

EXHIBIT "D"

SUBSCRIPTION PACKET

WATSON ENERGY INVESTMENTS, LLC

WATSON BARRON - KECK REWORK PROGRAM

SUBSCRIPTION PACKET

No. _____

Delivered to: _____

Delivered on: _____

**INSTRUCTIONS FOR COMPLETING
SUBSCRIPTION PACKET**

There are items in the Subscription Packet that must be completed:

Exhibit "E" -- Purchaser Questionnaire and Purchaser Representative Documents;

Exhibit "F" -- Subscription Agreement; and

Exhibit "G" -- Operating Agreement

Please return the completed Subscription Packet, along with your checks made payable to:

"WATSON BARRON-KECK REWORK PROGRAM"

Send to the following address:

WATSON ENERGY INVESTMENTS, LLC
135 Jenkins Street
Suite 105B #356
Saint Augustine, Florida 32086

Checks must be in the amount of \$25,000 .00 for each Unit subscribed.

EXHIBIT "E"

**PURCHASER QUESTIONNAIRE AND PURCHASER
REPRESENTATIVE DOCUMENTS**

PURCHASER QUESTIONNAIRE

WATSON ENERGY INVESTMENTS, LLC
135 Jenkins Street
Suite 105B #356
Saint Augustine, Florida 32086

Attention: Mr. JAMES MCCABE

Gentlemen:

The information contained herein is being furnished to assist in the determination of whether offers and sales of units of working interests ("Units") in the WATSON BARRON - KECK REWORK PROGRAM, a work-over and rework fund being formed to rework and recomplete Up to 6 Existing Wells, in Palo Pinto County Texas or sites designated by the Operator, of which WATSON ENERGY INVESTMENTS, LLC, ("Watson") will be the Program Operator with possibly a designed field operator pursuant to Section 4(2) of the Securities Act of 1933, as amended ("Act"), Regulation D promulgated thereunder ("Reg. D") and various state securities laws.

I understand that (i) Watson will rely upon the information contained herein for purposes of such determination, (ii) the Units will not be registered under the Act in reliance upon, among other exemptions, the exemptions from registration provided by Section 4(2) of the Act and Reg. D, (iii) requesting that I complete this Questionnaire does not constitute an offer of the Units to me, (iv) the price per Unit will be \$25,000 .00 cash plus future assessments as noted in the Operating Agreement attached as Exhibit "G" to the Memorandum, and (v) each investor in the proposed transaction may be required to hold his Units indefinitely. I represent to Watson that (i) the information contained herein is complete and accurate and may be relied upon by such parties, and (ii) I will notify such parties immediately of any material change in any of such information occurring prior to the closing of the purchase of any of the Units.

I understand that if I use the services of a purchaser representative (as defined in Reg. D) acceptable to Watson ("Purchaser Representative") in connection herewith, either by my choice or pursuant to Watson's request, (i) I must acknowledge, in writing, prior to such purchase such Purchaser Representative to be my Purchaser Representative in connection with evaluating the merits and risks of my prospective investment in the Units, (ii) such Purchaser Representative must disclose to me, in writing, prior to the acknowledgment referred to above, any material relationship between such Purchaser Representative or its affiliates and Watson or its affiliates that now exists or is mutually understood to be contemplated or that has existed at any time during the previous two years, and any compensation received or to be received as a result of such relationship, including any compensation received or to be received in connection with the offering of the Units, and (iii) I must furnish true and complete copies of the foregoing instruments to Watson promptly upon their execution.

All information furnished is for the sole use of Watson and its counsel, and will be held in confidence by them, except that the Questionnaire may be furnished to such parties, as Watson deems desirable to establish compliance with federal or state securities laws.

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Instructions For Completing Questionnaire If You Are:

An Individual: 1 thru 13 and 15 must be completed:

A Partnership: all the Partners of which would qualify as Individual Investors:

Questions 2, 3, 4, 5, 6, 7, 8, 9, 13, 20, and 15 must be completed with respect to the partnership. Each general partner of the partnership must complete questions 1 through 13 and question 15. The response to questions 3 and 7 should include investments made by such person(s) individually and investments made on behalf of others.

A copy of the partnership agreement must be provided.

A Corporation, all the members of which would qualify as Individual Investors:

Questions 2, 3, 4, 5, 6, 7, 8, 9, 13, 20, and 15 must be completed with respect to the corporation. Each shareholder of the corporation must complete questions 1 through 13 and 15. The responses to questions 3 and 7 should include investments made by such person(s) individually and investments made on behalf of others.

Copies of the Articles of Incorporation and bylaws must be provided.

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PLEASE TYPE OR PRINT EXCEPT FOR SIGNATURE
(Attach additional sheets if required)

1. Name: _____ Telephone: _____
Home Address - Street: _____
City: _____ State: _____ Zip: _____
Date of Birth: _____ U.S. Citizen: Yes _____ No _____
College: _____ Degree: _____ Year: _____
Graduate School: _____ Degree: _____ Year: _____
Other Education: _____
Social Security or Taxpayer I.D. No.: _____

2. Name of Business: _____
Address: _____
Telephone: _____ Street: _____
City: _____ State: _____ Zip: _____
Type of Business: _____
Position and Duties: _____
Any other prior occupations or duties during the past five years: _____

3. I (the partnership or corporation) have (has) invested during the past five years in excess of:
\$ 300,000 _____
\$ 500,000 _____
\$ 750,000 _____
\$ 1,000,000 _____

This amount includes investments in tax shelter offerings in excess of :

\$ 30,000 _____
\$ 300,000 _____
\$ 500,000 _____

4. I (the partnership or corporation) consider(s) myself (itself) to be an experienced and sophisticated investor.
Yes _____ No _____

5. I (the partnership or corporation) am (is) capable of evaluating the risks and merits of the investments and feel(s) I (it) can afford the complete loss of my (its) investment in the Units.

