



**ENDEAVOR RESOURCES, LLC**



**Francis Grace #1**

**Frac and Acid Job**

**CONFIDENTIAL**

**PRIVATE PLACEMENT  
OFFERING MEMORANDUM**

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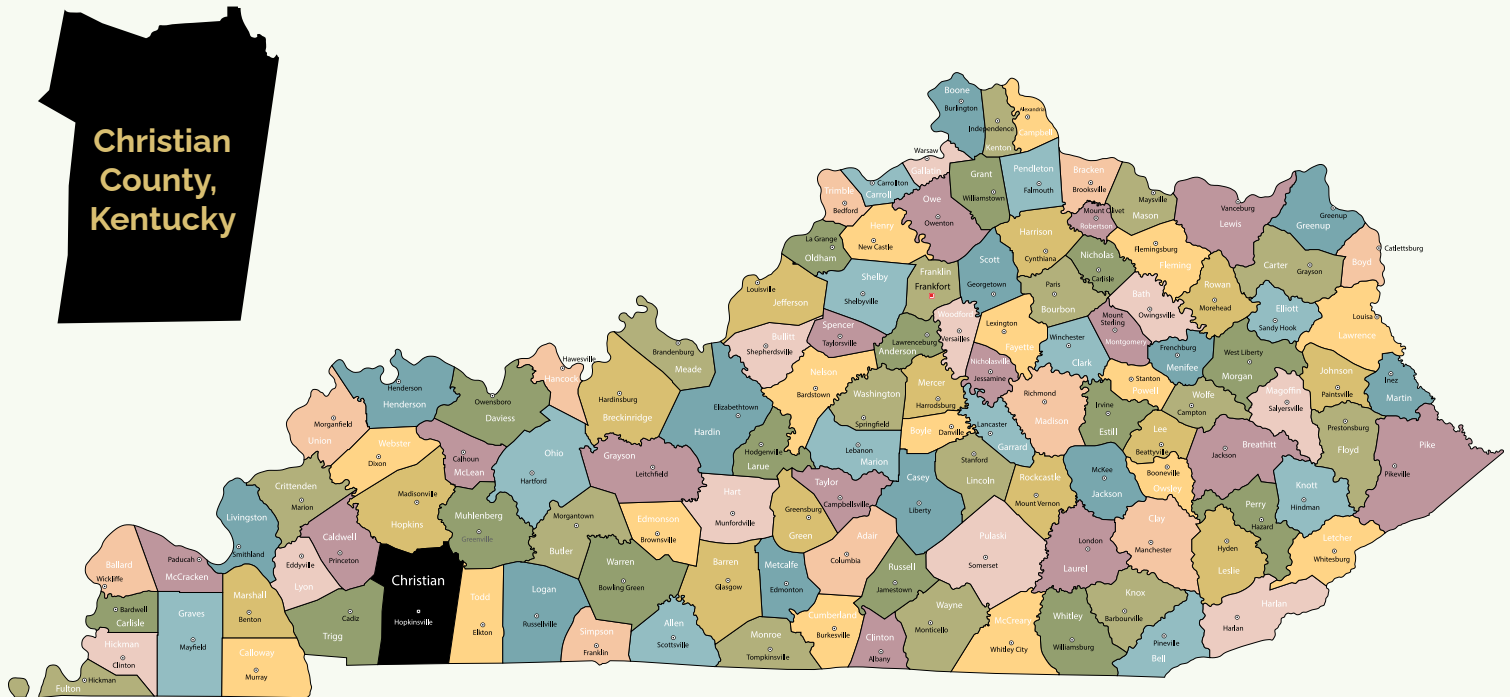
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# BJ NO. 2 FRAC OPPORTUNITY

## Francis Grace No.1

### CHRISTIAN COUNTY, KENTUCKY



**\$50,000.00**

**PER 1/8 WORKING INTEREST**

**7.5% NET REVENUE INTEREST**

**\$25,000.00**

**PER 1/16 WORKING INTEREST**

**3.75% NET REVENUE INTEREST**

**\$12,500.00**

**PER 1/32 WORKING INTEREST**

**1.875% NET REVENUE INTEREST**

**A Slickwater Frac Consists of 32 Units of  
1.875% Working Interest available to  
not more than 32 Non-Accredited Investors**

**MINIMUM INVESTMENT**  
**1 UNIT**

**MAXIMUM OFFERING**  
**\$400,000**

**THE UNITS OFFERED HEREBY ARE SPECULATIVE  
AND INVOLVE A HIGH DEGREE OF RISK.**



These Units are being offered by this Confidential Private Placement Memorandum and have not been registered under the Securities Act of 1933, as amended, or any State securities laws. These units cannot be sold, transferred, assigned or otherwise disposed of except in compliance with the restrictions on transferability contained in this agreement and applicable Federal and State securities laws, and will not be transferred of record except in compliance with such agreement and governing laws.



