share all charges, credits, and distributions in accordance with the Partnership Agreement and share all charges, credits, and distributions of the Program through the Partnership,

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- (b) to inspect at their expense books and records relating to the activities of the Partnership through the Program, upon adequate notice and at all reasonable times, other than geophysical, geological and other similar data and information and studies, maps, evaluations, and reports derived therefrom which for a reasonable period of time may be kept confidential because the managing partner has agreed to keep such matters confidential or has determined in good faith that such matters should be kept confidential considering the interests of the Partnership and each of its partners,
- (c) to have on demand true and full information of all activities of the Partnership, through the Program, and a formal account of affairs whenever circumstances render it just and reasonable,
- (d) to have dissolution and winding up of the Partnership by decree of court as provided under Delaware law,
- (e) to reconstitute the Partnership with a new managing partner upon the withdrawal or retirement of the managing partner from the Partnership, directly or as a result of a bankruptcy, dissolution, or similar event that would dissolve the Partnership, which causes the dissolution of the Partnership upon the election of a majority in interest of the general and limited partners,
- (f) to terminate any contract between the Partnership and the managing partner or any affiliate of the managing partner by a vote or written consent of a majority in interest of the general and limited partners, without penalty upon 60 days' written notice,
- (g) to approve the sale of all or substantially all of the assets of the Partnership, except upon liquidation of the Partnership, by the affirmative vote of a majority in interest of the general and limited partners, except in connection with a roll-up transaction which requires the affirmative vote of at least 66% in interest of the general and limited partners,
- (h) to dissolve the Partnership at any time upon the election of a majority in interest of the general and limited partners,
- (i) to permit the assignment by the Partnership or the managing partner of their obligations under the Drilling Program Agreement, if such permission is required under the Drilling Program Agreement, by the affirmative vote of a majority in interest of the general and limited partners,
- (j) to agree to the termination or amendment, except for certain conformatory amendments and amendments necessary to conform to the Internal Revenue Code or that do not adversely affect the general and limited partners, of the Drilling Program Agreement or the waiver of any rights of the Partnership under the Drilling Program Agreement by the affirmative vote of a majority in interest of the general and limited partners,

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- (k) to remove the managing partner and substitute a new managing partner to operate and carry on the business of the Partnership or, to remove the Program Manager and substitute a successor to act in such capacity by the affirmative vote of a majority in interest of the general and limited partners, and
- (l) to propose and vote on certain matters affecting the Partnership as provided in the Partnership Agreement.

Limited Partners. Limited partners of the Partnership will take no part in the control of the business or affairs of the Partnership or the Program and will have no voice in the management or operations of the Partnership or Program. This lack of management and control is necessary to insulate the limited partners from liability in excess of their investment in the Partnership and their share of undistributed profits from the Partnership. Notwithstanding the foregoing, limited partners shall:

have the rights described in paragraphs (a) through (l) under the caption “general and limited partners” above, and

have their liability for operations of the Partnership and the Program limited to the amount of their capital contributions and to their shares of Partnership capital and undistributed net revenues of the Partnership, if any; provided, however, that under Delaware law the limited partners may under certain circumstances be required to repay the Partnership amounts previously distributed to them by the Partnership if the Partnership does not have sufficient other assets to satisfy the claims of creditors.

General Partners. The general partners will delegate to the managing partner the responsibility for the day-to-day operations of the Partnership. In addition, the general partners will covenant not to exercise the following rights granted to them under Delaware law:

the right to withdraw from the Partnership,

the right to act as agent of the Partnership or to execute documents on behalf of the Partnership, and

the right to act other than together with other general partners constituting a majority in interest of the general and limited partners to cause the managing partner on behalf of the Partnership to convey Partnership property or take any other action binding on the Partnership.

A general partner who violates such covenants is obligated to indemnify the Partnership and the other partners for any loss or liability caused by such violation. Furthermore, in the event of a dissolution caused by a withdrawing general partner, upon reconstitution of the Partnership, the withdrawing general partner shall remain subject as a general partner to any liabilities or obligations of the Partnership arising prior to such withdrawal. Upon withdrawal from the Partnership, a general partner is entitled to continue to receive any distributions to which he is otherwise entitled under the Partnership Agreement for the period prior to his withdrawal;

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however, such general partner shall not be entitled to receive the fair value of his interest in the Partnership as of the date of such withdrawal based upon his right to share in distributions from the Partnership, and neither the Partnership nor the managing partner has any obligation to repurchase any interest in the Partnership from the withdrawing general partner. The withdrawing general partner will no longer be entitled to receive any distributions nor shall such general partner have any rights as an investor partner under the Partnership Agreement. The sharing ratios will be recalculated among the general and limited partners without regard to the withdrawing general partner's capital contribution. See “–Reconstitution of the Partnership” below.

Rights and Powers of the Managing Partner

The managing partner has full and exclusive power, except as limited by the Partnership Agreement and applicable law, to manage, control, administer, and operate the properties, business, and affairs of the Partnership. The managing partner has the authority to enter into the Drilling Program Agreement on behalf of the Partnership. Under the Drilling Program Agreement, MOC as Program Manager will have the power and authority to act on behalf of the Partnership with respect to the management, control, and administration of the business and affairs of the Program and the properties subject to the Drilling Program Agreement.

Under the Partnership Agreement, the managing partner is required to devote only such time and effort to the business of the Partnership as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the partners. The managing partner is permitted to engage in any other business ventures, including the ownership and management of oil and gas properties and the organization and management of other drilling programs.

Indemnification of the Managing Partner and its Affiliates

The Partnership Agreement provides that neither the managing partner nor any of its affiliates shall be liable to the Partnership or the general and limited partners for any loss suffered by the Partnership which arises out of any action or inaction performed or omitted by the managing partner or such affiliate, if the managing partner in good faith has determined, as of the time of the conduct or omission, that the course of conduct or omission was in the best interest of the Partnership, the managing partner or such affiliate was acting on behalf of or performing services for the Partnership, and that such conduct or omission did not constitute negligence or misconduct. The Program Manager and its affiliates, under the Drilling Program Agreement, have similar liability.

The Partnership Agreement also provides that the managing partner and its affiliates shall be indemnified by the Partnership, only from the tangible net assets of the Partnership and not from other assets of the partners, from and against all losses, judgments, liabilities, expenses, and settlements sustained by them in connection with acts performed or omitted by the managing partner or affiliates acting on behalf of or performing services for the Partnership or the Program; provided that, unless otherwise ordered by a court, the managing partner has determined in good faith, as of time of the conduct or omission, that the course of conduct or omission was in the best interests of the Partnership and that the conduct or omission did not constitute negligence or misconduct. The Partnership is authorized to purchase insurance against liabilities asserted

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against and expenses incurred by such persons in connection with the Partnership's activities, provided that the Partnership will not bear the cost of that portion of any insurance, other than insurance customary for the Partnership's business, which insures the managing partner for any liability for which the managing partner may not be indemnified as discussed above. The Program Manager has similar rights with respect to insurance, and the Program Manager and its affiliates are entitled to similar indemnification under the Drilling Program Agreement.

The Partnership Agreement further limits indemnification of the managing partner by providing that the managing partner, its affiliates and any person acting as a broker-dealer will not be indemnified for any losses, liabilities or expenses arising from or out of a violation of federal or state securities laws unless:

there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and the court approves indemnification of the litigation costs,

such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee and the court approves indemnification of the litigation costs, or

a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made.

Insofar as indemnification for liabilities under the Securities Act of 1933 may be permitted to the managing partner by the Partnership Agreement, the Partnership has been advised that in the opinion of the Securities and Exchange Commission and certain state securities authorities such indemnification is against public policy as expressed in the Securities Act of 1933, and is therefore unenforceable.

Right of Presentment

Each investor partner in the Partnership may request that the managing partner purchase for cash all, but not less than all, of that investor partner's interests subject to certain limitations. The managing partner may also cause its affiliate to fulfill its obligation to purchase such investor's interests. Unless extended by the managing partner, partners may make such request in each of the years 2011 through 2016. If the interests are subsequently listed on a national securities exchange or are traded through the National Association of Securities Dealer's Automated Quotation System or in the over-the-counter market, the right of presentment may be terminated at the option of the managing partner. Any such listing could have an adverse effect on the tax consequences of an investment in interests. If the obligation of the managing partner or its purchaser designee to purchase interests from general and limited partners is determined to violate any existing or future laws, such obligation will be eliminated or modified appropriately.

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Assignability of Interests

Assignability of interests is limited. Except as required by law or in unusual circumstances when consented to by the managing partner, an investor partner in the Partnership may not assign less than its whole interest to any person unless such assignment is to the Partnership, the managing partner, an affiliate of the managing partner, or a third person specified by the managing partner, and an investor partner must retain at least a whole interest in the event fewer than all of his interests are assigned to any person other than the Partnership, the managing partner, an affiliate of the managing partner, or a third person specified by the managing partner. In addition, the interests are subject to restrictions on transferability and resale under applicable securities laws and may not be transferred or resold except as permitted under applicable securities laws. Interests may only be assigned to a person otherwise qualified to become a substituted general partner or a limited partner, as the case may be. In no event may any assignment be made which, in the opinion of counsel to the Partnership, would result in the Partnership being considered to have been terminated for purposes of Section 708 of the Internal Revenue Code or might result in a change in the status of the Partnership to a “publicly traded partnership” within the meaning of Section 7704 of the Internal Revenue Code, unless the managing partner consents to such an assignment, or which, in the opinion of counsel to the Partnership, may not be effected without registration under the Securities Act of 1933 or would result in the violation of any applicable state securities laws. The Partnership will not be required to recognize any assignment until the instrument of assignment has been delivered to the managing partner. In the case of a mere assignee of interests, the transferring general partner or limited partner retains all rights other than the right to receive distributions as a general partner or limited partner. However, an assignee of interests may become a substituted general partner or limited partner, as the case may be, and thus be entitled to all of the rights of a general partner or limited partner, only upon meeting certain conditions, including:

obtaining the consent of the assignor and the consent of the managing partner to such substitution, which consent may only be withheld to the extent legally necessary (as set forth in an opinion of counsel) to preserve the tax status of the Partnership or the classification of Partnership income for tax purposes,

paying all costs and expenses incurred in connection with such substitution,

making certain representations to the managing partner, and

executing appropriate documents to evidence its agreement to be bound by all of the terms and provisions of the Partnership Agreement.

The Partnership will amend its records at least once each calendar quarter to effect the substitution of substituted partners. In the case of assignments, where the assignee does not become a substituted partner, the Partnership shall recognize the assignment not later than the last day of the calendar month following receipt of notice of assignment and required documentation. The restrictions on transfer contained in the Partnership Agreement of the Partnership may have the effect of reducing interest in the Partnership as a potential acquisition target or encouraging persons considering an acquisition or takeover of the Partnership to negotiate with the Partnership’s managing partner rather than pursue non-negotiated acquisition or takeover attempts, although no assurance can be given that they will have that effect.

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The rights and obligations of the managing partner in the Partnership may not be assigned except in limited circumstances set forth in the Partnership Agreement, including without limitation assignments to affiliates of the managing partner that agree to assume a proportionate share of the obligations of the assigning managing partner, dispositions arising out of the merger, consolidation, reorganization, or similar transaction of the managing partner, and any pledge by the managing partner. The rights and obligations of the managing partner and its affiliates with respect to the Program under the Drilling Program Agreement may be assigned to affiliates and successors in interest by reason of merger, consolidation, reorganization, or similar transaction, without the consent of a majority in interest of the general and limited partners of the Partnership, subject to limitations set forth in the Drilling Program Agreement, and the managing partner and its affiliates will have the right at any time to mortgage or pledge its interest in properties of the Program.

Removal or Withdrawal

A majority in interest of the general and limited partners shall have the right to remove the managing partner and to elect and substitute a new managing partner. In such event, the removed managing partner shall be required to offer to sell a minimum of 20% of, and shall have the right to offer to sell the remaining 80% of, such managing partner's interest, if any, in the Partnership to the new managing partner at a price and method of payment mutually agreeable to the removed managing partner and the new managing partner. Although the managing partner does not currently hold an equity interest in the Partnership, it may acquire such interest in the future. If the new managing partner and the removed managing partner are unable to agree within ten days on the purchase price of such interest, the new managing partner and the removed managing partner shall select a mutually agreeable independent expert to determine such purchase price. The method of payment for the removed managing partner's interest must be fair and must protect the solvency and liquidity of the Partnership. In addition, a majority in interest of the general and limited partners shall have the right to remove MOC as the Program Manager.

In the event the managing partner withdraws or retires from the Partnership and such withdrawal or retirement causes dissolution of the Partnership, a majority in interest of the general and limited partners shall be entitled to reconstitute the Partnership and elect and substitute a new managing partner. Such new managing partner shall be entitled to acquire the Partnership interest of the retiring managing partner on the same basis and in the same manner as set forth above. The managing partner may not voluntarily withdraw from the Partnership prior to the later to occur of:

the completion of the Partnership's primary drilling activities under the Program, and

the fifth anniversary of the date that general and limited partners were admitted to the Partnership.

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In order to exercise its right of withdrawal, the managing partner must give the general and limited partners at least 120 days' advance written notice.

Dissolution, Liquidation and Termination

The Partnership shall be dissolved upon:

the occurrence of December 31, 2057,

the vote or consent in writing of a majority in interest of the general and limited partners at any time,

the sale, disposition, or termination of all or substantially all of the oil and gas leases then owned by the Partnership,

the withdrawal, bankruptcy, insolvency, or dissolution in certain circumstances of the managing partner, the occurrence of any other event which would permit a trustee or receiver to acquire control of the property or affairs of the managing partner or any other event of withdrawal from the Partnership by the managing partner as provided for by law; provided that neither the dissolution of the managing partner as a consequence of merger, consolidation, recapitalization, or other corporate reorganization effected under the Partnership Agreement shall cause dissolution of the Partnership,

the adjudication of insolvency or bankruptcy of the Partnership, or an assignment by the Partnership for the benefit of creditors,

the withdrawal or retirement of the managing partner, or

the occurrence of any other event which, under applicable law, causes the dissolution of the Partnership.

If dissolution of the Partnership occurs due to the withdrawal or bankruptcy of a general partner, the Partnership shall not be terminated but shall automatically be reconstituted. Upon dissolution of the Partnership for any reason other than bankruptcy or withdrawal of a general partner, unless it is reconstituted as provided under “–Rights and Powers of Partners” above, the managing partner or a liquidator appointed by the managing partner shall wind up the affairs of the Partnership and make final distribution of its assets. In the event the managing partner is unable to serve as liquidator, the liquidator shall be appointed by a majority in interest of the general and limited partners.

After making a proper accounting and paying or making provision for the payment of existing and contingent liabilities, the liquidator of the Partnership shall sell all remaining assets of the Partnership for cash at the best price available therefor and distribute the proceeds of such sales to the partners. In the case of a sale in liquidation, the liquidator shall adjust the capital accounts of the partners under the terms of the Partnership Agreement to account for all gain and loss on such sales and shall distribute the proceeds of such sales to the partners in accordance with their

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respective capital account balances, as so adjusted. Partners in the Partnership will not be obligated to restore any negative balance in their capital accounts after the liquidation of their interests in the Partnership. The distribution of cash or properties to the partners will constitute a complete distribution to the partners of their respective interests in the Partnership and its property.

In the event of a dissolution and liquidation of the Partnership as a result of an exchange or tender offer, the liquidator may assume the sale of all remaining assets of the Partnership for cash at the respective fair market values of such assets and then debit or credit each partner's capital account with its respective share of the hypothetical gains or losses resulting from such assumed sales in the same manner as such capital account would be debited or credited on the actual sales of such assets. If such exchange or tender offer is conducted through a sale of all or substantially all of the assets of the Partnership or is otherwise binding on the partners, the liquidator shall distribute all securities or other assets received from the sale of the Partnership assets to the partners proportionately based on the partners' positive capital account balances, as so adjusted. In the event of an exchange offer that is not binding upon all partners, the liquidator shall then exchange for securities offered in the exchange or tender offer Partnership oil and gas properties having a fair market value equal to the sum of the positive balances in the capital accounts, as so adjusted, of the partners who elect to accept the exchange or tender offer. The liquidator shall distribute such securities to such accepting partners on a basis reflecting the partners' respective positive capital account balances, adjusted as provided above.

Reconstitution of the Partnership

In the event the managing partner of the Partnership withdraws or retires from the Partnership, directly or as a result of a bankruptcy, dissolution, or similar event that would dissolve the Partnership, a majority in interest of general and limited partners, acting at a meeting to be held within 90 days following receipt of written notice of such event from the managing partner, shall be entitled to reconstitute the Partnership and elect and substitute a new managing partner, which may be the retiring managing partner.

In the event a majority in interest but less than all of the general and limited partners in the Partnership elect to reconstitute the Partnership, the partners' capital accounts shall be adjusted by assuming the sale of all assets of the Partnership for cash at the respective fair market values of such assets as of the date of dissolution of the Partnership and debiting or crediting each partner's capital account with its respective share of the hypothetical gains or losses resulting from such assumed sales in the same manner as such capital account would be debited or credited on the actual sales of such assets.

The new managing partner shall then sell for cash Partnership oil and gas properties having a fair market value equal to the fair market value of all Partnership oil and gas properties times the ratio of the aggregate of the positive balances in the capital accounts, as so adjusted, of the general and limited partners that have not elected to reconstitute the Partnership and the retiring managing partner, to the extent the retiring managing partner's aggregate partnership interest was not purchased by the new managing partner, to the positive balances of all partners. The new managing partner shall then distribute such cash to the general and limited partners that have elected not to reconstitute the Partnership and to the managing partner, to such extent, in proportion to the positive balances of their respective capital accounts.

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The new managing partner, on behalf of the partners that have elected not to form the reconstituted Partnership, shall retain for the benefit of the reconstituted Partnership an undivided interest in all oil and gas properties of the Partnership remaining after the distributions provided for above.

Each general partner of the Partnership will covenant not to cause a dissolution of the Partnership by voluntary withdrawal or other voluntary act. In the event of such a dissolution, however, upon reconstitution of the Partnership, the withdrawing general partner shall remain subject as a general partner with respect to any liabilities or obligations of the Partnership arising prior to such withdrawal. Upon withdrawal from the Partnership, a general partner is entitled to continue to receive any distributions to which he is otherwise entitled under the Partnership Agreement for the period prior to his withdrawal; however, such general partner shall not be entitled to receive the fair value of his interest in the Partnership as of the date of such withdrawal based upon his right to share in distributions from the Partnership, and neither the Partnership nor the managing partner has any obligation to repurchase any interest in the Partnership from the withdrawing general partner. The withdrawing general partner will not be entitled to receive any distributions for the period subsequent to his withdrawal nor shall such general partner have any rights as an investor partner under the Partnership Agreement. The sharing ratios will be recalculated among the general and limited partners without regard to the withdrawing general partner's capital contribution. If the Partnership is reconstituted due to the bankruptcy of a general partner, the trustee, receiver, or other successor in interest of the bankrupt general partner shall become liable for all of the debts and obligations of the bankrupt general partner.

Amendments

A majority in interest of the general and limited partners of the Partnership may require the amendment of the Partnership Agreement without the consent of the managing partner, except that any amendment which would increase the liability or duties of any partner, change the contributions required of a partner, provide for the reallocation of profits, losses, or deductions to the detriment of a partner, establish any new priority in one or more partners as to the return of capital contributions or as to profits, losses, deductions, or distributions to the detriment of a partner or cause the Partnership to be taxed as a corporation, must be approved by such partner before it will be binding upon him. Minor and conformatory amendments and amendments that do not adversely affect the general and limited partners in any material respect may be made by the managing partner without the consent of the general and limited partners.

Reports to Partners

The managing partner will furnish to the general and limited partners of the Partnership semi-annual and annual reports which will contain financial statements, including a balance sheet and statements of income, partners' equity and cash flows, all of which shall be prepared in accordance with generally accepted accounting principles, which statements at fiscal year end will be audited by an independent certified public accountant. Financial statements furnished in

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the Partnership's semi-annual reports will not be audited. Semi-annually, all general and limited partners will also receive a summary itemization of the transactions between the managing partner or any affiliate of the managing partner and the Partnership showing all items of compensation received by the managing partner and its affiliates, including without limitation the average price paid by any affiliate of the managing partner during the two most recent calendar quarters for oil and gas produced by program wells purchased by such affiliate and the highest average price paid by any other substantial purchaser of comparable oil or gas produced in the field where such program wells are located. Annually beginning with the fiscal year ending December 31, 2008, oil and gas reserve estimates prepared by an independent petroleum engineer will also be furnished to the general and limited partners. Annual reports will be provided to the general and limited partners within 120 days after the close of the Partnership fiscal year, and semi-annual reports will be provided within 75 days after the close of the first six months of the Partnership fiscal year. The notes to the audited financial statements included in the annual reports will summarize the administrative costs reimbursements and operating fees and will disclose the allocation of administrative costs. In addition, the general and limited partners in the Partnership shall receive on a monthly basis while the Partnership is participating in the drilling and completion activities of the Program, reports containing a description of the Partnership's acquisition of interests in prospects, including farmins and farmouts, and the drilling, completion and abandonment of wells thereon. All general and limited partners will receive a report containing information necessary for the preparation of their federal income tax returns and any required state income tax returns by March 15 of each calendar year or as soon as practicable thereafter. The managing partner will furnish to the general and limited partners information regarding differences between tax basis of accounting and generally accepted accounting principles. General and limited partners in the Partnership will also receive in such monthly reports a summary of the status of wells drilled by the Partnership. The managing partner may provide such other reports and financial statements as it deems necessary or desirable.

Power of Attorney

In signing the subscription agreement, each investor adopted the terms and provisions of the Partnership Agreement for the Partnership, including representations and warranties contained in the Partnership Agreement, and made the power of attorney set forth in Section 10.3 of the Partnership Agreement. Pursuant to the Partnership Agreement, each investor partner of the Partnership appointed the managing partner as his attorney-in-fact, on his behalf and in his name, to execute, swear to and file all documents or instruments necessary or desirable:

to comply with the laws of any state in which the Partnership does business,

to amend the Partnership Agreement to admit a new or substituted general partner or limited partner or make changes required by amendments thereto adopted by the general and limited partners,

to amend the Partnership Agreement to effect the conversion of the general partners to limited partners,

to conduct the business and affairs of the Partnership,

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to reflect the agreement of all of the general and limited partners if the required majority in interest of the general and limited partners has approved any action under the Partnership Agreement and amendments to the Partnership Agreement to implement such action, and

to perform other ministerial acts in connection with the Partnership and its operations, all subject to compliance with the Partnership Agreement.

Such appointment shall constitute a power coupled with an interest, shall not be revocable and was effectuated under Section 10.3 of the Partnership Agreement by an investor partner's execution of the subscription agreement.

Item 12. Indemnification of Directors and Officers.

The Registrant does not have any officers or directors.

Section 5.4 of the Partnership Agreement provides that neither MD nor any of its affiliates shall have any liability to the Partnership or to any partner thereof for any loss suffered by the Partnership that arises out of any action or inaction performed or omitted by MD or such affiliate, unless the managing partner in good faith has determined that such course of conduct or omission was not intended to further the best interest of the Partnership or that such course of conduct constituted negligence or misconduct on the part of MD or such affiliate. Section 6(f) of the Drilling Program Agreement provides parallel protection from liability to MOC, in its individual capacity as the Program Manager, and affiliates of the Program Manager.

Section 5.5 of the Partnership Agreement and Section 6(f) of the Drilling Program Agreement provide, subject to various conditions, for indemnification of MD and its affiliates, and each permit, subject to certain conditions, for insurance to be purchased and maintained on behalf of MD and its affiliates against any liabilities asserted against or expenses incurred by MD and its affiliates in connection with activities of the Partnership or Program, as the case may be.

Section 17-108 of the Delaware Revised Uniform Limited Partnership Act provides that a Delaware limited partnership may indemnify and hold harmless any partner or other person from and against any and all claims and demands whatsoever.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, Article 10 of each of MD's and MOC's Certification of Incorporation contains a limitation of liability provision under which a director will not be personally liable to MD, MOC or their respective stockholders for monetary damages resulting from breaches of his fiduciary duty of care as a director, subject to certain limitations.

Article 7, Section 7 of each of MD's and MOC's By-laws provides that MD or MOC, as the case may be, shall indemnify its officer or director to the fullest extent permitted under the Delaware General Corporation Law. Section 145 thereof permits indemnification of an officer or director upon a determination that such officer or director has met the applicable standard of conduct. Under Section 145, such officer or director is required to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of MD and, with respect to any criminal action, without reasonable cause to believe his conduct was unlawful.

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Section 145 does not authorize indemnification, in actions brought by or in the right of a corporation, against judgments, fines or amounts paid in settlement, nor does it provide for indemnification of expenses incurred in the defense or settlement of claims as to which a director or officer is adjudged to be liable to MD or MOC, as the case may be, unless specifically authorized by the Delaware Court of Chancery or the court in which such action is brought.

The above discussion of the provisions of Section 5.5 of the Partnership Agreement, Section 6(f) of the Drilling Program Agreement, Section 17-108 of the Delaware Act, Sections 102(b)(7) and 145 of the Delaware General Corporation Law, Article 10 of each of MD' s and MOC' s Certificate of Incorporation, and Article 7, Section 7 of each of MD' s and MOC' s By-laws is not intended to be exhaustive and is respectively qualified in its entirety by the applicable provisions of the Partnership Agreement and Drilling Program Agreements, which are included as Exhibits 4.1 and 10.1 hereto and are hereby incorporated herein by reference, the Delaware Act and the Delaware General Corporation Law, Article 10 of each of MD' s and MOC' s Certificate of Incorporation, and Article 7, Section 7 of each of MD' s and MOC' s By-laws.

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Item 13. Financial Statements and Supplementary Data.

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The following financial statements are those of the managing general partner, Mewbourne Development Corporation, in which the general and limited partners have no ownership interest.

Financial Statements of Mewbourne Development Corporation:

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Unaudited Financial Statements of Mewbourne Development Corporation:

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Report of Independent Registered Public Accounting Firm

To the Partners of Mewbourne Energy Partners 07-A, L.P. and to the Board of Directors of Mewbourne Development Corporation:

We have audited the accompanying balance sheet of Mewbourne Energy Partners 07-A, L.P. as of December 31, 2007 and the related statement of operations, changes in partners' capital, and cash flows for the period from March 1, 2007 (date of inception) through December 31, 2007. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mewbourne Energy Partners 07-A, L.P. at December 31, 2007, and the results of its operations and its cash flows for the period from March 1, 2007 (date of inception) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Seidman, LLP

Dallas, Texas

April 25, 2008

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MEWBOURNE ENERGY PARTNERS 07-A, LP

BALANCE SHEET

December 31, 2007

ASSETS	
Cash and cash equivalents	\$42,951,823
Accounts receivable, affiliate	1,425,301
Accounts receivable, other	200,925
Total current assets	44,578,049
Prepaid well costs	8,959,712
Oil and gas properties at cost - full-cost method	14,358,664
Less accumulated depreciation, depletion and amortization	(578,512)
Total assets	<u>\$67,317,913</u>
LIABILITIES AND PARTNERS' CAPITAL	
Accounts payable, affiliate	\$991,514
Total current liabilities	991,514
Asset retirement obligation	56,158
Partners' capital:	

General partners	62,208,822
Limited partners	<u>4,061,419</u>
Total partners' capital	<u>66,270,241</u>
Total liabilities and partners' capital	<u>\$67,317,913</u>

The accompanying notes are an integral part of the financial statements.

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MEWBOURNE ENERGY PARTNERS 07-A, LP

STATEMENT OF OPERATIONS

For the period ended March 1, 2007 (date of inception)
through December 31, 2007

Revenues and other income:

Oil sales	\$356,652
Gas sales	1,358,579
Interest income	<u>1,245,753</u>
Total revenues and other income	2,960,984

Expenses:

Lease operating expense	37,681
Production taxes	119,158
Administrative and general expense	4,833
Depreciation, depletion, and amortization	578,512
Asset retirement obligation accretion	<u>559</u>
Total expenses	740,743
Net income	<u><u>\$2,220,241</u></u>

Allocation of net income:

General partners	<u>\$2,084,172</u>
Limited partners	<u>\$136,069</u>
Basic and diluted net income per limited and general partner interest (70,000 interests outstanding)	<u>\$31.72</u>

The accompanying notes are an integral part of the financial statements.

MEWBOURNE ENERGY PARTNERS 07-A, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

For the period ended March 1, 2007 (date of inception)
through December 31, 2007

	<u>General Partners</u>	<u>Limited Partners</u>	<u>Total</u>
Capital contributions, net of sales commissions and marketing fees of \$5,585,350 and \$364,650, respectively	\$60,124,650	\$3,925,350	\$64,050,000
Net income	<u>2,084,172</u>	<u>136,069</u>	<u>2,220,241</u>
Balance at December 31, 2007	<u>\$62,208,822</u>	<u>\$4,061,419</u>	<u>\$66,270,241</u>

The accompanying notes are an integral part of the financial statements.

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MEWBOURNE ENERGY PARTNERS 07-A, LP

STATEMENT OF CASH FLOWS

For the period ended March 1, 2007 (date of inception)
through December 31, 2007

Cash flows from operating activities:

Net income	\$2,220,241
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Adjustments to reconcile net income to net cash provided by (used in) operating activities:

Depreciation, depletion, and amortization	578,512
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Asset retirement obligation accretion	559
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Changes in operating assets and liabilities:

Accounts receivable, affiliate	(1,425,301)
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Accounts receivable, other	(200,925)
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Accounts payable, affiliate	991,514
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Net cash provided by operating activities	<u>2,164,600</u>
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Cash flows from investing activities:

Purchase and development of oil and gas properties	(14,303,065)
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Prepaid well costs	<u>(8,959,712)</u>
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Net cash used in investing activities	<u>(23,262,777)</u>
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Cash flows from financing activities:

Capital contributions from partners	70,000,000
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Sales commissions and marketing fees paid	<u>(5,950,000)</u>
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Net cash provided by financing activities	<u>64,050,000</u>
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Net increase in cash and cash equivalents	42,951,823
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Cash and cash equivalents, beginning of period	<u>-</u>
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Cash and cash equivalents, end of period	<u><u>\$42,951,823</u></u>
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Supplemental Cash Flow Information:

Non-cash changes to oil & gas properties related to asset retirement obligation	<u>\$55,599</u>
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The accompanying notes are an integral part of the financial statements.

Mewbourne Energy Partners 07-A, L.P.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

Nature of Business

Mewbourne Energy Partners 07-A, L.P., (the “Registrant” or the “Partnership”), a Delaware limited partnership engaged primarily in oil and gas development and production in Texas, Oklahoma, and New Mexico, was organized on March 1, 2007. The offering of limited and general partner interests began May 1, 2007 as a part of a private placement pursuant to Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder, and concluded August 13, 2007, with total investor contributions of \$70,000,000 originally being sold to accredited investors of which \$65,710,000 were sold to accredited investors as general partner interests and \$4,290,000 were sold to accredited investors as limited partner interests. The managing general partner has no equity interest in the Partnership.

The Partnership conducts these activities through Mewbourne Energy Partners 07 Drilling Program (the “Program”). Its sole business is the development and production of oil and gas with a concentration on gas. Substantially all of the Program’s gas reserves are being sold regionally in the spot market. Due to the highly competitive nature of the spot market, prices are subject to seasonal and regional pricing fluctuations. In addition, such spot market sales are generally short-term in nature and are dependent upon obtaining transportation services provided by pipelines. The prices received for the Program’s oil and gas are subject to influences such as global consumption and supply trends.

Accounting for Oil and Gas Producing Activities

The Partnership follows the full-cost method of accounting for its oil and gas activities. Under the full-cost method, all productive and non-productive costs incurred in the acquisition, exploration and development of oil and gas properties are capitalized. Depreciation, depletion and amortization of oil and gas properties subject to amortization is computed on the units-of-production method based on the proved reserves underlying the oil and gas properties. At December 31, 2007, approximately \$353,000 of capitalized costs was excluded from amortization. Proceeds from the sale or other disposition of properties are credited to the full cost pool. Gains and losses are not recognized unless such adjustments would significantly alter the relationship between capitalized costs and the proved oil and gas reserves. Capitalized costs are subject to a quarterly ceiling test that limits such costs to the aggregate of the present value of future net cash flows of proved reserves and the lower of cost or fair value of unproved properties. Prepaid well costs represent payments to Mewbourne Oil Company, a related party, for the acquisition, exploration and development of oil and gas properties for which the Partnership is contractually obligated but activities have not yet commenced.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates inherent in the Registrant's financial statements include the estimate of oil and gas reserves and future abandonment costs. Changes in oil and gas prices, changes in production estimates and the success or failure of future development activities could have a significant effect on reserve estimates. The reserve estimates directly impact the computation of depreciation, depletion and amortization, asset retirement obligation, and the ceiling test for the Registrant's oil and gas properties.

Cash and cash equivalents

The Partnership considers all highly liquid investments, those with original maturities of three months or less at the date of acquisition, to be cash equivalents. The Partnership maintains all its cash in one financial institution. At various times throughout the year, the cash amount may be in excess of the amount insured by the Federal Deposit Insurance Corporation.

Asset Retirement Obligations

In accordance with FAS 143, the Partnership has recognized an estimated liability for future plugging and abandonment costs. The estimated liability is based on historical experience and estimated well life. The liability is discounted using the credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in well plugging and abandonment costs or well useful lives, or if federal or state regulators enact new well restoration requirements. The Partnership recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

A reconciliation of the Partnership's liability for well plugging and abandonment costs for the year ended December 31, 2007 is as follows:

	<u>2007</u>
Balance, beginning of period	\$-
Liabilities incurred	55,599
Accretion expense	<u>559</u>
Balance, end of period	<u>\$56,158</u>

Oil and Gas Sales

The Program's oil and condensate production is sold and revenue recognized at or near the Program's wells under short-term purchase contracts at prevailing prices in accordance with arrangements which are customary in the oil industry. Sales of gas applicable to the Program's interest are recorded as revenue when the gas is metered and title transferred pursuant to the gas sales contracts covering the Program's interest in gas reserves. The Partnership uses the sales

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method to recognize oil and gas revenue whereby revenue is recognized for the amount of production taken regardless of the amount for which the Partnership is entitled based on its working interest ownership. As of December 31, 2007, no material gas imbalances between the Partnership and other working interest owners existed.

Income Taxes

The Partnership is treated as a partnership for income tax purposes, and as a result, income of the Partnership is reported on the tax returns of the partners and no recognition is given to income taxes in the financial statements. The Partnership's financial reporting bases of its net assets exceeded the tax bases of its net assets by \$19,230,348 at December 31, 2007.

Earnings per partnership unit

Basic and diluted earnings per partnership unit are computed by dividing income available to partners by the number of partnership units outstanding.

2. Organization and Related Party Transactions:

The Partnership was organized on March 1, 2007. In accordance with the laws of the state of Delaware, Mewbourne Development Corporation ("MD"), a Delaware corporation, has been appointed as the Registrant's managing general partner. MD has no equity interest in the Registrant. Mewbourne Oil Company (MOC) is operator of oil and gas properties owned by the Partnership. Mewbourne Holdings, Inc. is the parent of both MD and MOC. Substantially all transactions are with MD and MOC.

In the ordinary course of business, MOC will incur certain costs that will be passed on to well owners of the well on which the costs were incurred. The Partnership will be charged their portion of these costs based upon their ownership in each well incurring the costs. These costs are referred to as operator charges and are standard and customary in the oil and gas industry. Operator charges include recovery of gas marketing costs, fixed rate overhead, supervision, pumping, and equipment furnished by the operator. Reimbursement to MOC for operator charges totaled \$345,936 for the year ended December 31, 2007. Operator charges are billed in accordance with the Program and Partnership Agreements.

