

# Drilling Agreement

## EDWARDS II 3 WELL DRILL/RENTY PROJECT

This Agreement is dated as of the \_\_\_\_\_ day of \_\_\_\_\_ 2020, by and between \_\_\_\_\_, (hereinafter called 'PARTICIPANT'), and PETRON ENERGY, INC., (hereinafter called "OPERATOR" or "PETRON"). The following exists:

RECITAL A: PETRON has acquired the contractual rights to offer working interest in certain prospect areas described in Exhibit "A" attached hereto and made a part hereof. In order to meet the requirements in these prospect areas described in Exhibit "A", PETRON or its assigns will attempt the drill two vertical wells, re-enter one vertical and complete each of the three (3) vertical wells, to be located in Wagoner, County, State of Oklahoma, (as more specifically described in Exhibit "A"), and to prosecute the drill, re-entry and completion of said wells to a depth sufficient to properly test a formation capable of producing oil and/or gas in commercial quantities, typically the Wilcox Sandstone and Cole Seam Sandstone, approximately 2,000' beneath the surface of the soil, whichever is required or shallower. PETRON also reserves the right to terminate the drill, re-entry attempt at any point PETRON deems necessary or prudent in order to protect the interest of PETRON and the PARTICIPANTS. (The three wells to be prosecuted at the selected location(s) are hereinafter referred to as "WELLS")

RECITAL B: The Wells are to be drilled, entered in accordance with prudent and diligent practices presently prevailing in the specified area of Wagoner County, Oklahoma the county mentioned above, in order to meet the present requirements on said leases.

RECITAL C: PARTICIPANT desires to pay the cost of drill, re-entry and completing the wells and earn a portion of the rights on said leases, all in accordance with the terms and provisions of this agreement.

NOW THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations, PARTICIPANT and PETRON, each intending to be legally bound, do hereby agree with each other as follows:

1. ASSIGNMENTS OF RIGHTS: PETRON hereby bargains, sells, assigns, transfers and conveys unto PARTICIPANTS \_\_\_Unit(s) equaling an undivided \_\_\_\_\_% of 100% of the working interest, and the working interest unit shall carry a net revenue interest of \_\_\_\_\_% of 100% in each unit. PARTICIPANT shall receive formal assignments as they are earned in the interest being acquired by PETRON in the leases and lands described in Exhibit "A", with such interest being subject to its proportionate undivided part of royalty and overriding royalty and subject to all the terms and conditions of the original lease; and subject to the terms of said Exhibits.

2. WELL OPERATOR: PARTICIPANT hereby nominates PETRON, or its assigns, as OPERATOR of all the premises described in Exhibit "A" for the benefit of PETRON and PARTICIPANTS. In such capacity, PETRON is authorized and shall do and perform all such acts as may be reasonable and necessary to accomplish the drill, re-entry and completion, or plugging and abandoning of the Wells as hereinafter provided. PETRON will serve as the OPERATOR, and they shall conduct all drilling re-entry and completion operations and other operations in a workmanlike manner and as a reasonably prudent operator would do under the same or similar circumstances in the same areas in accordance with the usages and customs in Wagoner County, Oklahoma area fields. Subject to the provisions hereof, PETRON shall have exclusive charge and control of drilling, re-entry, completion and operating the Wells. Pursuant to the operations to be conducted under this agreement, PETRON shall furnish all services, materials and equipment and shall determine the number and selection of employees, suppliers, services and other independent contracts, and PARTICIPANT agrees to pay PETRON its required part of all such services on a TURNKEY basis for the drilling, re-entry and completing of said Wells, except as otherwise noted.

**THE WELLS:** PETRON shall drill, re-enter, test and complete three (3) Vertical wells, on a TURNKEY basis, except as otherwise noted, for the PARTICIPANT and PETRON. **PARTICIPANTS cost for said drill, re-entry, testing and attempted completing shall be the sum of** \_\_\_\_\_

(\$ \_\_\_\_\_) PER UNIT, which PARTICIPANT agrees to **pay to** PETRON in **full** prior to commencement of the drilling, re-entry and completion operations. Such sum of money shall be PARTICIPANTS obligation for the drilling, re-entry, testing and completion of the WELLS. Such sum also covers the cost and expense of plugging and abandoning the WELLS, if the WELLS are not capable of producing. PARTICIPANT has specifically granted the right of specific performance to have the WELLS drilled by PETRON or its assigns.