## FG#1

# THE UNITS OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A **HIGH DEGREE OF RISK**

A maximum of **Thirty two (32) units** of the Direct Participation (the "Unit") in Francis Grace No.1, a proposed Direct Participation being offered privately to Accredited Investors and Qualified Investors (the "Investing the "Participant") at a price of **Twelve Thousand and Five Hundred (\$12,500) Dollars (US)** per unit for an aggregate purchase price of **Four Hundred Thousand (\$400,000) Dollars**. The minimum investment which will be accepted from any person in this Offering is One Unit. However, Endeavor Resources LLC may, in its sole and absolute discretion, accept subscriptions for less than such minimum investment. Endeavor reserves the right, in its sole and absolute discretion, to reduce or reject any subscription tendered to it. If the investors are "Qualified" or non-accredited investors, then not more than 32 non-accredited investors will be selected. This Offering will terminate on 08/15/2025, (the "Offering Termination Date") unless extended an additional 60 days by **Endeavor Resources, LLC**.

There will be assigned to the **100% Working interest** subject to **Overriding Royalty Interest of 40%** for a **net revenue interest per unit of 1.875%** in the Rework and Frac completion in the **BJ2** in Christian County, Kentucky for oil/gas and to provide general working capital for Endeavor Resources, LLC business including its organization costs. ENDEAVOR RESOURCES, LLC, INC., a Kentucky Limited Liability Company (the "Program Manager"). The principal place of business is, 8525 STATE ROUTE HIGHWAY 70 WEST, BREMEN, KENTUCKY 42325. This Offering is being made to "Accredited Investors" on a best-efforts basis but reserves the right to offer to not more than 32 non-accredited investors. The funds will be escrowed and will not be used by the Program Manager until such time as there are sufficient funds to complete the Frac project.

Anyone mistakenly receiving a copy of this Memorandum who does not qualify as an accredited investor should immediately return this Memorandum to the PROGRAM MANAGER.

THE RIGHTS AND OBLIGATIONS OF THE PROGRAM MANAGER AND INVESTOR ARE GOVERNED BY THE AGREEMENT OF GENERAL PROGRAM MANAGER (THE "AGREEMENT"), A COPY OF WHICH IS ATTACHED AS AN EXHIBIT TO THIS MEMORANDUM AND IS INCORPORATED HEREIN BY REFERENCE.

THE UNITS BEING OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM.

*cont.*

THESE SECURITIES ARE HIGHLY SPECULATIVE, INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION, AND SHOULD ONLY BE PURCHASED BY ACCREDITED INVESTOR WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

THE FOLLOWING ARE SPECIFIC RISK FACTORS THAT MUST BE CONSIDERED BY ANYONE PRIOR TO INVESTMENT.



Drilling or reworking a well to establish productive oil and natural gas properties is inherently speculative.



Participants will rely solely on the management capability and expertise of the PROGRAM MANAGER.



Investor must assume the risks of an illiquid investment for an indefinite period of time, with no public market for the Units, and must be able to bear the risk of loss of the entire amount of his investment.



Investment in the Units is suitable only for investors having sufficient financial resources and who desire a long-term investment.



Conflicts of interest and additional conflicts may arise between the Program Manager and the Investor and there are no pre-determined procedures for resolving any such conflicts.



The Operating Agreement imposes on the Investor certain restrictions in the transferability of the Units, and confers upon the PROGRAM MANAGER certain rights, including, without limitation the right to purchase the Units from the Investor under certain circumstances as described in this Memorandum.

# REGULATION D SECTION 506 OFFERING

## THIS OFFERING INVOLVES A HIGH DEGREE OF RISK

Maximum Price Per Unit - \$12,500 (32)	\$400,000
Legal, Accounting & Printing (2)	(\$110,000)
<b>Net Proceeds</b>	<b>\$290,000.00</b>

(1) The subscription price has been determined by the PROGRAM MANAGER on behalf of the PROGRAM MANAGER by use of an OPERATING BUDGET (AUTHORIZATION FOR EXPENDITURE, or AFE), AN OIL AND GAS INDUSTRY STANDARD OPERATING BUDGET, IN ORDER TO DETERMINE THE PRICE FOR EACH UNIT. THIS PROJECT IS A COST PLUS 15% BUDGET.

THIS IS NOT A TURNKEY REWORK PROGRAM. ALTHOUGH WE DO NOT ANTICIPATE ADDITIONAL CASH CALLS, AND BELIEVE WE HAVE BUDGETED FOR ALL FORESEEABLE EVENTUALITIES, THE POSSIBILITY EXISTS FOR ADDITIONAL CAPITAL EXPENDITURES WHICH COULD RESULT IN THE NEED FOR ADDITIONAL FUNDING BY INVESTORS.

(2) There will be deducted from the proceeds to the Program amounts not in excess of \$110, 000.00 payable to the PROGRAM MANAGER, for filing, legal, accounting, and other expenses incurred in connection with the organization of the REWORK and this offering but does not include the organization and marketing costs.





## IMPORTANT NOTICE

The PROGRAM MANAGER urges all Investors to read this Memorandum carefully. All offerees and subscribers will have an opportunity to speak with representatives of the PROGRAM MANAGER to verify any of the information included herein and to obtain additional information regarding the REWORK. Copies of all documents, contracts, financial information, and other PROGRAM records referenced herein will be made available for inspection upon request at any such meeting or otherwise during normal business hours.