In consideration for services rendered by MD in managing the business of the Partnership, the Partnership during each of the initial three years of the Partnership will pay to MD a management fee in the amount equal to 7/10's of 1% of the subscriptions by the investor partners to the Partnership. Management fees can only be paid out of funds available for distributions. Since there were not sufficient funds available for distribution, management fees were not allocated to the Partnership for the year ended December 31, 2007.

In general, during any particular calendar year, the total amount of administrative expenses allocated to the Partnership by MOC shall not exceed the greater of (a) 3.5% of the Partnership's gross revenue from the sale of oil and natural gas production during each year (calculated without any deduction for operating costs or other costs and expenses) or (b) the sum of \$50,000 plus .25% of the capital contributions of limited and general partners. Administrative expenses can only be paid out of funds available for distributions. Under this arrangement, \$1,195 was allocated to the Partnership during the year ended December 31, 2007.

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The Partnership participates in oil and gas activities through a Drilling Program Agreement (the "Program"). The Partnership and MD are parties to the Program Agreement. The costs and revenues of the Program are allocated to MD and the Partnership as follows:

	<u>Partnership</u>	<u>MD</u>
Revenues:		
Proceeds from disposition of depreciable and depletable properties	70 %	30 %
All other revenues	70 %	30 %
Costs and expenses:		
Organization and offering costs (1)	0 %	100%
Lease acquisition costs (1)	0 %	100%
Tangible and intangible drilling costs (1)	100 %	0 %
Operating costs, reporting and legal expenses, general and administrative expenses and all other costs	70 %	30 %

- (1) As noted above, pursuant to the Program, MD must contribute 100% of organization and offering costs and lease acquisition costs which should approximate 20% of total capital costs. To the extent that organization and offering costs and lease acquisition costs are less than 20% of total capital costs, MD is responsible for tangible drilling costs until its share of the program's total capital costs reaches approximately 20%.

The Partnership's financial statements reflect its respective proportionate interest in the Program.

3. Quarterly Financial Data (unaudited):

Summarized unaudited quarterly financial data for 2007 is as follows:

	<u>Quarters Ended</u>			
	<u>March 31,</u> <u>2007</u>	<u>June 30,</u> <u>2007</u>	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2007</u>
Total revenues	\$ -	\$ -	\$ 34,604	\$ 1,680,627
Gross profit (a)	-	-	18,008 (a)	956,480 (a)

Net income	-	-	585,778	1,634,463
Basic and diluted net income per limited and general interest (70,000 interests outstanding)	-	-	8.37	23.35
<hr/>				
(a) Total revenue less operating costs.				

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4. Supplemental Oil and Gas Information

The tables presented below provide supplemental information about oil and natural gas exploration and production activities as defined by SFAS No. 69, "Disclosures about Oil and Gas Producing Activities".

Costs Incurred and Capitalized Costs:

Costs incurred in oil and natural gas acquisition, exploration and development activities for the year ended December 31, 2007:

	<u>2007</u>
Costs incurred for the year:	
Development	<u>\$23,262,777</u>

Capitalized costs related to oil and natural gas acquisition, exploration and development activities for the year ended December 31, 2007 is as follows:

	<u>2007</u>
Cost of oil and natural gas properties at year-end:	
Producing assets - Proved properties	\$13,949,740
Incomplete construction - Unproved properties	353,325
Asset retirement obligation	<u>55,599</u>
Total capitalized cost	14,358,664
Accumulated depreciation, depletion, amortization and impairment	<u>(578,512)</u>
Net capitalized costs	<u>\$13,780,152</u>

Estimated Net Quantities of Proved Oil and Gas Reserves:

Reserve estimates as well as certain information regarding future production and discounted cash flows were determined by MOC's petroleum reservoir engineers. The Partnership considers reserve estimates to be reasonable, however, due to inherent uncertainties and the limited nature of reservoir data, estimates of oil and gas reserves are imprecise and subject to change over time as additional information becomes available.

There have been no favorable or adverse events that have caused a significant change in estimated proved reserves since December 31, 2007. The Partnership has no long-term supply agreements or contracts with governments or authorities in which it acts as producer nor does it have any interest in oil and gas operations.

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Proved Reserves:

	Crude Oil and Condensate (Thousands of bbls of Oil)	Natural Gas (Thousands of Cubic Feet)
Balance at inception (1)	0	0
Extension, discoveries and other additions	52	4,779
Production	(4)	(188)
Balance at December 31, 2007(1)	<u>48</u>	<u>4,591</u>

(1) All of these reserves are categorized as proved developed as of December 31, 2007.

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Independent Auditors' Report

To the Board of Directors and Stockholder of
Mewbourne Development Corporation
Tyler, Texas

We have audited the accompanying balance sheet of Mewbourne Development Corporation (the "Company") as of June 30, 2007. The balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Mewbourne Development Corporation at June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Seidman

Dallas, Texas
October 16, 2007

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MEWBOURNE DEVELOPMENT CORPORATION
BALANCE SHEET

<u>June 30,</u>	<u>2007</u>
Assets	
Current assets	
Cash and cash equivalents	\$4,769,030
Accounts receivable, related party	3,955,562
Total current assets	8,724,592
Investments in partnerships	647,690
Oil and gas properties - full-cost method, net	43,342,428
Total assets	<u>\$52,714,710</u>
Liabilities and stockholder's equity	
Current liabilities	
Accounts payable, related party	\$2,849,075
Total current liabilities	2,849,075
Long term debt	97,222
Deferred income taxes	4,548,336

Asset retirement obligation	<u>1,647,542</u>
Total liabilities	<u>9,142,175</u>
Commitments and contingencies	
Stockholder' s equity:	
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1,000
Paid-in capital in excess of par value of common stock	1,190,262
Retained earnings	<u>42,381,273</u>
Total stockholder' s equity	<u>43,572,535</u>
Total liabilities and stockholder' s equity	<u><u>\$52,714,710</u></u>

See accompanying notes to financial statements.

1. Significant Accounting Policies

Financial Statement Presentation

Mewbourne Development Corporation (the “Company”) is a wholly-owned subsidiary of Mewbourne Holdings, Inc. (the “Stockholder”). The Company is principally involved in the exploration and production of oil and gas in Texas, Oklahoma and New Mexico.

Oil and Gas Properties

The Company follows the full-cost method of accounting for its oil and gas activities, all of which are located in the Continental United States. Under the full-cost method, all productive and nonproductive costs incurred in the acquisition, exploration and development of oil and gas properties are capitalized. All such costs are directly identified with acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead, or similar activities. Depreciation, depletion and amortization of oil and gas properties are computed on the units-of-production method, using the proved reserves underlying the oil and gas properties. Unproved oil and natural gas properties are excluded from the calculation of depreciation, depletion and amortization until it is determined whether or not proved reserves can be assigned to such properties. At June 30, 2007, \$1,081,036 was considered unproved property costs. Gains and losses on the sale or other disposition of properties are not recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas.

Included in capitalized costs are organization and offering costs related to the offering of certain partnerships in which the Company is the managing partner. These partnerships were formed to acquire interest in oil and gas properties and the Company received its interest in these oil and gas properties through its contribution of these organization and offering costs. Depreciation, depletion and amortization of capitalized organization and offering cost are computed on the units-of-production method using the proved reserves and depletion rate of each partnership for which the organization and offering costs were incurred.

Capitalized costs are subject to a ceiling test that limits such costs to the aggregate of the present value of future net revenues of proved reserves discounted at 10%, based on oil and gas prices and operating conditions at the balance sheet date, and the lower of cost or fair value of unproved properties. There was no ceiling write-down required at June 30, 2007.

Management’s Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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In addition, oil and gas reserves and dismantlement costs require significant estimates which could materially differ from amounts ultimately realized.

Cash and Cash Equivalents

The Company considers all highly liquid investments, those with original maturities of three months or less at the date of acquisition, to be cash equivalents.

A substantial portion of the Company's cash and cash equivalents is maintained in one financial institution which the Company believes to be of high credit quality.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values because of the short maturity or duration of these instruments. The fair value of the Company's long-term debt approximates carrying value due to the terms available to the Company for similar financial instruments.

Investments in Partnerships

The Company is the managing partner of several oil and gas partnerships. The Company accounts for its investment in partnerships using the equity method of accounting.

Asset Retirement Obligations

Under Statement of Financial Accounting Standard No. 143 ("FAS 143"), "Accounting for Asset Retirement Obligations," the Company is required to record the fair value of liabilities associated with the retirement of long-lived assets. A liability for the estimated fair value of the future plugging and abandonment costs is recorded with a corresponding increase in the full cost pool at the time a new well is drilled. The Company recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

2. Oil and Gas Properties

Oil and gas properties consist of the following:

June 30,

	<u>2007</u>
Proved oil and gas properties	\$65,186,697
Unproved oil and gas properties	1,081,036
Accumulated depreciation, depletion and amortization	<u>(22,925,305)</u>
Net oil and gas properties	<u>\$43,342,428</u>

3. Long-Term Debt

On December 28, 2006, the Company renewed its bank revolving credit agreement, extending the maturity date of its \$4,000,000 revolving line of credit. The Company can borrow under the bank revolving credit agreement from December 28, 2006 to November 30,

2009. Principal outstanding and unpaid on January 1, 2008 will be payable in 36 equal monthly installments until the Note is paid in full on December 31, 2010. The Company has the option to borrow at either the prime rate minus .25% or at the Eurodollar Fixed Period Rate, plus 2.5%.

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The bank revolving credit agreement also contains certain covenants including the maintenance of minimum proven oil and gas reserves. The bank revolving credit agreement is uncollateralized; however, the Company is subject to certain negative covenants. As of June 30, 2007, the Company has \$97,222 outstanding under this revolving credit agreement and has \$3,902,778 available for borrowing.

4. Asset Retirement Obligation

The Company has recognized an estimated liability for future plugging and abandonment costs. The estimated liability is based on historical experience and estimated well life. The liability is discounted using the credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in well plugging and abandonment costs or well useful lives, or if federal or state regulators enact new property restoration requirements. The Company recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

A reconciliation of the Company's liability for well plugging and abandonment costs for the year ended June 30, 2007 is as follows:

<u>June 30,</u>	<u>2007</u>
Balance at June 30, 2006	\$1,483,051
Liabilities incurred during period	93,480
Accretion expense	79,131
Liabilities settled during period	<u>(8,120)</u>
Balance at June 30, 2007	<u>\$1,647,542</u>

5. Income Taxes

Federal and state income tax is calculated at the Stockholder level and allocated to the subsidiaries based on pretax income. The Company calculates its deferred tax liability as if it were a separate tax paying entity. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at the balance sheet date based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of June 30, 2007, federal and state income taxes payable to the Stockholder were \$847,262 which is included in accounts payable, related party in the accompanying balance sheet.

The deferred tax liability at June 30, 2007 is primarily attributable to the differences in depletion and depreciation methods for oil and gas properties between the income tax basis of accounting and generally accepted accounting principles.

The components of income tax expense for the year ended are as follows:

<u>June 30,</u>	<u>2007</u>
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Current income taxes

Federal	\$2,046,116
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State	241,001
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2,287,117

Deferred income taxes

Federal	1,350,873
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State	158,926
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1,509,799

\$3,796,916

A reconciliation of income tax computed at the federal statutory income tax rate to income tax expense reported herein for the year ended is as follows:

June 30,

2007

Tax computed at statutory rate	\$3,898,260
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Excess tax depletion	(320,204)
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State taxes, net of federal benefit	59,799
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Other	159,061
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\$3,796,916

6. Commitments and Contingencies

The Company is obligated, subject to certain limitations, to purchase or cause to be purchased by an affiliate or the Stockholder, limited partnership interests, if tendered. The purchase price is based on a defined formula pursuant to the Partnership agreement and is intended to represent fair value. For the majority of the partnerships in which this obligation exists, the obligation generally commences once the partnership has been in existence for 3 years and extends for a period of 5 years; on certain others, the obligation remains throughout the life of the partnership. The obligation to purchase interests in a single calendar year is generally limited to no more than 5% of the total number of interests of the partnership outstanding at the beginning of the calendar year. Additionally, the total amount of limited partnership interests which the Company is obligated to purchase upon redemption is limited to \$500,000 per year. If the partnership interests are tendered in future years, it is anticipated that the Company or Stockholder will use funds provided by operations or borrow funds to satisfy such repurchase obligations. Historically, the amount of limited partnership interests tendered has been immaterial.

At June 30, 2007, the Company had a funding requirement of approximately \$6,919,950 to Mewbourne Energy Partners 06-A L.P., an affiliated partnership.

7. Related Party Transactions

Mewbourne Oil Company (“MOC”), a wholly owned subsidiary of the Stockholder, acts as operator of substantially all oil and gas properties in which the Company invests. Under the terms of the operating agreements, oil and gas sales are collected by MOC and remitted to the Company and lease operating expenses and production taxes are billed by and paid to MOC. Additionally, MOC charges the Company for general and administrative expenses in accordance with the partnership and program agreements. For the year ended June 30, 2007, \$540,266 was included in general and administrative expenses for such fees. MOC remits revenues to the Company and bills the Company for expenses on a monthly basis. At June 30, 2007, accounts receivable, related party consists of revenues receivable from MOC and accounts payable, related party consists of \$2,001,846 payable to MOC for expenses and \$847,262 payable to the Stockholder for income taxes. The Company considers the amounts receivable from MOC to be fully collectible.

8. Supplemental Oil and Gas Information (Unaudited)

The tables presented below provide supplemental information about oil and gas exploration and production activities as defined by SFAS No. 69, “Disclosures about Oil and Gas Producing Activities”.

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Capitalized costs related to oil and gas acquisition, exploration and development activities at June 30, 2007 are as follows:

<u>June 30,</u>	<u>2007</u>
Proved property costs	\$28,198,706
Unproved property costs	1,081,036
Producing assets	36,597,991
Other	390,000
Total capitalized costs	66,267,733
Accumulated depreciation, depletion and amortization	(22,925,305)
Net capitalized costs	<u>\$43,342,428</u>

Costs incurred in property acquisitions and development activities during the year ended June 30, 2007 are as follows:

<u>June 30,</u>	<u>2007</u>
Proved property acquisition costs	\$5,235,916
Development costs	8,301,055
Total	<u>\$13,536,971</u>

Depletion, depreciation and amortization per equivalent unit of oil production for the year ended June 30, 2007 was \$8.62.

The estimates of proved oil and gas reserves utilized in the preparation of these financial statements were estimated in accordance with guidelines established by the Securities and Exchange Commission and the Financial Accounting Standards Board, which require that reserve reports be prepared using oil and gas prices and operating conditions at the balance sheet date with no provision for price and cost escalation except by contractual agreement. Proved oil and gas reserves are defined as estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years

from known reservoirs under existing economic and operating conditions. These estimates may change as future information becomes available. All of the Company' s reserves are located onshore in the Continental United States.

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Changes in proved oil and gas reserves for the year ended June 30, 2007 are as follows:

	<u>Gas</u> <u>(MMcf)</u>	<u>Oil</u> <u>(MBbls)</u>
Proved reserves at June 30, 2006	22,486	325
Revisions to previous estimates	(593)	0
Extensions, discoveries and other additions	6,209	123
Production	<u>(2,739)</u>	<u>(36)</u>
Proved reserves at June 30, 2007	<u>25,363</u>	<u>412</u>

Substantially all of the Company' s proved reserves at June 30, 2007 are developed.

As required by the Financial Accounting Standards Board, the standardized measure of discounted future cash flows is computed by applying year-end prices and costs and a discount factor of 10 percent to net proved reserves. The price of oil and gas used in the standardized measure of discounted future cash flows at June 30, 2007 is \$67.54 per barrel and \$6.20 per mcf, respectively.

The Company believes the standardized measure does not provide a reliable estimate of the Company' s expected future cash flows to be obtained from the development and production of its oil and gas properties or of the value of its proved oil and gas reserves. The standardized measure is prepared on the basis of certain prescribed assumptions including year-end prices, which represent a single point in time and therefore may cause significant variability in cash flows from year to year as prices change.

The standardized measure of discounted future net cash flows as of June 30, 2007 is as follows:

June 30,

	<u>2007</u>
Future cash inflows	\$185,031,203
Future production costs	(63,242,738)
Future development costs	(1,105,511)
Future income tax expense	<u>(17,881,031)</u>
	102,801,923
Discount at 10%	<u>(53,373,758)</u>

Standard measure of discounted future net cash flows from estimated production of proved oil and gas reserves
after income taxes

\$49,428,165

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Changes in the standardized measure of discounted future net cash flows for the year ended June 30, 2007 are as follows:

June 30,

	<u>2007</u>
Standardized measure of discounted future net cash flows at June 30, 2006	\$38,950,041
Change in value of previous year reserved due to:	
Value of reserves added due to extensions, discoveries and other additions	14,618,870
Accretion of discount	4,488,465
Development costs incurred during the year	1,611,407
Changes in estimated development costs	(211,369)
Sales of oil and gas produced during the year, net of production costs	(16,303,101)
Revisions of previous reserve estimates	(1,256,025)
Net change in prices	10,596,476)
Net change in income taxes	(2,662,590)
Timing and other	(404,009)
Standardized measure of discounted future net cash flows at June 30, 2007	<u>\$49,428,165</u>

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MEWBOURNE DEVELOPMENT CORPORATION
BALANCE SHEET
(UNAUDITED)
December 31, 2007

ASSETS	
Current assets:	
Cash and cash equivalents	\$165,810
Accounts receivable, related party	<u>4,243,477</u>
Total current assets	4,409,287
Investment in partnerships	927,040
Oil and gas properties net	<u>50,951,621</u>
Total assets	<u><u>\$56,287,948</u></u>
LIABILITIES AND STOCKHOLDER' S EQUITY	
Current liabilities:	
Accounts payable, related party	<u>\$1,063,720</u>
Total current liabilities	1,063,720
Noncurrent liabilities:	
Long term debt	97,222

Asset retirement obligation plugging liability	1,725,109
Deferred income taxes	5,256,403
Total liabilities	<u>8,142,454</u>
Stockholder' s equity:	
Common stock, \$1.00 par value, 1,000 shares authorized issued and outstanding	1,000
Paid-in capital in excess of par value of common stock	1,190,262
Retained earnings	46,954,232
Total stockholder' s equity	<u>48,145,494</u>
Total liabilities and stockholder' s equity	<u>\$56,287,948</u>

See accompanying notes to financial statements.

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1. Accounting Policies

Financial Statement Presentation

Mewbourne Development Corporation (the “Company”) is a wholly-owned subsidiary of Mewbourne Holdings, Inc. (the “Stockholder”). The Company is principally involved in the exploration and production of oil and gas in Texas, Oklahoma and New Mexico.

Oil and Gas Properties

The Company follows the full-cost method of accounting for its oil and gas activities, all of which are located in the Continental United States. Under the full-cost method, all productive and nonproductive costs incurred in the acquisition, exploration and development of oil and gas properties are capitalized. All such costs are directly identified with acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead, or similar activities. Depreciation, depletion and amortization of oil and gas properties are computed on the units-of-production method, using the proved reserves underlying the oil and gas properties. Unproved oil and natural gas properties are excluded from the calculation of depreciation, depletion and amortization until it is determined whether or not proved reserves can be assigned to such properties. At December 31, 2007, \$414,393 was considered unproved property costs. Gains and losses on the sale or other disposition of properties are not recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas.

Included in capitalized costs are organization and offering costs related to the offering of certain partnerships in which the Company is the managing partner. These partnerships were formed to acquire interests in oil and gas properties and the Company received its interests in these oil and gas properties through its contribution of these organization and offering costs. Depreciation, depletion and amortization of capitalized organization and offering cost are computed on the units-of-production method using the proved reserves and depletion rate of each partnership for which the organization and offering costs were incurred.

Capitalized costs are subject to a ceiling test that limits such costs to the aggregate of the present value of future net revenues of proved reserves discounted at 10%, based on oil and gas prices and operating conditions at the balance sheet date, and the lower of cost or fair value of unproved properties. There was no ceiling write-down required at December 31, 2007.

Management’s Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In addition, oil and gas reserves and dismantlement costs require significant estimates which could materially differ from amounts ultimately realized.

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Cash and Cash Equivalents

The Company considers all highly liquid investments, those with original maturities of three months or less at the date of acquisition, to be cash equivalents.

A substantial portion of the Company's cash and cash equivalents is maintained in one financial institution which the Company believes to be of high credit quality.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values because of the short maturity or duration of these instruments. The fair value of the Company's long-term debt approximates carrying value due to the terms available to the Company for similar financial instruments.

Investments in Partnerships

The Company is the managing partner of oil and gas partnerships. The Company accounts for its investment in partnerships using the equity method of accounting.

Asset Retirement Obligations

Under Statement of Financial Accounting Standard No. 143 ("FAS 143"), "Accounting for Asset Retirement Obligations," the Company is required to record the fair value of liabilities associated with the retirement of long-lived assets. A liability for the estimated fair value of the future plugging and abandonment costs is recorded with a corresponding increase in the full cost pool at the time a new well is drilled. The Company recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

2. Oil and Gas Properties

Oil and gas properties consist of the following:

December 31,

	<u>2007</u>
Proved oil and gas properties	\$76,152,356
Unproved oil and gas properties	414,393
Accumulated depreciation, depletion and amortization	<u>(25,615,128)</u>
Net oil and gas properties	<u>\$50,951,621</u>

3. Long-Term Debt

On December 31, 2007, the Company renewed its bank revolving credit agreement, extending the maturity date of its \$4,000,000 revolving line of credit. The Company can borrow under the bank revolving credit agreement from December 31, 2007 to November 30, 2009. Principal outstanding and unpaid on January 1, 2010 will be payable in 36 equal monthly installments until the Note is paid in full on December 31, 2012. The Company has the option to borrow at either the prime rate minus .25% or at the Eurodollar Fixed Period Rate, plus 2.5%.

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The bank revolving credit agreement also contains certain covenants including the maintenance of minimum proven oil and gas reserves. The bank revolving credit agreement is uncollateralized; however, the Company is subject to certain negative covenants. As of December 31, 2007, the Company has \$97,222 outstanding under this revolving credit agreement and has \$3,902,778 available for borrowing.

4. Asset Retirement Obligation

The Company has recognized an estimated liability for future plugging and abandonment costs. The estimated liability is based on historical experience and estimated well life. The liability is discounted using the credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in well plugging and abandonment costs or well useful lives, or if federal or state regulators enact new property restoration requirements. The Company recognizes accretion expense in connection with the discounted liability over the remaining life of the well.

A reconciliation of the Company's liability for well plugging and abandonment costs for the six months ended December 31, 2007 is as follows:

December 31,

	<u>2007</u>
Balance at June 30, 2007	\$1,647,542
Liabilities incurred during period	42,380
Accretion expense	42,706
Liabilities settled during period	<u>(7,519)</u>
Balance at December 31, 2007	<u>\$1,725,109</u>

5. Income Taxes

Federal and state income tax is calculated at the Stockholder level and allocated to the subsidiaries based on pretax income. The Company calculates its deferred tax liability as if it were a separate tax paying entity. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at the balance sheet date based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of December 31, 2007, federal and state income taxes payable to the Stockholder were \$492,111 which is included in accounts payable, related party in the accompanying balance sheet.

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The deferred tax liability at December 31, 2007 is primarily attributable to the differences in depletion and depreciation methods for oil and gas properties between the income tax basis of accounting and generally accepted accounting principles.

The components of income tax expense for the year ended are as follows:

December 31,

	<u>2007</u>
Current income taxes	
Federal	\$1,593,965
State	131,251
	1,725,216
Deferred income taxes	
Federal	633,534
State	74,533
	708,067
	<u>\$2,433,283</u>

A reconciliation of income tax computed at the federal statutory income tax rate to income tax expense reported herein for the year ended is as follows:

December 31,

	<u>2007</u>
Tax computed at statutory rate	\$2,382,122
Excess tax depletion	(35,465)
State taxes, net of federal benefit	0
Other	86,626
	<u>\$2,433,283</u>

6. Commitments and Contingencies

The Company is obligated, subject to certain limitations, to purchase or cause to be purchased by an affiliate or the Stockholder, limited partnership interests, if tendered. The purchase price is based on a defined formula pursuant to the Partnership agreement and is intended to represent fair value. For the majority of the partnerships in which this obligation exists, the obligation generally commences once the partnership has been in existence for 3 years and extends for a period of 5 years; on certain others, the obligation remains throughout the life of the partnership. The obligation to purchase interests in a single calendar year is generally limited to no more than 5% of the total number of interests of the partnership outstanding at the beginning of the calendar year. Additionally, the total amount of limited partnership interests which the Company is obligated to purchase upon redemption is limited to \$500,000 per year. If the partnership interests are tendered in future years, it is anticipated that the Company or Stockholder will use funds provided by operations or borrow funds to satisfy such repurchase obligations. Historically, the amount of limited partnership interests tendered has been immaterial.

At December 31, 2007, the Company had a funding requirement of approximately \$15,489,722 to Mewbourne Energy Partners 07-A L.P., an affiliated partnership.

7. Related Party Transactions

Mewbourne Oil Company (“MOC”), a wholly owned subsidiary of the Stockholder, acts as operator of substantially all oil and gas properties in which the Company invests. Under the terms of the operating agreements, oil and gas sales are collected by MOC and remitted to the Company and lease operating expenses and production taxes are billed by and paid to MOC. Additionally, MOC charges the Company for general and administrative expenses in accordance with the partnership and program agreements. For the six months ended December 31, 2007, \$377,482 was included in general and administrative expenses for such fees. MOC remits revenues to the Company and bills the Company for expenses on a monthly basis. At December 31, 2007, accounts receivable, related party consists of revenues receivable from MOC and accounts payable, related party consists of \$571,609 payable to MOC for expenses and \$492,111 payable to the Stockholder for income taxes. The Company considers the amounts receivable from MOC to be fully collectible.

8. Supplemental Oil and Gas Information (Unaudited)

The tables presented below provide supplemental information about oil and gas exploration and production activities as defined by SFAS No. 69, “Disclosures about Oil and Gas Producing Activities”.

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Capitalized costs related to oil and gas acquisition, exploration and development activities at December 31, 2007 are as follows:

December 31,

	<u>2007</u>
Proved property costs	\$31,225,601
Unproved property costs	414,393
Producing assets	44,371,754
Other	555,000
Total capitalized costs	76,566,748
Accumulated depreciation, depletion and amortization	(25,615,127)
Net capitalized costs	<u>\$50,951,621</u>

Costs incurred in property acquisitions and development activities during the six months ended December 31, 2007 are as follows:

December 31,

	<u>2007</u>
Proved property acquisition costs	\$2,984,514
Development costs	7,107,121
Total	<u>\$10,091,635</u>

Depletion, depreciation and amortization per equivalent unit of oil production for the six months ended December 31, 2007 was \$9.10.

The estimates of proved oil and gas reserves utilized in the preparation of these financial statements were estimated in accordance with guidelines established by the Securities and Exchange Commission and the Financial Accounting Standards Board, which require that reserve reports be prepared using oil and gas prices and operating conditions at the balance sheet date with no provision for price and cost escalation except by contractual agreement. Proved oil and gas reserves are defined as estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years

from known reservoirs under existing economic and operating conditions. These estimates may change as future information becomes available. All of the Company' s reserves are located onshore in the Continental United States.

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Changes in proved oil and gas reserves for the six months ended December 31, 2007 are as follows:

	Gas (MMcf)	Oil (MBbls)
Proved reserves at June 30, 2007	25,363	412
Revisions to previous estimates	889	9
Extensions, discoveries and other additions	4,178	60
Production	(1,624)	(25)
Proved reserves at December 31, 2007	<u>28,806</u>	<u>456</u>

Substantially all of the Company' s proved reserves at December 31, 2007 are developed.

As required by the Financial Accounting Standards Board, the standardized measure of discounted future cash flows is computed by applying year-end prices and costs and a discount factor of 10 percent to net proved reserves. The price of oil and gas used in the standardized measure of discounted future cash flows at December 31, 2007 is \$94.32 per barrel and \$6.40 per mcf, respectively.

The Company believes the standardized measure does not provide a reliable estimate of the Company' s expected future cash flows to be obtained from the development and production of its oil and gas properties or of the value of its proved oil and gas reserves. The standardized measure is prepared on the basis of certain prescribed assumptions including year-end prices, which represent a single point in time and therefore may cause significant variability in cash flows from year to year as prices change.

The standardized measure of discounted future net cash flows as of December 31, 2007 is as follows:

December 31,

	2007
Future cash inflows	\$227,358,781
Future production costs	(72,906,422)
Future development costs	(1,352,189)
Future income tax expense	(22,523,195)
	<u>130,576,975</u>

Discount at 10%

(68,840,783)

Standardized measure of discounted future net cash flows from estimated production of proved oil and gas reserves after income taxes

\$61,736,192

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Changes in the standardized measure of discounted future net cash flows for the six months ended December 31, 2007 are as follows:

December 31,

	<u>2007</u>
Standardized measure of discounted future net cash flows at June 30, 2007	\$49,428,165
Change in value of previous year reserves due to:	
Value of reserves added due to extensions, discoveries and other additions	10,506,020
Accretion of discount	5,802,537
Development costs incurred during the year	322,485
Changes in estimated development costs	(246,678)
Sales of oil and gas produced during the year, net of production costs	(10,039,241)
Revisions of previous reserve estimates	2,193,551
Net change in prices	8,680,842
Net change in income taxes	(2,051,767)
Timing and other	<u>(2,859,722)</u>
Standardized measure of discounted future net cash flows at December 31, 2007	<u>\$61,736,192</u>

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Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 15. Financial Statements and Exhibits.

(a) 1. Financial statements

The following are filed as part of this Registration Statement:

Balance sheet of the Registrant as of December 31, 2007

Statement of operations of the Registrant for the year ended December 31, 2007

Statement of changes in partners' capital of the Registrant for the year ended December 31, 2007

Statement of cash flows of the Registrant for the year ended December 31, 2007

Notes to financial statements of the Registrant

Balance sheet of Mewbourne Development Corporation as of June 30, 2007

Notes to financial statements of Mewbourne Development Corporation for the year ended June 30, 2007

Unaudited balance sheet of Mewbourne Development Corporation as of December 31, 2007

Notes to unaudited financial statements of Mewbourne Development Corporation for the period ended December 31, 2007

2. Financial statement schedules

None. All required information is in the financial statements or the notes thereto, or is not applicable or required.

3. Exhibits

The exhibits listed on the accompanying index are filed or incorporated by reference as part of this Registration Statement.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

By: MEWBOURNE DEVELOPMENT CORPORATION,
Managing Partner

April 25, 2008

By: /s/ Curtis W. Mewbourne

Curtis W. Mewbourne
President and Director

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INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 15(a)3.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Limited Partnership of Mewbourne Energy Partners 07-A, L.P., dated February 20, 2007 and filed with the Secretary of State of the State of Delaware on February 22, 2007*
3.2	Certificate of Amendment to Certificate of Limited Partnership of Mewbourne Energy Partners 07-A, L.P., dated August 13, 2007 and filed with the Secretary of State of the State of Delaware on August 13, 2007*
3.3	Certificate of Correction Filed to Correct a Certain Error in the Certificate of Amendment to Certificate of Limited Partnership of Mewbourne Energy Partners 07-A, L.P., dated December 12, 2007 and filed with the Secretary of State of the State of Delaware on December 12, 2007*
4.1	Agreement of Partnership, dated February 20, 2007*
4.2	Form of Certificate of Limited Partnership Interest*
4.3	Form of Certificate of General Partnership Interest*
10.1	Drilling Program Agreement among Mewbourne Development Corporation, Mewbourne Oil Company and Mewbourne Energy Partners 07-A, L.P., dated August 13, 2007*
10.2	Operating Agreement between Mewbourne Energy Partners 07-A, L.P., Mewbourne Development Corporation and Mewbourne Oil Company, dated August 13, 2007*
10.3	Gas Marketing Agreement between Mewbourne Oil Company, Mewbourne Energy Partners 07-A, L.P. and Mewbourne Development Corporation, dated August 13, 2007*

* Filed herewith.

**CERTIFICATE OF LIMITED PARTNERSHIP
OF
MEWBOURNE ENERGY PARTNERS 07-A, L.P.**

This Certificate of Limited Partnership of MEWBOURNE ENERGY PARTNERS 07-A, L.P. (the "Partnership") is being executed and filed by the undersigned general partner to form a limited partnership under the Delaware Revised Uniform Limited Partnership Act.

ARTICLE ONE

The name of the limited partnership formed hereby is MEWBOURNE ENERGY PARTNERS 07-A, L.P.

ARTICLE TWO

The address of the registered office of the Partnership in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware.

ARTICLE THREE

The name and address of the registered agent of the Partnership in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware.

ARTICLE FOUR

The name and business address of the general partner of the Partnership is:

<u>Name</u>	<u>Business Address</u>
Mewbourne Development Corporation	3901 S. Broadway Tyler, Texas 75701

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Limited Partnership by and through a duly authorized officer thereof on this 20th day of February, 2007.

**MEWBOURNE DEVELOPMENT
CORPORATION**, Managing Partner

By: /s/ J. Roe Buckley
J. Roe Buckley
Chief Financial Officer

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF LIMITED PARTNERSHIP
OF
MEWBOURNE ENERGY PARTNERS 07-A, L.P.

This Certificate of Amendment to Certificate of Limited Partnership of MEWBOURNE ENERGY PARTNERS 07-A, L.P. (the “Partnership”) is being executed and filed by the undersigned general partner under the Delaware Revised Uniform Limited Partnership Act.

ARTICLE ONE

The name of the Partnership is MEWBOURNE ENERGY PARTNERS 07-A, L.P.

ARTICLE TWO

Article Four of the Certificate of Limited Partnership of the Partnership is hereby amended in its entirety to read as follows:

The name and business address of the managing general partner of the Partnership are Mewbourne Development Corporation, 3901 S. Broadway, Tyler, Texas 75701. The names of the investor general partners admitted to the Partnership are set forth on Exhibit A hereto. The business address of the investor general partners is 3901 S. Broadway, Tyler, Texas 75701.

IN WITNESS WHEREOF, the undersigned, the managing general partner of the Partnership and the attorney-in-fact for each of the investor general partners set forth on *Exhibit A*, by and through a duly authorized officer thereof, has executed this Certificate of Amendment to Certificate of Limited Partnership on this 13th day of August, 2007.

MEWBOURNE DEVELOPMENT CORPORATION,
acting for itself and as attorney-in-fact for each of the
investor general partners as set forth on *Exhibit A*

By: /s/ J. Roe Buckley

J. Roe Buckley, Chief Financial Officer

Exhibit A

**Mewbourne Energy Partners 07-A, L.P.
List of General Partners**

[REDACTED]

**CERTIFICATE OF CORRECTION
FILED TO CORRECT A CERTAIN ERROR
IN THE
CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF LIMITED PARTNERSHIP
OF
MEWBOURNE ENERGY PARTNERS 07-A, L.P.**

MEWBOURNE ENERGY PARTNERS 07-A, L.P., a Delaware limited partnership organized and existing under and by virtue of the Delaware Revised Uniform Limited Partnership Act, DOES HEREBY CERTIFY:

1. The name of the limited partnership is MEWBOURNE ENERGY PARTNERS 07-A, L.P.
2. That a Certificate of Limited Partnership of MEWBOURNE ENERGY PARTNERS 07-A, L.P. was filed with the Secretary of State of Delaware on February 22, 2007.
3. That a Certificate of Amendment to the Certificate of Limited Partnership of MEWBOURNE ENERGY PARTNERS 07-A, L.P. was filed with the Secretary of State of Delaware on August 13, 2007, and said Certificate of Amendment to the Certificate of Limited Partnership requires correction as permitted by Section 17-213 of the Delaware Revised Uniform Limited Partnership Act.
4. The inaccuracy or defect of the Certificate of Amendment to the Certificate of Limited Partnership to be corrected is Exhibit A thereto, which contains a list of the general partners, referred to in Article Two thereof. Such Exhibit A, as originally filed, fails to name all such general partners.
5. Exhibit A to the Certificate of Amendment to the Certificate of Limited Partnership is corrected to read as set forth in Exhibit "A" attached hereto.