**TURNKEY** as used herein means that the Operator, or his assigns, will perform specified tasks and provide specified services for a fixed price to PARTICIPANTS, but is not intended and should not be interpreted to mean that the Operator, or his assigns, guarantees or undertakes to produce a particular end product or result. Thus, in drilling, re-entry, testing and completion operations of the WELLS at a TURNKEY price, the Operator undertakes to drill two Wells and re-entry one well to the specified depth and to adequately test the WELLS without additional charge to PARTICIPANTS; however if the Operator is precluded from doing so by subsurface conditions encountered or any other reason not within its control, the Operator is not required to do anything further and shall be deemed to have fully discharged its duties. If the WELLS for any reason not within the control of the Operator prove not to be commercially viable, or it is believed that production could be enhanced any further, additional work performed, such as an additional fracture stimulation treatment's or re-completion in another zone, shall not be included in the original TURNKEY cost, but shall constitute subsequent operations, and the actual costs of which, like all other operating costs, shall be borne by the parties pro rata in accordance with the working interest owned by each PARTICIPANT at the time operations are undertaken.

3. (a) PARTICIPANTS total primary consideration for this entire transaction is the prepayment of drilling, re-entry, testing, completion and equipping cost of the WELLS, except as otherwise noted.

(b) PETRON specifically agrees to drill and re-enter the WELLS provided for and shall do said drilling and re-entering in accordance with existing customs and usages in the oil industry in Wagoner County, Oklahoma. Said drilling and re-entering shall include, but not by way of limitation; rig, labor, fuel, bits, water, mud, chemicals, trucking, surveys, clearing site, pits, tanks, surface pipe, cement, testing, logging and plugging costs, if necessary. Drilling, Re-entering and completing includes only one well bore hole.

PETRON further agrees to attempt to complete said WELLS as producers, if the drilling, re-entering is successful, and tests and logs indicate commercial production can be obtained. **Completion of the three Vertical wells shall include only one fracture stimulation treatments in each well of whichever zones are selected by Operator's engineers by log analysis.** PETRON shall furnish all casings, cement, perforating, tubing, rods, pump jacks, unit time, labor, trucking, tanks, etc., necessary to complete and equip the WELLS to the tanks.

Total drilling, re-entering and completion costs of all three WELLS recognizes PARTICIPANTS desire to pay a fixed figure on a TURNKEY basis with Operator to have all other risks, including, but not limited to, risk of hole problems, cement problems, and any other liabilities that may arise during the performance of this Agreement.

The Operator may choose to conduct additional completions not covered by the Provision of the TURNKEY (such as Woodford Shale, Cole Seam and Misner Sandstone). The TURNKEY completion payments stated in this Agreement are in consideration ONLY of one fracture stimulations treatments per each Vertical Well. If well log evaluations indicate other production pay intervals, those sections will be completed separately and will be billed to each working interest owner at AFE actual cost, based upon PARTICIPANTS ownership percentage, and shall be conducted under the terms of the AAPL Form 610 Joint Operating Agreement governing all post-TURNKEY operations. Working interest owners would be notified of the additional associated costs.

Any fluctuations or modifications in the pricing or terms will be adjusted to the benefit and satisfaction of the PARTICIPANTS at that time. Multi-zone or multi-stage treatment of zones, **other than the primary target zone** covered by the TURNKEY arrangement, generally accepted to be the Wilcox Sandstone and Cole Seam Sandstone, shall be based upon geological and engineering evaluations of the well logs and will require additional completion funds. Operator will notify PARTICIPANT subsequent to, or simultaneously with the normal Completion Notice should Operator conduct fracture stimulations on additional zones, and PARTICIPANT must then notify Operator of their participation election in the additional treatments.

4. OPERATOR AS PRODUCER: Contemporaneously with the execution of this Agreement, the parties hereto are entering into that certain AAPL Model 610 Joint Operating Agreement (reference to which agreement is hereby made for all purposes), which Joint Operating Agreement shall only be effective at such time as the Wells have been completed as a producer(s). The cost and expense of operating the Wells and the properties covered thereby shall be governed by the Joint Operating Agreement.