Prospective Investor will be required to execute a confidentiality agreement before the PROGRAM MANAGER will make available certain non-public information. All INVESTORS will be required to acknowledge through their execution of a Subscription Agreement that they meet certain suitability standards for investment in this Offering, and that they have read, understood and agree to be bound by such Subscription Agreement. INVESTORS and their Purchaser Representatives, if any, will be required also to deliver to the PROGRAM MANAGER a Purchaser Suitability Questionnaire.

The PROGRAM MANAGER does not, and is not required to, file periodic reports pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. The PROGRAM MANAGER intends, at a minimum, to provide its INVESTORS with such periodic financial and other information as is required under applicable state laws.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT", NOR ANY STATE SECURITIES LAWS, IN RELIANCE UPON EXEMPTIONS FROM SUCH REGISTRATION FOR TRANSACTIONS NOT INVOLVING ANY PUBLIC OFFERING AND THEREFORE, SUCH SECURITIES MAY NOT BE RESOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION. ABSENT FUTURE REGISTRATION UNDER THE SECURITIES ACT, THE SECURITIES OFFERED HEREBY WILL NOT BE TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS IMPOSED BY APPLICABLE FEDERAL AND STATE LAWS GOVERNING THE SALE OF UNREGISTERED SECURITIES. NO ASSURANCE CAN BE GIVEN THAT ANY EXEMPTION FROM REGISTRATION FOR PUBLIC SALE WILL BE AVAILABLE TO PURCHASERS OF THE SECURITIES. CURRENTLY THERE IS NO TRADING MARKET FOR THE SECURITIES OFFERED HEREBY, OR ANY OTHER SECURITY OF THE PROGRAM MANAGER. NO ASSURANCE CAN BE GIVEN THAT SUCH A MARKET WILL DEVELOP IN THE FUTURE OR, IF DEVELOPED, THAT IT WILL BE SUSTAINED.

THE SECURITIES OFFERED HEREBY WILL BE SOLD ONLY TO ACCREDITED INVESTORS WHO MEET CERTAIN MINIMUM SUITABILITY STANDARDS ESTABLISHED BY THE PROGRAM MANAGER. THE PROGRAM MANAGER RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION FOR SECURITIES OFFERED HEREBY, IN WHOLE OR IN PART, IN ITS SOLE DISCRETION, AND THE OFFERING OF THE SECURITIES MADE HEREBY IS SPECIFICALLY MADE SUBJECT TO THE CONDITIONS SET FORTH HEREIN AND IN THE ACCOMPANYING SUBSCRIPTION AND INSTRUCTIONS TO TRUSTEE. THE PROGRAM MANAGER DOES RESERVE THE RIGHT TO ACCEPT NOT MORE THAN 35 NON-ACCREDITED INVESTORS.

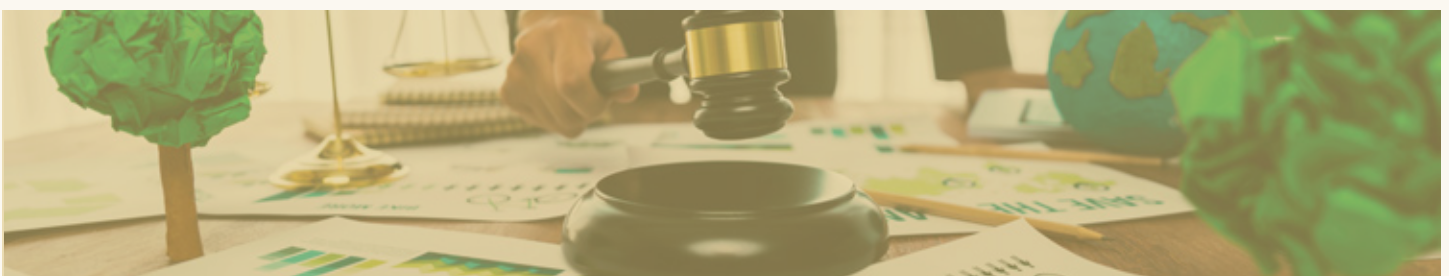
BY ACCEPTING DELIVERY OF THIS MEMORANDUM, THE RECIPIENT AGREES TO RETURN THIS MEMORANDUM AND ALL OTHER PERTINENT DOCUMENTS TO THE PROGRAM MANAGER IF HE OR SHE ELECTS NOT TO PURCHASE ANY OF THE SECURITIES OFFERED HEREBY, ALTERNATIVELY, THE PROGRAM MANAGER WILL ACCEPT A CERTIFICATE, SIGNED BY THE RECIPIENT, REPRESENTING THAT THIS MEMORANDUM HAS BEEN DESTROYED AND NO INVESTMENT WILL BE MADE THEREUNDER. ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE PROGRAM MANAGER, IS STRICTLY PROHIBITED.

THIS MEMORANDUM IS BEING FURNISHED ON A CONFIDENTIAL BASIS SOLELY FOR USE IN CONNECTION WITH CONSIDERATION OF THE PURCHASE OF THE SECURITIES OFFERED HEREBY, STATEMENTS MADE HEREIN ARE SOLELY AS OF THE DATE HEREOF UNLESS OTHERWISE NOTED. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY TRANSACTION MADE HEREBY SHALL CREATE, UNDER ANY CIRCUMSTANCE, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY INFORMATION CONTAINED HEREIN SINCE THE PUBLICATION DATE HEREOF, NOR ANY OBLIGATION OF THE PROGRAM MANAGER TO UPDATE ANY OF SUCH INFORMATION IN THE FUTURE.