IN WITNESS WHEREOF, the undersigned, the managing general partner by and through a duly authorized officer thereof and the attorney-in-fact for each of the investor general partners set forth on *Exhibit A*, have executed this Certificate of Correction to the Certificate of Amendment to Certificate of Limited Partnership on this 12th day of December, 2007.

MEWBOURNE DEVELOPMENT CORPORATION,
acting for itself and as attorney-in-fact for each of the
investor general partners as set forth on *Exhibit A*

By: /s/ J. Roe Buckley

J. Roe Buckley, Chief Financial Officer

Exhibit A

**Mewbourne Energy Partners 07-A, L.P.
List of General Partners**

[REDACTED]

AGREEMENT OF PARTNERSHIP

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

Agreement of Partnership
Mewbourne Energy Partners 07-A, L.P.
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Agreement of Partnership
Mewbourne Energy Partners 07-A, L.P.

THIS AGREEMENT OF PARTNERSHIP (herein called this "Agreement") dated February 20, 2007, is made by and among Mewbourne Development Corporation, a Delaware corporation ("MD" and also herein called the "Managing Partner" when acting in its capacity as Managing Partner of the Partnership), Curtis W. Mewbourne, a resident of Tyler, Texas (the "Organizational Partner"), and those persons who execute or adopt this Agreement or counterparts hereof as Investor Partners and become such (herein called the "Investor Partners"). In consideration of the mutual covenants and agreements contained herein, the parties hereto do hereby agree as follows:

ARTICLE I
FORMATION OF PARTNERSHIP

Section 1.1 Formation. Subject to the provisions of this Agreement, the parties hereto do hereby form a limited partnership (herein called the "Partnership") pursuant to the provisions of the Delaware Act.

Section 1.2 Name. The name of the Partnership shall be Mewbourne Energy Partners 07-A, L.P. Subject to all applicable laws, the business of the Partnership may be conducted under such other name or names (including the name of the Managing Partner) as the Managing Partner shall determine to be necessary or desirable. The Managing Partner shall cause to be filed on behalf of the Partnership such partnership or assumed or fictitious name certificate or certificates or similar instruments as may from time to time be required by law.

Section 1.3 Business. The business of the Partnership shall be the following: (a) to become a party to the Program Agreement; (b) to acquire Leases from MOC and its Affiliates and from third parties in accordance with the terms of the Program Agreement; (c) to explore, drill, develop, operate, and dispose of such Leases; (d) to produce, collect, store, treat, deliver, market, sell, or otherwise dispose of oil, gas, and related minerals from such Leases; and (e) to take all such actions which may be incidental thereto as the Managing Partner may determine. The Partnership may also purchase or acquire equipment, processing facilities, and other property associated with such Leases and acquire interests in and invest in joint ventures and other partnerships (including affiliated joint ventures or affiliated partnerships) or other entities (including corporations) that hold or are formed to acquire Leases in Prospects if, in the judgment of the Managing Partner, such acquisitions or investments are necessary or desirable to the acquisition by the Partnership of Leases in Prospects or the drilling and completion of wells thereon. In addition, the Partnership may participate in any other type of transaction relating to Leases or Prospects or the drilling and completion of wells thereon if the economic effect of such transactions is the same as the ownership of such Leases or Prospects by the Partnership.

Section 1.4 Principal Office. The location of the principal place of business of the Partnership shall be 3901 South Broadway, Tyler, Texas 75701. The Managing Partner, at any time and from time to time, may change the location of the Partnership's principal place of business and may establish such additional place or places of business of the Partnership as the Managing Partner shall determine to be necessary or desirable, provided notice thereof is given

to the Investor Partners within 30 days of such change or establishment. The registered office of the Partnership in the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, Wilmington, County of Newcastle, Delaware 19801, and its registered agent for service of process on the Partnership at such registered office shall be Corporation Trust Corporation.

Section 1.5 Names and Addresses of Partners. MD is the sole Managing Partner of the Partnership and its address is 3901 South Broadway, Tyler, Texas 75701. The Organizational Partner's name is Curtis W. Mewbourne and his address is 3901 South Broadway, Tyler, Texas 75701. The name and business, residence, or mailing address of each Investor Partner will be maintained in the Partnership records. The date upon which each such person became an Investor Partner shall be the date set forth in Partnership records. The address of each Investor Partner for the purpose of receiving notices and all other communications hereunder shall be the address shown in the Subscription Agreement executed by such Investor Partner or such other address as may be supplied by such Investor Partner to the Managing Partner in the manner specified in Section 11.1.

Section 1.6 Term. The Partnership shall commence upon the completion of filing for record of an initial Certificate of Limited Partnership for the Partnership in accordance with the Delaware Act and shall continue until terminated in accordance with Article IX.

Section 1.7 Filings. Upon the request of the Managing Partner, the parties hereto shall immediately execute and deliver all such certificates and other instruments conforming hereto as shall be necessary for the Managing Partner to accomplish all filing, recording, publishing, and other acts appropriate to comply with all requirements for the formation and operation of a limited partnership under the laws of the State of Delaware and for the formation, qualification, and operation of a limited partnership (or a partnership in which the Investor Partners have limited liability) in all other jurisdictions where the Partnership shall propose to conduct business.

Section 1.8 Title to Partnership Property. All property owned by the Partnership, whether real or personal, tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually, shall have any ownership of such property. The Partnership shall hold its assets in its own name, except that its interests in Leases may be held in the name of the Program Manager as contemplated by the Program Agreement.

Section 1.9 Conversion of General Partner Interests into Limited Partner Interests. As soon as practicable after the completion of the Partnership's drilling activities, the Interests held by the General Partners will be converted to Limited Partner Interests. In order to accomplish such conversion, the Managing Partner will (a) file an amended certificate of limited partnership with the Secretary of State of the State of Delaware removing the General Partners as general partners of the Partnership and (b) take such other actions as are necessary or appropriate to accomplish conversion of the General Partner Interests held by the General Partners to Limited Partner Interests. Notwithstanding the foregoing, the Managing Partner shall not be obligated to cause the conversion of the General Partner Interests held by the General Partners to Limited Partner Interests, or may delay such conversion, if the Managing Partner determines that such conversion at that time would not be in the best interests of the Investor Partners or the Partnership; provided that if the Managing Partner determines that such conversion would not be

in the best interests of the Investor Partners or the Partnership, the insurance coverage limits, including umbrella policy limits, will not be reduced unless such coverage becomes unobtainable or is only available at premiums which are prohibitively more expensive than the premiums now being paid for such policies. If conversion is so delayed, the Managing Partner will continue to have the power and authority to cause such conversion at any time during the term of the Partnership if the Managing Partner determines that conversion is in the best interests of the General Partners and the Partnership. Upon filing the amended certificate of limited partnership reflecting the conversion of the General Partner Interests held by General Partners to Limited Partner Interests, the conversion will be effective and thereafter each General Partner will have the rights and obligations of a Limited Partner and will be entitled to limited liability to the extent provided by the Delaware Act; provided that those General Partners will remain liable to the Partnership for their proportionate shares of Partnership obligations and liabilities arising prior to the conversion of their General Partner Interests to Limited Partner Interests.

ARTICLE II DEFINITIONS AND REFERENCES

Section 2.1 Defined Terms. When used in this Agreement and unless the context otherwise requires, the following terms shall have the respective meanings set forth below:

“Administrative Costs” shall mean all customary and routine expenses incurred by the Managing Partner or its Affiliates for the conduct of the administration of the Partnership or the Drilling Program, including: legal, finance, accounting, secretarial, travel, office rent, telephone, data processing, and other items of a similar nature.

“Adjusted Capital Account” shall mean the capital account maintained for each Partner as provided in Section 7.1(c) as of the end of each fiscal year, (a) increased by (i) an amount equal to such Partner’s allocable share of the Partnership’s Minimum Gain, as computed on the last day of such fiscal year in accordance with Treasury Regulation 1.704-2(g), and (ii) the amount of Partnership indebtedness allocable to such Partner under Section 752 of the Code with respect to which such Partner is personally liable, and (b) reduced by (i) depletion deductions reasonably expected to be allocated to such Partner in subsequent years and charged to such Partner’s capital account as provided in Section 7.1(c), (ii) the amount of all losses and deductions reasonably expected to be allocated to such Partner in subsequent years under Section 704(e)(2) or 706(d) of the Code and Treasury regulation 1.751-1(b)(2)(ii), and (iii) the amount of all distributions reasonably expected to be made to such Partner to the extent that they exceed offsetting increases in such Partner’s capital account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made.

“Affiliate” shall mean with respect to another person, (a) any person directly or indirectly owning, controlling, or holding with power to vote 10% or more of the outstanding voting securities of or equity interests in such other person; (b) any person 10% or more of whose outstanding voting securities or equity interests are directly or indirectly owned, controlled, or held with power to vote by such other person; (c) any person directly or indirectly controlling, controlled by, or under common control with such other person; (d) any employee, officer, director, or partner of such other person; and (e) any company for which any such officer, director, or partner acts in any such capacity. For purposes of this Agreement an Affiliate of MD shall include Affiliated Programs.

“Affiliated Program” shall mean a drilling, producing property, income, royalty, or other program for or of which the Managing Partner or an Affiliate thereof serves as manager or managing partner or acts in a similar capacity.

“Agreement” shall mean this Agreement of Partnership, as amended from time to time.

“Base Rate” shall mean an effective rate per annum equal to the lesser of the following rates of interest (a) the highest rate of interest publicly announced from time to time by Bank of America of Texas, N.A., Tyler, Texas, as its prime rate for its largest and most credit worthy domestic corporate customers for 90 day unsecured loans, plus 1%, or (b) the “Maximum Legal Rate.” The term “Maximum Legal Rate” means the maximum rate of interest from time to time permitted to be contracted for, charged, or collected by the specified recipient under any laws from time to time applicable to the indebtedness of the payor to the recipient with respect to the amounts subject to such Base Rate.

“Capital Contribution” shall mean for any particular Partner the total dollar amount of the contribution to the capital of the Partnership made by such Partner.

“Capital Contributions” shall mean the aggregate amount of the Capital Contribution paid by all Partners to the Partnership.

“Capital Expenditures” shall mean those costs associated with property acquisition and the drilling and completion of oil and gas wells which are generally accepted as capital expenditures pursuant to the provisions of the Code.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Delaware Act” shall mean the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, and any successor to such act.

“Direct Costs” shall mean all actual and necessary costs directly incurred for the benefit of the Drilling Program and generally attributable to the goods and services provided to the Drilling Program by parties other than the Managing Partner or its Affiliates. Direct costs shall not include any cost otherwise classified as Organization and Offering Expenses. Direct Costs include Reporting and Legal Expenses and may include the cost of services provided by the Managing Partner or its Affiliates if such services are provided pursuant to written contracts and in compliance with the terms set forth under Section 5.7 hereof.

“Drilling Program” shall mean the drilling program to be conducted by the Partnership, MOC, and MD pursuant to the Program Agreement and the rights, interests, and properties of MD and the Partnership under or subject to the Program Agreement.

A “farmout” shall mean an agreement whereby the owner of the Lease agrees to assign his interest in certain specific acreage to the assignees, retaining some interest such as an Overriding Royalty Interest, an oil and gas payment, offset acreage, or other type of interest, subject to the drilling of one or more specific wells or other performance as a condition of the assignment.

“Gas Marketing Agreement” shall mean the Gas Marketing Agreement by and between the Partnership, the Program Manager and MD.

“General Partner” shall mean each person who executes or adopts this Agreement or a counterpart hereof as a General Partner and is accepted by the Managing Partner as such and any person who becomes a substituted General Partner in accordance with the terms hereof. General Partner shall not include the Managing Partner except to the extent that the Managing Partner owns General Partner Interests.

“General Partner Interest” shall mean a General Partner’s unit of interest in the Partnership representing a \$1,000 Capital Contribution.

“Horizon” shall mean a zone of a particular formation; that part of a formation of sufficient porosity and permeability to form a petroleum reservoir.

“Independent Expert” shall mean a person with no material relationship to the Managing Partner or its Affiliates who is qualified and who is in the business of rendering opinions regarding the value of oil and gas properties based upon the evaluation of all pertinent economic, financial, geologic, and engineering information available to the Managing Partner.

“Interest” shall mean an Investor Partner’s unit of interest in the Partnership representing a \$1,000 Capital Contribution.

“Investor Partners” shall mean the General Partners and the Limited Partners and shall not include the Managing Partner, except to the extent that the Managing Partner owns Interests.

“Lease” shall mean an oil and gas lease or an oil, gas, and mineral lease; a Working Interest; an interest (including certain non-consent interest) arising under a pooling order or operating agreement; an interest acquired under a farmout; operating rights under governmental tracts; a mineral interest, royalty, or other interest in and to oil, gas, and related hydrocarbons (or a contractual right to acquire or earn such an interest) or an undivided interest therein or portion thereof (including those covering only certain Horizons or depths), together with all easements, permits, licenses, servitudes, and rights-of-way situated upon or used or held for future use in connection with the exploration, development, or operation of such interest.

“Lease Acquisition Costs” shall mean, when used to describe the costs of any Lease, the sum of (a) all monetary consideration paid or given for such Lease to a non-Affiliate of the Managing Partner, including but not limited to lease bonuses and advance rentals paid to a non-Affiliate of the Managing Partner, (b) all costs of lease acquisition and title examination, including but not limited to curing or defending title, title insurance or examination costs, brokerage commissions, the fees and wages of landmen and lease brokers and their expenses, filing fees, recording costs, transfer taxes, and like charges paid in connection with the acquisition of such Lease, (c) all delay rentals and other similar payments and ad valorem taxes paid with respect to such Lease, (d) such portion as may be allocated to such Lease in accordance with industry standards of all reasonable, necessary, and actual costs and expenses of MD or its Affiliates for geological, geophysical, seismic, land, engineering, drafting, accounting, legal, and other like services together with related administrative and general overhead costs involved in lease acquisition and Prospect evaluation including such costs and expenses which could

otherwise be classified hereunder as Administrative Costs, (e) such portion as may be allocated to such Lease in accordance with industry standards of all costs and expenses incurred in the acquisition of farmouts, subleases, pooling orders, or other oil and gas interests, (f) interest and points actually incurred on funds borrowed to pay any of the costs and expenses described in clauses (a) through (e) above calculated from the date of their incurrence until the date of their reimbursement by the Drilling Program at the time a Lease is acquired by the Drilling Program, and (g) with respect to Leases held on the date hereof by or acquired thereafter by MD or an Affiliate thereof, in which an interest is transferred to the Participants pursuant to the Program Agreement, the costs of such transfer; provided that the expenses described in clauses (c), (d), (e), and (f) shall have been incurred by MOC or its Affiliates not more than 36 months prior to the acquisition by the Drilling Program of such Lease; and provided further, that such time limitation shall not be applicable to Leases having a primary term of five or more years. Lease Acquisition Costs of a Lease shall not include any costs or expenses otherwise allocable herein to such Lease and which represent costs or expenses incurred in connection with the past drilling of wells which are not producers of sufficient quantities of oil or natural gas to make commercially reasonable their continued operation.

“Limited Partner” shall mean each person who executes or adopts this Agreement or a counterpart hereof as a Limited Partner and is accepted by the Managing Partner as such and any person who becomes a substituted Limited Partner in accordance with the terms hereof. Limited Partner shall not include the Managing Partner, except to the extent that the Managing Partner owns Limited Partner Interests.

“Limited Partner Interest” shall mean a Limited Partner’s unit of interest in the Partnership representing a \$1,000 Capital Contribution.

“Majority in Interest” shall mean, with respect to any agreement or vote of the Investor Partners, Investor Partners whose combined Interests, at the time of determination thereof, exceed 50% of the total Interests held of record by Investor Partners who are eligible to participate in such agreement or vote.

“Management Fee” shall have the meaning assigned to such term in Section 5.8.

“Managing Partner” shall mean MD which will serve as the initial managing partner of the Partnership, and any person who becomes a substituted Managing Partner in accordance with the terms hereof.

“Minimum Gain” shall mean the amount of gain that would be realized by the Partnership if it disposed of (in a taxable transaction) all Partnership properties which are subject to non-recourse liabilities of the Partnership in full satisfaction of such liabilities, computed in accordance with the provisions of Treasury regulation 1.704-2(b)(2).

“MOC” shall mean Mewbourne Oil Company, a Delaware corporation.

“Operating Agreement” shall mean a Model Form Operating Agreement based upon the American Association of Petroleum Landmen Form 610-1989 and among the other attached exhibits thereto, an accounting procedure for joint operations issued by the Council of Petroleum Accountants Societies of North America, each of which containing modifications that are customary and usual for the geographic area in which the Partnership intends to conduct operations.

“Operating Costs” shall mean all expenditures made and costs incurred in producing and marketing oil and gas from completed wells, including, in addition to labor, fuel, repairs, hauling, materials, supplies, utility charges, and other costs incident to or therefrom, ad valorem and severance taxes, insurance and casualty loss expense, and compensation to well operators or others for services rendered in conducting such operations.

“Organization and Offering Expenses” means all costs and expenses incurred by the managing partner and its affiliates in connection with the organization of a partnership and a drilling program, the registration of the interests for offer and sale under applicable federal and state securities laws, and the offer and sale of the interests. Organization and Offering Expenses include, without limitation, fees paid to persons performing due diligence examinations or otherwise acting in relation to a partnership or the managing partner with respect to the offering and sale of the interests and all expenses reasonable for the managing partner and its affiliates incurred in assisting with the distribution of the interests or such due diligence. Organization and Offering Expenses shall not include any costs and expenses that might be categorized as any of the foregoing but that are included as sales commissions.

“Organizational Partner” shall mean Curtis W. Mewbourne, a resident of Tyler, Texas, who has agreed to serve as an initial limited partner.

“Overriding Royalty Interest” shall mean an interest in the oil and gas produced pursuant to a specified Lease or Leases, or the proceeds from the sale thereof, carved out of the Working Interest, to be received free and clear of all costs of development, operation, or maintenance.

“Partners” shall mean the Managing Partner and the Investor Partners.

“Partnership” shall have the meaning assigned to such term in Section 1.1.

“Partnership Year” shall mean a period of one year with the first Partnership Year commencing as of the date the Investor Partners are first admitted to the Partnership and ending immediately prior to the anniversary of such date and with each succeeding Partnership Year commencing as of the anniversary of such date and ending immediately prior to the next succeeding anniversary date.

“person” shall refer to any natural person, partnership, corporation, association, trust, or other legal entity.

“Production Purchase or Income Program” shall mean any program whose investment objective is to directly acquire, hold, operate, and/or dispose of producing oil and gas properties. Such a program may acquire any type of ownership interest in a producing property, including but not limited to, Working Interests, royalties, or production payments. A program which spends at least 90% of Capital Contributions and funds borrowed (excluding Organization and Offering Expenses) in the above described activities is presumed to be a Production Purchase or Income Program.

“Program Agreement” shall mean the Program Agreement by and among the Partnership, MD, and MOC.

“Program Manager” shall mean MOC and any person who becomes the successor Program Manager in accordance with the Program Agreement.

“Program Well” shall mean any oil and gas well in which the Participants have an interest pursuant to the Program Agreement.

“Prospect” shall mean an area covering lands which, in the opinion of the Program Manager, contains subsurface structural or stratigraphic conditions making it susceptible to the accumulation of oil or gas in commercially productive quantities at one or more Horizons. The area, which may be different for different Horizons, shall be designated by the Program Manager and shall be enlarged or contracted from time to time on the basis of subsequently acquired information to define the anticipated limits of the associated oil and gas reserves and to include all acreage encompassed therein. A “Prospect” with respect to a particular Horizon may be limited to the minimum area permitted by state law or local practice, whichever is applicable, to protect against drainage from adjacent wells if the well to be drilled by the Partnership is to a Horizon containing Proved Reserves.

“Proved Reserves” shall mean those quantities of crude oil, natural gas, and natural gas liquids which, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in future years from known oil and gas reservoirs under existing economic and operating conditions. Proved Reserves are limited to those quantities of oil and gas which can be expected, with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods. Depending upon their status or development, Proved Reserves will be subdivided into the following classifications and have the following definitions.

(a) “Proved Developed Reserves” shall mean Proved Reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. This classification shall include:

(i) “Proved Developed Producing Reserves,” which are Proved Developed Reserves which are expected to be produced from existing completion intervals now open for production in existing wells; and

(ii) “Proved Developed Non-Producing Reserves,” which are Proved Developed Reserves which exist behind the casing of existing wells, or at minor depths below the present bottom of such wells, which are expected to be produced through these wells in the predictable future, where the cost of making oil and gas available for production is relatively small compared to the cost of a new well.

Additional oil and gas expected to be obtained through the application of improved recovery techniques are included as Proved Developed Reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production that increased recovery will be achieved.

(b) “Proved Undeveloped Reserves” shall mean all reserves which are expected to be recovered from additional wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Such reserves on undrilled acreage are limited to those drilling units offsetting productive units which are reasonably certain of production when drilled. Proved Reserves for other undrilled units are claimed only where it can be demonstrated with certainty, based on accepted geological, geophysical, and engineering studies and data, that there is continuity of reservoir from an existing productive formation. No estimates for Proved Undeveloped Reserves are attributable to any improved recovery technique contemplated for any acreage, unless the techniques to be employed have been proved effective by actual tests in the same areas and reservoir.

“Reconstituted Partnership” shall mean the Partnership, as reconstituted by a Majority in Interest of the Investor Partners pursuant to Section 9.3.

“Reporting and Legal Expenses” shall mean all third party accounting fees, costs, and expenses associated with obtaining audits of books and records, third party engineering fees, costs, and expenses associated with annual reserve reports, the cost of disseminating information to Investor Partners, and third party attorney’s fees and other legal fees, costs, and expenses associated with matters that are attributable to the Drilling Program’s or the Partnership’s business.

“Right of Presentment” shall mean the right of Investor Partners to request the Managing Partner to purchase for cash all of that Investor Partner’s Interests, subject to certain conditions.

“Roll-Up” shall mean a transaction involving the acquisition, merger, conversion, or consolidation, either directly or indirectly, of the Partnership and the issuance of securities of a Roll-Up Entity. Such term does not include a transaction involving securities of any Partnership that have been listed for at least 12 months on a national exchange or traded through the National Association of Securities Dealers Automated Quotation National Market System or a transaction involving the conversion to corporate, trust, or association form of only the Partnership if, as a consequence of the transaction, there will be no significant adverse change in any of the following:

- (i) voting rights;
- (ii) the term of existence of the Partnership;
- (iii) Sponsor compensation; or
- (iv) the Partnership’s investment objectives.

“Roll-Up Entity” shall mean a partnership, trust, corporation, or other entity that would be created or survive after the successful completion of a proposed Roll-Up transaction.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Sharing Ratio” shall mean for any Partner the proportion obtained by dividing (i) the amount of such Partner’s Capital Contribution to the Partnership by (ii) the sum of all Capital Contributions paid by the Partners to the Partnership; provided that in the event of an assignment (voluntarily, by operation of law or this Agreement, or otherwise) by an Investor Partner of Interests in the Partnership (other than an assignment solely of an interest in distributions of

Partnership revenues), the Sharing Ratio of such Investor Partner shall be proportionately reduced, based upon the number of Interests assigned compared to the total number of Interests owned by such Investor Partner prior to such assignment, and the assignee of such Interests shall succeed to a proportionate share of the Sharing Ratio of his assignor that is attributable to the Interests transferred to such assignee.

“Simulated Basis” shall have the meaning assigned to such term in Section 7.1(c).

“Simulated Depletion” shall have the meaning assigned to such term in Section 7.1(c).

“Simulated Gain” shall have the meaning assigned to such term in Section 7.1(c).

“Simulated Loss” shall have the meaning assigned to such term in Section 7.1(c).

“Sponsor” shall mean any person directly or indirectly instrumental in organizing, wholly or in part, the Partnership, or any person who will manage or is entitled to manage or participate in the management or control of the Partnership. “Sponsor” includes the Managing Partner and any other person who actually controls or selects any person who controls 25% or more of the exploratory, developmental, or producing activities of the Partnership, or any segment thereof, even if that person had not entered into a contract at the time of formation of the Partnership. “Sponsor” does not include wholly independent third parties such as attorneys, accountants, and underwriters whose only compensation is for professional services rendered in connection with the offering of the Interests. Whenever the context of this Agreement so requires, the term “Sponsor” shall be deemed to include Affiliates of the person deemed to be a Sponsor.

“Subscription Agreement” shall mean, with respect to an Investor Partner, the subscription agreement executed and delivered by such Investor Partner in connection with his subscription to purchase Interests and containing certain representations, warranties, covenants, and agreements of such Investor Partner.

“Super Majority in Interest” shall mean, with respect to any agreement or vote of Investor Partners, Investor Partners whose combined Interests, at the time of the determination thereof, exceed 66% of the total Interests held by Investor Partners who are eligible to participate in such agreement or vote.

“Valuation Date” shall mean for purposes of the exercise of the Right of Presentment granted to Investor Partners pursuant to Section 8.3, December 31 of the year immediately preceding the year in which the Right of Presentment is being exercised.

“Working Interest” shall mean an interest in an oil and gas leasehold which is subject to some portion of the costs of development, operation, or maintenance.

Section 2.2 References and Titles. All references in this Agreement to articles, sections, subsections, and other subdivisions refer to corresponding articles, sections, subsections, and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any of such subdivisions are for convenience only and shall not constitute part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words “this Agreement,” “this instrument,” “herein,”

“hereof,” “hereby,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine, and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

ARTICLE III CAPITALIZATION

Section 3.1 Capital Contributions of Investor Partners. Each subscriber shall be accepted as an Investor Partner only after (a) such subscriber has deposited or has had deposited on its behalf in a segregated escrow account at Regions Bank- Tyler, or another federally insured institution designated by MD, the full amount of the Capital Contribution of such subscriber in cash and (b) the Managing Partner has approved and accepted the Subscription Agreement executed by such subscriber. By executing and delivering the Subscription Agreement, upon its acceptance, each Investor Partner shall be irrevocably committed to contribute to the capital of the Partnership the amount stated in such Investor Partner’s Subscription Agreement as the Capital Contribution of such Investor Partner. If the sum of Subscription Agreements committed and accepted at or prior to the end of the subscription period is at least \$15,000,000, the Managing Partner may cause all subscribers who have been approved by the Managing Partner to be admitted to the Partnership as Limited Partners or General Partners, and the Capital Contributions shall be paid to the Partnership. If less than \$15,000,000 of Subscription Agreements shall have been committed by the Investor Partners and accepted at the end of the subscription period, the amount of the subscriptions paid by each subscriber shall be returned with any interest earned thereon.

Section 3.2 Contributions of Managing Partner. The Managing Partner shall not be required to make any contribution to the capital of the Partnership. Although the Managing Partner is personally liable under applicable laws for the debts and obligations of the Partnership, all such debts and obligations shall be paid or discharged first with Partnership assets (including insurance proceeds) before the Managing Partner shall be obligated to pay or discharge any such debt or obligation with its personal assets.

Section 3.3 Return of Contributions. Except as otherwise provided in this Agreement, no interest shall accrue on any Capital Contributions to the Partnership. No Partner shall have the right to withdraw or to be repaid any capital contributed by such Partner except as otherwise specifically provided in this Agreement or required by law.

Section 3.4 Additional Contributions. No Investor Partner shall be required or obligated (a) to contribute any capital to the Partnership other than as provided in Section 3.1 hereof or (b) to lend any funds to the Partnership. The Interests are nonassessable; however, General Partners are liable, in addition to their Capital Contributions, for Partnership obligations and liabilities represented by their ownership of interests as general partners, in accordance with the Delaware Act.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

Section 4.1 Allocation Among Partners. Except as provided in Section 4.2 below, each Partner shall share Partnership items of costs, expenditures, deductions (other than depletion), credits, income, revenues, gain, loss, and distributions allocated, charged, or credited to the Partners hereunder in accordance with the proportion that the Sharing Ratio of such Investor Partner bears to the aggregate Sharing Ratios of all Partners.

Section 4.2 Allocations.

(a) Except as provided in subsections (b) through (f) below, all costs and revenues (including without limitation, revenues derived by the Partnership from, and distributed to the Partnership by, the Drilling Program) of the Partnership and all items of income, gain, amount realized, loss, deduction, recapture, and credit for purposes of any applicable federal, state, or local income tax law, rule, or regulation shall be allocated to the Partners in accordance with their respective Sharing Ratio.

(b) All costs incurred by the Partnership in connection with the performance of any special services requested by a Partner and any tax deductions relating thereto shall be allocated 100% to the Partner requesting such services.

(c) All interest income directly or indirectly resulting from the investment of the Investor Partners' Capital Contributions following the payment thereof to the Partnership shall be allocated 100% to the Investor Partners, and shall be allocated among such Investor Partners proportionately based on each Investor Partner's respective cash contributions actually paid to the Partnership.

(d) Cost and percentage depletion deductions and the gain or loss on the sale or other disposition of property the production from which is or would be (in the case of nonproducing properties) subject to depletion (herein sometimes called "depletable property") shall be computed separately by the Partners rather than the Partnership. For purposes of making such computations the Partnership's adjusted basis in each depletable property shall be allocated under Section 613A(c)(7)(D) of the Code to the Partners in accordance with their respective Sharing Ratio. The amount realized on the sale or other disposition of each such property shall be allocated to the Partners in proportion to each Partner's respective share of the revenues from the sale or other disposition of such property provided for in Section 4.2(a). For purposes of allocating amounts realized upon any such sale or disposition which are deemed to be received for federal income tax purposes and which are attributable to Partnership indebtedness or indebtedness to which the depletable property is subject at the time of such sale or disposition, such amounts shall be allocated in the same manner as Partnership revenues used for the repayment of such indebtedness would have been allocated under Section 4.2(f).

(e) Notwithstanding any other provision of this Section 4.2 to the contrary, if during any taxable year of the Partnership the allocation of any loss or deduction (net of any income or gain) to any Partner (the "Deficit Partner") would cause or increase a deficit balance in the Deficit Partner's Adjusted Capital Account as of the end of such taxable year, only the

amount of such loss or deduction that reduces the balance to zero shall be allocated to the Deficit Partner and the remaining loss or deduction shall be allocated to the Partners whose Adjusted Capital Accounts have positive balances remaining at such time in proportion to such positive balances. After any such allocation, any Partnership income or gain (or amount realized in excess of Simulated Basis) that would otherwise be allocated to the Deficit Partner for any fiscal year under this Section 4.2 which is in excess of the cash distributions to the Deficit Partner for such fiscal year shall be allocated instead to the Partners to whom the Deficit Partner's share of losses and deductions were allocated under the preceding sentence until the amount of such income or gain (or amount realized) so allocated equals the amount of loss or deduction previously so allocated to such other Partner.

(f) Notwithstanding the foregoing provisions of this Section 4.2, prior to making any other allocation under this Section 4.2, the Partnership shall allocate the following items of income to the Partners:

(i) Pursuant to section 1.704-2(f) of the Treasury Regulations (relating to minimum gain chargebacks), if there is a net decrease in Minimum Gain for such year (or if there was a net decrease in Minimum Gain for a prior fiscal year and the Partnership did not have sufficient amounts of profit during prior years to allocate among the Partners under this Section 4.2(f)(1), then items of Partnership income or revenue shall be allocated, before any other allocation is made pursuant to the preceding provisions of this Section 4.2 for such year, to each Partner in an amount equal to such Partner's share of the net decrease in such minimum gain (as determined under section 1.704-2(g)(2) of the Treasury Regulations).

(ii) Pursuant to section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations (relating to "qualified income offsets"), items of Partnership income or revenue shall be allocated, before any other allocation is made pursuant to the preceding provisions of this Section 4.2 for such year, among the Partners with deficit balances in their Adjusted Capital Accounts (as determined, after giving effect to all adjustments attributable to the allocations provided for in Section 4.2(f)(1) hereof and as increased by any amounts which such Partner is deemed obligated to restore under sections 1.704-1 and 1.704-2 of the Treasury Regulations but before giving effect to any adjustment attributable to other allocations provided for in succeeding provisions of this Section 4.2) in amounts and the manner sufficient to eliminate such deficit balances as quickly as possible.

Section 4.3 Distributions.

(a) All interest earned by the Partnership as the result of the investment of the Partners' Capital Contributions following the payment thereof to the Partnership shall be distributed periodically to the Partners at such time or times as the Managing Partner shall in its discretion determine.

(b) At least quarterly, all cash funds of the Partnership (other than interest as described in Section 4.3(a) above, borrowed funds, if any, and Capital Contributions) which the Managing Partner reasonably determines are not needed for the payment of existing or anticipated Partnership obligations and expenditures shall be distributed to the Partners. All cash funds of the Partnership to be distributed to the Partners shall be distributed to the Partners in the

same respective percentages as the revenues from which such cash funds are derived are allocated to such Partners pursuant to Section 4.2 (after deducting therefrom the costs charged to such Partners pursuant to Section 4.2). In addition to restrictions set forth in Section 5.2(a), in no event, shall funds be advanced or borrowed for purposes of distributions, if the amount of such distributions would exceed the Partnership's accrued and received revenues for the previous four quarters, less paid and accrued operating costs with respect to such revenues. The determinations of such revenues and costs shall be made in accordance with generally accepted accounting principles consistently applied. Cash distributions from the Partnership to the Managing Partner shall only be made in conjunction with distributions to Investor Partners and only out of funds properly allocated to the Managing Partner's account.

(c) Any distribution in liquidation of a Partner's interest in the Partnership other than pursuant to Section 8.3, Section 8.6, Section 9.3, or Section 9.4 shall be in an amount of cash or fair market value of property equal to the positive capital account balance of such Partner at the time his interest is liquidated, after such capital account balance has been adjusted in accordance with Section 7.1(c) and the applicable Treasury Regulations under Section 704(b) of the Internal Revenue Code and shall be made by the later of (i) the end of the Partnership taxable year in which such liquidation occurs or (ii) 90 days after the date of such liquidation. No Partner with a deficit balance in his or its capital account after a distribution in liquidation of such Partner's interest in the Partnership shall be liable to the Partnership for such deficit balance.

(d) In the event an amount of Partnership funds equal to the total Capital Contributions of the Partners has not been expended or committed for expenditure within 12 months after the admission of the Investor Partners to the Partnership, the Managing Partner shall distribute, as a return of capital, to the Partners, proportionately in accordance with their respective Sharing Ratios as of the date of the Investor Partners' admission to the Partnership, the amount of such unexpended and uncommitted Partnership funds (together with a proportionate amount of the Management Fees), after deducting therefrom an amount that the Managing Partner reasonably determines will be equal to the operating capital to be required by the Partnership that will not be provided by anticipated revenues from Partnership operations.

Section 4.4 Allocations on Transfers. In the event of an assignment of a Partner's interest in the Partnership pursuant to Article VIII, deductions, credits, and income of the Partnership for federal, state, and local income tax purposes shall, unless otherwise required by applicable Treasury Regulations, be allocated between the assignor and assignee based on the number of days of the year during which each party owned such interest.