6. I (the partnership or corporation) am (is) able to bear the economic risk of an investment in the Units for an indefinite period of time.

Yes _____ No _____

7. I (the partnership or corporation) have (has) made the following types of investments in the past five years:

Stocks _____ Oil and Gas Limited Partnerships _____

Bonds _____ Equipment Limited Partnerships _____

Certificates of Deposit _____ Real Estate Limited Partnerships _____

Non-Marketable Securities _____ Cattle or Ranching _____

Other (describe) _____

8. I (the partnership or corporation) will have an attorney or accountant review these documents for the purpose of determining the suitability of the investment with respect to my (its) personal situation.

Yes _____ No _____

9. I (the Partnership or corporation) will have an investment advisor review the merits of this investment. My (it's) decision to participate will be based on this analysis.

Yes _____ No _____

10. My income from all sources before this investment is in excess of the following amounts:

<u>Year</u>	<u>Income in excess of (check one)</u>		
2017 (actual)	_____ \$25,000	_____ \$150,000	_____ \$200,000
2018 (actual)	_____ \$25,000	_____ \$150,000	_____ \$200,000
2019 (est.)	_____ \$25,000	_____ \$150,000	_____ \$200,000

11. My personal net worth or joint net worth with my spouse (including homes, home furnishings and personal automobiles) is at least (check one):

- _____ \$ 300,000
- _____ \$ 500,000
- _____ \$ 750,000
- _____ \$1,000,000

12. I have, and expect to continue to have, income taxable at a rate of at least 31% for federal income tax purposes, without regard to any taxable income or loss that may be generated by Program activities.

Yes _____ No _____

13. My (the partnership's corporation's) taxable year ends on: _____

20. If the investment will be in the name of a partnership or corporation, answer the following:

Type of Entity: _____

Date of Formation: _____ IRS Employer ID NO. _____

State of Organization: _____

Number of shareholders or partners: _____

If a corporation, are all members, officers and directors U.S. citizens and residents of Florida? If answer is "No," please list on a separate sheet the name of each shareholder and his residence address.

Yes _____ No _____

If a partnership, is each partner a U.S. citizen and a resident of Florida? If answer is "No," please list on a separate sheet the name of each partner and his residence address. Yes _____ No _____

Actual Net Income for: 2017 \$ _____

2018 \$ _____

Expected Net Income: 2019 \$ _____

Net Worth: \$ _____

_____, 201____
Date

(signature)

(Name typed or printed)

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PURCHASER REPRESENTATIVE QUESTIONNAIRE

WATSON ENERGY INVESTMENTS, LLC
135 Jenkins Street
Suite 105B #356
Saint Augustine, Florida 32086

Attention: Mr. JAMES MCCABE

The information contained herein is being furnished to assist in the determination of whether the undersigned may act as a Purchaser Representative, as such term is used in Regulation D promulgated under the Securities Act of 1933, as amended ("Act"), in connection with the proposed offer and sale of units of working interests ("Units") in the WATSON BARRON - KECK REWORK PROGRAM, a recompletion and work-over fund formed for the purpose of reworking and recompleting up to 7 Wells in Palo Pinto County, Texas or sites as designated by the operator and having Watson as the Program Operator and possible a designated field Operator appointed by Watson.

I understand that (i) Watson will rely upon the information contained herein for purposes of such determination, and (ii) the Units will not be registered under the Act in reliance upon, among other exemptions, the exemption from registration provided by Section 4(2) of the Act and Regulation D. I represent to Watson that (i) the information contained herein is complete and accurate and may be relied upon by such parties and (ii) I will notify such parties immediately of any material change in any of such information occurring prior to the closing of the purchase of any of the Units.

All information furnished is for the sole use of Watson and its counsel, and will be held in confidence by them, except that the Questionnaire may be furnished to such parties as Watson deems desirable to establish compliance with federal or state securities laws.

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PLEASE TYPE OR PRINT EXCEPT FOR SIGNATURE
(Attach additional sheets if required)

1. Name: _____ Age: _____

2. Name of Purchaser I am representing: _____

3. My present occupation is as follows:

Firm Name: _____

Nature of Business: _____

Position: _____

Nature of Duties: _____

Business Address: _____

Business Telephone Number: _____

4. Any other prior occupations or positions during the past five years: _____

5. Describe any prior experience in advising clients with respect to investments, including a description of the types of investments:

6. The professional licenses or registrations (including bar admissions, accounting certificate, real estate brokerage licenses, broker-dealer or investment advisory registration) held by me are as follows:

<u>License or Registration</u>	<u>Year Received</u>	<u>Check if License or Registration is Still Effective</u>
--------------------------------	----------------------	--

_____	_____	_____
_____	_____	_____

7. Describe your educational background, including degrees obtained and dates of attendance:

8. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Interests.