CERTAIN PROVISIONS OF VARIOUS INSTRUMENTS ARE SUMMARIZED IN THIS MEMORANDUM, BUT PROSPECTIVE INVESTORS SHOULD NOT ASSUME THAT SUCH SUMMARIES ARE COMPLETE. SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE TEXTS OF THE ORIGINAL INSTRUMENTS, WHICH WILL BE MADE AVAILABLE TO PROSPECTIVE INVESTORS UPON REQUEST.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY COMMUNICATION FROM THE PROGRAM MANAGER AS LEGAL OR INVESTMENT ADVICE. INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL COUNSEL, ACCOUNTANTS, AND BUSINESS ADVISORS AS TO LEGAL, TAX, AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR PASSED UPON BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, AND ANY STATEMENT MADE TO THE CONTRARY IS ILLEGAL.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PROGRAM MANAGER. SIMILARLY, UNLESS EXPRESSLY CONTAINED HEREIN, NO INFORMATION PREVIOUSLY DISCLOSED OR DISSEMINATED BY ANY PARTY, INCLUDING WITHOUT LIMITATION THE PROGRAM MANAGER, SHOULD BE RELIED UPON AS ACCURATE, CURRENT OR COMPLETE.



THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY OR EXCHANGE THE SECURITIES DESCRIBED HEREIN IN ANY STATE OR TO ANY PERSON TO WHOM SUCH OFFER MAY NOT LAWFULLY BE MADE, AND IN NO EVENT SHALL ANY SALE OF THE PROGRAM MANAGER'S SECURITIES BE DEEMED TO HAVE BEEN MADE UNLESS AND UNTIL THE PROGRAM MANAGER HAS RECEIVED EITHER A COMPLETED CASH SUBSCRIPTION AGREEMENT OR A COMPLETED EXCHANGE SUBSCRIPTION AGREEMENT, AND SUCH AGREEMENT HAS BEEN ACCEPTED BY THE PROGRAM MANAGER IN WRITING. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR SALES OR EXCHANGES MADE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO MATERIAL CHANGE IN THE AFFAIRS OF THE PROGRAM MANAGER SINCE THE PUBLICATION DATE OF THIS MEMORANDUM.

IT IS THE RESPONSIBILITY OF ANY PERSON OR ENTITY WISHING TO PURCHASE ANY OF THE SECURITIES OFFERED HEREBY TO SATISFY HIMSELF, HERSELF OR ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

THE PROGRAM MANAGER'S ABILITY TO PREDICT FUTURE RESULTS IS INHERENTLY SUBJECT TO VARIOUS RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE PROGRAM MANAGER'S CONTROL, INCLUDING THOSE DISCUSSED UNDER "RISK FACTORS", OR ELSEWHERE IN THIS MEMORANDUM.



# CAUTIONARY STATEMENT

## FORWARD LOOKING STATEMENTS

THIS MEMORANDUM CONTAINS CERTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT INCLUDED IN THIS MEMORANDUM, INCLUDING WITHOUT LIMITATION CERTAIN STATEMENTS UNDER THE HEADINGS "SUMMARY OF THE OFFERING," "DESCRIPTION OF THE PROGRAM MANAGER" AND OTHER SIMILAR HEADINGS, MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. FORWARD LOOKING STATEMENTS CAN OFTEN (BUT NOT ALWAYS) BE IDENTIFIED BY TERMINOLOGY SUCH AS "MAY", "WILL", "COULD", "ANTICIPATE," "BELIEVE," "ESTIMATE," "INTEND", "EXPECT" AND "CONTINUE", OR VARIATIONS THEREOF, AND SIMILAR EXPRESSIONS.

ALTHOUGH THE PROGRAM MANAGER BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CAN GIVE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE PROGRAM MANAGERS EXPECTATIONS ("CAUTIONARY STATEMENTS") ARE DISCLOSED IN THIS MEMORANDUM, INCLUDING WITHOUT LIMITATION IN CONJUNCTION WITH THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS MEMORANDUM AND IN THE SECTION OF THIS MEMORANDUM ENTITLED "RISK FACTORS", AND UNDER THE DESCRIPTION OF THE PROGRAM MANAGER AND ITS BUSINESS, ALL SUBSEQUENT WRITTEN AND ORAL FORWARDLOOKING STATEMENTS ATTRIBUTABLE TO THE PROGRAM MANAGER OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH ABOVE. THE PROGRAM MANAGER DISCLAIMS ANY INTENTION OR OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.



QUESTIONS CONCERNING THE PROGRAM AND ANY REQUESTS FOR ADDITIONAL INFORMATION SHOULD BE DIRECTED TO **DANNY J. THOMASSON**, MEMBER, **ENDEAVOR RESOURCES, LLC, INC.**, 8525 STATE ROUTE HIGHWAY 70 WEST, BREMEN, KENTUCKY 42325, PHONE NUMBER (270) 543-5528, EMAIL [endeavorresources.llc@gmail.com](mailto:endeavorresources.llc@gmail.com)

# WHO MAY INVEST

The purchase of Units involves investment/market risk and is not suitable for all investors (See "Risk Factors"). Investors must represent that they are accredited investors or be included within the 32 non-accredited investors allowed per the exemption.