ARTICLE V MANAGEMENT

Section 5.1 Power and Authority of Managing Partner. The Partners hereby designate MD as the Managing Partner of the Partnership and, except as provided by Section 5.2 and elsewhere in this Agreement and except as otherwise provided by applicable law, hereby delegate to the Managing Partner full and exclusive power and authority on behalf of the Partnership to manage, control, administer, and operate the properties, business, and affairs of the Partnership and to do or cause to be done any and all acts deemed by the Managing Partner to

be necessary or appropriate thereto. The scope of such power and authority shall encompass all matters in any way connected with such business or incident thereto, including without limitation, the power and authority:

(a) To enter into (i) the Program Agreement and to purchase or otherwise acquire on behalf of the Partnership Leases as provided in the Program Agreement and (ii) the Gas Marketing Agreement;

(b) To purchase or otherwise acquire other real or personal property of every nature considered necessary or appropriate to carry on and conduct the business of the Partnership;

(c) To borrow monies for the business of the Partnership and from time to time to draw, make, execute, and issue promissory notes and other negotiable or nonnegotiable instruments and evidences of indebtedness; to secure the payment of the sums so borrowed and to mortgage, pledge, or assign in trust all or any part of the property of the Partnership; to assign any monies owing or to be owing to the Partnership; and to engage in any other means of financing customary in the oil and gas industry; provided that any such financing shall provide that the lender has recourse only against Partnership assets and not against any Investor Partner individually;

(d) To enter into any agreement for the sharing of profits, joint venture, or partnership with any person, firm, corporation, or government or agency thereof engaged in any business or transaction in which the Partnership is authorized to engage, or any business or transaction capable of being conducted, so as to directly or indirectly benefit the Partnership, and to cause the obligations of the Partnership thereunder to be performed;

(e) To explore and prospect by geological, geophysical, or other methods for the location of anomalies or other indications favorable to the accumulation of oil and gas, including specifically the power to contract with third parties for such purposes;

(f) To maintain, explore, develop, operate, manage, and defend Partnership property and to drill, test, plug and abandon or complete and equip, rework, and recomplete any number of wells on Partnership Leases for the production of oil and gas located thereunder, and to contract with third parties for such purposes, to carry out a program or programs of secondary recovery on Partnership property, and to do any and all other things necessary or appropriate to carry out the terms and provisions of this Agreement which would or might be done by a normal and prudent operator in the exploration, development, operation, and management of its own property, including without limitation, making consent or non-consent elections under any applicable joint operating agreement;

(g) To enter into and execute leases, drilling contracts, farmout agreements, farmin contracts, dry and bottom hole and acreage contribution letters, participation agreements, and any other agreements customarily employed in the oil and gas industry in connection with the acquisition, sale, exploration, development, or operation of oil and gas properties, agreements as to rights-of-way and any and all other instruments or documents considered by the Managing Partner to be necessary or appropriate to carry on and conduct the business of the Partnership, for such consideration and on such terms as the Managing Partner in its sole discretion may determine, and to cause the obligations of the Partnership thereunder to be performed;

(h) To sell the production accruing to the Leases acquired by the Partnership and to execute gas sales contracts, casinghead gas contracts, transfer orders, division orders, or any other instruments in connection with the sale of production from the Partnership's interest in any property;

(i) To farmout, sell, assign, convey, or otherwise dispose of, for such consideration and upon such terms and conditions as the Managing Partner in its sole discretion may determine, all or any part of the Partnership property, any interest therein, or any interest payable therefrom, and in connection therewith to execute and deliver such deeds, assignments, and conveyances containing such warranties as the Managing Partner may determine;

(j) To employ on behalf of the Partnership agents, employees, managers, consultants, accountants, lawyers, geologists, geophysicists, engineers, landmen, clerical help, and such other assistance and services as the Managing Partner may deem proper and to pay therefor such remuneration and compensation as the Managing Partner may deem reasonable and appropriate;

(k) To purchase, lease, rent, or otherwise acquire or obtain the use of machinery, equipment, tools, materials, and all other kinds and types of real or personal property that may in any way be deemed necessary, convenient, or advisable in connection with carrying on the business of the Partnership, and to incur expenses for travel, telephone, telegraph, insurance, and for such other things, whether similar or dissimilar, as may be deemed necessary or appropriate for carrying on and performing the business of the Partnership;

(l) To pay delay rentals, shut-in royalty payments, property taxes, and any other amounts necessary or appropriate to the maintenance or operation of any Partnership property;

(m) To make and enter into such agreements and contracts with such parties and to give such receipts, releases, and discharges with respect to any and all of the foregoing and any matters incident thereto as the Managing Partner may deem advisable or appropriate;

(n) To procure and maintain in force such insurance as the Managing Partner shall deem prudent to serve as protection against liability for loss and damage which may be occasioned by the activities to be engaged in by the Partnership and the Managing Partner on behalf of the Partnership; provided, however, that the Managing Partner shall notify the Investor Partners of any adverse material reduction in the insurance coverage of the Partnership as soon as possible after learning of such change and if possible at least 30 days in advance of the change in insurance coverage, and in the event that the insurance procured and maintained on behalf of the Investor Partners is materially reduced, the Partnership will halt all drilling activity until such time as comparable replacement insurance coverage is obtained;

(o) To pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend, or compromise on behalf of the Partnership, upon such terms as the Managing Partner may determine and upon such evidence as they may deem sufficient, any obligation, suit, liability, cause of action, or claim, including a suit or claim for taxes, in favor of or against the Partnership;

(p) To quitclaim, assign, convey, surrender, release, or abandon any Partnership property with or without consideration therefor;

(q) To make such classifications, determinations, and allocations as the Managing Partner may deem advisable, having due regard for any relevant generally accepted accounting principles;

(r) To enter into soliciting dealer agreements and to perform all of the Partnership's obligations thereunder, to issue and sell Interests pursuant to the terms and conditions of this Agreement and the Subscription Agreements, to accept and execute on behalf of the Partnership Subscription Agreements, and to admit original and substituted Investor Partners;

(s) To take such action as may be necessary for the safekeeping of all funds and assets of the Partnership, whether or not within the Managing Partner's control and to employ, or permit another person to employ, such funds or assets in any manner except for the exclusive benefit of the Partnership; and

(t) To take such other actions, execute and deliver such other documents, and perform such other acts as may be deemed by the Managing Partner to be appropriate to carry out the business and affairs of the Partnership.

In accomplishing all of the foregoing and except as otherwise provided in this Agreement, the Managing Partner may, in its sole discretion, use its own personnel, properties, and equipment or those of any of its Affiliates (subject to Section 5.10); or the Managing Partner may hire or rent those of third parties and may employ on a temporary or continuing basis outside accountants, attorneys, consultants, and others on such terms as the Managing Partner deems advisable. No person, firm, or corporation dealing with the Partnership shall be required to inquire into the authority of the Managing Partner to take any action or make any decision.

Section 5.2 Certain Restrictions on Managing Partner's Power and Authority. Notwithstanding any other provisions of this Agreement to the contrary, the Managing Partner shall not have the power or authority to, and shall not do, perform, or authorize any of the following:

(a) Borrow any money in the name or on behalf of the Partnership or otherwise do any of the acts or things provided in Section 5.1(c) if the total amount of the borrowings or financings then outstanding made by the Managing Partner on behalf of the Partnership (including the amount outstanding under the Partnership's reimbursement obligation under Section 5.6) would exceed an amount equal to 20% of the Capital Contributions of the Investor Partners; provided, however, that the terms of any such financing shall provide that the lender has recourse only against Partnership assets and not against any Investor Partner individually; provided further, that the Managing Partner may borrow monies in the name and on behalf of the Partnership even if the Capital Contributions of the Partners have not yet been fully expended or committed for expenditure;

(b) Without having first received the prior consent of a Super Majority in Interest of the Investor Partners, cause the Partnership to participate in a proposed Roll-Up transaction; provided, however, the participation of the Partnership in a proposed Roll-Up transaction shall be subject to the restrictions set forth in Section 5.10(j);

(c) Except for a sale of all or substantially all of the assets of the Partnership by the Managing Partner acting in its capacity as liquidator made in connection with the liquidation and termination of the Partnership as such is contemplated in Section 9.4, without having first received the prior consent of a Majority in Interest of the Investor Partners, sell all or substantially all of the assets of the Partnership other than in the ordinary course of business;

(d) Without having first received the prior consent of a Majority in Interest of the Investor Partners, assign the rights or obligations of the Partnership, or, except as otherwise provided in the Program Agreement, consent to the assignment by the Managing Partner or any Affiliate thereof of its rights or obligations under the Program Agreement, prior to the substantial completion of the drilling activities of the Partnership;

(e) Without having first received the prior consent of a Majority in Interest of the Investor Partners, agree to the termination or amendment of the Program Agreement or waive any rights of the Partnership thereunder, except for amendments to the Program Agreement which the Managing Partner believes are necessary or advisable to ensure that the Program Agreement conforms with any changes in or modifications to the Code or do not adversely affect the Investor Partners in any material respect;

(f) Guarantee in the name or on behalf of the Partnership the payment of money or the performance of any contract or other obligation of any other person;

(g) Bind or obligate the Partnership with respect to any matter outside the scope of the Partnership business;

(h) Use the Partnership name, credit, or property for other than Partnership purposes;

(i) Take any action, or permit any other person to take any action, with respect to the assets or property of the Partnership which does not primarily benefit the Partnership, including without limitation, the commitment of future production or the utilization of funds of the Partnership as compensating balances for its own benefit;

(j) Benefit from any arrangement for the marketing of oil and gas production or other relationships affecting the property of the Managing Partner and the Partnership, unless such benefits are fairly and equitably apportioned among the Managing Partner and Affiliates thereof and the Partnership;

(k) Invest Partnership funds in the securities of another person except in the following instances:

(i) investments in working interests or undivided lease interests made in the ordinary course of the Partnership' s business;

(ii) temporary investments made in compliance with Section 7.3;

(iii) investments involving less than 5% of program capital which are a necessary and incidental part of a property acquisition transaction; and

(iv) investments in entities established solely to limit the Partnership's liabilities associated with the ownership or operation of property or equipment, provided, in such instances duplicative fees and expenses shall be prohibited; or

(l) Take any action that will:

(i) cause the Partnership to participate in any other partnership or joint venture that will result in a duplication or unreasonable increase in the amount of costs and expenses of the Partnership;

(ii) Substantively alter the fiduciary and contractual relationship between the Managing Partner and the Investor Partners as such exists pursuant to this Agreement; or

(iii) diminish the voting rights hereunder of the Investor Partners.

Section 5.3 Services of Managing Partner. During the existence of the Partnership, the Managing Partner shall devote such time and effort to the Partnership business as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the Partners; however, it is specifically understood and agreed that the Managing Partner shall not be required to devote full time to Partnership business, and the Managing Partner and its Affiliates may at any time and from time to time engage in and possess interests in other business ventures of any and every type and description, independently or with others, including without limitation, the acquisition, ownership, exploration, development, operation, and management of oil and gas properties for themselves and other persons and the organization and management of other partnerships and joint ventures similar to the Partnership, and neither the Partnership nor any Investor Partner shall by virtue of this Agreement or the law of partnership opportunity have any right, title, or interest in or to such independent ventures. It is specifically recognized that the Managing Partner and its Affiliates are currently engaged in the exploration for and production of oil and gas both for their account and for others, and nothing herein contained shall be deemed to prevent any of them from continuing such activities, individually, jointly with others, or as a part of any other partnership or joint venture to which any of them is or may become a party, in any locale, and in fields or areas of operation in which the Partnership may likewise be active, or from dealing with the Partnership as an independent party, nor as requiring any of them to permit the Partnership to participate in any such operations in which any of them may be interested and each Investor Partner hereby waives, relinquishes, and renounces any such right or claim of participation. However, except as otherwise provided herein, the Managing Partner and any of its Affiliates may pursue business opportunities that are consistent with the Partnership's investment objectives for their own account only after they have determined that such opportunity either cannot be pursued by the Partnership because of insufficient funds or because it is not appropriate for the Partnership under the existing circumstances.

Section 5.4 Liability of Managing Partner and Its Affiliates. Neither the Managing Partner nor any of its Affiliates shall have any liability to the Partnership or to any Partner for any loss suffered by the Partnership which arises out of any action or inaction performed or omitted by the Managing Partner or such Affiliate, if the Managing Partner in good faith has determined, as of the time of the conduct or omission, that the course of conduct or omission was in the best interests of the Partnership, the Managing Partner or such Affiliate was acting on behalf of or performing services for the Partnership, and that such conduct or omission did not constitute negligence or misconduct.

Section 5.5 Indemnification of Managing Partner and Its Affiliates.

(a) The Partnership shall indemnify the Managing Partner and its Affiliates against any losses, judgments, liabilities, expenses, and settlements sustained or incurred by the Managing Partner or such Affiliate as a result of any threatened, pending, or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, arbitral, or investigative, any appeal in such a claim, action, suit, or proceeding, and any inquiry or investigation that could lead to such a claim, action, suit, or proceeding and which in any such case relates or which otherwise arises from or is attributable to any acts, omissions, or operations performed or omitted by the Managing Partner or its Affiliates acting on behalf of or performing services for the Partnership that are within the scope of its authority as set forth in this Agreement or the Program Agreement or which otherwise relates to the activities and business affairs of the Partnership; provided that the Managing Partner has determined in good faith, as of the time of the conduct or omission, that the conduct or omission was in the best interests of the Partnership and that the conduct or omission did not constitute negligence or misconduct.

(b) Notwithstanding anything to the contrary contained in Sections 5.4 and 5.5(a), neither the Managing Partner, its Affiliates, nor any person acting as a broker-dealer shall be indemnified by the Partnership for any losses, liabilities, or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities laws violations as to the particular indemnitee and the court approves indemnification of the litigation costs, (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee and the court approves indemnification of the litigation costs, or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission, and all state securities regulatory authorities in which Interests in the Partnership were offered or sold as to indemnification for violations of securities laws.

(c) The Partnership may purchase and maintain insurance on behalf of the Managing Partner and its Affiliates against any liabilities asserted against or expenses incurred by the Managing Partner and its Affiliates in connection with Partnership or Drilling Program activities, provided that the Partnership shall not incur the cost of that portion of any insurance, which insures the Managing Partner or its Affiliates against any liability with respect to which the Managing Partner and its Affiliates are denied indemnification under the provisions of Sections 5.4 and 5.5; provided, however, that nothing contained herein shall preclude the

Partnership from purchasing and paying for such types of insurance including extended coverage liability and casualty and workers' compensation, as would be customary for any person owning comparable assets and engaged in a similar business, or from naming the Managing Partner and its Affiliates as additional insured parties thereunder, provided, that the naming of such additional insured parties does not add to premiums payable by the Partnership.

(d) The termination of any claim, action, suit, or proceeding by judgment, order, settlement, conviction, or a plea of nolo contendere or its equivalent does not alone establish that a person seeking indemnification under this Section 5.5 is disqualified. Any person who is determined to be not entitled to indemnification under this Section 5.5 may petition a court of competent jurisdiction for a determination that in view of all facts and circumstances that such person is fairly and equitably entitled to indemnity and the Partnership shall provide such indemnity as may be determined proper by such court; provided, however, that the court has determined that such person has met the standard set forth in Section 5.5(a) above.

(e) Legal fees and expenses and other costs incurred as a result of a claim described in this Section 5.5(a) shall be paid by the Partnership from time to time in advance of the final disposition of such claim if: (i) the claim relates to the performance or non-performance of duties or services by the Managing Partner or its Affiliates on behalf of the Partnership; (ii) the claim is initiated by a third party who is not an Investor Partner, or the claim is initiated by an Investor Partner and a court of competent jurisdiction specifically approves such advancement; and (iii) the Managing Partner or such Affiliate undertakes to repay the advanced funds to the Partnership, together with the applicable legal rate of interest thereon, in the event it is later determined that the Managing Partner or such Affiliate is not entitled to indemnification under the provisions of this Section 5.5(a).

(f) To the extent that the Managing Partner or its Affiliates are successful on the merits or in defense of any claim, issue, or matter therein, the Partnership shall indemnify the Managing Partner or its Affiliates, against the expenses, including attorneys' fees, actually incurred by the Managing Partner or such Affiliate in connection therewith.

(g) The indemnification provided by this Section 5.5 shall continue as to the Managing Partner and its Affiliates in the event it ceases to be a managing partner of the Partnership with respect to claims relating to the period in which the Managing Partner was a managing partner of the Partnership and such indemnification shall inure to the benefit of the successors and assigns of the Managing Partner and such Affiliates.

(h) The indemnification provided by this Section 5.5 shall be made, and shall be recoverable by the Managing Partner or its Affiliates, only out of the tangible net assets of the Partnership and not from the Investor Partners.

Section 5.6 Reporting and Legal Expenses. The Partnership shall reimburse the Program Manager and the Managing Partner and its Affiliates for its share of the Reporting and Legal Expenses incurred by the Program Manager, the Managing Partner, or any Affiliate thereof in managing and conducting the business and affairs of the Drilling Program or of the Partnership, as applicable. The Reporting and Legal Expenses reimbursed by the Partnership shall be determined by the party seeking reimbursement in good faith and as being reasonable for such party. Such reimbursements shall be made periodically throughout the term of the Partnership.

Section 5.7 Administrative Costs. The Partnership shall reimburse the Program Manager and the Managing Partner and its Affiliates for all Administrative Costs and other costs and expenses incurred by the Program Manager, the Managing Partner, or any Affiliate thereof in managing and conducting the business and affairs relating to the Partnership's interest in the Drilling Program or of the Partnership, as applicable, including expenses incurred in providing or obtaining such professional, technical, administrative, and other services and advice as the Program Manager, the Managing Partner, or such Affiliates may deem necessary or desirable. The general, administrative, and other costs reimbursed by the Partnership shall be determined by the party seeking reimbursement in good faith and as being reasonable for such party. The amount of Administrative Costs that are to be reimbursed by the Partnership shall be determined and allocated to the Partnership and its Drilling Program consistent with applicable industry standards. Such reimbursements shall be made periodically throughout the term of the Partnership. Such reimbursement obligation shall also apply to all Administrative Costs incurred by the Program Manager, the Managing Partner or any of its Affiliates on behalf of the Partnership or the Drilling Program from the beginning of the calendar year in which the Partnership is formed to the date of the admission of the Investor Partners. Regardless of the actual amount of Administrative Costs incurred by the Managing Partner or Program Manager in connection with the affairs of a Partnership, during any particular calendar year the total amount of Administrative Costs allocable to the Partnership shall not exceed the greater of (a) 3.5% of the Partnership's gross revenues from the sale of oil and natural gas production during such year (calculated without any deduction for Operating Costs or other costs and expenses) or (b) the sum of \$50,000 plus .25% of the Capital Contributions of the Investor Partners to the Partnership. The above limitation on Administrative Costs shall not be applicable to Administrative Costs otherwise allocable to the Partnership which are extraordinary and non-recurring or to the fixed overhead fee chargeable by an operator of Program Wells including the fixed overhead fee chargeable under the Operating Agreement by MOC with respect to the Program Wells operated by the Program Manager or to costs categorized as Reporting and Legal Expenses. No portion of the salaries, benefits, compensation or remuneration of the directors or of the executive officers of MOC or MD may be reimbursed as Administrative Costs.

An independent certified public accountant shall provide annually to the Investor Partners, a written attestation to be included as part of the annual report required pursuant to Section 7.2 wherein such accountant shall verify that the method used to make the allocations was consistent with the method described in this Agreement and that the total amount of costs allocated to the Investor Partners does not materially exceed amounts actually incurred by the Managing Partner.

Section 5.8 Management Fee. In consideration for services to be rendered by the Managing Partner in managing the business of the Partnership during each of the initial three Partnership Years, the Partnership shall pay to the Managing Partner its share of a management fee in an amount equal to 1% of all Capital Contributions initially made by the Investor Partners in exchange for their respective Interests as set forth in the Subscription Agreements (the "Management Fee"). The Management Fee payable during a particular Partnership Year shall not be deducted from the Capital Contributions of the Investor Partners, but shall be paid by the

Drilling Program in monthly or other periodic installments from funds which would otherwise be available for distribution to the Partners, and in such amounts as may be determined in the discretion of the Managing Partner. To the extent that the Partnership has insufficient distributable funds during a particular Partnership Year to fully pay its share of the amount of the Management Fee payable during such Partnership Year, then the amount of such unpaid Management Fee shall be carried forward and payable in the next succeeding Partnership Year.

Section 5.9 Gas Marketing Fee. In accordance with the terms of the Gas Marketing Agreement, in consideration for gas marketing services to be rendered by the Program Manager in connection with the marketing of the Drilling Program's natural gas, the Partnership shall pay its share of a gas marketing fee which is currently equal to \$0.035 per MCF. This fee may be changed from time to time; provided, however, the Program Manager may not charge the Partnership a gas marketing fee which is greater than other participants in a well.

Section 5.10 Restrictions on Certain Transactions.

(a) The Partnership may enter into contracts and agreements with the Managing Partner and its Affiliates for the rendering of services and the sale, rental, or lease of supplies and equipment, provided that (i) such entity is engaged, independently of the Drilling Program and as an ordinary and ongoing business, in the business of rendering such services or selling or leasing such equipment and supplies to a substantial extent to other persons in the industry in addition to programs in which the Managing Partner or its Affiliates have an interest and (ii) the amount of the compensation, price, or rental that can be charged to the Partnership therefor must be no less favorable to the Partnership than that generally available (at the time the relevant contract or agreement was entered into) from unrelated third parties in the area engaged in the business of rendering comparable services or selling, renting, or leasing comparable equipment and supplies which could reasonably be made available to the Partnership. If the Managing Partner or its Affiliate is not engaged in the business as required by clause (i) of this Section 5.10(a) above, then such compensation, price, or rental shall be the cost of such services, equipment, or supplies to such entity, or the competitive rate which could be obtained in the area, whichever is less. In addition, any drilling services rendered by the Managing Partner or its Affiliates to the Partnership shall be billed on a per foot, per day, or per hour rate, or some combination thereof. All services for which the Managing Partner or its Affiliates are to receive compensation shall be embodied in written contracts which precisely describe the services to be rendered and all compensation to be paid. Advance payments to the Managing Partner are prohibited, except where necessary to secure tax benefits of prepaid drilling costs. All contracts between the Partnership and the Managing Partner or its Affiliates shall be terminable by the Partnership (by a vote or written consent of a Majority in Interest of the Investor Partners) without penalty upon 60 days' written notice.

(b) The Partnership may borrow money on a non-recourse basis from the Managing Partner or any of its Affiliates, provided that on any loans made available by the Managing Partner or any of its Affiliates to the Partnership, the Managing Partner or such Affiliate shall not receive interest in excess of the lesser of (i) the maximum rate permitted by applicable law or (ii) the effective interest rate then being paid by the Managing Partner or such Affiliate for similar type borrowings. In no event shall any such loan bear interest in excess of the amount which would be charged to the Partnership (without reference to the Managing

Partner's financial abilities or guaranties) by independent third parties for the same purpose. In connection with any loans to the Partnership by the Managing Partner or its Affiliates, the Managing Partner or its Affiliates shall not receive points or other financing charges or fees, regardless of the amount.

(c) The Partnership shall acquire in certain instances interests in Prospects from the Managing Partner or its Affiliates on the terms and conditions set forth in the Program Agreement.

(d) No Partnership Leases shall be farmed out by the Partnership unless the Managing Partner, exercising the standard of care of a normal and prudent operator in the management of its own property, shall determine that either (i) the Partnership lacks sufficient funds for the drilling of a well on such Lease and cannot obtain suitable alternative financing for such drilling, (ii) the Lease has been downgraded by events occurring after the acquisition thereof by the Partnership pursuant to the Program Agreement so that the drilling of a well on such Lease would no longer be desirable for the Partnership, (iii) drilling on such Lease would result in an excessive concentration of Partnership funds, creating in the opinion of the Managing Partner undue risk to the Partnership and the Investor Partners, or (iv) the best interests of the Partnership would be served by such farmout or other disposition. The Partnership may enter into a farmout agreement (in the capacity as either farmor or farnee) with the Managing Partner, any of its Affiliates, provided that the Managing Partner, exercising the standards of a normal and prudent operator in the management of its own property, shall determine that the farmout is in the best interests of the Partnership and that the terms of any such farmout are consistent with and in any case no less favorable to the Partnership than those utilized in the same geographic area for similar arrangements. The Partnership's ability to enter into a farmout agreement with the Managing Partner or an Affiliate thereof is subject to the same restrictions as its ability to purchase property from or sell property to the Managing Partner or an Affiliate thereof as provided in Section 5.10(c) and Section 5.10(f), respectively.

(e) The Partnership shall make no loans to the Managing Partner or its Affiliates.

(f) The Partnership may sell or transfer its Leases to the Managing Partner or its Affiliates, including Affiliated Programs, only pursuant to a transaction which is fair and reasonable to the Partnership and then subject to the following restrictions:

(i) A sale, transfer, or conveyance, including a farmout, of an undeveloped Lease (i.e., a Lease not having any Proved Developed Reserves attributable to it) from the Partnership to the Managing Partner or any Affiliate thereof, other than an Affiliated Program, must be made at the higher of the Lease Acquisition Costs or fair market value.

(ii) A sale, transfer, or conveyance of a developed Lease (i.e., a property having Proved Developed Reserves attributable to it) from the Partnership to the Managing Partner or any Affiliate thereof, other than an Affiliated Program in which the interest of the Managing General Partner or its Affiliate is substantially similar to or less than its interest in the Partnership, is not permitted except in connection with the liquidation of the Partnership and then only at fair market value.

(iii) Except in connection with farmouts or joint ventures made in compliance with the restrictions described in Section 5.10(d), a transfer of an undeveloped Lease from the Partnership to an Affiliated Program must be made at fair market value if the Lease has been held for more than two years; otherwise, if the Managing Partner deems it to be in the best interests of the Partnership, the transfer may be made at the Lease Acquisition Costs.

(iv) Except in connection with farmouts or joint ventures made in compliance with the restrictions described in Section 5.10(d) above, a transfer of any Lease from the Partnership to an Affiliated Production Purchase or Income Program must be made at fair market value if the Lease has been held for more than six months or there have been significant expenditures made in connection with the Lease; otherwise, if the Managing Partner deems it to be in the best interests of the Partnership, the transfer may be made at the Lease Acquisition Costs as adjusted for intervening operations.

A determination of fair market value as required by this paragraph (f) must be supported by an appraisal from an Independent Expert. Such opinion and any associated supporting information will be maintained in the Partnership's records for at least six years.

(g) No rebates or give-ups may be received by the Managing Partner or any Affiliate, nor may the Managing Partner or any Affiliate participate in any reciprocal business arrangements which do not primarily benefit the Partnership.

The Partnership will acquire only Leases that are reasonably required for the stated purpose of the Partnership, and no Leases will be acquired for the purpose of subsequent sale or farmout, unless the acquisition of such property by the Partnership is made after a well has been drilled to a depth sufficient to indicate that such an acquisition is believed to be in the best interests of the Partnership.

(h) Neither the Managing Partner, nor any Affiliate thereof, including an Affiliated Program, shall be permitted to sell, transfer, or convey any Lease to the Partnership, directly or indirectly, except pursuant to a transaction which is fair and reasonable to the Partnership and in accordance with the following restrictions:

(i) The Managing Partner and its Affiliates may only sell a Lease to the Partnership at a price equal to its Lease Acquisition Costs unless the transferor has cause to believe that the Lease Acquisition Costs are materially more than the fair market value of such Lease, in which case such sale must be made at a price not in excess of its fair market value; provided, however, that if the sale is from an Affiliated Program that has held the Lease for more than two years and in which Affiliated Program the interest of the Managing Partner or its Affiliate is substantially similar to, or less than, its interest in the Partnership, the sale may be made at fair market value.

(ii) If the Managing Partner, or an Affiliate thereof, sells any Lease within a Prospect to the Partnership, it must, at the same time, sell to the Partnership an equal proportionate interest in all other Leases that it owns in the same Prospect.

(iii) If at any time within a period of five years from the creation of the Partnership, the Managing Partner or an Affiliate thereof proposes to acquire an interest from a

non-Affiliated person in a Prospect in which the Partnership possesses an interest or in a Prospect in which the Partnership's interest has been terminated without compensation within one year preceding such proposed acquisition, the following conditions will apply: (A) if the Managing Partner or any Affiliate thereof does not currently own property in the Prospect separately from the Partnership, then neither the Managing Partner nor any Affiliate thereof will be permitted to purchase an interest in the Prospect and (B) if the Managing Partner or any Affiliate thereof currently owns a proportionate interest in the Prospect separately from the Partnership, then the interest to be acquired will be divided between the Partnership and the Managing Partner, or an Affiliate thereof in the same proportion as is the other property in the Prospect; provided, however, if cash or financing is not available to the Partnership to enable it to consummate a purchase of the additional interest to which it is entitled, then the Managing Partner or any Affiliate thereof may purchase additional interest in the Prospect during such five year period.

(iv) If the area constituting a Partnership's Prospect is subsequently enlarged to encompass any area wherein the Managing Partner or any Affiliate thereof owns a separate Lease, such separate Lease or a portion thereof must be sold, transferred, or conveyed to the Partnership, in accordance with the provisions described in this Section 5.10(h), if the activities of the Partnership were material in establishing the existence of Proved Undeveloped Reserves which are attributable to such Lease.

(v) Except for the carried interests created by the Program Agreement, a sale, transfer, or conveyance to the Partnership of less than all of the ownership of the Managing Partner or any Affiliate thereof in any Lease is prohibited unless the interest retained by the Managing Partner or such Affiliate is a proportionate Working Interest, the respective obligations of the Managing Partner, or such Affiliate and the Partnership are substantially the same after the sale of the interest by the Managing Partner or such Affiliate and its interest in revenues does not exceed the amount proportionate to its retained Working Interest. Except for the carried interests created by the Program Agreement, neither the Managing Partner nor any Affiliate thereof may retain any Overriding Royalty Interest or other burden on an interest conveyed to the Partnership.

(vi) For the purposes of the preceding four paragraphs, the term "Affiliate" does not include an Affiliated Program in which the interest of the Managing Partner or an Affiliate thereof is substantially similar to or less than its interest in the Partnership.

(vii) If the Partnership acquires a Lease pursuant to a farmout or joint venture from an Affiliated Program, the Managing Partner's, and any Affiliate's thereof aggregate compensation associated with the property and any direct or indirect ownership interest in the property may not exceed the lower of the compensation and ownership interest the Managing Partner, and such Affiliates could receive if the property were separately owned or retained by either the Partnership or such other Affiliated Program.

A determination of fair market value as required by this paragraph (h) must be supported by an appraisal from an Independent Expert. Such opinion and any associated supporting information will be maintained in the Partnership's records for at least six years.

(i) If the Partnership participates in other partnerships or joint ventures (multi-tier arrangements), the terms of any such arrangements shall not result in the circumvention of any of the requirements or prohibitions contained in this Partnership Agreement, including the following:

(i) there will be no duplication or increase in the Managing Partner's compensation, Partnership expenses, or other fees and costs;

(ii) there will be no substantive alteration in the fiduciary and contractual relationship between the Managing Partner and the Investor Partners; and

(iii) there will be no diminishment in the voting rights of the Investor Partners.

(j) In connection with a proposed Roll-Up, the following shall apply:

(i) An appraisal of all Partnership assets shall be obtained from a competent Independent Expert. If the appraisal will be included in a prospectus used to offer the securities of a Roll-Up Entity, the appraisal shall be filed with the Securities and Exchange Commission as an exhibit to the registration statement for the offering. The appraisal shall be based on all relevant information, including current reserve estimates prepared by an independent petroleum consultant, and shall indicate the value of the Partnership's assets assuming an orderly liquidation as of a date immediately prior to the announcement of the proposed Roll-Up transaction. The appraisal shall assume an orderly liquidation of Partnership assets over a 12-month period. The terms of the engagement of the Independent Expert shall clearly state that the engagement is for the benefit of the Partnership and the Investor Partners. A summary of the independent appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to the Investor Partners in connection with a proposed Roll-Up.

(ii) In connection with a proposed Roll-up, Investor Partners who vote "no" on the proposal shall be offered the choice of:

(a) accepting the securities of the Roll-Up Entity;

(b) either (A) remaining as Limited Partner or General Partner in the Partnership and preserving his or her interest in the Partnership on the same terms and conditions as existed previously, or (B) receiving cash in an amount equal to his or her pro-rata share of the appraised value of the net assets of the Partnership.

(iii) The Partnership shall not participate in any proposed Roll-Up which, if approved, would result in the diminishment of any Investor Partner's voting rights under the Roll-Up Entity's chartering agreement. In no event shall the democracy rights of Investor Partners in the Roll-Up Entity be less than those provided for under Sections 6.4 and 6.5 of this Agreement. If the Roll-Up Entity is a corporation, the democracy rights of Investor Partners shall correspond to the democracy rights provided for in this Agreement to the greatest extent possible.

(iv) The Partnership shall not participate in any proposed Roll-Up transaction which includes provisions which would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-Up Entity (except to the minimum extent necessary to preserve the tax status of the Roll-Up Entity); nor shall the Partnership participate in any proposed Roll-Up transaction which would limit the ability of an Investor Partner to exercise the voting rights of its securities of the Roll-Up Entity on the basis of the number of Partnership Interests held by that Investor Partner.

(v) The Partnership shall not participate in a Roll-Up in which Investor Partners' rights of access to the records of the Roll-Up Entity will be less than those provided for under Section 7.1(a) and (b) of this Agreement.

(vi) The Partnership shall not participate in any proposed Roll-Up transaction in which any of the costs of the transaction would be borne by the Partnership if less than a Super Majority in Interest of the Investor Partners vote to approve the proposed Roll-Up.

(vii) The Partnership shall not participate in a Roll-Up transaction unless the Roll-Up transaction is approved by a Super Majority in Interest.

(k) Turnkey drilling contracts or other contracts with the Managing Partner or its Affiliates that establish a fixed price for drilling services shall not be permitted.

(l) Neither the Managing Partner nor any Affiliate thereof shall profit by causing the Partnership to engage in drilling in contravention of the Managing Partner's fiduciary obligations to the Partnership.

To the extent the restrictions set forth above apply to the Managing Partner or its Affiliates and except as otherwise provided herein, the term "Affiliate" includes, but is not limited to, MOC in its capacity as Program Manager. Except as otherwise set forth in this Section 5.10 of the Partnership Agreement, the Managing Partner and its Affiliates may pursue business opportunities that are consistent with the Partnership's investment objectives for their own account only after they have determined that such opportunity either cannot be pursued by the Partnership because of insufficient funds or because it is not appropriate for the Partnership under the existing circumstances.

Section 5.11 Restriction on Voting Interests Held by Managing Partner. Interests owned by the Managing Partner or its Affiliates shall have full voting rights under this Agreement. In addition, none of the Interests owned by the Managing Partner or its Affiliates shall be counted for voting purposes or for purposes of determining a quorum or have any voting rights under this Agreement concerning the removal of the Managing Partner or any transaction between the Partnership and the Managing Partner or its Affiliates.

Section 5.12 Tax Elections. The Managing Partner shall make the following elections on behalf of the Partnership:

(a) to elect, in accordance with Section 263(c) of the Code and applicable regulations and comparable state law provisions, to deduct as an expense all intangible drilling and development costs with respect to productive and nonproductive wells and the preparation of wells for the production of oil or gas;

(b) to elect the calendar year as the Partnership's fiscal year;

(c) to elect the accrual method of accounting;

(d) to elect, in accordance with Section 709(b) of the Code and applicable regulations and comparable state law provisions, to amortize and deduct organization expenses (as such term is defined in Section 709 of the Code) over a period of 60 months beginning with the month in which the Partnership begins business; and

(e) to elect with respect to such other federal, state, and local tax matters as the Managing Partner deems advantageous to the Partnership; provided that no election shall be made by the Partnership in accordance with Section 754 of the Code and applicable regulations and comparable state law provisions without the consent of the Managing Partner, the granting or denying of which consent shall be in its sole and absolute discretion.