Yes _____ No _____

9. (a) Neither I nor any of my affiliates* now have or have had at any time during the previous two years any material** relationship with Watson or any of its affiliates* and no such relationship is mutually understood to be contemplated, except as follows:

(b) The amounts of compensation received or to be received as a result of the material relationship(s) described in Item 9(a) (including any compensation received or to be received in connection with this transaction) are as follows:

(c) Neither I nor any of my affiliates* are now or at any time have been, an affiliate*, director, officer, or other employee of Watson, or the beneficial owner of 10% or more of any class of the equity or other securities of Watson and no such relationship is mutually understood to be contemplated, except as follows:

_____, 201_____
(date)

(Signature of Offeree Representative)

- * The Term "affiliate" of a person means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such person.
- ** The term "material" when used to modify "relationship" means any relationship that a reasonable investor might consider important in the making of the decision whether to acknowledge a person as his purchaser representative.

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PURCHASER REPRESENTATIVE LETTER TO PURCHASER

(Fill in name and address of purchaser)

Dear _____:

You have requested that I act as your purchaser representative for purposes of evaluating for you the merits and risks of your prospective investment in working interest Units in the WATSON BARRON - KECK REWORK PROGRAM, a program formed for the purpose of work-over and recompleting up to six (6) oil and gas wells in Palo Pinto County, Texas and having WATSON ENERGY INVESTMENTS, LLC ("Watson") as Manager of the Program.

In connection therewith, I hereby disclose to you that neither I nor any of my affiliates* now have or have had at any time during the previous two years any material** relationship with Watson or its affiliates,* and no such relationship is mutually understood to be contemplated, except as follows: state "no" if none, or state relationship, including any compensation received or to be received as a result of such relationship or in connection with this transaction):

Yours truly,

(Signature of Purchaser Representative)

(Name of Purchaser Representative)
(typed or printed)

_____, 201____
(date)

- * Affiliate: The term "affiliate" of a person means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such person.
- ** Material: The term "material when used to modify "relationship" means any relationship that a reasonable investor might consider important in the making of the decision whether to acknowledge a person as his Purchaser Representative.

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PURCHASER LETTER TO PURCHASER REPRESENTATIVE

(fill in name and address of Purchaser Representative)

Dear _____:

I hereby acknowledge you as my Purchaser Representative in connection with evaluating the merits and risks of my prospective investment in working interest Units in the WATSON BARRON - KECK REWORK PROGRAM, a fund formed for the purpose of reworking and recompleting up to six oil and gas wells in Palo Pinto County Texas or sites designated by the Operator/Manager and having WATSON ENERGY INVESTMENTS, LLC ("Watson") as Program Operator and Manager.

I further acknowledge that you have disclosed to me, in writing, any material** relationship between you or your affiliates* and Watson or its affiliates,* which now exists or is mutually understood to be contemplated or which has existed at any time.

Payment for your services hereunder will be my sole responsibility.

Very truly yours,

_____, 201__
(date)

(Signature of Offeree)

(name of Offeree typed or printed)

- * Affiliate: The term "affiliate" of a person means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such person.
- ** Material: The term "material" when used to modify "relationship" means any relationship that a reasonable investor might consider important in the making of the decision whether to acknowledge a person as his Purchaser Representative.

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EXHIBIT “F”

SUBSCRIPTION AGREEMENT

WATSON BARRON - KECK REWORK PROGRAM
SUBSCRIPTION AND CUSTOMER AGREEMENT

WATSON ENERGY INVESTMENTS, LLC
135 Jenkins Street
Suite 105B #356
St. Augustine, Florida 32086

Gentlemen:

The undersigned understands that WATSON ENERGY INVESTMENTS, LLC a Nevada Corporation ("Issuer"), is offering for sale units of fractional undivided working interests ("Units") in the above referenced rework and recompletion Program (the "Program"). I further understand that these Units are being offered to prospective purchasers at a price of \$25,000 PER UNIT for the rework and recompletion of up to six Oil and Gas Wells in Palo Pinto County, Texas or other sites as designated by the Operator.