In order to comply with the private and/or limited offering exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the exemptions provided by Section 4(2) of that Act and Regulation D promulgated by the Securities and Exchange Commission Regulation D and Section 506, each prospective investor must also represent that:

1. His overall commitment to investments is not disproportionate to his net worth and his investment in the PROGRAM MANAGER will not cause his overall commitment to become excessive.
2. He understands the liquidity of his investment in the PROGRAM.
3. He has read the OPERATOR Agreement and this Memorandum for purposes of evaluating the risks of an investment in the PROGRAM.
4. He is making this investment for his own account, for investment purposes, and not with a view to resell; and
5. He has or was given the opportunity to consult with his tax advisor regarding the tax risks of this investment generally and in connection with his individual tax situation.

In addition, subscribers who are not "accredited investors", as defined below, must represent that, either alone or with their purchaser representative(s), they have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of this investment, and that they are able to bear the economic risk of same.

Suitability standards are minimum requirements, and the Units are not necessarily a suitable investment for every prospective investor who meets such standards. Residents of states other than Kentucky may be subject to additional or different suitability standards and will be advised of such suitability standards by the PROGRAM MANAGER.



This investment is limited to all but 32 of whom must be "Accredited Investors". Accredited Investors, as defined in Rule 501(a) of Regulation D under the Securities Act, include various types of institutional investors, as well as the following:

1. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase, exceeds \$1,000,000.
2. Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
3. Any corporation, Massachusetts or similar business trust or PROGRAM MANAGER, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
4. Any entity in which all of the equity owners are accredited investors.

A detailed discussion of these suitability standards appears in the instructions which are a part of the Subscription Documents to be supplied with this Memorandum.

Any person who has any questions about his ability to purchase the units herein should consult with their attorney or investment advisor. The PROGRAM MANAGER has the final decision to determine based on documents submitted to it as to whether to accept such person as an investor herein.



# SUMMARY OF THE OFFERING

THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE INFORMATION APPEARING ELSEWHERE IN THIS MEMORANDUM, INCLUDING EXHIBITS AND APPENDIXES HERETO, WHICH MAY CONTAIN MORE DETAIL WITH RESPECT TO EACH OF THE MATTERS SUMMARIZED HEREIN AS WELL AS OTHER MATTERS NOT COVERED BY THIS SUMMARY. ALL PROSPECTIVE INVESTORS ARE URGED CAREFULLY TO REVIEW THE ENTIRE CONTENTS OF THIS MEMORANDUM, THE EXHIBITS AND APPENDIXES ATTACHED HERETO, INDIVIDUALLY AND WITH THEIR OWN TAX, LEGAL, AND FINANCIAL ADVISORS. THE COMPLETE MEMORANDUM AND ALL EXHIBITS SHOULD BE READ AND FULLY UNDERSTOOD BY EACH PROSPECTIVE UNIT HOLDER PRIOR TO TENDERING A SUBSCRIPTION FOR UNITS.

AN INVESTMENT IN THE SECURITIES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK, AND ALL INVESTORS SHOULD ALSO CAREFULLY CONSIDER THE INFORMATION SET FORTH UNDER THE HEADING "RISK FACTORS".

An investment in the PROGRAM MANAGER has many risks. The "RISK FACTORS" section of this Memorandum contains a detailed discussion of the most important non-tax risks and the "FEDERAL INCOME TAX CONSIDERATIONS" section contains a detailed discussion of the most important tax risks. The following summarizes certain of the risks which are more fully described under "RISK FACTORS" and "FEDERAL INCOME TAX CONSIDERATIONS", and which have been categorized in this summary as **(1) Investment Risks** (the risks related to the PROGRAM MANAGER's investment in oil and gas properties and drilling activities, to an investment in the PROGRAM MANAGER and to the provisions of the Agreement); **(2) Tax Risks** (the risks arising from the tax laws as they apply to the PROGRAM MANAGER and its investment in oil and gas properties and drilling activities); and **(3) Operational Risks** (the risks involved in conducting oil and gas operations). Each prospective investor should review the "RISK FACTORS" section and the "FEDERAL INCOME TAX CONSIDERATIONS" section carefully before deciding to subscribe for Units.

## (1) INVESTMENT RISKS

Future oil and natural gas prices are unpredictable. As oil and natural gas prices go up and down, the PROGRAM MANAGER's distributions, if any, to the INVESTORS will be adversely affected.

The PROGRAM MANAGER is authorized under the Agreement to cause, in its sole discretion, the sale or transfer of the PROGRAM MANAGER's assets to, or the merger or consolidation of the PROGRAM MANAGER with, another PROGRAM MANAGER, corporation or other business entity. Such action could have a material impact on the nature of the investment of all INVESTORS.

Except for certain restricted transfers, the Agreement prohibits an Investor from transferring Units.

*cont.*

The PROGRAM MANAGER will have the exclusive management and control of all aspects of the business of the PROGRAM MANAGER. The INVESTORS will have no opportunity to participate in the management and control of any aspect of the PROGRAM MANAGER's activities. Accordingly, the Investor will be entirely dependent upon the management skills and expertise of the PROGRAM MANAGER.