Section 5.13 Tax Matters Partner. The Managing Partner shall be designated the tax matters partner (in this Section 5.13 called the "TMP") as defined in Section 6231(a)(7) of the Code with respect to operations conducted by the Partners pursuant to this Agreement. The TMP is authorized to take such actions and to execute and file all statements and forms on behalf of the Partnership which may be permitted or required by the applicable provisions of the Code or Treasury Regulations issued thereunder, and the Investor Partners will take all other action that may be necessary or appropriate to effect the designation of the Managing Partner as the TMP. In the event of an audit of the Partnership's income tax returns by the Internal Revenue Service, the TMP may, at the expense of the Partnership, retain accountants and other professionals to participate in the audit. All expenses incurred by the TMP in its capacity as such shall be expenses of the Partnership and shall be paid by or reimbursed to the TMP from Partnership funds.

ARTICLE VI RIGHTS AND OBLIGATIONS OF INVESTOR PARTNERS

Section 6.1 Rights of Investor Partners. In addition to any other rights specifically set forth herein, all Investor Partners shall have the right to: (a) have the Partnership books kept at the principal place of business of the Partnership and upon adequate written notice at all reasonable times inspect and, at such Investor Partner's expense, copy any of them personally or through a representative; (b) have on demand true and full information of all things affecting the Partnership and a formal account of Partnership affairs, whenever permitted by law; and (c) have dissolution and winding up by decree of court as provided for in the Act.

Section 6.2 Access of Investor Partners to Geophysical Data. During the term of the Partnership, the Partnership may acquire or have access to geophysical, geological, and other similar data and information. Each Investor Partner shall during the term of the Partnership have the right, after adequate notice, during normal business hours at the offices of the Partnership to inspect and review all such data and information and studies, maps, evaluations, or reports derived therefrom and material related thereto which are attributable to the Partnership properties

and are in the actual custody of the Managing Partner; provided, however, that the Managing Partner may refuse for a reasonable period of time to grant a Investor Partner access to such data and information and studies, maps, evaluations, and reports which the Managing Partner (a) has agreed to keep confidential or (b) determines in good faith should be kept confidential considering the interests of the Partnership and each of its Partners.

Section 6.3 Return of Capital Contribution. No Investor Partner shall be entitled to (a) withdraw from the Partnership except upon assignment by an Investor Partner of his Interests and the substitution of such Investor Partner's assignee as a substituted Investor Partner of the Partnership in accordance with Section 8.1 or as required by law, or (b) the return of his Capital Contribution except (i) as otherwise provided in this Agreement or as required by law, (ii) to the extent, if any, that distributions made pursuant to the express terms of this Agreement may be considered as such by law or by unanimous agreement of the Partners, or (iii) upon dissolution of the Partnership, and then only to the extent expressly provided for in this Agreement and as permitted by law.

Section 6.4 Meetings. Meetings of the Partners may be called by the Managing Partner at any time and from time to time or may be called by Investor Partners whose combined Sharing Ratios equal at least 10%. The Managing Partner shall, within 15 days after its receipt of a written request for any such call by Investor Partners for a Partners' meeting, give all Investor Partners written notice of the time, place, and purpose of such meeting. The meeting shall be held at a reasonable time and place on a date not less than 30 nor more than 60 days after the date of the mailing of such notice; provided that the date for notice of such a meeting may be extended for a period of up to 60 days, if in the opinion of the Managing Partner such additional time is necessary to permit preparation of proxy or information statements or other documents required to be delivered in connection with such meeting by the Securities and Exchange Commission, state securities administrators or other regulatory authorities. The Partners may conduct any Partnership business at such meeting which is permitted under this Agreement and is specified in such notice. Investor Partners may vote in person or by proxy at any such meeting, and the presence in person or by proxy of a Majority in Interest of the Investor Partners shall be necessary to constitute a quorum for the transaction of business at such meeting.

Section 6.5 Voting Rights of Investor Partners. Except as otherwise provided in Section 5.2(b) and 5.10(j), any vote, consent, approval, election, or other action by the Investor Partners on or with respect to any Partnership matter (including, without limitation, those matters set forth in Sections 5.2(c), 5.2(e), 8.6(a), 8.6(b), 9.1(b), 9.3(a) and 11.2) shall be duly and validly made only if made by a Majority in Interest of the Investor Partners (without the necessity for the concurrence by the Managing Partner), and in the event of any such vote, consent, approval, or election, each Investor Partner that does not vote for, consent to, approve of, or elect with respect to such matter hereby agrees to be bound by the decision of a Majority in Interest of the Investor Partners and hereby approves such matter to the extent such approval is required for such matter to be effective under the Delaware Act or any other applicable law, rule, or regulation.

Section 6.6 Conduct of Meeting. The Managing Partner shall have full power and authority concerning the manner of conducting any meeting of the Investor Partners or solicitation of consents in writing, including without limitation, the determination of persons

entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 6.4, the conduct of voting, the validity and effect of any proxies, votes, or consents, and the determination of any controversies, votes, or challenges arising in connection with or during the meeting or voting. The Managing Partner shall designate a person to serve as chairman of any meeting and shall further designate a person to take the minutes of any meeting, in either case, including without limitation, a partner or a director or an officer of the Managing Partner. All minutes shall be kept with the records of the Partnership maintained by the Managing Partner. The Managing Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Investor Partners or solicitation of consents in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and consents, the submission and examination of proxies and other evidence of the right to vote, and the revocation of consents in writing.

Section 6.7 General Partners Not Agents. Pursuant to Section 5.1 the General Partners have elected to delegate to the Managing Partner authority to manage, control, and administer and operate the property, business, and affairs of the Partnership. Each General Partner agrees that no General Partner or group of General Partners constituting less than a Majority in Interest may cause the Managing Partner on behalf of the Partnership to act as agent for the Partnership, execute documents on behalf of the Partnership, convey Partnership property, or take any other action binding on the Partnership. Each General Partner further agrees that in no circumstance will a Partner other than the Managing Partner have the right to act as agent for the Partnership, execute documents on behalf of the Partnership, convey Partnership property, or take any other action binding on the Partnership. Any General Partner who takes action contravening this Section 6.7 agrees to indemnify the Partnership and all other Partners from any loss, liability, or expense caused by such action.

Section 6.8 Liabilities of Partners.

(a) Pursuant to the Delaware Act, the General Partners are liable jointly and severally for all liabilities and obligations of the Partnership. Notwithstanding the foregoing, as among themselves, the General Partners hereby agree that each shall be solely and individually responsible only for his pro rata share (based on Capital Contributions made) of the liabilities and obligations of the Partnership, and any General Partner who incurs liability in excess of his pro rata share shall be entitled to contribution from the other General Partners. Pursuant hereto, the Managing Partner further agrees to indemnify each General Partner for any and all Partnership-related obligations and liabilities otherwise allocable to or paid by such General Partner which are in excess of such General Partner's share of the Partnership's undistributed assets. Under no circumstances shall any Partner be required to indemnify the Managing Partner, except to the extent of such Partner's (i) Capital Contribution and (ii) share of Partnership assets.

(b) The Partnership may purchase and maintain insurance on behalf of all Partners against any liabilities asserted against or expenses incurred by the Partners in connection with Partnership activities, provided that the Partnership shall not incur the costs of that portion of such insurance, if any, which insures the Managing Partner for any liability with respect to which the Managing Partner is denied indemnification under the provisions of this Agreement. Such insurance may be in such amounts as the Managing Partner shall determine is sufficient to protect the Partners from the maximum amount of such liabilities and expenses.

ARTICLE VII
BOOKS, RECORDS, CAPITAL ACCOUNTS, REPORTS, AND BANK ACCOUNTS

Section 7.1 Books, Records, and Capital Accounts.

(a) The Managing Partner shall keep just and true records and books of account with respect to the operations of the Partnership and shall maintain and preserve during the term of the Partnership and for four years thereafter all such records, books of account, and other relevant Partnership documents. The Managing Partner shall maintain for at least six years all records necessary to substantiate the fact that Interests were sold only to purchasers for whom such Interests were suitable. Such books shall be maintained at the principal place of business of the Partnership and shall be kept on the accrual method of accounting.

(b) Any records maintained by the Partnership in the regular course of its business, including the names and addresses of Investor Partners, books of account and records of Partnership proceedings, may be kept on or be in the form of magnetic tape, photographs, micrographics, or any other information storage device, provided that the records so kept are convertible into clearly legible written form within a reasonable period of time. An alphabetical list of the names, addresses, and business telephone numbers of the Investor Partners of the Partnership along with the number of Interests held by each of them (the "participant list") shall be maintained as a part of the books and records of the Partnership and shall be available for the inspection by any Investor Partner or his designated agent at the principal office of the Partnership upon the request of the Investor Partner. The participant list shall be updated at least quarterly to reflect changes in the information contained therein. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the participant list is to secure the list of Investor Partners or other information for the purpose of selling such list or information or copies thereof, or of using the same for a commercial purpose other than in the interest of the applicant as an Investor Partner relative to the affairs of the Partnership. The remedies provided hereunder to Investor Partners requesting copies of the participant list are in addition to, and shall not in any way limit, other remedies available to Investor Partners under federal law or the laws of any state.

(c) An individual capital account shall be maintained by the Partnership for each Partner as provided below:

(i) The capital account of each Partner shall, except as otherwise provided herein, be (A) credited by such Partner's Capital Contributions when made, (B) credited by the fair market value of any property contributed to the Partnership by such Partner (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to under Section 752 of the Code), (C) credited with the amount of any item of taxable income or gain and the amount of any item of income or gain exempt from tax allocated to such Partner, (D) credited with the Partner's share of Simulated Gain as provided in Section 7.1(c)(ii), (E) debited by the amount of any item of tax deduction or loss allocated to such Partner, (F) debited by the Partner's share of Simulated Depletion and Simulated Loss as

provided in Section 7.1(c)(ii), (G) debited by such Partner's allocable share of expenditures of the Partnership not deductible in computing the Partnership's taxable income and not properly chargeable as Capital Expenditures, including any non-deductible book amortizations of capitalized costs, and (H) debited by the amount of cash or the fair market value of any property distributed to such Partner (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under Section 752 of the Code). Immediately prior to any distribution of property by the Partnership that is not pursuant to a liquidation of the Partnership, the Partners' capital accounts shall be adjusted by (A) assuming that the distributed assets were sold by the Partnership for cash at their respective fair market values as of the date of distribution by the Partnership and (B) crediting or debiting each Partner's capital account with its respective share of the hypothetical gains or losses resulting from such assumed sales determined in the same manner as gains or losses provided for under Sections 4.2 and 7.1(c)(ii) for actual sales of such properties.

(ii) The allocation of basis prescribed by Section 613A(c)(7)(D) of the Code and provided for in Section 4.2(g) and each Partner's separately computed depletion deductions shall not reduce such Partner's capital account, but such Partner's capital account shall be decreased by an amount equal to the product of the depletion deductions that would otherwise be allocable to the Partnership in the absence of Section 613A(c)(7)(D) of the Code (computed without regard to any limitations which theoretically could apply to any Partner) times such Partner's percentage share of the adjusted basis of the property with respect to which such depletion is claimed (herein called "Simulated Depletion"). The Partnership's basis in any oil or gas property as adjusted from time to time for the Simulated Depletion allocable to all Partners (and where the context requires, each Partner's allocable share thereof) is herein called "Simulated Basis." No Partner's capital account shall be decreased, however, by Simulated Depletion deductions attributable to any depletable property to the extent such deductions exceed such Partner's remaining Simulated Basis in such property. Upon the sale or other disposition of an interest in a depletable property, each Partner's capital account shall be credited with the gain ("Simulated Gain") or debited with the loss ("Simulated Loss") determined by subtracting from his allocable share of the amount realized on such sale or disposition his Simulated Basis, as adjusted by Simulated Depletion.

(iii) Adjustments of basis of Partnership property provided for under Sections 734 and 743 of the Code and comparable provisions of state law (resulting from an election under Section 754 of the Code or comparable provisions of state law) and elections by individual Partners under Section 59(e)(4) of the Code to capitalize and amortize such Partner's share of intangible drilling and development costs shall not affect the capital accounts of the Partners, and the Partners' capital accounts shall be debited or credited pursuant to the terms of this Section 7.1 as if no such election had been made, unless otherwise required by applicable Treasury Regulations.

(iv) Capital accounts shall be adjusted, in a manner consistent with this Section 7.1, to reflect any adjustments in items of Partnership income, gain, loss, or deduction that result from amended returns filed by the Partnership or pursuant to an agreement by the Partnership with the Internal Revenue Service or a final court decision.

(v) In the case of property contributed to the Partnership by a Partner, the Partners' capital accounts shall be debited or credited for items of depreciation, cost recovery, Simulated Depletion, amortization, and gain or loss with respect to such property computed in the same manner as such items would be computed if the adjusted tax basis of such property were equal to its fair market value on the date of its contribution to the Partnership, in lieu of the capital account adjustments provided above for such items, all in accordance with Treasury Regulation 1.704-1(b)(2)(iv)(g).

(vi) It is the intention of the Partners that the capital account of each Partner be kept in the manner required under Treasury Regulation 1.704-1(b)(2)(iv). To the extent any additional adjustment to the capital accounts is required by such regulation, the Managing Partner is hereby authorized to make such adjustment after notice to the General Partners.

Section 7.2 Reports. The Managing Partner shall deliver to each Investor Partner the following financial statements and reports at the times indicated below:

(a) Semiannually within 75 days after the end of the first six months of each fiscal year and annually within 120 days after the end of each fiscal year, financial statements, including a balance sheet and statements of income, Partners' equity, and cash flow, all of which shall be prepared in accordance with generally accepted accounting principles. The annual financial statements shall be accompanied by a report of an independent certified public accountant designated by the Managing Partner, stating that an audit of such financial statements has been made in accordance with generally accepted auditing standards and that in its opinion such financial statements present fairly the financial condition, results of operations, and cash flows of the Partnership in accordance with generally accepted accounting principles consistently applied.

(b) Annually by March 15 of each year or as soon thereafter as is reasonably possible, a report containing such information as may be needed to enable each Investor Partner to prepare and file his federal income tax return and any required state income tax return.

(c) Annually within 120 days after the end of each fiscal year beginning with the fiscal year ended December 31 of the year following the year in which the Partnership commences operation, (i) a summary of the computations of the total estimated oil and gas Proved Reserves of the Partnership as of the end of such fiscal year and the dollar value thereof at then existing prices and a computation of each Investor Partner's interest in such value, such reserve computations to be based upon engineering reports prepared by qualified independent petroleum engineers, (ii) an estimate of the time required for the extraction of such Proved Reserves and the present worth thereof (discounted at a rate generally accepted in the oil and gas industry and undiscounted), and (iii) a statement that because of the time period required to extract such reserves the present value of revenues to be obtained in the future is less than if such revenues were immediately receivable. Each such report shall be prepared in accordance with customary and generally accepted standards and practices for petroleum engineers and shall be prepared by a recognized independent petroleum engineer selected from time to time by the Managing Partner. No later than 90 days following the occurrence of an event resulting in a reduction in an amount of 10% or more of the estimated value of the oil and gas Proved Reserves

as last reported to the Investor Partners, other than a reduction resulting from normal production, sales of reserves or product price changes, a new summary conforming to the requirements set forth above in this Section 7.2(c) shall be delivered to the Investor Partners.

(d) Semiannually within 75 days after the end of the first six months of each fiscal year and annually within 120 days after the end of each fiscal year, (i) a summary itemization, by type or classification, of any transaction of the Partnership since the date of the last such report with the Managing Partner or any Affiliate thereof and the total fees, compensation, and reimbursement paid by the Partnership (or indirectly on behalf of the Partnership) to the Managing Partner and its Affiliates, including without limitation, the average price paid by any Affiliate of the Managing Partner during the two most recent calendar quarters for oil and gas produced by Program Wells purchased by such Affiliate and the highest average price paid by any other substantial purchaser of comparable oil or gas produced in the field where such Program Wells are located, and (ii) a schedule reflecting (A) the total costs of the Partnership (and, where applicable, the costs pertaining to each Prospect) and the costs paid by the Managing Partner and by the Investor Partners, (B) the total revenues of the Partnership and the revenues received by or credited to the accounts of the Managing Partner and the Investor Partners, (C) a reconciliation of (x) the total costs of the Partnership paid by the Managing Partner and the Investor Partners to (y) the allocation of such costs set forth in the Program Agreement and (D) a reconciliation of (x) the total revenues received by or credited to the accounts of the Managing Partner and the Investor Partners to (y) the allocation of such revenues set forth in the Program Agreement. Each semi-annual report delivered by the Managing Partner may contain summary estimates of the information described in subdivision (i) of this Section 7.2(d).

(e) Monthly within 30 days after the end of each calendar month while the Partnership is participating in the drilling and completion of wells in which it has an interest until the end of such activity, and thereafter for a period of three years semiannually within 75 days after the end of the first six months of each fiscal year and annually within 120 days after the end of each fiscal year, (i) a description of each Prospect or field in which the Partnership owns Leases (provided that after the initial description of each such Prospect or field has been provided to the Investor Partners only material changes, if any, with respect to such Prospect or field need be described), (ii) a description of all farmouts entered into by the Partnership since the date of the last such report, including the reason therefor, the location and timing thereof, the parties to the farmout and the terms thereof, and (iii) a summary of the wells drilled by the Partnership and the status thereof, indicating whether each of such wells is being drilled or has been completed or plugged and abandoned, a statement of the cost of each well completed or abandoned, and the reason for abandoning any well after commencement of production. Each report delivered by the Managing Partner may contain summary estimates of the information described in clause (iii) of this Section 7.2(e).

(f) Such other reports and financial statements as the Managing Partner shall determine from time to time.

The cost of such reporting shall be paid by the Partnership as a Partnership expense.

Section 7.3 Bank Accounts. The Managing Partner shall cause one or more accounts to be maintained in a state or federally chartered bank or savings and loan association, which accounts shall be used for the payment of the expenditures incurred by the Managing Partner in connection with the business of the Partnership, and in which shall be deposited any and all receipts of the Partnership. All such amounts shall be and remain the property of the Partnership and shall be received, held, and disbursed by the Managing Partner for the purposes specified in this Agreement. There shall not be deposited in any of said accounts any funds other than funds belonging to the Partnership, and no other funds shall in any way be commingled with such funds. The Managing Partner may invest Partnership funds which they deem untimely or inappropriate to use or commit for Partnership purposes or to distribute to the Partners in such United States Treasury Bills, other short-term governmental obligations or bank certificates of deposit or other certificates, securities or evidences of indebtedness on such terms and for such security, if any, as they may deem necessary or desirable. The Managing Partner shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not in the Managing Partner's possession or control, and shall not employ or permit another to employ such funds or assets in any manner except for the benefit of the Partnership.

ARTICLE VIII ASSIGNMENT AND PURCHASE OF INTERESTS; SUBSTITUTION

Section 8.1 Assignments by Investor Partners.

(a) The interest of any Investor Partner in the Partnership shall be assignable, in whole or in part, subject to the following:

(i) No such assignment shall be made if, in the opinion of counsel to the Partnership, such assignment would cause the termination of the Partnership for federal income tax purposes under Section 708 of the Code or might result in a change in the status of the Partnership to a "publicly traded partnership" within the meaning of Section 7704 of the Code, unless the Managing Partner consents to such assignment, or if in the opinion of counsel to the Partnership such assignment may not be effected without registration under the Securities Act of 1933, as amended, or would result in the violation of any applicable state securities laws;

(ii) The Partnership shall not be required to recognize any such assignment until the instrument conveying such interest has been delivered to the Managing Partner for recordation on the books of the Partnership;

(iii) Unless an assignee becomes a substituted Investor Partner in accordance with the provisions set forth below, such assignee shall not be entitled to any of the rights granted to an Investor Partner hereunder, other than the right to receive all or part of the share of the profits, losses, cash distributions, or returns of capital to which his assignor would otherwise be entitled;

(iv) Except as required by law or in unusual circumstances when consented to by the Managing Partner, the assigning Investor Partner (A) may not assign less than its whole Interest to any person other than the Partnership, the Managing Partner, an Affiliate thereof, or a third person designated by the Managing Partner in its sole discretion, and

(B) must retain at least a whole Interest, in the event fewer than all such Investor Partner' s Interests are assigned to any person other than the Partnership, Managing Partner, an Affiliate thereof, or a third person designated by the Managing Partner in its sole discretion; and

(v) The assignor shall notify the Managing Partner of such assignment and provide the Managing Partner with such information regarding the transferee and the transfer (including without limitation, the name, address, and taxpayer identification number of the transferor and transferee and the date of the transfer) as is required under Section 6050K of the Code (if the transfer is a sale or exchange described in Section 751(a) of the Code) and Section 6112 of the Code (relating to tax shelter investor lists) and Treasury Regulations promulgated thereunder by the Internal Revenue Service in the manner and at the time prescribed by law.

An assignment by an Investor Partner in violation of clause (i) or clause (ii) of this Section 8.1(a) shall be void and ineffectual and shall not bind the Partnership or any other Partner. The assignee of an Investor Partner' s interest in the Partnership shall pay all costs and expenses incurred by the Partnership in connection with such assignment, which costs and expenses shall not be less than \$50. In the discretion of the Managing Partner, such costs and expenses may be collected out of revenues otherwise allocable to such assignee under this Agreement.

(b) An assignee of the interest of an Investor Partner, or any portion thereof if permitted hereunder, shall become a substituted Investor Partner entitled to all the rights of an Investor Partner if, and only if:

(i) The assignor gives the assignee such right;

(ii) The Managing Partner consents to such substitution, which consent may only be withheld to the extent legally necessary (as set forth in an opinion of counsel) to preserve the tax status of the Partnership or the classification of Partnership income for tax purposes;

(iii) The assignee pays to the Partnership all costs and expenses incurred in connection with such substitution; including without limitation, costs incurred in amending filings referred to in Section 1.7, which costs and expenses, in the discretion of the Managing Partner, may be collected out of revenues otherwise allocable to such substituted Investor Partner under this Agreement;

(iv) The assignee executes and delivers such instruments, in form and substance satisfactory to the Managing Partner, as the Managing Partner may deem necessary or desirable to effect such substitution and to confirm the agreement of the assignee to be bound by all of the terms and provisions of this Agreement; and

(v) The assignee delivers to the Managing Partner a written representation as to each of the matters set forth in the Subscription Agreement.

The consent of the Investor Partners shall not be required for admission to the Partnership of a substituted Investor Partner who meets the above requirements. The Partnership and the Managing Partner shall be entitled to treat the record owner of any Partnership interest as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or

other property made in good faith to such record owner until such time as a written assignment of such interest has been received and accepted by the Managing Partner and recorded on the books of the Partnership. In no event shall any Partnership interest, or any portion thereof, be sold, transferred, or assigned to a minor or incompetent or any other person not qualified to become an Investor Partner hereunder, and any such attempted sale, transfer, or assignment shall be void and ineffectual and shall not bind the Partnership or the Managing Partner. Unless an assignee becomes a substituted Investor Partner, any assignment by the assigning Investor Partner of the right to receive Partnership distributions shall not release such Investor Partner of any obligations connected with the interest in the Partnership being assigned. In no event shall any purported transfer, by operation of law or otherwise, require the accounting by the Managing Partner to more than one person with respect to the Partnership interest transferred unless the transfer is consented to by the Managing Partner in accordance with the foregoing and the Partnership interest transferred represents a whole number of Interests owned by the Investor Partner. The effective date of any assignment shall be the date on which all of the prerequisites to the assignment specified in this Section 8.1 have been met. The Partnership will amend its records at least once each calendar quarter to effect the substitution of substituted partners. In the case of assignments where the assignee does not become a substituted Investor Partner, the Partnership shall recognize the assignment not later than the last day of the calendar month following receipt of the notice of assignment and the required documentation.

Section 8.2 Assignment by Managing Partner.

(a) The interest of the Managing Partner in the Partnership shall not be assignable, in whole or in part, except in the event of the following assignments:

(i) A disposition by the Managing Partner of all or any portion of its Partnership interest to one or more Affiliates of the Managing Partner that agree to assume all or a proportionate part of the obligations of the Managing Partner with respect to such interest in the Partnership;

(ii) A disposition by the Managing Partner of all or any part of its Partnership interest to one or more persons that have as the result of a merger, consolidation, corporate reorganization, or other transaction acquired all or substantially all of the assets of the Managing Partner and have assumed the obligations of the Managing Partner hereunder; or

(iii) An assignment or transfer by the Managing Partner of all or any portion of its Partnership interest by way of mortgage, pledge, or charge as security for an advance of monies to it, provided that the mortgagee or pledgee shall hold such interest subject to all of the terms of this Agreement.

(b) In the event of a disposition, assignment, or transfer referred to in clause (i) or clause (ii) of Section 8.2(a), such successor, assignee, or transferee shall be and become a substituted Managing Partner and shall continue the business of the Partnership without the occurrence of any dissolution and the assigning Managing Partner shall be released from all of its obligations thereafter arising hereunder; and each Investor Partner (and any person who hereafter becomes a substituted Investor Partner by his execution, adoption, or acceptance of this Agreement) does hereby consent to the admission of such successor, assignee, or transferee as a

substituted Managing Partner to the extent required by the Delaware Act and to the continuance of the business of the Partnership by such substituted Managing Partner, and authorizes the Managing Partner or substituted Managing Partner to ratify on his behalf pursuant to the power of attorney granted in Section 10.2 such Investor Partner' s consent to the admission of the new Managing Partner as a Managing Partner of the Partnership.

(c) The Partnership shall take such actions as the Managing Partner in its sole discretion deems necessary or appropriate to effect or facilitate a disposition, assignment, or transfer referred to in Section 8.2(a), including without limitation, providing notice thereof to the Investor Partners and entering into appropriate escrow arrangements; provided, however, that no such disposition, assignment, or transfer (in the absence of the bankruptcy, withdrawal, removal, or dissolution of a Managing Partner) shall result in dissolution of the Partnership.

(d) Except as otherwise provided in Section 8.2(b), Section 8.6 or Section 9.3, no assignee or transferee of a Managing Partner shall become a substituted Managing Partner without the written consent of all of the Investor Partners.

Section 8.3 Right of Presentment. During the first calendar quarter of each of the years 2010 through 2015, an Investor Partner (other than the Managing Partner or an Affiliate thereof) may request in writing that the Managing Partner repurchase all, but not less than all, of his Interests (the "Right of Presentment"). The repurchase price to be paid upon any repurchase of an Investor Partner' s Interests will be the pro rata share represented by his Interests of:

(a) 100% of the sum of

(i) 65% of the unescalated (i.e., not increased by any interest rate or any other factor) value as of such Valuation Date of the future net revenues attributable to the Partnership' s Proved Developed Producing Reserves, as estimated by the Independent Expert retained by the Managing Partner to prepare the most recent engineering report furnished to the Investor Partners pursuant to Section 7.2(c);

(ii) 50% of the unescalated (i.e., not increased by any interest rate or any other factor) value as of such Valuation Date of the future net revenues attributable to the Partnership' s Proved Developed Non-Producing Reserves, as estimated by the Independent Expert retained by the Managing Partner to prepare the most recent engineering report furnished to the Investor Partners pursuant to Section 7.2(c);

provided that prior to the calculation of the value of such future net revenues, that value (A) shall be adjusted by the Independent Expert to reflect the risks of production and development of such reserves and any other economic contingencies that would normally be considered by a purchaser of Proved Reserves and (B) shall be discounted to present value at a rate equal to 10%;

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(b) the amount of all liabilities, indebtedness, expenses, and obligations of the Partnership as of the Valuation Date as shown on the Partnership' s most recent audited financial statements furnished to the Investor Partners pursuant to Section 7.2(a) that were allocable as of the end of such fiscal year to the Investor Partners; and

(c) any distributions made to Investor Partners between the Valuation Date and the date of payment of the repurchase attributable to the Interests being repurchased shall be deducted from the repurchase price. The effective date of any such sale for purposes of determining such deduction will be deemed to be the day on which payment of the repurchase price is transmitted.

Section 8.4 Notices of and Limitations on Right of Presentment.

(a) Prior to May 31 of each year in which the Right of Presentment exists, the Managing Partner shall notify each Investor Partner requesting repurchase under Section 8.3 of the amount that will be paid to repurchase each Interest and the method by which that repurchase price was calculated. Upon their receipt of such notification, the requesting Investor Partners who wish to present their Interests for repurchase shall do so by properly completing and executing the form of assignment that will accompany the Managing Partner's notification and returning it to the Managing Partner within 20 calendar days after the date of the notification. Such presentment by an Investor Partner shall constitute his acceptance of the repurchase offer of the Managing Partner, subject to the terms of this Article 8. Payment for Interests presented for repurchase during a year will be made in cash not less than 60 nor more than 75 calendar days after receipt by the Managing Partner of the assignments of the Interests so repurchased.

(b) The maximum number of Interests that the Managing Partner (or an Affiliate thereof) shall be required to purchase during any calendar year in which the right to present Interests exists shall not exceed 5% of the total number of Interests outstanding at the beginning of such calendar year.

(c) In addition to the limitation imposed by subsection (b) above, the obligation of the Managing Partner or Affiliates thereof, to purchase Interests and to purchase interests in Affiliated Programs previously or subsequently organized by the Managing Partner or Affiliates thereof shall not exceed \$500,000 in any calendar year, and such persons may elect not to purchase the excess. If a greater number of Interests and interests in such previously or subsequently organized Affiliated Programs are presented for repurchase than are required to be accepted under this subsection (c), those Interests and interests will be accepted for repurchase in the following manner: (i) all required repurchases will be allocated among the other affected partnerships (adjusted to reflect repurchases within the previous twelve months) pro rata based on their initial subscribed capital, (ii) to the extent that the amount allocated to any partnership described in clause (i) exceeds the repurchase price of interests in that partnership presented for repurchase, such amount shall be allocated among the other of those partnerships in the manner described in clause (i) until the entire \$500,000 limitation (as adjusted) has been allocated, and (iii) interests in each partnership described in clause (i) shall be accepted for repurchase in amounts equal to the portion of the \$500,000 limitation allocated to each such partnership.

(d) In determining if the required number of the outstanding Interests pursuant to subsection (c) above have been repurchased during any calendar year, all purchases by the Managing Partner or Affiliates thereof of Interests and interests in Affiliated Programs previously or subsequently organized by the Managing Partner or Affiliates thereof, which purchases have been made at any time during the twelve-month period ending on the date on which such persons are to purchase Interests hereunder shall be included in the calculation of the

Interests and other interests repurchased. If a greater number of Interests are presented for repurchase than those persons are required to repurchase, the Interests to be repurchased will be selected by lot or by such other method as the Managing Partner deems reasonable. Participation by Investor Partners in any such lottery shall be determined by calculating the proportion that the number of Interests presented for repurchase by each Investor Partner bears to the total number of Interests presented for repurchase at that time. If any Interests presented for repurchase are not purchased, they will be returned to the record owners thereof and will be eligible for repurchase during succeeding years only if new repurchase requests are made and the Interests are again presented for repurchase. Interests not repurchased in the year presented for repurchase will have no priority with respect to repurchase in subsequent years.

(e) If, prior to May 31 of the year in which the Right of Presentment exists, the price for either oil or gas received by the Partnership from its Program Wells decreases by 20% or more as compared to the price being received as of the Valuation Date, the Managing Partner may, in its sole and absolute discretion, refuse to repurchase any Interests presented for repurchase. Further, if the Managing Partner or Affiliates thereof have purchased the required number of Interests at any time during the twelve-month period ending on the date on which the Managing Partner is to purchase Interests from the Investor Partners pursuant to the Right of Presentment, the Managing Partner's obligation to purchase Interests is discharged. In such event, the Managing Partner shall notify the presenting Investor Partners of the Managing Partner's election not to repurchase any of the Interests presented for repurchase and the basis for such refusal and shall provide to any presenting Investor Partner who so requests access to such books and records of the Partnership as shall be reasonably necessary for such Investor Partner to verify the basis for such refusal.

(f) For purposes of this Agreement, Interests repurchased and held by the Managing Partner or an Affiliate thereof shall continue to be outstanding.

Section 8.5 Cessation of Right of Presentment. In the event the obligation of the Managing Partner or any Affiliate thereof to repurchase Interests from Investor Partners pursuant to their Right of Presentment is determined by counsel to the Partnership to be in violation of any existing or future laws or to expose the Partnership or the Investor Partners to material adverse federal income tax consequences, such obligation shall become null and void and of no further force or effect, but only to the extent necessary in the opinion of counsel to the Partnership to comply with such laws or to avoid such consequences.

Section 8.6 Removal of Managing Partner.

(a) A Majority in Interest of the Investor Partners shall have the right to remove the Managing Partner and to elect and substitute a new Managing Partner. In such event, the removed Managing Partner shall be required to offer to sell a minimum of 20% of, and shall have the right to offer to sell up to the remaining 80% of, its interest in the Partnership to the new Managing Partner at a price, Method of Payment (as determined pursuant to this section), and on such other terms and conditions as are mutually agreeable to the new Managing Partner. If after the new Managing Partner and the removed Managing Partner have agreed on the amount of the removed Managing Partner's Partnership interest that is to be sold to and purchased by the new Managing Partner (which agreement must be reached within 10 days of the removal of the

Managing Partner), such parties are unable to agree within 10 days on the purchase price of such interest, the new Managing Partner and the removed Managing Partner shall select a mutually agreeable Independent Expert to determine such purchase price. Such Independent Expert, in determining such price, shall take into account appropriate discount factors in light of the risk of recovery of the oil and gas reserves attributable to the Partnership. The closing of the purchase of such Partnership interest shall take place at the office of the removed Managing Partner within 15 days following the agreement upon or determination of the purchase price for the interest to be acquired by the new Managing Partner, or at such other time or place as the removed Managing Partner and the new Managing Partner may agree upon in writing. In the event the new Managing Partner agrees to purchase less than all of the offered interest of the removed Managing Partner in the Partnership, the removed Managing Partner shall have the right to have distributed to it in kind such Partnership assets and properties attributable to the Partnership interest not purchased by the new Managing Partner as it would have been entitled to receive if the Partnership were dissolved and terminated pursuant to Section 9.4 at such time. The removed Managing Partner shall cause, to the extent legally possible, all of its contractual rights, obligations, and duties as Managing Partner of the Partnership to be assigned to the new Managing Partner, and the new Managing Partner shall continue the business of the Partnership without the occurrence of any dissolution and shall accept all responsibilities of the removed Managing Partner and make arrangements satisfactory to the removed Managing Partner to release it from and indemnify it against personal liability for any Partnership indebtedness and liabilities. This Agreement shall thereafter be duly amended to delete the removed Managing Partner and to name the new Managing Partner. Each Investor Partner (and any person who hereafter becomes a substituted Investor Partner by his execution, adoption, or acceptance of this Agreement) hereby consents to the admission of the new Managing Partner as the substituted Managing Partner and to the continuance of the business of the Partnership by such substituted Managing Partner, and authorizes such Managing Partner to certify on his behalf pursuant to the power of attorney granted in Section 10.2 such Investor Partner's consent to the admission of such new Managing Partner as the Managing Partner of the Partnership and to execute any amendments to this Agreement required for such purpose. If, under the laws of any jurisdiction to which the Partnership or this Agreement is subject, the removal or withdrawal of the Managing Partner pursuant to this Section 8.6(a) results in the Partnership being dissolved, then the Partnership shall be deemed dissolved and reconstituted. Each Investor Partner (and any person who hereafter becomes a substituted Investor Partner by his execution, adoption, or acceptance of this Agreement) hereby consents to the continuation or reconstitution of the Partnership pursuant to this Section 8.6(a) and authorizes the substituted Managing Partner to certify on his behalf pursuant to the power of attorney granted in Section 10.2, such Investor Partner's consent to the continuation or reconstitution of the Partnership and to execute any amendments to this Agreement required for such purpose.