1. Subscription. I hereby subscribe for and agree to purchase ___ Units, and tender this Subscription Agreement, together with a check made payable to the order of the "WATSON BARRON-KECK REWORK PROGRAM" in the amount of \$ _____. Tender of the check is being made with the understanding that it will be deposited into a Watson Barron - Keck Re-Work Program Account pending that a minimum of ten (10) Units being subscribed in the offering.
2. Acceptance of Subscription. I understand and agree that the Issuer reserves the right, in its sole discretion and for any reason, to accept or reject the subscription, in whole or part, and that the subscription shall be deemed accepted when and only when it is signed by a duly authorized officer of the Issuer.
3. Segregation of Funds. I understand that the funds tendered by me will be deposited into a separate Watson account and will be returned to me if: (i) this subscription has not been accepted and is subsequently rejected; or, (ii) less than the minimum number of Units are subscribed and paid for by the close of the subscription period. I understand and agree that if this subscription is accepted, and all Units are subscribed and paid for by the close of the subscription period, the funds tendered herewith shall be considered corporate assets in payment for the number of Units set forth on the signature page hereof, or such lesser number as may be allocated to me. If I am allocated less than the number of Units subscribed and the full purchase price of the Units subscribed has been timely paid in full, the Issuer shall remit the balance of the full subscription amount paid, if any, without interest, to me within thirty (30) days after such partial acceptance of this subscription.
4. Representations and Warranties of the Subscriber. I understand that the Units will be offered and sold in reliance upon certain exemptions from the securities registration provisions of the Federal Securities Act of 1933, and non-public offering exemptions of the securities acts of the states in which Units may be offered. As a condition to purchasing Units, and for the purposes of the above-mentioned exemptions and/or qualifications to the extent applicable, and knowing that you will rely upon the statements made herein for such exemptions and in determining my suitability as an investor, I represent and warrant to you that:
 - a. The offering of Units was made only through direct, personal contact between the undersigned and a representative of the Issuer and/or its authorized agents;
 - b. I have received and read a copy of the Private Placement Memorandum for the Program;
 - c. I have completed a Purchaser Suitability Questionnaire and understand that the Issuer will rely on the accuracy and completeness of the information set forth therein in determining whether to accept this offer and in complying with its obligations under applicable state and federal securities statutes and regulations;
 - d. I have been advised that the Units have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or with any state securities regulatory agency and understand that the Units are being offered in reliance upon certain exemptions from registration under applicable state and federal securities statutes;
 - e. I have had an opportunity to ask questions of, and receive answers to those questions, from officers and employees of the Issuer, concerning the terms and conditions of the Program, and the proposed business of the Issuer, and that all such questions have been answered to my full satisfaction;
 - f. I have been advised that an investment in Units will involve a high degree of risk and that there are no assurances that I, if accepted as a purchaser of Units, will recover my investment or receive any return on my investment at any time;

- g. I have been advised that a purchaser of units must be prepared to bear the economic risks of such an investment for an indefinite period because:
- (i) of the nature of oil and/or gas exploration, development, drilling and horizontal drilling;
 - (ii) the Units are not registered under applicable securities statutes, and the Issuer does not intend that they be registered; and
 - (iii) the Units will be subject to substantial restrictions on transfer as set forth below in this Subscription Agreement;
- h. I have been advised and understand that by signing this Agreement, if accepted, I appoint the Issuer my attorney-in-fact to take certain actions as specified herein;
- i. The funds to be tendered for the purchase of Units subscribed will not represent funds borrowed by me from any person or lending institution except to the extent that I have a source of repaying such funds other than from the sale of the Units. Such Units will not have been pledged or otherwise hypothecated for any such borrowing;
- j. I am aware that the Issuer and affiliated persons or organizations may in the future be engaged in businesses which are competitive with that of the interests referred to in the Private Placement Memorandum and agree and consent to such activities, even though there are or may be conflicts of interest inherent therein;
- k. I understand that the Private Placement Memorandum was prepared by the Issuer only for the use of qualified investors and agree not to reproduce copy or otherwise distribute or make the Private Placement Memorandum or information contained therein available to any other person (other than my purchaser representative and legal and tax advisors). In the event I decide not to participate, I agree to return the Private Placement Memorandum and all other written information;
- l. I have all requisite authority to enter into this Subscription and Customer Agreement and to perform all of the obligations required to be performed by the undersigned as a purchaser of Units;
- m. The undersigned is the sole party in interest and is not acquiring the Units as an agent or otherwise for any other person, and that the undersigned is a legal resident of the state which is set forth on the signature page to this Subscription and Customer Agreement. If the undersigned subscriber is a corporation, partnership, trust or other form of business organization, it has its principal office within such state, and was not formed for the specific purpose of purchasing Units;
- n. I have relied solely on the information contained in the Private Placement Memorandum and the attachments thereto and the answers to questions with respect thereto furnished to me by the Issuer, and further, I hereby warrant that no representations or warranties have been made to me by the Issuer as to the tax consequences of this investment, or as to any profits, losses or cash flow which may be received or sustained as a result of this investment, other than those contained in the Private Placement Memorandum, and that my decision to invest in the Program has been based solely upon the information found within the Private Placement Memorandum and no other oral statements made by the Issuer, its agents or employees; and
- o. I have knowledge and experience in financial and business matters and am capable of evaluating the merits and risks of an investment in the Program, and am able to bear the economic risks of my purchase. Furthermore, I have had the opportunity to consult with my own attorney, accountant and/or purchaser representative regarding an investment in the Program.
5. Survival and Indemnification. All representations, warranties and covenants contained in this agreement and the indemnification contained in this paragraph 5 shall survive: (i) the acceptance of the Subscription and Customer Agreement by the Issuer; (ii) changes in the transactions, documents and instruments described in the Private Placement Memorandum which are not material or which are to the benefit of the Subscriber; and (iii) the death or disability of a Subscriber. The undersigned acknowledges the meaning and legal consequences of the representations, warranties and covenants in paragraph 4 hereof and that the Issuer and/or its agents has relied upon such representations, warranties and covenants in determining the undersigned Subscriber's qualification and suitability to purchase Units in the Program. The undersigned hereby agrees to indemnify, defend and hold harmless the Issuer, its officers, directors, employees, agents and controlling persons, from any and all losses, claims, damages, liabilities, expenses (including attorneys' fees and disbursements), judgments or amounts paid in settlement of actions arising out of or resulting from the untruth of any representation herein or the breach of any warranty or covenant herein. Notwithstanding the foregoing, however, no representations, warranty, covenant or acknowledgment made herein by the undersigned shall in any manner be deemed to constitute a waiver of any rights granted to it under the federal securities acts or state securities acts. The obligations to the Issuer to sell the number of Units specified herein to the undersigned is subject to the condition that the representations and warranties of the undersigned contained in paragraph 4 hereof shall be true and correct on and as of the acceptance of the Subscription and Customer Agreement in all respects with the same effect as though such representations and warranties have

been made on and as of that date.