Conflicts of interest exist, and additional conflicts of interest may arise between the PROGRAM MANAGER and the Investor, and there are no pre-determined procedures for resolving any such conflicts. Accordingly, the PROGRAM MANAGER could cause the PROGRAM MANAGER to take actions to the benefit of the PROGRAM MANAGER but not to the benefit of the INVESTORS.

There can be no assurances that the PROGRAM MANAGER will have adequate funds to provide cash distributions to the Investor. The amount and timing of any such distributions will be within the complete discretion of the PROGRAM MANAGER.

## (2) TAX RISKS

The amount of any cash distributions that Investor may receive from the PROGRAM MANAGER could be insufficient to pay the tax liability incurred by such Investors with respect to income or gain allocated to such Investors by the PROGRAM MANAGER.

Tax laws and regulations applicable to PROGRAM MANAGER investments may change at any time and these changes may be applicable retroactively.

Certain allocations of income, gain, loss and deduction of the PROGRAM MANAGER among the Investors may be challenged by the Internal Revenue Service (the "Service"). A successful challenge would likely result in an Investor having to report additional taxable income or being denied a deduction.

Investment as a Direct Participate may be less advisable for a person who does not have substantial current taxable income from passive trade or business activities.

Federal income tax payable by an Investor by reason of his or her allocated share of PROGRAM MANAGER income for any year may exceed the PROGRAM MANAGER distributions to an Investor for the year.

**The Program Manager, its officers, directors, staffs, consultants, Endeavor Resources, LLC, Inc, or any other affiliates, will not give any tax advice, as that is a matter for each investor to determine from their own accountant or attorney.**

### (3) OPERATIONAL RISKS

The search for oil and gas is highly speculative and the drilling and completion activities conducted by the PROGRAM MANAGER through its drillers may result in a well that may be dry or productive wells that do not produce sufficient oil and gas to produce a profit or result in a return of the Investor's investment.

Certain hazards may be encountered in drilling wells that could lead to substantial liabilities to third parties or government entities. As General Investors, you could be liable for such liabilities except that the Program Manager will provide insurance coverage related to those risks. However, there is no assurance that such insurance coverage will be sufficient to cover these losses. In addition, governmental regulations or new laws relating to environmental matters could increase Investor costs, delay, or prevent drilling a well, require the PROGRAM MANAGER to cease operations in certain areas or expose the PROGRAM MANAGER to significant liabilities for violations of such laws and regulations.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION CONTRARY TO THE FOREGOING IS UNLAWFUL.**



# USE OF PROCEEDS

**THE FOLLOWING IS A SCHEDULE IS AN ESTIMATE OF THE FUNDS  
AND HOW THEY WILL BE USED BY THE PROGRAM MANAGER**

## BILLY JOHNSTON REWORK NO. 2

(1) Total Offering Price	\$400,000
(2) Price per Unit	\$12,500
(3) Price for FRAC, Testing and Completion	\$290,000
(4) Management working capital and expenses (1)	\$110,000
(5) Funds Required Per Unit on Initial Subscription	\$12,500
(6) Net Revenue Interest per Unit	1.875%
(7) Investors share of Oil and Gas Net Revenue	60%

(1) INCLUDES \$50,000 FOR LEGAL, ACCOUNTING AND PRINTING EXPENSES,  
Geological Fee of \$60,000.00

(2) THE AMOUNT ASSIGNED TO THE PROGRAM MANAGER WILL DEPEND UPON THE NUMBER OF  
UNITS SOLD BUT WILL NOT AFFECT THE NET REVENUE INTEREST PER UNIT.

**\*\* See detailed AUTHORIZATION FOR EXPENDITURE, or AFE, on the following pages for further details  
of the funds and how they will be used by the program manager \*\***



# TERMS OF OFFERING

## DESCRIPTION OF THE UNITS

Thirty-two (32) Units in the PROGRAM MANAGER hereby offered have a subscription price of **\$12,500** for each Unit for a total aggregate offering price of **\$400,000**. Participants will be required to pay the sum of Twelve Thousand and Five Hundred dollars (\$12,500) per unit upon subscription which may include all foreseeable costs.

## SUBSCRIPTION PERIOD

The offering will terminate on 11/15/2025 unless extended by the PROGRAM MANAGER for an additional sixty (60) days or unless otherwise earlier terminated by the PROGRAM MANAGER.

## HOW TO SUBSCRIBE

Persons who desire to subscribe to the Direct Investment Units must execute and return (i) the Subscription Agreement (ii) the Questionnaire (iii) a check in the amount of **\$12,500** for each Unit being subscribed.

Checks should be made payable to **Endeavor Resources, LLC** All of the aforementioned executed documents and the check should be sent to:

**Francis Grace #1 REWORK**  
**ENDEAVOR RESOURCES, LLC, INC.**

**8525 STATE ROUTE HIGHWAY 70 WEST BREMEN, KENTUCKY 42325**

If more than **Thirty-Two (32) Units** are subscribed, subscriptions will be accepted in the order received unless otherwise rejected. The Program Manager reserves the right to reject any subscription in its sole and absolute discretion. Any over-subscriptions, or any subscriptions which are rejected, will be promptly returned to the subscriber together with their check or funds, without interest or deduction. Subscriptions made by Participants may not be revoked by them once made unless notice is received within 3 days of receipt by the PROGRAM MANAGER. The PROGRAM MANAGER may continue to sell Units until the Termination Date.