The "Method of Payment" by the new Managing Partner for the removed Managing Partner's interest must be fair and must protect the solvency and liquidity of the Partnership. Where the termination is voluntary, the method of payment will be deemed presumptively fair where it provides for a non-interest bearing unsecured promissory note with principal payable, if at all, from distributions which the terminated Managing Partner otherwise would have received under the Partnership Agreement had the Managing Partner not been terminated. Where the termination is involuntary, the method of payment will be deemed presumptively fair where it provides for an interest bearing promissory note coming due in no less than five years with equal installments each year.

(b) The Partnership, acting in accordance with a vote or consent of a Majority in Interest of the Investor Partners, shall have the right pursuant to Section 7 of the Program Agreement to remove MOC as Program Manager and substitute a successor to act in such capacity.

ARTICLE IX
DISSOLUTION, RECONSTITUTION, LIQUIDATION, AND TERMINATION

Section 9.1 Dissolution. The Partnership shall be dissolved upon the occurrence of any of the following:

(a) December 31, 2057;

(b) the vote at a duly held meeting or consent in writing of a Majority in Interest of the Investor Partners at any time;

(c) the sale, disposition, or termination of all or substantially all of the Leases then owned by the Partnership;

(d) the bankruptcy, insolvency, or dissolution (except dissolution as a consequence of merger, consolidation, recapitalization, or other reorganization effected in accordance with Section 8.2) of the Managing Partner or the occurrence of any other event which would permit a trustee or receiver to acquire control of the property or affairs of the Managing Partner; provided that neither the Managing Partner's filing of a voluntary petition or answer seeking reorganization or similar relief under bankruptcy law, nor the Managing Partner's reorganization or obtaining similar relief under such law shall cause the dissolution of the Partnership;

(e) the adjudication of insolvency or bankruptcy of the Partnership, or an assignment by the Partnership for the benefit of creditors;

(f) the withdrawal or retirement of the Managing Partner; or

(g) except as otherwise provided in this Section 9.1, the occurrence of any other event which, under the laws of the State of Delaware, causes the dissolution of a limited partnership.

The death, retirement, insanity, legal disability, insolvency, dissolution, or withdrawal of any Investor Partner will not result in the dissolution or termination of the Partnership, and, upon the occurrence of any such event, the estate, personal representative, guardian, or other successor in interest of any such Investor Partner or the Investor Partner, as the case may be, (i) will continue to be liable for all of the debts and obligations of such Investor Partner pursuant to this Agreement, (ii) may become a substituted Investor Partner only pursuant to the provisions of Section 8.1, (iii) may transfer the Partnership interest of such Investor Partner only pursuant to the provisions of Article VIII hereof, and (iv) will not have any right to withdraw the Capital Contribution of such Investor Partner except as expressly set forth in Section 9.3 of this Agreement.

Section 9.2 Covenant Not to Withdraw. Except as permitted by Section 9.3(c), each Partner covenants and agrees that it shall not cause the dissolution of the Partnership by its voluntary withdrawal therefrom, either directly, by dissolution or by any other voluntary act, provided that the Managing Partner may withdraw upon the later to occur of (i) the completion of a Partnership's primary drilling activities under the Drilling Program and (ii) the fifth anniversary of the date that Investor Partners were admitted to the Partnership. In order to exercise its right of withdrawal, the Managing Partner must give the Investor Partners at least 120 days' advance written notice. In the event the Managing Partner assigns its interest in the Partnership to a person who becomes a substituted Managing Partner of the Partnership pursuant to Section 8.2, the subsequent dissolution of the old Managing Partner shall not terminate the Partnership and shall not be deemed to constitute a breach or violation of the covenant contained in this Section 9.2.

Section 9.3 Reconstitution.

(a) In addition to the other rights and remedies the Investor Partners may have hereunder or otherwise, in the event the Managing Partner withdraws or retires from the Partnership (directly or as a result of the events causing dissolution under Section 9.1(e)) and such withdrawal or retirement causes dissolution of the Partnership, a Majority in Interest of the Investor Partners, acting at a meeting of the Investor Partners to be held within 90 days following receipt of written notice of such event from the Managing Partner, shall be entitled to reconstitute the Partnership (the Partnership, as reconstituted, is referred to herein as the "Reconstituted Partnership") and elect and substitute a new Managing Partner (which may be the retiring Managing Partner). Such new Managing Partner shall be entitled to acquire the Partnership interest of the retiring Managing Partner on the same basis and in the same manner as is set forth in Section 8.6. In connection with such acquisition the actions described in Section 8.6 shall be taken by the new Managing Partner and the retiring Managing Partner, and each Investor Partner (and any person who hereafter becomes a substituted Investor Partner by his execution, adoption, or acceptance of this Agreement) hereby consents to the admission of such new Managing Partner as a substituted Managing Partner of the Partnership in the same manner, and with the same effect, as consent is provided by the Investor Partners in Section 8.6. The retiring Managing Partner will pay all expenses concerning the valuation of its Partnership Interest and expenses associated with transferring management control incurred as a result of its withdrawal or retirement from the Partnership.

(b) In the event a Majority in Interest but less than all of the Investor Partners elect to reconstitute the Partnership pursuant to this Section 9.3, the Partners' capital accounts shall be adjusted by (i) assuming the sale of all assets of the Partnership for cash at their respective fair market values (as determined by an appraiser selected by the new Managing Partner) and the payment of all Partnership debts and liabilities as of the date of the reconstitution of the Partnership and (ii) debiting or crediting each such capital account (other than the new Managing Partner's capital account, but including the retiring Managing Partner's capital account (to the extent that the retiring Managing Partner's Partnership interest was not purchased by the new Managing Partner pursuant to subsection (a) above)) with its respective

share of the hypothetical gains or losses resulting from such assumed sales and the hypothetical deductions or losses, if any, resulting from the assumed payment of such debts and liabilities in the same manner as such capital account would be debited or credited on the actual sales of such assets and the actual payment of such debts and liabilities.

The new Managing Partner shall then sell for cash an amount of Partnership oil and gas properties having a fair market value (as determined by such appraiser) equal to the fair market value (so determined) of all Partnership oil and gas properties times the ratio of the aggregate of the positive capital account balances, as so adjusted, of the Investor Partners that have not elected to reconstitute the Partnership and the retiring Managing Partner (to the extent that the retiring Managing Partner's Partnership interest was not purchased by the new Managing Partner pursuant to subsection (a) above) to the positive capital account balances, as so adjusted, of all Partners. The new Managing Partner shall then distribute such cash to the Investor Partners that have elected not to reconstitute the Partnership and to the Managing Partner (to the extent provided above) in proportion to the positive balances of their respective capital accounts, as so adjusted. Such distribution shall take place by the later of (i) the end of the Partnership taxable year in which the reconstitution occurs or (ii) 90 days after the date of such reconstitution. Neither the retiring Managing Partner nor any Investor Partner that has elected not to reconstitute the Partnership shall be liable to the Partnership or any other Partner for the amount of any deficit balance in his or its capital account after a distribution in liquidation of his or its interest in the Partnership.

Notwithstanding the foregoing, the retiring Managing Partner shall have the right to elect to receive a distribution in kind of oil and gas properties having a fair market value (as determined by such appraiser) equal to the fair market value (so determined) of all Partnership oil and gas properties times the ratio of the positive balance in its capital account, adjusted as provided above, to the positive capital account balances, as so adjusted, of all Partners, subject to an obligation to become a party to the Program Agreement and any operating agreements to which such properties are subject. Any interest in Partnership properties distributed to the retiring Managing Partner shall be subject to such liens, encumbrances, and restrictions as affect the properties on the date of such distribution and will be subject to and operated in accordance with the operating agreements then in effect.

All gain, loss, and amounts realized on the sale of Partnership oil and gas properties by the new Managing Partner to provide cash for distribution to such Investor Partners and to the retiring Managing Partner shall be allocated to such Investor Partners and the retiring Managing Partner in the same proportions as the proceeds of such sale are distributed; provided that if the retiring Managing Partner or any Investor Partner elects to receive a distribution of Partnership properties in kind, all gain, loss, and amounts realized on such sales shall be allocated solely to the Partners receiving cash in the same proportions as the proceeds of such sale are distributed.

The new Managing Partner, on behalf of the Investor Partners that have elected to form the Reconstituted Partnership, shall retain for the benefit of the Reconstituted Partnership all oil and gas properties of the Partnership remaining after the distribution provided for above, and all other Partnership assets, and the Reconstituted Partnership shall assume all debts and liabilities of the Partnership. The Partnership oil and gas properties retained by the Reconstituted Partnership shall be subject to such liens, encumbrances, and restrictions as affect such properties on the date of the reconstitution of the Partnership and will be subject to and operated

in accordance with the operating agreements then in effect. If the amount of property as of the date of the reconstitution of the Partnership is not sufficient to satisfy the positive balances in all of the Partners' capital accounts, as so adjusted, Partnership property shall be sold (or distributed) and retained by the new Managing Partner in the manner described above in proportion to the positive balances of the Partners' respective capital accounts.

(c) In the event an Investor Partner withdraws from the Partnership, the remaining Investor Partners hereby agree that the Partnership is to be reconstituted immediately. The remaining Investor Partners hereby authorize the Managing Partner to take such action as the Managing Partner deems necessary or appropriate to effect such reconstitution and to continue the business of the Partnership without interruption, including use by the Managing Partner of the power of attorney granted by each remaining Investor Partner pursuant to Section 10.2 to execute on behalf of each such remaining Investor Partner any amendments to this Agreement required for such purpose. The withdrawing Investor Partner will pay all expenses incurred as a result of his withdrawal from the Partnership. The withdrawing General Partner shall remain subject as a General Partner with respect to any liabilities or obligations of the Partnership arising prior to such withdrawal. Upon withdrawal from the Partnership, a General Partner is entitled to continue to receive any distributions to which he is otherwise entitled under this Agreement for the period prior to his withdrawal; however, such General Partner shall not be entitled to receive the fair value of his interest in the Partnership as of the date of such withdrawal based upon his right to share in distributions from the Partnership, and neither the Partnership nor the Managing Partner has any obligation to repurchase any interest in the Partnership from the withdrawing General Partner. The withdrawing General Partner will no longer be entitled to receive any distributions nor shall such General Partner have any rights as an Investor Partner under this Agreement. The Sharing Ratios will be recalculated among the Investor Partners without regard to the withdrawing General Partner's Capital Contribution.

(d) In the event the Partnership is reconstituted pursuant to subsection (c), the Partners' capital accounts shall be adjusted by (i) assuming the sale of all assets of the Partnership for cash at their respective fair market values (as determined by the Managing Partner or an appraiser selected by the Managing Partner) and the payment of all Partnership debts and liabilities as of the date of the reconstitution of the Partnership and (ii) debiting or crediting each such capital account with its respective share of the hypothetical gains or losses resulting from such assumed sales and the hypothetical deductions or losses, if any, resulting from the assumed payment of such debts and liabilities in the same manner as such capital account would be debited or credited on the actual sales of such assets and the actual payment of such debts and liabilities.

(e) The distribution of cash or property to the Investor Partners that have elected not to reconstitute the Partnership in accordance with the provisions of this Section 9.3 shall constitute a complete return to each such Investor Partner of his Capital Contributions, to which each Investor Partner (and any person who hereafter becomes a substituted Investor Partner by his execution, adoption or acceptance of this Agreement) hereby consents, and a complete distribution to such Investor Partner of his interest in the Partnership and all Partnership property, and no such Investor Partner shall have any recourse against the new or the retiring Managing Partner, the Reconstituted Partnership or any other Investor Partner if the cash or property so distributed or received shall be insufficient to return in full his Capital Contributions.

(f) In the event of the bankruptcy of a General Partner which pursuant to the Delaware Act results in the dissolution of the Partnership, each of the remaining Partners hereby agrees that the Partnership shall be reconstituted immediately, and authorizes the Managing Partner to take the actions described in subsection (c) above. The trustee, receiver, or other successor in interest of the bankrupt General Partner (i) will continue to be liable for all of the debts and obligations of such General Partner pursuant to this Agreement, (ii) may become a substituted General Partner only pursuant to the provisions of Section 8.1, (iii) may transfer the Partnership interest of such General Partner only pursuant to the provisions of Article VIII hereof, and (iv) will not have any right to withdraw the Capital Contribution of such General Partner except as expressly set forth in Section 9.4 of this Agreement.

Section 9.4 Liquidation and Termination. Upon dissolution of the Partnership (unless it is reconstituted in accordance with Section 9.3), no further business shall be conducted except for the taking of such action as shall be necessary for the winding up of the affairs of the Partnership and the distribution of its assets to the Partners. The Managing Partner shall act as liquidator or may appoint in writing one or more liquidators who shall have full authority to wind up the affairs of the Partnership and make final distribution as provided herein; provided, however, that, if the Managing Partner is not able to serve as liquidator and does not appoint a liquidator within a reasonable time after dissolution, the liquidator shall be a person selected in writing by a Majority in Interest of the Investor Partners. The liquidator shall proceed diligently to wind up the affairs of the Partnership and make final distribution as provided herein. Until final distribution, the liquidator shall continue to operate the Partnership properties with all of the power and authority of the Managing Partner. The liquidator is hereby authorized to take the following action without the further consent or joinder of any Partner:

(a) As promptly as possible after dissolution and again after completion of the liquidation and termination of the Partnership, the liquidator shall cause a proper accounting to be made of the Partnership's assets, liabilities, and operations through the last day of the month in which the dissolution or termination occurs.

(b) The liquidator shall pay all of the debts and liabilities of the Partnership (including all expenses incurred in liquidation) or otherwise make adequate provision therefor (including but not limited to the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may determine). To the extent cash required for this purpose is not otherwise available, the liquidator may sell assets of the Partnership for cash.

(c) After making payment or provision for all debts and liabilities of the Partnership, the liquidator shall sell all properties and assets of the Partnership for cash as promptly as is consistent with obtaining the best price therefor. All gain, loss and amount realized on such sales shall be allocated to the Partners as provided in this Agreement, and the capital accounts of the Partners shall be adjusted accordingly. The liquidator shall then distribute the proceeds of such sales to the Partners to satisfy any positive balances in their capital accounts, as so adjusted.

(d) Notwithstanding Section 9.4(c), in the event of a dissolution and liquidation of the Partnership pursuant to an exchange or tender offer, the liquidator may, after making provision for all debts and liabilities of the Partnership, first adjust the capital account of each Partner by (i) assuming the sale of all remaining assets of the Partnership for cash at their respective fair market values (as determined by the liquidator in a manner consistent with the terms of such exchange or tender offer) as of the date of the dissolution of the Partnership and (ii) debiting or crediting each such capital account with such Partner's respective share of the hypothetical gains or losses resulting from such assumed sales in the same manner as such capital account would be debited or credited on the actual sales of such assets. If such exchange or tender offer is conducted pursuant to a disposition of all or substantially all of the assets of the Partnership or is otherwise binding on the Partners, the liquidator shall distribute all securities or other assets received from the disposition of the Partnership assets to the Partners proportionately based on the Partners' positive capital account balances, as so adjusted.

In the event of an exchange or tender offer that is not binding upon all Partners, the liquidator shall then exchange for securities offered in the exchange or tender offer oil and gas properties having a fair market value (as determined by the liquidator as provided above) equal to the sum of the positive balances in the capital accounts, as so adjusted, of the Partners who elect to accept the exchange or tender offer. The liquidator shall then distribute such securities to such accepting Partners on a basis reflecting the Partners' respective positive balances, as so adjusted. The Managing Partner shall have, with respect to its Interests, the right to elect to receive a distribution in kind of Partnership oil and gas properties having a fair market value (as determined by the liquidator as provided above) equal to the positive balance in its capital account, adjusted as provided above. The liquidator shall then sell the remaining property and distribute to the Investor Partners who elect not to accept the exchange or tender offer all remaining cash in amounts proportionate to any positive balances in such Partners' capital accounts, as so adjusted. All gain, loss and amount realized on the sale of Partnership oil and gas properties by the liquidator to provide cash for distribution to such Investor Partners shall be allocated to such Investor Partners in the same proportions as the proceeds of such sale are distributed.

(e) Any distributions to the Partners in liquidation of the Partnership shall be made by the later of (i) the end of the taxable year in which the liquidation (as such term is defined in Treasury Regulation 1.704-1(b)(2)(ii)(g)) occurs, or (ii) 90 days after the date of such liquidation. No Partner with a deficit balance in his or its capital account after such distribution shall be liable to the Partnership or any other Partner for the amount of such deficit balance.

(f) Notwithstanding the foregoing, if upon dissolution of the Partnership any Partner shall be indebted to the Partnership as a result of the failure to make a Capital Contribution required under this Agreement or otherwise, the liquidator shall retain such Partner's share of cash or property that would otherwise be distributed and apply such cash or property and the income therefrom to the liquidation of such indebtedness and the cost of the operation of such assets during the period of such liquidation; provided, if the amount of such indebtedness has not been liquidated pursuant to the above procedure or otherwise paid by such Partner within six months of the dissolution of the Partnership, the liquidator may sell all or any portion of such property at a public or private sale for what is in the sole judgment of the liquidator the best price obtainable. The proceeds of such sale shall be applied to the liquidation of the indebtedness then owing by such Partner, and the balance of such proceeds, if any, shall be distributed to such Partner.

(g) The liquidator shall comply with any requirements of the Delaware Act and all other applicable laws pertaining to the winding up of the affairs of the Partnership and the final distribution of its assets. The distribution of cash or property to the Partners in accordance with the provisions of this Section 9.4 shall constitute a complete return to the Partners of their Capital Contributions and a complete distribution to the Partners of their interests in the Partnership and all Partnership property, and no Partner shall have any recourse against the Managing Partner or any other Partner if the cash so distributed shall be insufficient to return in full his Capital Contributions.

ARTICLE X
REPRESENTATIONS AND WARRANTIES OF THE MANAGING
PARTNER AND POWER OF ATTORNEY

Section 10.1 Representations and Warranties of the Managing Partner. The Managing Partner hereby represents, warrants, and agrees as follows:

(a) The organization and operation of the Partnership are and will continue to be in accordance with all applicable state statutes related to limited partnerships.

(b) No election will be made by the Partnership to be excluded from the provisions of Subchapter K of Chapter 1 of Subtitle A of the Code.

(c) The Managing Partner now has and will continue to have substantial assets (in addition to its interest in the Partnership) which can be reached by creditors of the Partnership and is acting and will continue to act as Managing Partner on its own behalf and in no way merely as the agent of the Investor Partners.

Section 10.2 Power of Attorney. Each Investor Partner by his execution or adoption of this Agreement or a counterpart hereof irrevocably constitutes and appoints the Managing Partner or its authorized agents and successors, each with full power of substitution, the agent and attorney-in-fact of each Investor Partner in the name, place, and stead of such Investor Partner to do any act necessary or, in the opinion of the Managing Partner, appropriate to qualify the Partnership to do business under the laws of any jurisdiction in which it is necessary to file any instrument in writing in connection with such qualification, and to make, execute, swear to, verify, acknowledge, amend, file, record, deliver, and publish any instrument or document which may be necessary or appropriate to carry out the provisions of this Agreement, including without limitation, (a) a counterpart of this Agreement and a certificate of limited partnership, (b) upon conversion of the General Partner Interests in accordance with Section 1.9 any amended certificate of limited partnership or amendments to any certificate of limited partnership required or permitted to be filed or recorded under the statutes relating to limited partnerships under the laws of any jurisdiction in which the Partnership shall engage or seek to engage in business, (c) a counterpart of any amendment to this Agreement for the purpose of (i) converting the General Partner Interests to Limited Partner Interests as contemplated by Section 1.9, or (ii) admitting any substituted Managing Partner or original or substituted Investor Partner or effecting any

amendment of this Agreement permitted to be made solely by the Managing Partner pursuant to Section 9.3 and 11.2, (d) a counterpart of this Agreement or any amendment hereto for the purpose of filing or recording such counterpart in any jurisdiction in which the Partnership may own property or transact business, (e) all certificates and other instruments necessary to qualify or continue the Partnership as a limited partnership or a partnership wherein the Limited Partners have limited liability, in the jurisdictions where the Partnership may own property or be doing business, (f) any fictitious or assumed name certificate required or permitted to be filed by or on behalf of the Partnership, (g) any other instrument which is now or which may hereafter be required by law to be filed for or on behalf of the Partnership which does not increase the obligations of the Investor Partners, (h) any offers to lease, Leases, assignments, and requests for approval of assignments, statements of citizenship, interest and holdings, and any other instruments or communications now or hereafter required or permitted to be filed on behalf of the Partnership or the several Partners of the Partnership in their capacities as such under any law relating to the leasing of government land for oil and gas exploration or production, (i) an authorized certificate or other instrument evidencing the dissolution or termination of the Partnership when such shall be appropriate, in each jurisdiction in which the Partnership shall own property or do business, (j) all ballots, consents, approvals, or certificates and other instruments appropriate or necessary, in the judgment of the Managing Partner, to make, evidence, give, confirm, or certify any vote, consent, approval, election, agreement, or other action which is made or given hereunder or which is deemed to be made or given hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the judgment of the Managing Partner, to effectuate the terms or intent of this Agreement, and all amendments to this Agreement giving effect to, implementing, adopting or reflecting any such vote, consent, approval, election, agreement, or other action; provided, however, that when any such vote, consent, approval, election, agreement, or other action may be made or given only by a Majority in Interest of the Investor Partners, the Managing Partner may exercise the power of attorney granted in this clause (j) only after a Majority in Interest of the Investor Partners has so acted, and (k) any other instruments necessary to conduct the operations of the Partnership which do not increase the obligations of the Investor Partners, and to perform any other duty or function necessary to conduct the business and operations of the Partnership pursuant hereto. The existence of such power of attorney shall not preclude execution of any such instrument by an Investor Partner individually on any such matter. The power of attorney granted herein is irrevocable and shall survive the assignment or transfer by an Investor Partner of all or any part of his interest in the Partnership and, being coupled with an interest, shall survive the death, incompetency, incapacity, dissolution or termination of any Investor Partner. Any person dealing with the Partnership may conclusively presume and rely upon the fact that any instrument executed by such agent and attorney-in-fact is authorized, valid and binding without further inquiry. This Agreement shall be controlling in the event of any conflict between the terms and provisions of this Agreement and any document executed, filed or recorded by the Managing Partner pursuant to the power of attorney granted herein.

ARTICLE XI MISCELLANEOUS

Section 11.1 Notices. All notices, elections, demands, or other communications required or permitted to be made or given pursuant to this Agreement shall be in writing and shall be considered as properly given or made if given by (i) personal delivery, (ii) expedited

delivery service with proof of delivery, (iii) registered or certified United States mail, postage prepaid, or (iv) prepaid telegram, telex, or telecopier facsimile (provided that such telegram, telex, or telecopier facsimile is confirmed by expedited delivery service or by mail in the manner previously described), sent to the respective addresses specified in Section 1.5, and shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail, as of the date of delivery at the address and in the manner provided herein. Any Investor Partner may change his address by giving notice in writing to the Managing Partner of his new address, and the Managing Partner may change its address by giving notice in writing of its new address to the Investor Partners.

Section 11.2 Amendment. In addition to the right of the Managing Partner to amend this Agreement as provided below, any change, modification, or amendment to this Agreement shall be effective if made by an instrument in writing duly executed by a Majority in Interest of the Investor Partners. Notwithstanding the foregoing, with respect to any change, modification, or amendment to this Agreement which would (a) increase the liability or duties of any of the Partners, (b) change the contributions required of any of the Partners, (c) provide for any reallocation of profits, losses, or deductions to the detriment of a Partner, (d) establish any new priority in one or more Partners as to the return of Capital Contributions or as to profits, losses, deductions, or distributions to the detriment of a Partner, or (e) cause the Partnership to be taxed as a corporation, such change, modification or amendment shall not (i) in the case of clause (a) through (d) above, be binding on such Partner unless contained in a written instrument duly executed by such Partner and (ii) in the case of clause (e) above, binding on any Partner unless contained in a written instrument duly executed by all Partners. With respect to any change, modification, or amendment to this Agreement which would change the name of the Partnership or the location of the principal place of business of the Partnership or of the Managing Partner, admit new or substituted Investor Partners, modify the Managing Partner's interest in the Partnership as the result of a transfer of a portion thereof pursuant to Section 8.2, Section 8.6 or Section 9.3, or cure any ambiguity, formal defect, or omission or correct or supplement any provision contained herein that may be inconsistent with any other provision contained herein, any change, modification or amendment which the Managing Partner determines does not adversely affect the Investor Partners in any material respect, and any change, modification, or amendment which the Managing Partner believes is necessary or advisable to ensure that the Partnership is not and will not be treated as an association taxable as a corporation for federal income tax purposes or to conform with changes in applicable tax law (provided such changes do not have a material adverse effect on the Investor Partners), and any other changes, modifications, or amendments similar to any one or more of the foregoing, such change, modification, or amendment may be contained in a written instrument executed solely by the Managing Partner, provided that the Managing Partner notifies the Investor Partners of such change, modification, or amendment.

Section 11.3 Partition. Each of the Partners hereby irrevocably waives for the term of the Partnership any right that such Partner may have to maintain any action for partition with respect to Partnership property.

Section 11.4 Entire Agreement. This Agreement, the Program Agreement, and the Subscription Documents executed by the Investor Partners constitute the full and complete agreement of the parties hereto with respect to the subject matter hereof, and supersedes all previous oral and written and all contemporaneous oral negotiations, commitments, writings, and understandings.

Section 11.5 Severability. Every provision in this Agreement is intended to be severable. If any term or provision hereof is determined to be invalid, illegal, or unenforceable for any reason whatsoever, such invalidity, illegality, or unenforceability shall not affect the validity, legality, and enforceability of the remainder of this Agreement.

Section 11.6 No Waiver. The failure of any Partner to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Partner's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

Section 11.7 Evidence of Interest. At the sole option of the Managing Partner, an Interest may be evidenced by a certificate in a form approved by the Managing Partner. The Managing Partner shall not be required to issue any such certificates, and, if such certificates are issued to any Investor Partner, the Managing Partner shall not be required to issue similar certificates to all Investor Partners.

Section 11.8 Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed, and enforced in accordance with the laws of the State of Delaware, except that (a) any laws of the State of Delaware regarding choice or conflicts of law shall not be applied if the result would be the application of a procedural or substantive law of another state or other jurisdiction and (b) certain rights of the Investor Partners may be governed by the laws of their state of residence.

Section 11.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, and assigns; provided, however, that no Partner may sell, assign, transfer, or otherwise dispose of all or any part of his rights or interest in the Partnership or under this Agreement except as provided in Article VIII.

Section 11.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same document. The signature of any Investor Partner on the Subscription Documents shall constitute the execution of this Agreement by such Investor Partner.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MANAGING PARTNER

MEWBOURNE DEVELOPMENT CORPORATION

By: /s/ J. Roe Buckley

Its: Chief Financial Officer and Treasurer

ORGANIZATIONAL PARTNER

/s/ Curtis W. Mewbourne

Curtis W. Mewbourne

[SIGNATURE PAGE TO PARTNERSHIP AGREEMENT]

**M
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C**

MEWBOURNE ENERGY PARTNERS

07-A, L.P.

A Delaware limited partnership

Certificate Number

Number of Limited Partner Interests

This Certifies That

is a Limited Partner of Mewbourne Energy Partners 07-A , L.P., a Delaware limited partnership (the "Partnership"), owning the number of Limited Partner Interests in the Partnership above specified, each Limited Partner Interest having an initial purchase price from the Partnership of Five Thousand Dollars (\$5,000.00). Each Limited Partner Interest is subject to all of the terms and conditions of the Agreement of Partnership of the Partnership and entitled to all the rights and privileges stated therein. This Certificate is intended solely to provide in concise form certain information about the ownership of Limited Partner Interests in the Partnership. All rights, obligations and other attributes (including those relating to assignment and transfer) pertaining to the Limited Partner Interests described in this Certificate are set forth in and governed by the Agreement of Partnership of the Partnership, to which reference must be made for description of such rights, obligations and other attributes. This Certificate is not valid unless executed by an authorized officer of the Managing Partner of the Partnership.

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

**By: Mewbourne Development Corporation,
Managing Partner**

Dated:

**By: _____
J. Roe Buckley, Treasurer**

This Certificate and the Agreement of Partnership of the Partnership are your evidence of ownership of Limited Partner Interests, and both should be retained. This Certificate should be submitted to the Partnership in the event of any proposed change in ownership of your Limited Partner Interests.

For transfer purposes, please return this Certificate to Mewbourne Development Corporation, Investor Services Department, 3901 S. Broadway, Tyler, Texas 75701, (903) 561-2900.

For Value received, the undersigned hereby sells, assigns and transfers _____ of the Limited Partner Interests represented by this Certificate unto:

(Print Name of Transferee)

(Street Address of Transferee)

(City) (State) (Zip)

and does hereby irrevocably constitute and appoint the Managing Partner attorney to transfer the said Limited Partner Interests on the books of the Partnership with full power of substitution.

Subject to the terms of Section 8.1 of the Agreement of Partnership of the Partnership, the undersigned consents/does not consent to the above-named transferee's becoming a substituted Limited Partner in the Partnership.

Date: _____

(Signature* of Limited Partner Interest Holder or Authorized Representative)

(Signature* of Joint Limited Partner Interest Holder)

(Printed Name of Limited Partner Interest Holder)

(Printed Name of Joint Limited Partner Interest Holder)

Signed in presence of: _____

(Witness)

* NOTE: Please sign your name exactly as it is shown on the Certificate. When Limited Partner Interests are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by an authorized corporate officer, and indicate corporate office held by person signing. If a partnership, please sign in partnership name by authorized person.

**M
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MEWBOURNE ENERGY PARTNERS

07-A, L.P.

A Delaware limited partnership

Certificate Number

Number of General Partner Interests

This Certifies That

is a General Partner of Mewbourne Energy Partners 07-A , L.P., a Delaware limited partnership (the "Partnership"), owning the number of General Partner Interests in the Partnership above specified, each General Partner Interest having an initial purchase price from the Partnership of Five Thousand Dollars (\$5,000.00). Each General Partner Interest is subject to all of the terms and conditions of the Agreement of Partnership of the Partnership and entitled to all the rights and privileges stated therein. This Certificate is intended solely to provide in concise form certain information about the ownership of General Partner Interests in the Partnership. All rights, obligations and other attributes (including those relating to assignment and transfer) pertaining to the General Partner Interests described in this Certificate are set forth in and governed by the Agreement of Partnership of the Partnership, to which reference must be made for description of such rights, obligations and other attributes. This Certificate is not valid unless executed by an authorized officer of the Managing Partner of the Partnership.

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

**By: Mewbourne Development Corporation,
Managing Partner**

Dated: _____

By: _____
J. Roe Buckley, Treasurer

This Certificate and the Agreement of Partnership of the Partnership are your evidence of ownership of General Partner Interests, and both should be retained. This Certificate should be submitted to the Partnership in the event of any proposed change in ownership of your General Partner Interests.

For transfer purposes, please return this Certificate to Mewbourne Development Corporation, Investor Services Department, 3901 S. Broadway, Tyler, Texas 75701, (903) 561-2900.

For Value received, the undersigned hereby sells, assigns and transfers _____ of the Limited Partner Interests represented by this Certificate unto:

(Print Name of Transferee)

(Street Address of Transferee)

(City) (State) (Zip)

and does hereby irrevocably constitute and appoint the Managing Partner attorney to transfer the said Limited Partner Interests on the books of the Partnership with full power of substitution.

Subject to the terms of Section 8.1 of the Agreement of Partnership of the Partnership, the undersigned consents/does not consent to the above-named transferee's becoming a substituted Limited Partner in the Partnership.

Date: _____

(Signature* of Limited Partner Interest Holder or Authorized Representative)

(Signature* of Joint Limited Partner Interest Holder)

(Printed Name of Limited Partner Interest Holder)

(Printed Name of Joint Limited Partner Interest Holder)

Signed in presence of: _____

(Witness)

* NOTE: Please sign your name exactly as it is shown on the Certificate. When General Partner Interests are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by an authorized corporate officer, and indicate corporate office held by person signing. If a partnership, please sign in partnership name by authorized person.

DRILLING PROGRAM AGREEMENT

among

MEWBOURNE OIL COMPANY

MEWBOURNE DEVELOPMENT CORPORATION

and

MEWBOURNE ENERGY PARTNERS 07-A , L.P.

Dated as of

August 13, 2007

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DRILLING PROGRAM AGREEMENT

THIS DRILLING PROGRAM AGREEMENT (this "Agreement"), dated as of August 13, 2007 is made by and among Mewbourne Oil Company, a Delaware corporation ("MOC"), Mewbourne Development Corporation, a Delaware corporation ("MD"), and Mewbourne Energy Partners 07-A, L.P., a Delaware Limited Partnership ("Partnership") of which MD is the managing general partner.

WHEREAS, MD and the Partnership desire to participate in a drilling program (the "Program"), whereunder MD and the Partnership will (a) jointly acquire interests in certain Prospects and (b) participate in the development of such Prospects, on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto do hereby agree as follows:

Section 1. Certain Defined Terms and References.

(a) Certain Defined Terms. When used in this Agreement, the following terms shall have the respective meanings assigned to them in this subsection (a) or in the sections, subsections, or other subdivisions referred to below:

"Administrative Costs" shall mean customary and routine expenses incurred by MD or its Affiliates for the conduct of the administration of a Partnership or a Program, including, legal, finance, accounting, secretarial, travel, office rent, telephone, data processing, and other items of a similar nature.

"Affiliate" shall mean, with respect to another person,

- (a) any person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of or equity interests in such other person,
- (b) any person 10% or more of whose outstanding voting securities or equity interests are directly or indirectly owned, controlled, or held with power to vote by such other person,
- (c) any person directly or indirectly controlling, controlled by, or under common control with such other person,
- (d) any officer, director, or partner of such other person, and
- (e) any company for which any such officer, director, or partner acts in any such capacity. For purposes of this Agreement, unless otherwise indicated, an affiliate of MD shall include Affiliated Programs.

"Affiliated Program" shall mean a drilling, producing property, income, royalty, or other program (whether in the form of a partnership, joint venture, or otherwise), including the Partnership, for or of which the Managing Partner or an Affiliate thereof serves as manager or managing partner or acts in a similar capacity.

"Agreement" shall mean this Drilling Program Agreement, as amended from time to time.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Gas Marketing Fee" shall mean a fee currently equal to \$0.035 per MCF that is payable to the Program Manager in consideration for gas marketing services to be rendered by the Program Manager in connection with the marketing of the Program's natural gas pursuant to the terms of a Gas Marketing Agreement among the Program Manager and the Participants.

“Lease” shall mean an oil and gas lease or an oil, gas and mineral lease, a Working Interest, an interest (including certain non-consent interest) arising under a pooling order or operating agreement, an interest acquired under a farmout, operating rights under governmental tracts, a mineral interest, royalty, or other interest in and to oil, gas, and related hydrocarbons (or a contractual right to acquire or earn such an interest), or an undivided interest therein or portion thereof (including those covering only certain Horizons or depths), together with all easements, permits, licenses, servitudes, and rights-of-way situated upon or used or held for future use in connection with the exploration, development, or operation of such interest.