- 6. Limitation on Transfer of Units In Compliance With Securities Laws. The undersigned hereby further acknowledges that the Units so subscribed for are being acquired for his own account or investment and not with a view toward resale or redistribution in a manner which would require registration under the Securities Act of 1933, as amended, or any state securities laws, and that he does not presently have any reason to anticipate any change in his circumstance or other particular events which would cause him to sell his interest, and that he is the sole party and interest acquiring this investment and that no parties other than the undersigned, as record holder of the Units, will have any beneficial interest in such Units. Furthermore, if this subscription is accepted in whole or in part, the undersigned agrees that he will not sell nor attempt to sell all or part of the Units allocated to the undersigned unless such Units have first been registered under the Securities Act of 1933, as amended, and all applicable state securities statutes, or the undersigned first furnishes an opinion of counsel satisfactory to the Issuer, stating that exemptions from such registration requirements are available and that the proposed sale is not, and will not, place the Issuer or any of its officers, directors or employees, in violation of any applicable federal or state securities law, or any rule or regulation promulgated thereunder.
- 7. Binding Effect. Except as otherwise provided herein, this Subscription and Customer Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and assigns, and the agreements, representations, warranties and acknowledgments contained herein shall be deemed to be made by and be binding upon such heirs, executors, administrators, successors, legal representatives and assigns.
- 8. Arbitration of Disputes. In the event that a dispute arises between the undersigned subscriber and the issuer, or any of its legal representatives, accountants, agents or employees, said dispute arising out of, in connection with or as a result of the subscription hereby made, the undersigned hereby expressly agrees that said dispute shall be resolved through arbitration rather than litigation. the undersigned hereby agrees to submit the dispute to the American Arbitration Association. Any party to this private placement memorandum may demand arbitration in writing thirty (30) days after the controversy arises, which demand shall include the name of the arbitrator appointed by the party demanding arbitration, together with the statement of the matter in controversy. Within forty five (45) days after such demand, the other party to the controversy shall name its arbitration or in default thereof, such arbitration shall be named by the arbitration committee of the American Arbitration Association, and the two arbitrators so selected shall name a third arbitrator within twenty (20) days, or in lieu of such agreement on a third arbitrator by the arbitrators appointed, a third arbitrator shall be appointed by the arbitration committee of the American Arbitration Association. Each party shall bear its own arbitration costs and expenses. The claim or dispute shall then be arbitrated pursuant to the rules of the American Arbitration Association except as otherwise provided herein. The parties stipulate that the provisions hereof shall be a complete defense and final resolution to any suit, action or proceeding instituted in any federal, state or local court or before any administrative tribunal with respect to any controversy or dispute arising and which is arbitrable as herein set forth. In addition, the location of any such arbitration arising herein shall be in Saint Augustine, Florida, unless mutually agreed otherwise by the parties to such controversy and arbitration.

Operating Agreement. The undersigned has executed and delivered to Watson one copy of the Operating Agreement. The foregoing representations and warranties are true and accurate as of the date hereof and will be true and correct as of the date that I purchase such Units, if this subscription is accepted. In witness hereof, I have executed this Agreement on this _____ day of _____, 201__.

ACCEPTED:

WATSON ENERGY INVESTMENTS, LLC
A Nevada Corporation
By: _____

Signature of Subscriber

Print Name

IRS Identification or Social Security Number

Residence Address

City, State, Zip Code

Area Code, Telephone Number

EXHIBIT “G”
OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

July 1, 2019

OPERATOR, WATSON ENERGY INVESTMENTS, LLC

CONTRACT AREA – Barron-Keck Leases

PALO PINTO COUNTY, TEXAS

OPERATING AGREEMENT

THIS AGREEMENT, into by and between WATSON ENERGY INVESTMENTS, LLC, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operator". The Non-Operators are comprised of two separate groups - the Working Interest Owners and the Royalty Interest Owners.

WITNESSETH:

WHEREAS, the parties to this Agreement listed hereto are owners of a Well to be reworked located on tracts of land and described herein and all parties have reached an agreement to drill and recomplate this Well for oil/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 meaning here ascribed to them.