The PROGRAM MANAGER will also determine the suitability of the investment by the subscription and will make the final determination thereof. If the investor does not meet these requirements, then the funds will be returned.

The PROGRAM MANAGER reserves the right to sell partial units.

THE PROGRAM MANAGER WILL HAVE THE EXCLUSIVE RIGHT AND DUTY TO DETERMINE WHETHER OR NOT BASED ON INFORMATION SUPPLIED TO IT BY THE UNIT HOLDER AS TO WHETHER OR NOT THE INVESTMENT IS SUITABLE FOR THAT INVESTOR AND IF NOT DETERMINED TO BE SUITABLE THEN THE INVESTOR'S FUNDS WILL BE RETURNED IMMEDIATELY WITHOUT INTEREST.

The unit holders will pay after production their proportionate costs of operations and maintenance.

The PROGRAM MANAGER's well interest will be subject to the following performance clause. With assignment of each well interest in the PROGRAM MANAGER, the PROGRAM MANAGER will issue a conditional assignment of 100% Working interest or 60% Net Revenue Interest in each well.

## ACCEPTANCE

The PROGRAM MANAGER will review the subscription documents for completeness, due execution and Participant suitability. The PROGRAM MANAGER has the absolute right, in its sole discretion, to reject in whole or in part any subscription that is tendered or to waive any defect in any subscription document. If the PROGRAM MANAGER rejects a subscription, it will return the subscription documents and the check or funds to the subscriber. Subscriptions for fractional Units may be accepted at the discretion of the PROGRAM MANAGER. However, in no event shall Units be sold to more than thirty-five (32) Participants who are not "Accredited Investors" as that term is defined in Regulation D and specifically Section 506 thereof, as promulgated pursuant to the Securities Act of 1933, as amended, as interpreted by the Securities Acts of the various states wherein this offering is completed.

## ACTIVATION OF PROGRAM

The Program will be activated when the sale of the units is sufficient to make the program viable, and The PROGRAM MANAGER will continue to sell subscriptions until the Termination Date.

## CAPITALIZATION

The Investor Direct participate shall contribute cash to the PROGRAM MANAGER to fund the business and operations of the PROGRAM MANAGER, including the payment of the fees and expenses of a drilling operator, which shall be responsible for the day-to-day drilling operations of the PROGRAM MANAGER. The PROGRAM MANAGER shall contribute to the PROGRAM MANAGER the several assets including any assets which shall comprise all of the rights, title and interest in and to all of the assets necessary for the Partnership to own the drilling projects to be completed by the Partnership, which assets shall be operated by the Operator on behalf of the PROGRAM MANAGER. The PROGRAM MANAGER reserves the right to replace such assets for other assets of equal or greater value and invest in not less than a h unit of General PROGRAM MANAGER.

## PLAN OF DISTRIBUTION

The PROGRAM MANAGER will not receive any commissions in connection with the sale of the Units offered herein. The PROGRAM MANAGER will offer the Units on a best effort, non-commission basis through officers and directors, some of whom will be licensed with the PROGRAM MANAGER but reserves the right to employ registered salesmen who would be paid commissions or bonuses for such sales through a licensed and registered broker-dealer.

## ALLOCATION OF COSTS AND REVENUES

The following table summarizes the allocation of costs and revenues from the Program Wells to the PROGRAM MANAGER and to other parties holding Landowners' Royalties and Overriding Royalties, both before and after payout. All items allocated to the PROGRAM MANAGER will be shared by Investors in accordance with their percentage interests in the PROGRAM MANAGER.

ROYALTY INTEREST ORGANIZATION AND INVESTOR ENDEAVOR	INVESTOR	ENDEAVOR	ROYALTY INTEREST HOLDERS
Organization and Offering Costs	100.0%		0
Operating Costs, Income, Deductions and Credits before production	100.0%	0	
Operating Costs, Income, Deductions and Credits after production			
Net Revenue Interest after production	60.0%	13%	27%

The revenues, expenses and losses of the PROGRAM MANAGER will be allocated based on its working interest retained to the participants as their interest appears.

## DISTRIBUTIONS TO PARTICIPANTS

Distribution of the Participate Interest will be made by the purchasing buyer of the crude oil or gas. Payments are made once a month by the buyer of the crude oil or gas.



# RISK FACTORS

The purchase of the Units offered in this Offering (the "Securities") involves a substantial degree of risk. In addition to the general investment risks described throughout this Memorandum, prospective purchasers of the Securities should consider each of the potential risks described below. It should be recognized that the risk factors set forth below are those which, as of the date of this Memorandum, seem to the PROGRAM MANAGER the most likely to be significant in making a decision concerning an investment in the Securities to a typical investor. Prospective investors should realize, however, that factors other than those set forth below may ultimately affect the investment offered pursuant to this Memorandum in a manner and to a degree which cannot be foreseen at this time, and that each individual investor's circumstances are unique.