“Lease Acquisition Cost” shall mean, when used to describe the costs of any Lease, the sum of (a) all monetary consideration paid or given for such Lease to a non-Affiliate of the Managing Partner, including but not limited to lease bonuses and advance rentals paid to a non-Affiliate of the Managing Partner, (b) all costs of lease acquisition and title examination including but not limited to curing or defending title, title insurance or examination costs, brokerage commissions, the fees and wages of landmen and lease brokers and their expenses, filing fees, recording costs, transfer taxes, and like charges paid in connection with the acquisition of such Lease, (c) all delay rentals and other similar payments and ad valorem taxes paid by the seller with respect to such Lease, (d) such portion as may be allocated to such Lease in accordance with industry standards of all reasonable, necessary, and actual costs and expenses of MD or its Affiliates for geological, geophysical, seismic, land, engineering, drafting, accounting, legal, and other like services together with related administrative and general overhead costs involved in lease acquisition and Prospect evaluation including such costs and expenses which could otherwise be classified hereunder as Administrative Costs, (e) such portion as may be allocated to such Lease in accordance with industry standards of all costs and expenses incurred in the acquisition of farmouts, subleases, pooling orders, or other oil and gas interests, (f) interest and points actually incurred on funds borrowed to pay any of the costs and expenses described in clauses (a) through (e) above calculated from the date of their incurrence until the date of their reimbursement by the Drilling Program at the time a Lease is acquired by the Drilling Program, and (g) with respect to Leases held on the date hereof by or acquired thereafter by MD or an Affiliate thereof, an interest in which is transferred to the Participants pursuant to this Agreement, the costs of such transfer; provided that the expenses described in clauses (c), (d), (e), and (f) shall have been incurred by MOC or its Affiliates not more than 36 months prior to the acquisition by the Drilling Program of such Lease; and provided further, that such time limitation shall not be applicable to Leases having a primary term of five or more years. Lease Acquisition Costs of a Lease shall not include any costs or expenses otherwise allocable herein to such Lease and which represent costs or expenses incurred in connection with the past drilling of wells which are not producers of sufficient quantities of oil or natural gas to make commercially reasonable their continued operation.

“Management Fee” shall mean a fee equal to 1% of all capital contributions initially made by the Partners (other than MD) in the Partnership.

“Managing Partner” shall mean Mewbourne Development Corporation, a Delaware corporation, and any person who becomes a substituted managing partner of a Partnership, in accordance with the terms of the Partnership Agreement.

“Operating Agreement” shall mean a Model Form Operating Agreement based upon the American Association of Petroleum Landmen Form 610-1989 and, among the other attached exhibits thereto, an accounting procedure for joint operations issued by the Council of Petroleum Accountants Societies of North America, each of which containing modifications that are customary and usual for the geographic area in which the Partnership intends to conduct operations.

“Operating Costs” shall mean all expenditures made and costs incurred in producing and marketing oil and gas from completed wells, including, in addition to labor, fuel, repairs, hauling, materials, supplies, utility charges, and other costs incident to or therefrom, ad valorem and severance taxes, insurance and casualty loss expense, and compensation to well operators or others for services rendered in conducting such operations.

“Participants” shall mean MD and the Partnership, and “Participant” shall mean MD or the Partnership, individually.

“Partners” shall mean the partners of the Partnership.

“Partnership” shall have the meaning assigned to such term in the preamble to this Agreement.

“Partnership Agreement” shall mean the Agreement of Partnership dated February 20, 2007 creating the Partnership and designating MD as the Managing Partner of the Partnership.

A “person” shall mean any natural person, partnership, corporation, association, trust, or other legal entity.

“Program” shall have the meaning assigned to such term in the preamble to this Agreement.

“Program Manager” shall mean MOC and any person who becomes the manager of the business and affairs of the Program in accordance with Section 7 of this Program Agreement.

“Program Well” shall mean any well in which the Participants have an interest pursuant hereto.

“Prospect” shall mean an area covering lands which, in the opinion of the Program Manager, contains subsurface structural or stratigraphic conditions making it susceptible to the accumulation of oil or gas in commercially productive quantities at one or more zones or horizons. The area, which may be different for different Horizons, shall be designated by the Program Manager in writing prior to the date on which a well is spudded (i.e. boring is commenced) thereon and shall be enlarged or contracted from time to time on the basis of subsequently acquired information to define the anticipated limits of the associated oil and gas reserves and to include all acreage encompassed therein. A “Prospect” with respect to a particular Horizon may be limited to the minimum area permitted by state law or local practice, whichever is applicable, to protect against drainage from adjacent wells if the well to be drilled by the Partnership is to a Horizon containing Proved Reserves.

“Private Placement Memorandum” shall mean the Confidential Private Placement Memorandum dated May 1, 2007, as amended or supplemented from time to time, describing the offer and sale of interests in the Partnership.

“Reporting and Legal Expenses” shall mean all third party accounting fees, costs, and expenses associated with obtaining audits of books and records, third party engineering fees, costs, and expenses associated with annual reserve reports, costs associated with the dissemination of reports to Partners, and third party attorney’s other legal fees, costs, and expenses associated with matters that are attributable to the Drilling Program’s or the Partnership’s business.

“Sales Commissions and Marketing Fees” shall mean the sales commissions and marketing fees to be paid to the Soliciting Dealers, which may be in an amount of up to 8.5% of the sales price of interests sold to persons other than:

officers, directors or employees of MD or its Affiliates,

officers, directors or employees of a soliciting dealer, or

an Affiliate of MD.

“Soliciting Dealers” shall mean those persons who are authorized to act as registered representatives by the National Association of Securities Dealers, Inc. and have contracted with MD to offer and sell interests in a Partnership.

“Working Interest” shall mean an interest in an oil and gas lease which is subject to some portion of the costs of development, operation, or maintenance.

(b) Other Defined Terms. The following terms shall have the respective meanings assigned to them in the Private Placement Memorandum:

“Direct Costs”

“Intangible Drilling Costs”

“Organization and Offering Expenses”

“Proved Reserves”

“Tangible Costs”

(c) References. All references in this Agreement to sections, subsections, and other subdivisions refer to corresponding sections, subsections, and other subdivisions of this Agreement unless expressly provided otherwise. The words “this Agreement,” “this instrument,” “herein,” “hereof,” “hereby,” “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. Words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 2. Acquisition of Interests in Prospects.

(a) Prospects Subject to this Agreement. Subject to the terms and conditions hereof, the Participants shall acquire undivided interests in Leases within Prospects selected by the Program Manager in its sole discretion from time to time. At the time any Lease within a Prospect is acquired, the Program Manager shall designate the area comprising the Prospect in the manner provided in the definition of such term (if the Prospect has not been previously so designated). Prospects may be limited to certain stated depths and may include areas in which Leases may or may not have been acquired. The Program Manager shall maintain records showing the Prospects (and depths if limited by depth) so designated. In the case of certain Prospects, the designation of Prospects may conform generally to the geographic limits of individual Leases. In some cases, where known reservoirs cover large geographic areas and subsequent drilling does not depend directly on results obtained by the Program Wells, Prospects may be directly adjacent or in close proximity to other Prospects. Leases on lands which are contiguous or in the vicinity of each other may constitute more than one Prospect, and a zone or horizon under an area may constitute a Prospect separate and apart from another zone or horizon which lies in whole or in part under the same area. With respect to any Prospect that is not limited to a particular zone or horizon and which is in any large continuous known stratigraphic trend or formation which could be defined as a continuous reservoir, the Program Manager may reduce the areal extent included in such Prospect to that area which covers the spacing unit or proration unit prescribed by the appropriate regulatory authority on such Prospect or permitted by local practice, whichever is applicable, and such additional area, if any, as the Program Manager determines reasonable. A Prospect which is limited to a particular zone or horizon may be limited to that area which covers the spacing unit or proration unit prescribed by the appropriate regulatory authority on such Prospect or permitted by local practice, whichever is applicable, to protect against drainage from adjacent wells if the well to be drilled by the Program is to a horizon containing Proved Reserves. The area of a Prospect may be enlarged or contracted from time to time by the Program Manager in the reasonable exercise of its judgment.

The amount of the undivided interest in Leases to be assigned to the Participants by the Program Manager shall be determined solely by the Program Manager and the Managing Partner of the Partnership, taking into account the nature of the risks associated with the drilling of wells on such Leases, the estimated costs of such drilling, the amount of funds available from the Partnership for such drilling and such other factors as the Program Manager and the Managing Partner shall in good faith determine. The Program shall have no right to acquire the entire interest in any such Lease, and the Program Manager and Affiliates thereof shall have the right to acquire or retain a portion of such interest in their own name, for their own account, or for the account of others. Any such interest so acquired or retained by the Program Manager or such Affiliate shall be held independently and not as a part of the Program and shall not be subject to the terms and provisions of this Agreement.

The undivided interests in all Leases acquired by the Program shall be acquired and held by the Program Manager for the benefit of the Participants hereto as follows: the Partnership 60% and MD 40%. Following commencement of production from a Program Well, the Program Manager shall assign and convey to the Partnership and MD the above-described undivided interests in the Leases proportionally reduced as to the interest acquired by the Program insofar as such Leases pertain to the spacing or proration unit prescribed by regulatory authority for such productive Program Well.

(b) Sales of Leases to the Program. Any sale, transfer, or conveyance of a Lease to the Program by the Managing Partner or any Affiliate thereof, including an Affiliated Program, shall be subject to the restrictions contained in Section 5.10(h) of the Partnership Agreement.

(c) Acquisition Price. The price to be paid by the Participants with respect to their acquisition of an interest in a Lease pursuant to this Section 2 shall be an amount equal to the Participants' respective shares, as set forth in Section 3(a) of either (i) the Lease Acquisition Costs with respect to such Lease or (ii) as provided in Section 5.10(h) of the Partnership Agreement, the fair market value of such Lease.

(d) Conveyance. With respect to the Leases within Prospects that are acquired by the Participants hereunder, the interests in such Leases so acquired shall cover all depths and horizons designated by the Program Manager as comprising such Prospect and as contemplated in Section 2(a) such interests shall be assigned, conveyed and transferred by the Program Manager or an Affiliate thereof pursuant to a special warranty deed. Further, any such assignment by the Program Manager or an Affiliate thereof shall be made with full substitution and subrogation in and to all rights and actions of warranty which the Program Manager or such Affiliate may have against all former owners.

(e) Assignments of Record. Following commencement of production from a Program Well, as contemplated in Section 2(a) the Program Manager shall cause record title to the Participants' respective interests in such Program Well to be placed in the names of MD and the Partnership (or its designated nominee), except (i) where record title is held in the name of a third party (as in the case where pursuant to industry practice record title is held by a third party, such as a pooled operating interest), in which event the Program Manager shall place of record MD' s and the Partnership' s interests promptly following the receipt by the Program Manager or an Affiliate thereof of an assignment from such third party, (ii) in the case of a federal, state, or other Lease where an approval to the transfer is required, in which event the Program Manager shall take steps to obtain approval from appropriate authorities of the assignment of MD' s and the Partnership' s interests in any such Lease as promptly as possible following the time that such assignment is to be made hereunder (iii) in the case where delays in the recording of assignments occur because of the practices of the recording office or officers, (iv) in the case of Indian or other Leases where the royalty interest or other term of any such Lease is required to be renegotiated as a condition to the lessor' s consent to the assignment of MD' s and the Partnership' s interests, in which event MD' s and the Partnership' s interests in such Lease shall be held in the name of the Program Manager as nominee for MD and the Partnership so long as any such arrangement does not jeopardize the validity or substance of such Lease or subject it to forfeiture or other penalty, or (v) where the interests in the Lease to be assigned to MD and the Partnership cannot be exactly determined because of pooling or unitization laws, rules or regulations or agreements, the rights of third parties under area of mutual interest or other agreements, or other similar circumstances, in which event the Program Manager shall promptly proceed to determine such interests and shall place them of record as promptly as possible.

(f) Title Examination. Prior to drilling a Program Well on a Prospect, the Program Manager shall cause to be done or be satisfied that there has been done such title examination and other title curative work as the Program Manager, in its sole discretion, shall determine to be necessary or appropriate in accordance with general industry standards.

Section 3. Allocation of Costs. The costs of activities and operations conducted pursuant to this Agreement shall be allocated to and paid by the parties hereto as follows:

(a) Organization and Offering Expenses. All Organization and Offering Expenses attributable to the Partnership shall be allocated to and paid by MD and MD shall receive a contribution credit in respect of such Organization and Offering Expenses equal to 1.5% of the subscriptions to the Partnership made by the Partners.

(b) Sales Commissions and Marketing Fees. An amount equal to all Sales Commissions and Marketing Fees shall be deducted from the proceeds realized from the sale of interests in the Partnership and will not be available to the Partnership for the Partnership' s operations.

(c) Lease Acquisition Costs. MD shall contribute or cause to be contributed to the Program all Leases to be acquired by the Program and shall receive a contribution credit in respect of the contributed Leases equal to the acquisition costs of the contributed Leases (which shall be determined in accordance with Section 2(c)) to the extent that such costs do not exceed 23.5% of the subscriptions by Partners to the Partnership. To the extent that such costs exceed 23.5% of the subscriptions by investor partners to the Partnership, then such excess costs shall be allocated 30% to MD and 70% to the Partnership and capital contributions of the Partners to the Partnership shall be used to reimburse MD for 70% of such excess.

(d) Intangible Drilling Costs. All Intangible Drilling Costs shall be allocated entirely to the Partnership.

(e) Tangible Costs. All Tangible Costs shall be allocated entirely to the Partnership; provided, however, that to the extent, if any, that the total costs allocated to MD pursuant to paragraphs (a) and (c) above are less than an amount equal to 25% of the subscriptions by Partners to the Partnership ("Deficit Amount"), then MD shall be allocated an amount of Tangible Costs equal to the Deficit Amount.

(f) Operating Costs and Reporting and Legal Expenses. All Operating Costs and Reporting and Legal Expenses incurred with respect to Program Wells shall be allocated 30% to MD and 70% to the Partnership.

(g) Administrative Costs. All Administrative Costs incurred by the Program Manager or any of its Affiliates in managing and conducting the business and affairs of the Partnership or the Program, including expenses incurred in providing or obtaining such professional, technical, administrative and other services and advice as the Program Manager may deem necessary or desirable shall be allocated 30% to MD and 70% to the Partnership and shall be reimbursed by the Participants pursuant to Section 8.

(h) Management Fee. In consideration for services to be rendered by MD in managing the business of the Partnership, the Program during each of the initial three years of the Partnership will pay to MD the Management Fee. The Management Fee will be allocated 30% to MD and 70% to the Partnership. The portion of the Management Fee during a particular Partnership year allocated to the Partners will be paid by the Program in monthly or other periodic installments from funds which would otherwise be available for distribution to the Partners during such Partnership year. To the extent that the Partnership has insufficient distributable funds during a particular Partnership year to fully pay its share of the Management Fee payable during the Partnership year, then the amount of such unpaid Management Fee will be carried forward and payable in the next succeeding Partnership year.

(i) Other Costs. All other costs (including the Gas Marketing Fee) incurred shall be allocated 30% to MD and 70% to the Partnership.

The above costs that constitute Direct Costs shall be billed directly to and paid by the Program to the extent practicable.

Section 4. Allocation of Revenues. Except as provided in Attachment A attached hereto, all revenues attributable to the activities and operations conducted pursuant to this Agreement shall be allocated to and received by the parties hereto as follows:

(a) Revenues from Program Operations. Subject to subparagraph (b) below, all revenues from Program operations, including without limitation, all revenues directly or indirectly resulting from the investment of revenues from Program operations, shall be allocated 30% to MD and 70% to the Partnership.

(b) Revenues from Disposition of Program Assets.

(i) Revenues resulting from the sale or other taxable disposition of an oil and gas property (as such term is defined in Section 614 of the Code) shall be allocated, (A) to the extent such revenues constitute a recovery of the Program's simulated tax basis in such property, to the parties in the same percentages as the simulated tax basis of the property sold was allocated up to an amount equal to the

Program's simulated tax basis in such property at the time of such sale, and (B) thereafter, to the parties in a manner which will cause the aggregate of all revenues allocated to the parties from such sale or disposition and from all prior sales (to the extent possible) to equal the amounts which would have been allocated to the parties if all such revenues had been allocated 30% to MD and 70% to the Partnership. For purposes of computing the simulated tax basis of any such property, depletion deductions shall be computed as provided in paragraph 4(c) of Attachment A without regard to depletion deductions actually claimed by the parties under paragraph 6(d) of Attachment A.

(ii) All revenues resulting from the rental, sale or other disposition of any item of depreciable property shall be allocated (A) to the extent such revenues constitute a recovery of the Program's adjusted tax basis in such property, to the parties in the same percentages as the adjusted tax basis of the property sold was allocated up to an amount equal to the Program's adjusted tax basis in such property at the time of such sale, and (B) thereafter, to the parties in a manner which will cause the aggregate of all revenues allocated to the parties from such rental, sale or other disposition and from all prior rentals or sales (to the extent possible) to equal the amounts which would have been allocated to the parties if all such revenues had been allocated 30% to MD and 70% to the Partnership.

(iii) All revenues resulting from the disposition of any other property shall be allocated 30% to MD and 70% to the Partnership.

(iv) All dry hole and bottom hole and similar contributions shall not be considered to be revenues hereunder but shall be applied to reduce the Intangible Drilling Costs of the respective Program Wells to which they relate.

Section 5. Ownership of Production.

Each Participant shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from any Lease subject to the Program pursuant to the terms of this Agreement. Any extra expenditure incurred in the taking in kind or separate disposition by any party hereto of its proportionate share of production shall be borne by such party. Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from any such Lease. The proceeds from the sale of all production produced, saved, and sold from any Prospect herein shall be paid to MOC by all purchasing companies purchasing such production, and by the execution of this Agreement, MOC and the Participants covenant and agree to hold harmless all purchasing companies from any and all liability by reason of paying any such proceeds to MOC. Further, the Participants authorize and direct MOC to deduct from their proportionate share of such proceeds from such sales all Operating Costs and other expenses and costs of all types owed to MOC provided for under the terms of this Agreement and remit the balance from the sale to the Participants. In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of oil and gas produced from any such Lease, the Program Manager shall have the right, but not the obligation, subject to the revocation at will by the party owning such production, to purchase such oil and gas or sell it to others at any time and from time to time for the account of such party at a price competitive with the best price obtainable in the area for such production. Any such purchase or sale by the Program Manager shall be subject to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by the Program Manager of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances.

Section 6. Management of Program.

(a) Program Affairs. The Participants hereby designate MOC as the Program Manager who shall have the full and exclusive power and authority to manage, control and administer the business and affairs of the Program and the properties of the parties subject to this Agreement, except to the extent otherwise set forth herein and in the Partnership Agreement.

(b) Well Operations. The Participants, hereby designate MOC, and MOC agrees to act, as operator with respect to the drilling, testing, and any attempted completion and equipping and operating (or plugging and

abandoning, if necessary) of any Program Well to be drilled or developed hereunder, except in those instances in which (i) the Leases on which such Program Well is to be drilled is already subject to an existing operating agreement under which a third party (not MOC) has already been designated as operator, (ii) the requisite number of third parties being joint working interest owners in such Program Well decline to approve MOC as operator or (iii) a good faith determination is made by MOC that it is not in the best interests of the Participants and of MOC for it to act as operator. In conducting operations on a Prospect, MOC may use its own personnel (including consultants retained by MOC), properties and equipment and may subcontract with any other Affiliate of MOC to perform such operations. The charge to MD and the Partnership for the use of MOC's personnel (including consultants retained by MOC), properties and equipment, the basis of pricing materials purchased by MD and the Partnership from MOC or any Affiliate thereof and the basis of pricing materials purchased by MOC or any Affiliate thereof from MD and the Partnership shall be as provided in the Operating Agreement, subject to the terms of the Partnership Agreement.

(c) Operating Agreement. With respect to each Program Well for which MOC is to serve as operator as contemplated in Section 6(b), all operations relating to such Program Well, including without limitation, all costs and expenditures of drilling, testing, completing, and equipping and operating such Program Well shall be conducted pursuant to an Operating Agreement between MOC as operator, and the Participants as non-operator. In the event, at the time of acquisition of a Lease by the Participants, such Lease is subject to another operating agreement or if MOC enters into an operating agreement with third parties that are joint operating interest owners in such Program Well, nevertheless, the Operating Agreement between MOC and the Participants shall govern operations as between them, provided that MOC and the Managing Partner shall have the right to amend the Operating Agreement between MOC and the Participants covering certain of the Leases to conform to such other operating agreement (provided, the Operating Agreement may not be amended as provided above in any manner that the Managing Partner determines will adversely affect the Partnership or the Partners in any material respect) and MOC shall have the right to charge the Joint Account under the Operating Agreement between MOC and the Participants a share attributable to the Participants' interest of any costs or expenses incurred by MOC under such other operating agreement which are not otherwise provided for herein or in the Operating Agreement between MOC and the Participants. To the extent that the terms of this Agreement and the terms of the Operating Agreement attached hereto conflict, this Agreement governs and takes precedence over the Operating Agreement.

(d) Program Funds; Distributions. Funds held by the Program Manager on behalf of the Program, subsequent to their allocation to the Program, shall not be commingled with funds of any other entity. If the Program Manager elects at any time to distribute funds derived from revenues from Program operations or the disposition of Program assets to any of the Participants, the Program Manager shall be obligated at the same time to make distributions of funds from such sources to the other Participants. All such distributions shall be made to the Participants in the same percentages as the Participants are allocated revenues of the Program pursuant to Section 4. At no time shall the Program or the Program Manager on behalf of the Program retain in its accounts funds required to be distributed to the Participants pursuant to the preceding sentence. At least quarterly, any cash funds of the Program which the Program Manager reasonably determines are not needed for the payment of existing or anticipated Program obligations and expenditures shall be distributed to the Participants.

(e) Access to Records. Each Participant and the Partners thereof shall have access during normal business hours to all books and records relating to the business and operations of the Program as provided in the Operating Agreement, provided that the Program Manager may refuse for a reasonable time to grant any Participant or any Partner thereof access to such books and records as the Program Manager (i) has agreed shall be kept confidential or (ii) has determined in good faith should be kept confidential considering the interests of the Program and the Participants.

(f) Liability and Indemnification of Program Manager.

(i) Neither the Program Manager nor its Affiliates shall have any liability to the Participants for any loss suffered by a Participant that arises out of any action or inaction performed or omitted relating to its duties or obligations or services rendered or to be rendered pursuant to this Agreement or the Operating Agreement, if the Managing Partner in good faith has determined, as of the time of the conduct or omission, that the Program Manager's or its Affiliate's course of conduct or omission was in the best interest of the Participants, that the Program Manager or such Affiliate was acting on behalf of or performing services for the Participants, and that such conduct or omission did not constitute negligence or misconduct. Termination of any action, suit or proceeding will not create a presumption that the Managing Partner or its Affiliate did not act in the best interest of the Partnership.

(ii) The Partnership shall indemnify the Program Manager and its Affiliates against any losses, judgments, liabilities, expenses, and settlements sustained or incurred by the Program Manager or such Affiliates as a result of any threatened, pending or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such claim, action, suit, or proceeding, and any inquiry or investigation that could lead to such a claim, action, suit, or proceeding and which in any such case relates or which otherwise arises from or is attributable to (a) the fact that the Program Manager is serving in such capacity or in the capacity as the operator under the Operating Agreement or (b) any acts, omissions or operations performed or omitted by the Program Manager or such Affiliate on behalf of the Program or the Partnership or which otherwise relates to the activities and business affairs of the Program or the Partnership; provided that the Managing Partner has determined in good faith, as of the time of the conduct or omission, that the conduct or omission was in the best interest of the Partnership and that the conduct or omission did not constitute negligence or misconduct. Any such indemnity will be satisfied only out of the assets of the Partnership and in no event will the Investor Partners be liable therefor.

(i) The Program Manager, acting on behalf of the Program, may purchase and maintain insurance on behalf of the Program Manager and its Affiliates against any liabilities asserted against or expenses incurred by the Program Manager or its Affiliates in connection with Program activities; provided, however, that the Participants (other than MD) shall not incur the cost of that portion of such insurance, if any, which insures the Program Manager or its Affiliates against any liability with respect to which the Program Manager or its Affiliates are denied indemnification under the provisions of this Agreement; provided, however, that nothing contained herein shall preclude the Program Manager from purchasing and paying for such types of insurance including without limitation, extended coverage liability and casualty and workers' compensation, as would be customary for any person owning comparable assets and engaged in a similar business, or from naming the Program Manager and its Affiliates as additional insured parties thereunder, provided, that the naming of such additional insured parties does not add to premiums payable by the Program.

(ii) The termination of any claim, action, suit, or proceeding by judgment, order, settlement, conviction, or a plea of nolo contendere or its equivalent does not alone establish that a person seeking indemnification under this Section 6(f) is disqualified. Any person who is determined to be not entitled to indemnification under this Section 6(f) may petition a court of competent jurisdiction for a determination that in view of all facts and circumstances that such person is fairly and equitably entitled to indemnity and the Partnership shall provide such indemnity as may be determined proper by such court; provided, however, that the court has determined that such person has met the standard set forth in Section 6(f)(ii) above.

(iii) Legal fees and expenses and other costs incurred as a result of a claim described in this Section 6(f) shall be paid by the Partnership from time to time in advance of the final disposition of such claim if: (a) the claim relates to the performance or non-performance of duties or services by the Program Manager or its Affiliates rendered on behalf of the Program and the Participants, (b) the claim is initiated by a third party who is not an Investor Partner, or the claim is initiated by an Investor Partner and a court of competent jurisdiction specifically approves such advancement, and (c) the Program Manager or its Affiliate undertakes to repay the advanced funds to the Partnership in the event it is later determined that the Program Manager or such Affiliate is not entitled to indemnification under the provisions of this Section 6(f).

(i) To the extent that the Program Manager or its Affiliates are successful on the merits or otherwise in defense of any claim, action, suit, or proceeding referred to in this Section 6(f) or in defense of any claim, issue, or matter therein, the Partnership shall indemnify the Program Manager or its Affiliates, against the expenses, including attorneys' fees, actually incurred by the Program Manager or such Affiliate in connection therewith.

(ii) The indemnification provided by this Section 6(f) shall continue as to the Program Manager and its Affiliates in the event the Program Manager ceases to act in the capacity of manager of the Program or as operator under the Operating Agreement with respect to events occurring prior to the time such Program Manager or its Affiliate ceased to act in such capacity and shall inure to the benefit of the successors and assigns of the Program Manager and such Affiliates.

Section 7. Removal of the Program Manager.

The Partnership shall have the right to remove MOC as Program Manager and to elect and substitute a successor to act in the capacity as Program Manager; provided, the Partnership shall not have the right to remove MOC as Program Manager and to elect and substitute a successor to act in such capacity during the term that MD or any of its Affiliates serve in the capacity of Managing Partner.

Section 8. Reimbursement of the Program Manager.

As may be requested by the Program Manager from time to time, the Program Manager shall be reimbursed by the Participants for their respective share of all General and Administrative Expenses and other costs and expenses incurred by the Program Manager or any of its Affiliates in managing and conducting the business and affairs of the Program, including expenses incurred in providing or obtaining such professional, technical, administrative, and other services and advice as the Program Manager may deem necessary or desirable. Reimbursements of General and Administrative Expenses made by the Partnership as a Participant hereunder shall be made in accordance with Section 5.9 of the Partnership Agreement, including without limitation, the provisions contained in Section 5.9 of the Partnership Agreement which limit the amount of such reimbursement.

Section 9. Tax Partnership.

This Agreement and Attachment A attached hereto are not intended and shall not be construed to create a joint venture, mining or other partnership (general, limited, or otherwise) or association or to render the parties hereto liable as partners. The parties expressly agree that no party hereto shall be responsible for the obligations of the other parties, each party being severally responsible only for its obligations arising hereunder and liable only for its allocable share of the costs and expenses incurred hereunder. Each of the Participants hereby agrees that this Agreement creates a partnership for federal and state income tax purposes only, which tax partnership shall function and exist as set forth in Attachment A attached hereto.

Section 10. Sales of Interests by MD.

Subject to paragraph 7 of Attachment A, MD shall have the right to sell or otherwise dispose of the ownership interests in Leases held by it as part of the Program and subject to this Agreement without obtaining the consent of the Partnership. MOC, MD, and their Affiliates shall have the right to sell or otherwise dispose of the ownership interests in Leases held by them for their own account outside the Program and not subject to this Agreement on terms more or less favorable to the party or parties acquiring such interests than those terms contained in this Agreement with respect to the acquisition of interests in such Leases by the Partnership, and the Partnership shall not have any claim or right to any consideration or benefits derived therefrom.

Section 11. Assignment.

Except as otherwise provided herein, no party hereto shall have the right to assign its rights or obligations under this Agreement without the express written consent of the other parties, except in the event of the following assignments:

(a) A disposition by MD of all or any portion of its rights or obligations hereunder to one or more Affiliates of MD;

(b) A disposition by MD or any Affiliate thereof of all or any part of its rights or obligations hereunder to one or more persons that have as a result of a merger, consolidation, corporate reorganization, or other transaction acquired all or substantially all of the assets of MD and have assumed the obligations of MD hereunder; or

(c) A disposition by MD or any Affiliate thereof of all or any portion of its rights or obligations hereunder after the cessation of substantially all drilling activities of the Program.

Any assignment shall be subject to paragraph 7 of Attachment A. Notwithstanding anything in this Agreement to the contrary, MD shall have the right at any time to mortgage, pledge, or encumber the oil and gas properties and interests of MD under or subject to this Agreement to secure any debts or obligations of MD or its Affiliates (whether or not such debts or obligations are related to the Program). If MD receives a bona fide offer from an unrelated third party to purchase an interest in any Lease in which the Partnership has interests pursuant to this Agreement, MD shall request the offeror to make a similar offer available to the Partnership.

Section 12. Term and Amendment of Agreement.

(a) This Agreement shall terminate upon the occurrence of any of the following: (i) the dissolution of the Partnership, or (ii) upon the election of MD after the cessation of substantially all drilling activities of the Program, provided, in the case of clause (ii), that MD shall have given at least 120 days' notice to the Investor Partners of the Partnership prior to such termination. Upon the occurrence of any of the foregoing events, the provisions of paragraph 9 of Attachment A shall be applicable and the Participants shall be subject to the terms of the Operating Agreement or such other operating agreements as may then be in effect.

(b) This Agreement and Attachment A may only be amended, modified or changed by a writing duly executed by MD, and the Partnership; provided that, to the extent required under the terms of the Partnership Agreement, the Partnership shall execute or have executed on its behalf such a writing only if the amendment, modification, or change shall have been approved or consented to by a Majority in Interest of the Investor Partners thereof, to the extent required by the Partnership Agreement, and, provided further, the consent of the Partnership shall not be required if MD determines that the amendment, modification, or change is necessary or advisable to ensure that the Program Agreement conforms with any changes in or modifications to the Code or does not adversely affect in a material manner the Investor Partners of the Partnership.

Section 13. Insurance.

The Program Manager or Affiliates thereof shall carry for the benefit of the Participants insurance coverage in such amounts, with provisions for such deductible amounts and for such purposes as are customarily carried by the Program Manager or such Affiliates in its operations. To the extent practical, all of the Participants shall be added as additional co-insureds under such coverage. The Program Manager shall notify the Participants of any adverse material change in the insurance coverage of the Program as soon as possible after learning of such change. If possible, such notice shall be given 30 days in advance of the change in insurance coverage. In the event that the insurance coverage carried for the benefit of the Participants is materially reduced, the Program, as soon as reasonably possible to do so, will halt all drilling activity until such time as comparable replacement insurance coverage is obtained.

Section 14. Partnership Agreement.

In the event of conflict between the provisions of this Agreement and the provisions of the Partnership Agreement, the provisions of the Partnership Agreement shall control unless otherwise expressly provided herein. This Agreement is subject to the provisions of the Partnership Agreement in all respects and all matters provided for herein shall also be governed by the provisions of the Partnership Agreement.

Section 15. Entire Agreement.

This Agreement, together with Attachment A attached hereto, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes all previous oral and written and all contemporaneous oral negotiations, commitments, writings and understandings.

Section 16. Headings.

The headings of the various sections, subsections, and other subdivisions of this Agreement have been inserted for convenient reference only and shall not be construed to enlarge, diminish, or otherwise change the express provisions hereof.

Section 17. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, except that any laws of such state regarding choice or conflicts of law shall not be applied if the result would be the application of a procedural or substantive law of another state or other jurisdiction.

Section 18. Attachments.

Attachment A to this Agreement is attached hereto. Such Attachment is incorporated herein by reference and made a part hereof for all purposes, and references to this Agreement shall also include such Attachments unless the context in which such references are used shall otherwise require.

Section 19. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MEWBOURNE OIL COMPANY

By: /s/ J. Roe Buckley

Title: Executive Vice President & CFO

MEWBOURNE DEVELOPMENT CORPORATION

By: /s/ J. Roe Buckley

Title: Executive Vice President & CFO

MEWBOURNE ENERGY PARTNERS 07-A, L.P.

By: MEWBOURNE DEVELOPMENT CORPORATION,
its Managing General Partner

By: /s/ J. Roe Buckley

Title: Executive Vice President & CFO

TAX PARTNERSHIP PROVISIONS

Section 20. Relationship of the Parties. This Attachment and the Drilling Program Agreement of which it is a part (in this Attachment called the "Agreement") is not intended to create, nor shall such be construed as creating, any mining partnership, commercial partnership or other partnership relation or joint venture among the parties, and the liabilities of each of the parties hereto shall be several and not joint or collective. The relationship created by this Attachment and the Agreement shall be considered as a partnership solely for United States federal and state income tax reporting purposes (and shall be a partnership for those purposes only so long as this Attachment remains in effect), as provided in paragraph 2 hereinbelow, and such relationship shall not be a partnership to any other extent or for any other purpose. The relationship of the parties hereunder is sometimes herein called the "tax partnership".

Section 21. Elections with Respect to Tax Status. Notwithstanding anything to the contrary in this Attachment or in the Agreement, each party hereto agrees, so long as the provisions of this Attachment remain in effect, with respect to all operations conducted under the Agreement, (a) not to elect any status under Treasury Regulation Section 301.7701-3 other than as a partnership for federal tax purposes, (b) not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, and any provisions of applicable state laws comparable to Subchapter K of Chapter 1 of Subtitle A of the Code, and (c) to join in the execution of such additional documents and elections as may be required in order to effectuate the foregoing. With respect to activities conducted on Leases in which parties other than the Participants have an interest, the Program Manager shall be authorized to elect on behalf of all Participants that any joint operation with respect to any such Lease shall be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, but no such election by the Program Manager shall have any impact on or result in any change in the relationship among the Participants as set forth in the first sentence of this paragraph 2. (Capitalized terms used in this paragraph 2, if not otherwise defined in this Attachment, shall have the same meanings as are provided in the Agreement.)

Section 22. Term. The provisions of this Attachment shall be effective as of the effective date of the Agreement and shall continue in full force and effect from and after such date until the earlier of (a) the termination of the Agreement among the parties pursuant to its terms, (b) upon the mutual agreement of the parties, or (c) upon the occurrence of an event described in Section 708(b)(1) of the Code. Upon the occurrence of any of the above-enumerated events, the provisions of paragraph 9 hereinbelow shall be applicable.

Section 23. Capital Contributions and Capital Accounts.

(a) The capital contributions of each party shall be all amounts paid by it pursuant to the Agreement. With respect to each oil and gas property and the related assets subject to the Agreement, each party shall be treated as having contributed to the tax partnership an amount of cash equal to such party's share of any Lease acquisition or other property costs and the tax partnership shall be treated as having purchased such property from the party to whom such amounts are paid.

(b) An individual capital account shall be maintained for each party in accordance with the following:

(i) The capital account of each party shall, except as otherwise provided herein, be credited by the amount of cash and fair market value of any property contributed to the tax partnership (net of any liabilities assumed by the parties hereto or to which such property is subject at the time of contribution) as provided in subparagraph (a) of this paragraph 4, and credited with the amount of any item of taxable income or gain and the amount of any item of income or gain exempt from tax allocated to such party.

(ii) The capital account of each party shall be debited by the amount of any item of tax deduction or loss allocated to such party, such party's allocable share of expenditures not deductible in computing taxable income and not properly chargeable as capital expenditures, including any

non-deductible book amortizations of capitalized costs, and the amount of cash or the fair market value of any property (net of any liabilities assumed by such party or to which such property is subject at the time of distribution) distributed to such party (after making the adjustment provided in subparagraph (b)(iii) in this paragraph 4).