- (a) The words "party" and "parties" shall always mean a party or parties to this Agreement.
- (b) The parties to this Agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or real persons.
- (c) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (d) The term "oil and gas interests" shall mean leased fee and mineral interests in well bores on the tracts of land lying within the Unit Area of interest, such interests in the well bores being owned by the parties to Agreement.
- (e) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and/or gas purposes under this Agreement, whether the same be one or more units and/or one or more well.
- (f) The term "drilling unit" shall mean the area fixed for the drilling of Up to 6 Existing Wells by order or rules of any state or federal body having authority, if a drilling unit is not fixed by any such rule or order, a drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (g) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field and personal property acquired for use in the Unit Area.
- (h) The terms "oil and gas lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which have been acquired by the Operator and which the Non-Operators hold interests to the well bore established thereon.
- (i) The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interest intended to be developed and operated for oil and gas purposes under this agreement.
- (j) The term "drillsite" shall mean the oil and gas lease (well bore only) or interest on which a proposed Well is located.
- (k) 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.
- (l) The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II

EXHIBITS

1. Exhibits

The following exhibits as indicted below and attached hereto, are incorporated in and made part of hereof:

Exhibit "A" – Existing wells to be reworked Site in Palo Pinto County, Texas.

If any provision of any exhibit is inconsistent with any provision contained in the body of this agreement, the provisions in the body of the agreement shall prevail.

2. Title Examination

- (a) Title Examination: All abstracts and title may be examined for the benefit of all parties by Operator's land man or attorneys. A copy of each title opinion and of each supplemental opinion, and of all final opinions, shall be sent promptly to each party at their request. The opinion of the Operator's attorney concerning the validity of the title to each oil and gas interest and each lease, in the amount of interest covered thereby shall be binding and conclusive on the parties, but the acceptability of leases as to primary term, royalty provisions, drilling obligations and special burdens, shall be a matter for approval and acceptance by an authorized representative of each party. The Operator shall pay for any examination or legal fees and expenses incurred relating to preparation of title opinions, supplemental opinions and final opinions.
- (b) Failure of Title: Operator does not warrant clear title for purposes of conduct of producing the well bore on these leases. Any defects of title that may develop shall be the responsibility of the Operator, and, if a title loss occurs, it shall be the loss of all parties, with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such a loss occurs, there shall be no change in, or adjustment of, the interests of the parties in the remaining portion of the Unit Area or Area of Interest.
- (c) Loss of Leases for Other than Title Failure: If any lease or interest subject to this Agreement be lost through failure to develop or because express or implied covenants have not been performed or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be re-adjustment of interests in the remaining portion of the Unit Area.

3. Interests of Parties

Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid proportionately and all equipment and material acquired in operations on the Unit Area shall be owned by the parties as their respective interests bear to the entire well bore interests created on the leasehold. All production of oil and gas from the Unit Area shall also be owned by the parties in the same manner subject to all royalties, overriding royalties and production payment in the nature of an overriding royalty.

4. Operator of Unit

WATSON ENERGY INVESTMENTS, LLC , shall be the Operator with Watson designating a Field Operator, if any and in its sole discretion, for the Program's operations in Texas of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this Agreement. Nothing herein shall prevent or prohibit the Operator from acting as the Field Operator itself. It shall conduct all such operations in good and workmanlike manner, but it shall not have responsibility for liabilities incurred, except such as may result from its gross negligence or willful misconduct or from a breach of the provisions of this Agreement. Watson may also, as Operator under the Operating Agreement, and in its sole judgment, hire a local operator for the Well to comply with local, state and federal laws. If Watson hires a local operator for the Well, such operator will be responsible to Watson as Operator under the terms of this Operating Agreement and Watson may hire and discharge the local Operator at its sole direction.

5. Distribution of Revenue to Participants

A certified public accounting firm, third party, or the Operator may collect all working interest owners' oil and gas revenue and deduct therefrom the cost of operating and maintaining the oil and gas properties, as necessary over and above the initial contribution made by the Non-Operators herein. The remainder will then be distributed to each working interest owner monthly, proportionate to his

working interest ownership in the well bore on the oil and gas properties including the well reworked in this program, notwithstanding any other provision to the contrary in this agreement. The parties agree that the Operator itself is acceptable for this purpose.

6. Employees

The number of employees and their selection and the hours of labor and the compensation for services performed shall be determined by the Operator, subject to prudent and efficient operating practices prevailing in the industry. All employees shall be the employees of Operator.

7. Cost and Expenses

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area, pursuant to this Agreement, and shall charge each of the parties hereto with respective shares upon the cost and expenses basis provided in this agreement and the Accounting Procedure attached hereto. If any provision in the Joint Accounting Procedures attached hereto should be inconsistent with any provision contained in the body of this Agreement, the provisions in the body of this Agreement shall prevail.

Operator, shall have the right from time to time to demand and receive from the other parties payment of their respective shares of the amount of the costs incurred in operations hereunder, which may be exercised only by submission to each party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each party shall pay to Operator its proportionate share of such invoice within fifteen (15) days after such invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of twelve percent (12%) per annum until paid. Each party shall bear and pay its proportionate share of actual costs incurred, and no more. Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen Thousand Dollars (\$15,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting or plugging back of which 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 emergency to safeguard life or property but Operator, as promptly as possible, shall report the emergency to the other parties.

8. Operator's Lien

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator. In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expenses within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized at its election, to collect from the purchases or purchasers of Products produced from the Prospect the proceeds accruing to the Working Interest in the Prospect of the delinquent party up to the amount owing by such party, and each purchases of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

9. Initial Well

Located in Palo Pinto County, Texas re-work of wells as presented in the PPM.