(a) The Joint Operating Agreement shall not govern the relationship among the parties for each well until PETRON has fulfilled its drilling, re-entering and completion obligations as contained in this Agreement for said wells.

5. TITLE: PARTICIPANTS only warranty with respect to the title in this Agreement or any assignment to PARTICIPANT shall be limited or special, that is by creditor or creditor claims arising by, through or under PETRON; otherwise, the assignment shall be made without warranty of title, expressed or implied, legal or equitable.
6. ASSIGNMENT: Any conveyance or transfer made at any time of interest under this Agreement shall be subject to all of the terms hereof and all of the rights, duties, obligations and burdens hereunder shall be deemed to be covenants running with the land and shall be binding upon and inure to the benefit of each party's heirs, successors, representatives or assigns.
7. NOTICES: All notices shall be mailed or sent to the parties at the addresses herein below indicated:

OPERATOR:

**PETRON ENERGY, INC.**  
**17950 Preston Rd. Suite 960**  
**Dallas, TX 75252**  
**(972) 272-8190 • (972) 485-1324 fax**

PARTICIPANT:

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

- 8. NO ASSURANCES: Each party, by their execution hereof, acknowledges that they understand the drilling and re-entering of these Wells is a hazardous undertaking and that there is no assurance or guarantee of any type that production of any kind will be secured hereunder and no representation or statement to the contrary has been made by PETRON or its assigns or the other parties to this Agreement.
  
- 9. INFORMATION: PETRON shall furnish PARTICIPANT with all information and reports concerning the drilling and re-entering of the Wells. PARTICIPANT or his/her representatives may be present at all operations, but such presence shall be at PARTICIPANTS or his representative's sole risk and expense.
  
- 10. LIABILITY: The rights, duties, obligations and liabilities of the parties hereunder are intended and shall be individual and several and not joint or collective and nothing contained in this Agreement or made pursuant hereto shall ever be construed to create a mining or partnership or association, or to render them liable as partners or to impose a partnership duty, obligation or liability with respect to any one or more of the parties hereto. Notwithstanding anything contained herein to the contrary, the liability of PARTICIPANT shall be limited to and shall in no event exceed PARTICIPANTS total capital contributions and sums paid by PARTICIPANT to PETRON and Operator agrees to defend, indemnify and hold PARTICIPANT harmless from any and all liability, claims and damages.
  
- 11. COMPLETE AGREEMENT: This Agreement and the joint operating agreement represent the entire understandings and agreements between the parties and neither may be altered, amended or revoked except by another instrument in writing.
  
- 12. COUNTERPARTS: This Agreement may be executed in separate counterparts and shall be binding upon each party from and after the date of his/her execution of any such counterpart and the execution of a counterpart by all parties named herein.
  
- 13. ARBITRATION: Unless otherwise provided herein, any claim or controversy arising out of or relating to this Agreement, or a breach hereof, shall, upon the request of any party involved, be submitted to and settled by arbitration in accordance with the rules of the American Arbitration Association (or any other form of arbitration mutually acceptable to the parties involved) then obtaining in the State of Texas. The decision made pursuant to such arbitration shall be binding and conclusive on all parties involved; and judgment upon such decision may be entered in the highest court of any forum, Federal or State, having jurisdiction.

AGREED AND EXECUTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2020.

PETRON ENERGY, INC.

By: \_\_\_\_\_

Floyd Smith, President

**PARTICIPANT EXECUTION:**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

**Number of Units** in the Edwards II Three Well Project: \_\_\_\_\_ UNIT(S)

Total Drill/Re-Enter/Test amount PER UNIT enclosed with this Agreement = X \_\_\_\_\_ \$/ UNIT(S)

TOTAL D&C ENCLOSED FOR PARTICIPATION: \_\_\_\_\_

**PLEASE MAKE CHECK PAYABLE TO: PETRON ENERGY INC.**

**PARTICIPANT INFORMATION:**

**SS or TAX ID#:** \_\_\_\_\_

Home Phone #: \_\_\_\_\_ Work/Cell Phone #: \_\_\_\_\_

Other Phone: \_\_\_\_\_ Fax # \_\_\_\_\_

**Email:** \_\_\_\_\_

(required) Address:

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