(iii) Immediately prior to any distribution of property that is not pursuant to a liquidation of the tax partnership, the parties' capital accounts shall be adjusted by assuming that the distributed assets were sold for cash at their respective fair market values as of the date of distribution and crediting or debiting each party' s capital account with its respective share of the hypothetical gains or losses resulting from such assumed sales determined in the same manner as gains or losses provided for under paragraphs 4(b)(iv) and 6 for actual sales of such properties.

(iv) The allocation of basis prescribed by Section 613A(c)(7)(D) of the Code and provided for in paragraph 6 hereinbelow and each party' s depletion deductions shall not reduce such party' s capital account, but such party' s capital account shall be decreased by an amount equal to the product of the depletion deductions that would otherwise be allocable to the tax partnership in the absence of Section 613A(c)(7)(D) of the Code (computed without regard to any limitations which theoretically could apply to any party) and such party' s percentage share of the adjusted basis of the property with respect to which such depletion is claimed (herein called "Simulated Depletion"). The tax partnership' s basis in any oil or gas property, as adjusted from time to time for Simulated Depletion, is herein called "Simulated Basis." No party' s capital account shall be decreased, however, by Simulated Depletion deductions attributable to any depletable property to the extent such deductions exceed such party' s remaining Simulated Basis in such property. Upon the sale or other disposition of an interest in a depletable property, each party' s capital account shall be credited with the gain ("Simulated Gain") or debited with the loss ("Simulated Loss") determined by subtracting from its allocable share of the amount realized on such sale or disposition its Simulated Basis, as adjusted by Simulated Depletion.

(v) Any adjustments of basis of property provided for under Sections 734 and 743 of the Code and comparable provisions of state law (resulting from an election under Section 754 of the Code or comparable provisions of state law) shall not affect the capital accounts of the parties, and the parties' capital accounts shall be debited or credited as if no such election had been made unless otherwise required by applicable Treasury Regulations.

(vi) Capital accounts shall be adjusted, in a manner consistent with subparagraph (b) of this paragraph 4, to reflect any adjustments in items of income, gain, loss or deduction that result from amended returns filed by the tax partnership or pursuant to an agreement with the Internal Revenue Service or a final court decision.

(vii) In the case of property contributed to the tax partnership by a party, the parties' capital accounts shall be debited or credited for items of depreciation, Simulated Depletion, amortization and gain or loss with respect to such property computed in the same manner as such items would be computed if the adjusted tax basis of such property were equal to its fair market value on the date of its contribution to the tax partnership, in lieu of the capital account adjustments provided above for such items, all in accordance with Section 704(c) of the Code and Treasury Regulation 1.704-1(b)(2)(iv)(g).

Section 24. Federal and State Income Tax Returns and Elections.

(a) The parties agree that the Program Manager shall prepare and file the necessary federal and state partnership income tax returns and each party agrees to furnish the Program Manager all pertinent information relating to operations under the Agreement and this Attachment which is necessary for the Program Manager to prepare and file such returns.

Attachment A

(b) The parties hereby authorize and direct the Program Manager to make the following elections on the appropriate returns prepared and filed under subparagraph (a) of this paragraph 5:

- (i) To elect to adopt the accrual method of accounting, and such accounting shall be maintained on a calendar year basis;
- (ii) To elect, in accordance with Section 263(c) of the Code and applicable federal income tax regulations and comparable provisions of state law, to expense all intangible drilling and development costs;
- (iii) To elect to compute the allowance for depreciation or cost recovery under the most accelerated tax depreciation method and using the shortest life authorized by law with respect to all depreciable assets; and
- (iv) To make such other elections as may be deemed appropriate by the Program Manager.

(c) The Program Manager shall be designated the tax matters partner (in this paragraph 5(c) called the "TMP") as such term is defined in Section 6231(a)(7) of the Code with respect to operations conducted pursuant to the Agreement and shall be indemnified by the other parties as provided in the Drilling Program Agreement. The TMP is authorized to take such actions and to execute and file all statements and forms on behalf of the tax partnership which may be permitted or required by the applicable provisions of the Code or Treasury regulations issued thereunder, and the parties to the Agreement will take all other action that may be necessary or appropriate to effect the designation of the Program Manager as the TMP. In the event of an audit of the tax partnership's income tax returns by the Internal Revenue Service, the TMP may, at the expense of the parties to the Agreement, retain accountants and other professionals to participate in the audit.

Section 25. Allocations. The parties agree that for United States federal and state income tax reporting purposes the distributive share of each of the parties in each item of income, gain, loss, deduction or credit, including, without limitation, the items specifically mentioned below, shall be determined as follows:

- (a) Income realized from the sale of production of oil, gas or other hydrocarbon substances shall be allocated to each party to whom proceeds from the sale of such production are allocated or to whom such production is distributed under the terms of the Agreement.
- (b) Deductions attributable to intangible drilling and development and production costs shall be allocated to each party in accordance with its respective contributions to the payment of such costs.
- (c) Depreciation or cost recovery deductions with respect to tangible equipment shall be allocated to each party in accordance with its contribution to the adjusted basis (within the meaning of Section 1011 of the Code) of such equipment.
- (d) The depletion deductions with respect to each oil and gas property (as such term is defined in Section 614 of the Code) subject to the Agreement shall be computed separately by each party. For purposes of such computation, each party shall be considered to own, and shall be allocated, its proportionate share of the adjusted basis in each oil and gas property subject to the Agreement. A party's proportionate share of the adjusted basis of an oil or gas property shall be equal to its relative interest in either (i) the capital used to acquire (and capitalized in the adjusted basis of) such property (if the property is acquired other than by way of a capital contribution by one or more parties), or (ii) the adjusted basis of such property (if the property is considered a capital contribution by one or more parties). Each party shall separately keep records of its share of the adjusted basis in each oil and gas property, adjust such share of the adjusted basis for any cost or percentage depletion allowable on such property, and use such adjusted basis in the computation of its gain or loss on the disposition of such property. For purposes of computing such gain or loss, and notwithstanding anything in the Agreement to the contrary, the amount realized from the sale or other taxable disposition of a depletable oil and gas property (other than production of oil, gas or other hydrocarbon substances) and depreciable tangible property, shall be allocated in accordance with

Attachment A

the allocation of revenues from the sale or other taxable disposition of such properties under Section 4(b) of the Agreement. Upon the request of the Program Manager, each party shall advise the Program Manager of its adjusted basis in each oil and gas property as computed in accordance with the provisions of this subparagraph (d).

(e) Gains and losses from each sale, abandonment or other disposition of property (other than depletable oil and gas properties and depreciable tangible properties as provided in subparagraph (d) of this paragraph 6 and production of oil, gas or other hydrocarbon substances as provided in subparagraph (a) of this paragraph 6) shall be allocated to the parties in such manner as will reflect the gains and the losses that would have been includable in their respective income tax returns if such property were not subject to the Agreement. In computing each party's gains and losses, each party shall take into account its share of the proceeds derived from each sale, abandonment or other disposition of such property during the year, selling expenses and its respective contributions to the unadjusted cost basis of such property, less any allowed or allowable depreciation, cost recovery, amortization, or other deductions which have been allocated to it with respect to such property as provided herein.

(f) Gains or losses realized on the taxable disposition of property subject to this Agreement in excess of the gains or losses allocated under subparagraphs (d) and (e) of this paragraph 6 with respect to such property, if any, shall be allocated to the contributing party to the extent of such party's pre-contribution gain or loss with respect to such property.

(g) All recapture of income tax deductions resulting from the sale or other disposition of any property subject to the Agreement shall be allocated among the parties in the ratios in which the deductions giving rise to such recapture were allocated, but each party shall be allocated recapture only to the extent that such party is allocated any gain from the sale or other disposition of such property. The balance of such recapture, if any, shall be allocated to the parties whose share of gain exceeds their share of recapture ("excess gain") and such balance shall be allocated among such parties in the proportion which the excess gain of such party bears to the excess gains of all parties.

(h) Income resulting from any dry hole or bottom hole monetary contribution obtained from a third party in connection with the drilling of a well or wells on the oil and gas properties subject to the Agreement shall be allocated in the same manner as the costs of drilling such well or wells are allocated.

(i) All other items of deduction and credit not falling within subparagraphs (b) through (h) of this paragraph 6 shall be allocated to and accounted for by each party in accordance with its respective contribution to the costs resulting in such deductions and credits.

Section 26. Sale of Program Prospects. The parties agree that any sale by a party of any ownership interest in a Prospect held by such party as part of the Program and subject to the Agreement shall be deemed to be a sale of all or a portion of such party's interest in this tax partnership.

Section 27. Termination of Party's Interest. Any distribution in termination of any party's interest in the tax partnership other than pursuant to paragraph 9 shall be in an amount of cash or fair market value of property equal to the capital account balance of such party at the time such interest is terminated, after such capital account balance has been adjusted in accordance with paragraph 4 and the applicable Treasury Regulations under Section 704(b) of the Code, and shall be made by the later of (i) the end of the tax partnership taxable year in which such termination occurs or (ii) within 90 days after the date of such termination; provided, however, that if such capital account balance is less than zero after taking into account such adjustments and the distribution provided for in this paragraph 8, such party shall contribute an amount of cash to the tax partnership sufficient to cause its capital account to have a zero balance by the later of (i) the end of the tax partnership taxable year in which such termination occurs or (ii) within 90 days after the date of such termination.

Attachment A

Section 28. Distributions upon Termination. Upon termination of the provisions of this Attachment pursuant to paragraph 3 above, the activities of the parties under this Attachment shall be concluded and the assets subject to the Agreement and this Attachment shall be distributed to the parties in the manner and in the order set forth below:

- (a) Debts of the parties created pursuant to operations under the Agreement, other than to the parties, shall be paid.
- (b) Debts owed among the parties with respect to operations pursuant to the Agreement shall be paid.
- (c) All cash on hand representing unexpended contributions by any party shall be returned to the contributor.

(d) The parties' capital accounts shall be adjusted by (i) assuming the sale of all remaining assets subject to the Agreement for cash at their respective fair market values as of the date of termination of the Agreement and (ii) debiting or crediting each party's capital account with the party's respective share of the hypothetical gains or losses resulting from such assumed sales in the same manner as such party's capital account would be debited or credited under subparagraph (b) of paragraph 4 for gains or losses on actual dispositions of such properties.

(e) If the capital account of any party (stated as a percentage of the aggregate capital accounts of all parties) is less than that party's undivided interest in Leases owned by the Participants, as set forth in Section 2(a) of the Agreement, then such party may elect, upon ten days notice to the other parties, to contribute cash to the tax partnership for distribution to the other parties in an amount sufficient to cause such contributing party's capital account (stated as a percentage of the aggregate capital accounts of all parties) and its undivided interest in Leases owned by the Participants, as set forth in Section 2(a) of the Agreement, to be equal.

(f) Thereafter, all remaining assets shall be distributed to the parties by the later of (i) the end of the tax partnership taxable year in which the termination occurs or (ii) 90 days after the date of such termination, in accordance with their respective capital account balances as so adjusted; provided, however that any party that has a capital account of less than zero after taking into account the adjustments and distributions provided for pursuant to and in the subparagraphs of this paragraph 9 shall contribute an amount of cash to the tax partnership sufficient to cause its capital account to have a zero balance by the later of (i) the end of the tax partnership taxable year in which the termination occurs or (ii) 90 days after the date of such termination. Any such contributions by parties having deficit capital account balances shall be distributed to the remaining parties in accordance with their respective positive capital account balances by the later of (i) the end of the tax partnership taxable year in which the termination occurs or (ii) 90 days after the date of such termination.

If property subject to the Agreement is distributed pursuant to this paragraph, the amount of the distribution shall be equal to the fair market value of the distributed property. In the event the parties do not agree as to the fair market value of such property, the Program Manager shall cause a qualified independent petroleum engineer to prepare an evaluation of the fair market value of such property.

It is understood and agreed that it shall be the obligation of each party to make such assignments as are required upon termination of the provisions of this Attachment in accordance with the provisions of this paragraph 9. Such assignments shall be made subject to the liability of each assignee for costs, expenses and liabilities theretofore incurred or for which commitment had been made by the Program Manager prior to the date of termination and such costs, expenses and liabilities shall be allocated to such assignee pursuant to this Attachment.

Section 29. Effect of this Attachment. It is understood and agreed that in the event the terms of this Attachment conflict with any of the terms and conditions of the Agreement as between the parties hereto the terms of this Attachment shall control with respect to the terms in conflict.

Attachment A

A.A.P.L. FORM 610 - 1989
MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

August 13, 2007,

OPERATOR _____

CONTRACT AREA _____
See Attached Exhibit "A"

COUNTY OR PARISH OF _____, STATE OF _____

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD. FORT
WORTH, TEXAS. 76137. APPROVED FORM.
A.A.P.L NO. 610 - 1989

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between _____, hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator", and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

**ARTICLE I.
DEFINITIONS**

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

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A".

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser.

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

F. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

G. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

I. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

J. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

K. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

L. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

M. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

N. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, ReCompleting, or Plugging Back of a well.

O. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole to overcome other mechanical difficulties.

P. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Q. Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

**ARTICLE II.
EXHIBITS**

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- A. Exhibit "A" shall include the following information:
- (1) Description of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Parties to agreement with addresses and telephone numbers for notice purposes,
 - (4) Percentages or fractional interests of parties to this agreement.
- B. Exhibit "B," Form of Lease.
- C. Exhibit "C," Accounting Procedure.
- D. Exhibit "D," Insurance.
- E. Exhibit "E," Gas Balancing Agreement.
- F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.
- G. Exhibit "G," Tax Partnership.
- H. Other: _____

If any provision of any exhibit, except Exhibits "E," "F" and "G," is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

**ARTICLE III.
INTERESTS OF PARTIES**

A. Oil and Gas Interests:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

B. Interests and Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A."

In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of, the amount of such burdens and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interest, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A," such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working

interest of the Burdened Party. If the Burdened Party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A."

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communication agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges in Exhibit "C."

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by Operator.

B. Loss or Failure of Title:

1. Other Losses: All losses of Leases or Interests committed to this agreement, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

**ARTICLE V.
OPERATOR**

A. Designation and Responsibilities of Operator:

_____ shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o' clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of

Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation or other affiliated entity shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A;" provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contracts used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges

therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each Non-Operator or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each Non-Operator upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C."

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well:

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to Non-Operators such reports, test results and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, not direct charge shall be made by Operator for premiums paid for such insurance for Operators' s automotive equipment.

**ARTICLE VI.
DRILLING AND DEVELOPMENT**

A. Subsequent Operations:

1. Proposed Operations: If any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.A.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced with the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with article VI.A.4. in the event of a Deepening operation and in accordance with Article VI.a.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.A.1. or VI.B.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.A.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in(ii)) of Non-Consenting Parties' interest together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten(10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.A.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and

encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.A.6. and VI.D.3, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party' s interest in the well and share of production therefrom or, the case of a Reworking, Sidetracking, Deepening, Recompleting or Plugging Back, or a Completion pursuant to a Article VI.B.1. Option No. 2, all of such Non-Consenting Party' s interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) 400% of each such Non-Consenting Party' s share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party' s share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party' s relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party' s share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) 400% of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to contrary in this Article VI.A., if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.A.6. to

drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.A.4.(a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

(c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 400% of that portion of the costs of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 400% of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.A. shall be applicable as between said Consenting Parties in said well.

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C.

In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within ninety (90) days after the completion of any operations under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as

provided above, the party conducting in the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

3. Stand-By Costs: When a well has been drilled or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to Article VI.E., stand-by costs incurred pending response to a party's notice proposing a Reworking, Sidetracking, Deepening, Plugging Back or Completing operation in such a well (including the period required under Article VI.A.6 to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreements as to the participating interest of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.A.2.(a), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.A.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties.

4. Deepening. If less than all the parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.A.1, the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.A.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.A.1. plus any deeper zone as may be encountered in drilling to such additional depth as is drilled to enable completion in the objective depth or zone ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.A.1, to all parties (including Non-Consenting Parties). Thereupon, Articles VI.A.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.A.1 and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses:

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective, calculated in the manner provided in paragraph (a) above. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C".

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.E.

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is initiated.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.A.4(b) above. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C."

6. Order of Preference of Operations. Except as otherwise specially provided in this agreement, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday, and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such results to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.A.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern: Notwithstanding the provisions of this Article VI.A.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone.

8. Paying Wells: No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of all parties that have not relinquished interests in the well at the time of such operation.

B. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.A.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of the well, including necessary tankage and/or surface facilities.

Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.A.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provisions of Article VI.A.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.A.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.A.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletions have recouped their costs pursuant to Article VI.A.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting Party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.A.2. of this agreement. Consent to the Reworking, Recompleting or Plugging Back of a well shall include all necessary expenditures in conducting such operations and Completing and equipping of said well, including necessary tankage and/or surface facilities.

C. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Seventy-Five Thousand Dollars (\$75,000.00) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project in excess of Fifty Thousand Dollars (\$50,000.00). Any party who has not relinquished its interest in a well share have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.C. (except in connection with an operation required to be proposed under Articles VI.A.1. or VI.B.1. Option No. 2, which shall be governed exclusively by those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 50% of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

D. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or Deepened pursuant to Article VI.A.2., any well which has been drilled or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-

eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.A.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable.

2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle Operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes an Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a

ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. **Abandonment of Non-Consent Operations:** The provisions of Article VI.D.1. or VI.D.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.D.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration costs for such well as provided in Article VI.A.2(b).

E. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 75% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.A.1 and the provisions of Article VI.A. or VI.D. shall thereafter apply to such operation, as appropriate.

F. Taking Production in Kind:

Option No. 1: Gas Balancing Agreement Attached

Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator' s surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and except as provided in Article VII.A., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation to purchase such Oil or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least ten (10) days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

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

Option No. 2: No Gas Balancing Agreement:

Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.A., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify to Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

**ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES**

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest

granted hereunder. Any party may file this agreement, the recording supplement executed herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interests or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party' s share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party' s share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen' s lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive

information as to any operation conducted hereunder during the period of such default, the right to elect to participate in an operation proposed under Article VI.A. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling of a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.A. or VI.B., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in this Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.1.

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.1.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C."

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party' s share of Oil and Gas produced under the terms of this agreement.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter' s interest in any well' s salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor' s, lessor' s or surrendering party' s interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement in the form of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interests held at the time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of

drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled inside the Contract Area.

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

D. Assignment; Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or
2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severally its undivided interest therein.

**ARTICLE IX.
INTERNAL REVENUE CODE ELECTION**

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulations §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter I, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

**ARTICLE X.
CLAIMS AND LAWSUITS**

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Seventy-Five Thousand Dollars (\$75,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suite shall be treated as any other claim or suit involving operations hereunder.

**ARTICLE XI.
FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; however all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

**ARTICLE XII.
NOTICES**

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, telex, telecopy or other facsimile within such period. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice.

**ARTICLE XIII.
TERM OF AGREEMENT**

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

- Option No. 1:** So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.
- Option No. 2:** In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of _____ days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Recompleting, Plugging Back or Reworking operations are commenced within _____ days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

**ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS**

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Texas shall govern.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

**ARTICLE XV.
MISCELLANEOUS**

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred

for the Initial Well which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

**ARTICLE XVI.
OTHER PROVISIONS**

Notwithstanding anything contained herein to the contrary:

A. Should it be necessary to conduct hearings before governmental agencies for the securing of spacing or pooling orders, or for certifying new gas, the costs attributable to such hearings as well as fees paid attorneys and witnesses, shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A".

B. In addition to Article VII.C. and D., Operator shall have the right, at its discretion, to require prepayment of all costs, including dry hole costs completion costs, recompletion costs or costs associated with remedial work, based on an Authority for Expenditure for any well drilled on the Contract Area. Failure by any party to remit its proportionate part of the above referenced prepayment to Operator in the manner within the time period requested shall be deemed an election by such party not to participate in the cost of the proposed operation thereafter, the proposed operation shall be conducted under Article VI.A.2. of this Agreement.

C. The proceeds from the sale of all hydrocarbons produced, saved and sold shall be paid to Operator by all purchasing companies purchasing such hydrocarbons and by the execution of this Agreement, the Non-Operators covenant and agree to save all purchasing companies harmless from any and all liability by reason of paying any such proceeds to Operator. Further, Non-Operators authorize and direct Operator to deduct from their proportionate share of such sales all Lease Operating Expenses and other expenses owed to Operator provided for under the terms of this Agreement and remit the balance from such sale to Non-Operators.

D. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, and all sums payable hereunder to Operator shall be paid at P.O. Box 7698, Tyler, Texas 75711.

E. In the event that any party shall subsequently create against its interests any additional royalty, overriding royalty, production payment, or other burden or charge, the party which subsequently creates any such additional burden or charge shall hold the other parties to this Agreement harmless from such additional burdens or charges, and shall satisfy and discharge such burdens and charges out of its own funds. As security for the performance of the obligations created by this paragraph, the parties entitled to be held harmless shall have a lien to secure the performance of the obligations created by this paragraph. Such lien shall exist upon the interest to be owned by the party charged with performing such obligation.

F. No party shall exercise any right of partition of the Contract Area or sale thereof in lieu of partition during the term of this Agreement.

IN WITNESSES WHEREOF, this agreement shall be effective as of the 13th day of August, 2007.

ATTEST OR WITNESS:

OPERATOR

MEWBOURNE OIL COMPANY

By /s/ James Allen Brinson

James Allen Brinson

Type or print name

Title Attorney-In-Fact

Date August 13, 2007

Tax ID or S.S. No. _____

NON-OPERATORS

MEWBOURNE DEVELOPMENT CORP.

By /s/ J. Roe Buckley

J. Roe Buckley

Type or print name

Title Executive Vice President

Date August 13, 2007

Tax ID or S.S. No. _____

MEWBOURNE DEVELOPMENT CORP.
For MEWBOURNE ENERGY PARTNERS 07-A, L.P.

By /s/ J. Roe Buckley

J. Roe Buckley

Type or print name

Title Executive Vice President

Date August 13, 2007

Tax ID or S.S. No. _____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated _____, between _____, as Operator, and _____, as Non-Operator.

(TO BE COMPLETED AT A LATER DATE)

END OF EXHIBIT "A"

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EXHIBIT "B"

OIL & GAS LEASE

THIS AGREEMENT made this

_____ day of _____, 19_____, between _____

_____ of

_____ (Post Office Address)

herein called lessor (whether one or more) and _____, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessor herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, properties, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building banks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals ,the following described land in _____ County, New Mexico, to-wit:

For the purposes of calculating the rental payments herein provided for, said land is estimated to comprise _____ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of _____ years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land used off the premises or used in the manufacture or gasoline or other products, the market value at the well of _____ of the gas used, provided that on gas sold on or off the premises the royalty shall be _____ of the amount realize from such sale; (c) and at any time when this lease is not validated by other provision thereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in

royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulation orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$_____ which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the _____ Bank at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine, this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either

before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences working or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no Cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor' s wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or bam now on said land without lessor' s consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder maybe assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shalt be binding upon lessee for any

purpose until 30 days after lessee has been furnished by certified mail at lessee' s principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail to make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of such lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee' s duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee' s rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor' s interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, securing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

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EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement dated _____, _____, between _____, as Operator and _____, as Non-Operators.

ACCOUNTING PROCEDURE

I. General Provisions

1. Definitions

“Property” shall mean the real and personal property subject to the Agreement to which this Accounting Procedure is attached.

“Operations” shall mean any and all operations and activities necessary or proper for the acquisition, development, operation, protection and maintenance of the Property and the Affiliated Program.

“Joint Account” shall mean the account showing the charges and credits accruing because of the Operations and which are to be shared by the Parties according to their pro rata interests.

“Operator” shall mean the Party designated to conduct the Operations.

“Non-Operators” shall mean the Parties other than the Operator.

“Parties” shall mean Operator and Non-Operators.

“First-level supervisors” shall mean those employees whose primary function in Operations is the direct supervision of other employees, service companies, drilling rigs, contract labor, and other personnel directly employed on the Property in a field operating capacity.

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

“Personal Expenses” shall mean travel, meals, lodging, and other reasonable reimbursable expenses of Operator’s employees.

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

“Controllable Material” shall be defined as Material which is ordinarily so classified and controlled by Operator in the conduct of its Operations.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

3. Advances and Payments by Administrators

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

B. Each Non-Operator shall pay to Operator in Smith County, Texas its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at a rate of one and one-half percent (1 1/2%) per month or the maximum contract rate permitted by the applicable usury laws in the state in which the Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operator's audit cost incurred under this paragraph. The audits shall not be

conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

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

6. Approval by Non-Operators

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

II. Direct Charges

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

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

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Operations.

3. Labor

Salaries, wages, benefits and related expenses shall be charged on a day-rate basis (recomputed within a reasonable periodic time period) for:

A. (1) Operator's employees directly employed on the Property in the conduct of Operations.

(2) First-level supervisors in the field.

(3) Technical employees directly employed on the Property.

(4) Technical employees either temporarily or permanently assigned to and directly employed in the Operations of the Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Cost

under this Paragraph 3B may be charged on a “when and as paid basis” or by “percentage assessment” on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator’ s cost experience.

- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator’ s labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 3A of this Section II.
- D. Personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.
- E. Operator’ s current costs of established plans for employees’ group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator’ s labor cost chargeable to the Joint Account under Paragraphs 3A of this Section II shall be Operator’ s actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

4. Material

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

5. Transportation

Transportation of employees and Material necessary for the Operations, not previously charged as a part of day-rate basis.

6. Services

The cost of contract services and utilities procured from outside sources including without limitation auditing and taxation services, engineering consultant services including engineers, geologists and landmen, and services in connection with matters before or involving government agencies or regulatory bodies.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Property. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Property

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

9. Legal Expense

All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Operations or necessary to protect or recover the Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims. All costs and expenses necessary for title work, division order title opinions, transfer orders, deeds, assignments and conveyances which affect title to the oil and gas estate. All costs and expenses related to curative matters and representation before regulatory or governmental agencies.

10. Taxes

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

11. Insurance

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

12. Abandonment and Reclamation

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

13. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Property. In the event communication facilities/systems serving the Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 7 of this Section II.

14. Additional Services

The cost of all additional services provided by the Operator or by third parties relating to the Operations, whether direct or indirect, including without limitation accounting, engineering, land and administrative services. Such charges to the Joint Account will include without limitation salaries and benefits of Operator's personnel; automotive and travel; office rental; utilities; the cost of furnishing, maintaining, operating or otherwise securing the use of office equipment, furniture, machines, computers, and other physical equipment and facilities; Amounts paid to outside parties for additional services; an allocable part of General and Administrative Expenses and other indirect cost and all other cost and expense related to the performance of these additional services.

15. Other Expenditures

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

III. Indirect Charges

1. Overhead - Drilling and Producing Operations

Overhead - Fixed Rate Basis

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

Drilling Well Rate: \$7,420.00

Producing Well Rate: \$ 780.00

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

(a) Drilling Well Rate

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

(b) Producing Well Rates

- 1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - 2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - 3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - 4) A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - 5) Each facility serving the Operations other than a well shall count as a well for this purpose, such as compressor or dehydration facilities, or other facilities for producing (including secondary recovery) operations or for treating, handling or marketing production.
 - 6) All other inactive wells (including but not limited to inactive wells covered by unit allowable, _____ lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April, 2001, and each year on the first day of April thereafter. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as show by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as

a fixed asset required for the development and operation of the Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$25,000.

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

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

3. Catastrophe Overhead

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

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

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

4. Prospect Screening and Evaluation

The General and Administrative Expenses incurred by the Operator in the screening, evaluation and acquisition of Prospects. Such charge shall be based on an allocation system which is in accordance with generally accepted accounting principles.

5. General and Administrative Expense

Operator shall charge the Non-Operators for General and Administrative Expenses allocated to the Program or Partnership in accordance with generally accepted accounting principles.

6. Amendment of Rates

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

IV. Pricing of Joint Account Material -

Purchases, Transfers and Dispositions

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition "A")

Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement.

B. Good Used Material (Condition "B")

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

(1) Material moved to the Property

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

(2) Material used on and moved from the Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
 - (b) At sixty-five percent (65%) of current now price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.
- (3) Material not used on and moved from the Property
- At seventy-five percent (75%) of current now price as determined by Paragraph A.
- The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

- (1) Condition "C"

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

- (2) Condition "D"

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

- (3) Condition "E"

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

D. Obsolete Material

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

3. Warranty of Material Furnished by Operator

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

V. Inventories

The Operator shall maintain detailed records of Controllable Material. At reasonable intervals, inventories shall be taken by the Operator. Adjustments resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Special inventories may be taken by the Non-Operators at their expense in accordance with Paragraph 5 of Section I.

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EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated _____, between _____, as Operator, and _____, et al, as Non-Operator.

INSURANCE

At all times during the conduct of operations hereunder, Operator shall maintain in force the following insurance, at the expense of and for the benefit of the joint account:

1. **Workmen' s Compensation Insurance**

- A. Statutory Workmen' s Compensation coverage to include all areas involved in operations covered under this contract.
- B. Employers liability with a limit of \$500,000 each accident.

2. **Comprehensive General Liability Insurance (CGL)**

- A. Standard Comprehensive General, conditions including coverage for products/completed operations.
- B. Contractual Liability insuring contracts between Mewbourne Oil Company and their contractors; covering assumed tort liability.
- C. Limits of Liability:

General Aggregate Limit	\$2,000,000
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Products and Completed Operations Aggregate Limit	\$1,000,000
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Personal and Advertising Injury Limit	\$1,000,000
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Each Occurrence Limit	\$1,000,000
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3. **Aircraft and Automobile Liability Insurance**

- A. Standard Comprehensive form including all owned, non-owned and hired automobile equipment.

- B. Limits of Liability: \$1,000,000
 - Combined Single Limit

- C. If the Operator will use Owned, Hired or Non-owned Aircraft:

Aircraft Public Liability Insurance	\$25,000,000
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Combined Single Limit	
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4. Contractors and Subcontractors

Operator agrees to use its best efforts to assure that its contractors and subcontractors also comply with the insurance requirements listed in paragraphs 1-3 above and that certain contractors and subcontractors engaged in higher risk activities carry appropriate insurance coverage.

5. Umbrella Policy

In addition to paragraphs 1-3 above, Operator also carries \$50,000,000 in Excess Umbrella Liability policies.

6. Operator' s Extra Expense Insurance

Operator will carry Operator' s Extra Expense Insurance covering costs of well control, clean up, and redrilling, with a limit per occurrence of \$3,000,000 for well depths of 1-10,000' and \$10,000,000 for well depths over 10,000' .

7. Additional Insurance

In addition to the above referenced types of insurance coverage, Operator may, but is not required to, carry additional types of insurance coverage including, but not limited to, various types of additional excess umbrella liability, public property damage, oil lease property, pollution or contamination, or similar coverage. The actual premiums paid for all insurance shall be charged on a pro-rata basis to the Joint account of the parties hereto.

8. Other Provisions

Any liability, loss, damage claim or expense resulting from accidents or occurrences not covered by insurance of the character referred to above or in excess of the insurance actually carried under the above provisions, shall be borne by the parties hereto in the proportions in which they own in the unit area. In the event Operator is unable to procure and maintain any of the insurance enumerated above, Operator shall promptly give written notice thereof to the other parties and in such event, resulting loss, damage, claim and expense shall be borne by the parties hereto proportion to their respective interests in the unit area. Such notice shall also constitute a waiver of the requirement that Operator procure and maintain the insurance which is the subject of notice.

EXHIBIT "E"

ATTACHED to that certain Operating Agreement dated _____, between _____ as Operator, and _____, as Non-Operator.

GAS BALANCING AGREEMENT

FOR GAS WELL PRODUCTION

DURING the period or periods when any party hereto has no market for, or its purchaser is unable to take or if any party fails to take its share of gas, the other parties shall be entitled to produce each month one hundred percent of the allowable gas production assigned to the Unit Area by the appropriate governmental entity having jurisdiction, and each of such parties shall have the right to take all or any part of its prorata share. All parties hereto shall share in and own the condensate recovered at the surface in accordance with their respective interest, but each party taking such gas shall own all of the gas delivered to its purchaser. Each party unable to market its share of the gas produced shall be credited with gas in storage equal to its share of the gas produced, less its share of gas used in lease operations, vented or lost. Operator shall maintain a current account of the gas balance between the parties and shall furnish all parties hereto monthly statements showing the total quantity of gas produced, used in lease operations, vented or lost, and the total quantity of condensate recovered.

AFTER notice to Operator, any party may begin taking or delivering its share of the gas produced. In addition to its share, each party, until it has recovered its gas in storage and balanced its gas account, shall be entitled to take or deliver a volume of gas equal to fifty (50%) percent of each overproduced party' s share of gas produced. If more than one party is entitled to the additional gas produced, they shall divide such additional gas in accordance with Unit participation.

IN, the event production of gas permanently ceases prior to the time that the accounts of the parties have been balanced, a complete balancing shall be accomplished by a money settlement. Such settlement shall be based on the price or prices received by each over-produced party, less taxes, for its share of the overproduced gas, without interest.

AT all times while gas is produced from the Unit Area, each party shall make appropriate settlement of all royalties, overriding royalty interest, and other payments out of or in lieu of production for which it is responsible, as if each party were taking or delivering to a purchaser its share, and its share only, of such gas production. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable.

THE provisions of this agreement shall be separately applicable to each reservoir to the end that production from one reservoir in a gas well may not be utilized for the purpose of balancing underproduction from other reservoirs.

END EXHIBIT "E"

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GAS MARKETING AGREEMENT

THIS GAS MARKETING AGREEMENT (the "Agreement"), made and entered into the 13th day of August, 2007, by and between Mewbourne Oil Company ("MOC"), Mewbourne Energy Partners 07-A, L.P. (the "Partnership") and Mewbourne Development Corporation ("MD").

Recitals

1. MD and the Partnership are participants in a drilling program (the "Program") governed by that certain Drilling Program Agreement dated August 13, 2007 by and among MOC, the Partnership and MD (the "Program Agreement").
2. Under the terms of the Program Agreement, MOC is the "Program Manager" and also serves as the "Operator" of the "Program's" properties under the terms of a joint operating agreement.
3. MOC operates hundreds of oil and gas wells in which non-affiliated parties own working interests.
4. MOC has developed expertise in the marketing of natural gas produced from the wells it operates.
5. In recognition of MOC's gas marketing expertise, non-affiliated parties have contracted with MOC for gas marketing services on substantially the same terms as provided for in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the premises and of the respective undertaking and obligations of the parties set forth below, the parties agree as follows:

1. MOC shall provide gas marketing services to the Program pursuant to which the Program's gas production will be bundled with other parties' gas production in an effort to maximize the overall price and terms received for the Program's gas production.
2. The term of this Agreement shall begin on August 13, 2007, and shall continue through December 31, 2007, and from year to year thereafter, until terminated by any party hereto upon 60 days prior notice.
3. For its services rendered, Operator shall charge Program and the Program shall pay, a fee of \$0.035 per Mcf of gas owned by the Program and sold for the Program's account by MOC. This fee shall be assessed only upon gas sold by MOC under multi-month term or single month spot market contracts; the fee shall not be assessed upon gas sold under long term percentage-of-proceeds or percentage-of-index contracts.

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4. This Agreement shall not create, nor shall it be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers or principals nor shall it give rise to any fiduciary duties among the parties hereto.
 5. Defined terms used herein but not defined herein shall have the meaning given such terms in the Program Agreement.

EXECUTED at Tyler, Texas on the date indicated above.

MEWBOURNE OIL COMPANY

MEWBOURNE DEVELOPMENT CORPORATION,
in its individual corporate capacity and in its capacity as
managing general partner of Mewbourne Energy
Partners 07-A, L.P.

By: /s/ James Allen Brinson
James Allen Brinson
Attorney-in-Fact

By: /s/ J. Roe Buckley
J. Roe Buckley
Executive Vice President