10. Operations by Less Than All Parties

If all parties hereto cannot mutually agree upon the drilling, reworking, deepening or redrilling of any well or well covered by this Agreement and jointly owned by all of the parties, any party or parties wishing to drill, rework, redrill or deepen such a well or well may give the other parties written notice of the proposed operations specifying the work to be performed, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have ten (10) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operations. The entire cost and risk of conducting such operations shall be borne by the parties electing to participate in the proposed operation, such parties hereinafter referred to as "consenting parties" in the proportion that their respective interests bear to the total interest of all consenting parties. Consenting parties shall keep the leasehold estate 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, the consenting parties shall plug and abandon the well at their sole cost, risk and expense. If any well reworked, reworked, deepened or re-reworked under the provisions of this section results in a producer of 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 the Operator 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, deepening, or re-drilling of any such well by consenting parties in

accordance with the provisions of this section, 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 interest, all of such non-consenting party's interest in the well, its leasehold operating rights and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests 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.

- (a) 300% of each non-consenting party's share of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 300% 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 section, it being agreed that each non-consenting party's share of which would have been chargeable to each non-consenting party had it participated in the well from the beginning of the operation; and
- (b) 300% of that portion of the costs and expenses of drilling, reworking, deepening or re-drilling, testing and completing and 300% of 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. In the case of any reworking, plugging back or deeper drilling 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, plugging back or deeper drilling, 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.

If and when the consenting parties recover from a non-consenting party's relinquished interest the amount provided for above, the relinquished interests of such non-consenting party shall automatically revert to it and after such conversion such non-consenting party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such non-consenting party would have owned had it participated in the drilling, reworking, deepening or re-drilling 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 side well in accordance with the terms of this Agreement and the accounting procedure schedule, Exhibit One, attached hereto.

All operations conducted pursuant to this Section 10 shall be conducted on a competitive contract basis at the usual rates prevailing in the area. The Operator may if it so desires, employ its own tools and equipment at the prevailing rates in the field, and the rate of such charges shall be agreed to hereunder by the signing of this Operating Agreement by the Working Interest Owners.

The provisions of this Section 10 shall have no application whatsoever to the drilling of any Well on the Prospect, but shall apply to that of any Well after it has been reworked to the Objective, and completed as a Commercial Well, and thereafter proves to be incapable of producing Products in Commercial Quantities.

11. Right to Take Production in Kind

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and production operations unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its respective share of such production, and shall hold the other parties free from any liability therefrom. 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.

Each party shall execute all division orders and contracts of sale pertaining to its interests in production from the Unit Area, and agrees that Operator shall receive all production proceeds and disburse proceeds to Participants monthly. Operator is authorized to deduct expenses and charges as authorized in this Agreement from such proceeds and send the remaining amount to Participant.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced in the Unit Area. Any such purchase or sale by Operator shall be subject always 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 oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party thirty (30) days' notice of such intended sale.

12. Access to Unit Area

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well reworked on the Unit Area.

13. Abandonment of Well

The Well and any other Well reworked or re-completed for the joint account of the parties on the Prospect, including any well reworked pursuant to Section 10, may be plugged and abandoned if, in the business judgment of the Operator, the Well is not a Commercial Well.

20. Delay Rentals and Shut-In Well Payments

Operator shall pay all delay rentals and shut-in well payments which may be required under the terms of leases covering any of the tracts described herein and submit evidence of such payment to the other parties at their request. The amount of such payment shall be charged by Operator to the joint account of the parties. Operator shall diligently attempt to make proper payment, but shall not be held liable to the other parties in remaining portion of the Unit Area.

15. Sales of Operator's Interest

Should a sale be made by Operator of its rights and interests (if any), the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not selected, the transferee of the Operator shall assume the duties of and act as Operator.

In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this Agreement, until a successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 30 days after the sale/transfer of its rights and interests have been completed.

In the case that Watson does not own an interest as a Non-Operator, and is the Operator of the Well, Watson may remain as Operator so long as Watson desires and 87.5% of the Working Interest Owners do not vote to remove Watson.

16. Resignation of Operator

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than 30 days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this Agreement. The retiring Operator shall deliver to its successor all records and information necessary to discharge the new Operator of its duties and obligations.

17. Removal of Operator

The Operator must, within thirty (30) days after the request of the Working Interest Owners owning Interests representing eighty-seven and one-half percent (87.5%) or more of the Interests owned by all Working Interest Owners, submit to all the Parties the text of any proposal to remove the Operator and substitute a new Operator. The Operator may include in any submission its view as to the proposal. Any such proposal shall have received written approval thereof from a majority in interest of the Parties. The date of adoption of such proposal shall be the date on which the Operator shall have received the requisite written votes. In the event that Watson hires a local Operator for the Well (and notwithstanding the preceding paragraph), Watson shall have the sole right to remove said Operator and either assume Operations itself or hire a new Operator responsible to Watson under the terms of this Operating Agreement.

18. Restrictions on Transfer of Units.

Other than in the case of transfers by will or intestate succession, a Working Interest Owner (i) may not assign less than 1 Unit to any person, (ii) must retain at least 1 Unit if the assigning Investor does not transfer all such Investor's Units, and (iii) may

not, in any event, assign his Units without the prior written consent of Watson. Assignees of Units will be required to pay all costs and expenses of the Program with respect to the transfer, which will not be less than \$300.00. Watson may collect such expenses from production otherwise allocated to the assignee. The tax laws regarding percentage depletion may have an impact on the assignment of a Unit. See "TAX INFORMATION". In addition, in certain states additional restrictions may be placed on the transferability of Units.

