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6. PARTNERSHIP ACTIVITY.

6.01. **Prospects.** The General Partner will analyze and screen groups of contiguous or nearly-contiguous oil and gas leasehold interests and/or contractual rights of a similar nature, located in the continental United States and possibly southern Alberta and Saskatchewan, Canada with a view to the acquisition of Prospects for the Partnership. Those groups of interests which the General Partner, in its sole discretion, considers prospective for oil and gas exploration purposes shall be acquired by the General Partner or an affiliate and contributed to the Partnership as a Prospect. In creating a Prospect which will consist of Exploratory Acreage, the General Partner or its affiliate will contribute all, but not more than, the contiguous or nearly contiguous leases owned by the General Partner or its affiliate which in its opinion will be tested by drilling on the Prospect and, if additional leases owned or acquired by the General Partner or its affiliate are actually proven by such drilling on the Prospect, the General Partner or its affiliate will contribute such additional leases to the Partnership. The General Partner or its affiliates will limit their contributions of leases in Prospects of Semi-Proven or Proven Acreage to leases covering the area which will, in the General Partner's opinion, be economically drained by the well to be drilled on the Prospect.

6.02. **Title.** While it is expected that Prospects may be acquired by the General Partner prior to complete examination of title thereto, the General Partner will not commence the drilling of a well thereon until it has received a title report satisfactory to the General Partner as to the proposed drilling site.

6.03. **Initial Wells.** Notice of each Prospect acquired by the Partnership shall be submitted to each Limited Partner, giving a description of the Prospect, the approximate location and objective geological formation and the estimated costs of drilling, testing, completing and equipping the well.

Thereafter, an initial well shall be drilled, tested, completed, and equipped (or plugged and abandoned) by or under contract or contracts made by the General Partner, for the account of the Partnership. Subject to the provisions of any such contract, the well shall be drilled to a depth sufficient to test adequately the objective formation, but the drilling may be discontinued at any lesser depth in the event oil or gas is discovered at the lesser depth, or if any subsurface strata or formations encountered indicate the possible presence of commercial production, or if it is advisable to discontinue drilling operations because of conditions or circumstances that occur or are encountered.

6.04. **Subsequent Wells.** If the drilling of the initial well on any Prospect justifies further development of the Prospect, the General Partner is authorized to continue to develop the Prospect for the full term of the Partnership and to use the Contributions of the Limited Partners for such purposes.

6.05. **Operation of Producing Wells.** If production is found with respect to any well, the General Partner shall enter into an operating agreement with respect to such well. Such operating agreements may be entered into with its affiliates or third persons. In the event that an affiliate of the General Partner shall be designated as operator, the operating agreement shall be identical to the form of operating agreement attached hereto as Schedule A. In the event an operating agreement is entered into with a person other than an affiliate of the General Partner, the General Partner will receive a fee for supervision of \$50 per well per month.