19. Claims and Lawsuits

Operator may settle any single uninsured third party damage claim or suit arising hereunder if the expenditure does not exceed TWENTY THOUSAND DOLLARS (\$ 20,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the 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 suit shall be treated as any other claim or suit involving operations hereunder. Such claims shall be settled in accordance with the Private Placement Memorandum Arbitration section. All such claims will be heard in Saint Augustine, Florida.

20. 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 make money payments, 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 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; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

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, 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.

21. NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on the Operating Agreement. The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and postage or charges prepaid, or sent by telex or telecopier. 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.

22. Term of the Agreement

This agreement shall remain in full force and effect as to the well bore interests in any oil and gas leases and/or oil and gas interests subject hereto for the period of time below, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, well or oil and gas interest contributed by any other party beyond the term of this agreement.

- (1) So long as any of the oil and gas leases/Well subject to this agreement remain and are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability, which has accrued or attached prior to the date of such termination.

23. MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of ____ day of _____, 2019__.

OPERATOR

WATSON ENERGY INVESTMENTS, LLC

NON - OPERATORS

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT
AS EXHIBIT "ONE"

ACCOUNTING PROCEDURE
(Unit and Joint Lease Operations)

I. GENERAL PROVISIONS

1. Definitions

(a) "Joint Property" as herein used shall be construed to mean the Contract Area covered by the Agreement to which this "Accounting Procedure" is attached.

(b) "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject Joint Property and for the joint account of the parties hereto.

(c) "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

(d) Accounting to Non-Operator. Operator will collect all working interest owner's oil and gas revenue and deduct therefrom the cost of operating and maintaining the oil and gas properties. The remainder will then be distributed monthly to each working owner proportionate to his working interest ownership on the oil and gas properties covered by this Agreement.

(e) Adjustments. Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator during any calendar year shall conclusively be presumed to be true and correct after twelve each subsequent (12) month period. Non-Operator may take written exception thereto and make claim on Operator for adjustment only during the aforementioned twelve (12) month period or non - operator forgoes any and all claims. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness of claims for adjustment thereon.

(f) Audits. 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 accounting hereunder for any calendar year within the twelve (12) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twelve (12) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to Operator.

(g) Personal Expenses: shall mean travel and other reasonable reimbursable expenses of Operator's employees.

(h) Joint Property: shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

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

(j) Parties: shall mean Operator and Non - Operators.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month for expenses in excess of those covered by production income, which is received by the Operator for the Joint Account. Such bills will be accompanied by statements which identify the charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and described as necessary in the sole discretion of the Operator.

3. Advances and Payments by Non-Operators

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. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twelve (12) months following the end of the month in which the billing occurred, unless within the said twelve (12) 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 adjustment resulting from a physical inventory of Controllable Material.

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 twelve (12) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph.

6. Approval by Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries or First Level Supervisors in the field.

(3) Salaries and Wages of Technical Employees directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B 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 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to

Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.D. Personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current cost 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 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty percent (20%).

4. Material

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

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations: If Material is moved to the Joint Property from the Operator's warehouse or other properties, the Operator shall charge the Joint Account an amount equal only to such amount that would have been charge by a commercial third party hauler.

6. Services

The cost of contract services, equipment and utilities provided by outside sources. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint account unless previously agreed to by the Parties.

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 investment not to exceed eight percent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

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

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property. All legal expense of whatever nature will be covered by the Joint Interest.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers

Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on a Fixed rate basis, Paragraph 1A.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all office and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall not be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III.

ii. The salaries, wages and Personal Expenses of Technical Employees and or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall not be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 15,000
Producing well rate \$ 400.00 per month

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

(a) Drilling Well Rate

[1] Turnkey on drilling attempt.

[2] Charges for well undergoing any type of workover or re-completion will be charged back to the working interest owners at a rate of \$400.00 a day plus out-of-pocket expenses.

[3] 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.

[4] 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.

[5] An inactive gas well shut in because of over production 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.

[6] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[7] All other inactive well (including but not limited to inactive well covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The Well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by adjusting the Overhead rate in relation to the escalation of the Cost of Living Index.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$1,000.00.

A. \$400.00 per day plus actual expenses.

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 well shall be as stated herein.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time by the Operator upon written notice to all Working Interest Owners.

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

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition A)

(1) All material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

(1) Material bought for the Joint Account that is classified as "used" shall be charged at the going rate as determined by the Operator and any material needing reconditioning shall be charged to the Joint Account as billed.

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 Operator has received adjustment from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain a reasonable record of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Operator of the Joint Account controllable Material shall take Inventories.

2. Reconciliation and Adjustment of Inventories

Operator with the Joint Account shall make inventory adjustments for overages and shortages, but Operator shall not be held accountable for shortages due to lack of reasonable diligence.

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall be charged to the Joint Account.

This Agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

OPERATOR:

NON-OPERATOR:

WATSON ENERGY INVESTMENTS, LLC
135 Jenkins Street
Suite 105B #356
Saint Augustine, Florida 32086

by _____
James W. McCabe, Managing Partner

BY: _____
Non-Operator

BY: _____
Non-Operator