## 1. VOLATILITY OF OIL AND GAS PRICES; DEVELOPMENT EXPENSES

The PROGRAM MANAGER's revenue, profitability and future rate of growth are substantially dependent upon prevailing prices for natural gas, oil and condensate, which can be materially affected by numerous factors beyond the PROGRAM MANAGER's control, such as economic, political and regulatory developments and competition from other oil and gas providers, as well as providers of other sources of energy. The energy markets have historically been very volatile. A substantial or extended decline in oil and gas prices could have a material adverse effect on the PROGRAM MANAGER's financial position, results of operations, quantities of oil and gas reserves that may be economically produced and access to capital. Similarly, an unanticipated or significant rise in development expenses incurred by the PROGRAM MANAGER could also have a material adverse effect upon the business or financial condition of the PROGRAM MANAGER. In addition, the marketability of the PROGRAM MANAGER's production depends upon a number of factors beyond the PROGRAM MANAGER's control, including the availability and capacity of economically feasible transportation and processing facilities.

## 2. VOLATILITY OF PRODUCTION

The PROGRAM MANAGER may experience significant volatility in its levels of production at various times throughout any given year, due in large part to factors beyond the PROGRAM MANAGER's control, including, without limitation, such factors as weather, geological conditions and the type of property on which the PROGRAM MANAGER's enhanced recovery activities are being performed. Other factors which could significantly impact the levels of production experienced by the PROGRAM MANAGER in the future, in addition to those already discussed, may include, without limitation, the availability of labor, transportation and materials, the supply and demand for oil, market and economic conditions generally, strikes, wars, riots, natural disasters and other "Acts of God." In preparing this Memorandum, the PROGRAM MANAGER has made certain assumptions about anticipated production based upon the average annual production from all producing properties of the PROGRAM MANAGER during a given year, without giving effect to fluctuations in production occurring within such year.

*cont.*

If any of the foregoing conditions were to occur and prevent the PROGRAM MANAGER from producing oil and gas in the future as contemplated herein, it could cause the PROGRAM MANAGER to not meet its anticipated levels of production upon which the assumptions described above are based, and would ultimately result in a material adverse effect upon the PROGRAM MANAGER, its operations and financial condition. However, it is the history of this region and wells within this area to produce quantities of oil for extended amounts of time.

### **3. NEED FOR RESERVE REPLACEMENT**

As is generally the case with oil and natural gas reserves, results from drilling operations of the PROGRAM MANAGER may in some cases be characterized by a high initial production rate, followed by a steep decline in production. While production declines vary from property to property, and vary for any one property from time to time, the recent production experience of driller/operators in the area where the program manager owns drilling rights leads us this understanding PROGRAM MANAGER to believe that wells drilled in that area have a potential reserve life (the number of years an oil or gas property will be economically producing) of between ten (10) and twenty (20) years, depending upon reservoir characteristics but such life span is not guaranteed.

Of course, there can be no assurance of how long the reserve life for any given producing property will be, and the actual reserve lives of the wells developed by the PROGRAM MANAGER may be significantly shorter or longer than the reserve lives experienced by other operators in the area. As a result, the PROGRAM MANAGER will consistently have to locate and develop new sources of drilling to replace those being depleted by production or terminate as set forth in the PROGRAM MANAGER agreement.

### **4. DRILLING RISKS**

Drilling involves numerous risks, including without limitation the risks of drilling a dry well, that no commercially productive natural gas or oil reservoirs will be encountered, or that the economic value of any such reservoirs if encountered will produce revenues in excess of the costs of drilling. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, weather conditions and shortages or delays in the delivery of equipment, any of which could have a material adverse effect on the cost to the PROGRAM MANAGER of its drilling activities or its ability to complete the Project any portion thereof. The PROGRAM MANAGER's use of seismic and other advanced technology may in certain cases require greater pre-drilling expenditures than traditional drilling strategies. There can be no assurance as to the success of the Project, or of the PROGRAM MANAGER's future drilling activities.

The PROGRAM MANAGER has attempted to off-set some of the increased costs and expenses with the drilling by entering into an agreement with a driller thus passing such risk on to the Driller and a copy of that Drilling Agreement is available for inspection by a request made to the PROGRAM MANAGER.

## 5. GEOGRAPHIC CONCENTRATION OF OPERATIONS

Virtually all of the PROGRAM MANAGER's operations will be located in and around Christian County, Kentucky and because of this concentration, any regional events that may increase costs, reduce availability of equipment, supplies or manpower, reduce demand, or limit production will impact the PROGRAM MANAGER more adversely than if the PROGRAM MANAGER were geographically diversified. Notwithstanding the foregoing, the PROGRAM MANAGER reserves the right to conduct its operations in any state or country if, in its sole discretion, Management believes that such activities would be in the best interests of the PROGRAM MANAGER and its shareholders.

**EVERY INVESTOR SHOULD REVIEW THE GEOLOGY REPORT WHICH are A PART OF THIS MEMORANDUM AND RELY ON THAT REPORT FOR THE PRODUCTION THE AREA IN WHICH THE WELLS MLL BE DRILLED AND SIMILAR MATTERS, NO GUARANTEE are MADE THAT ANY OF THE WELLS SUBJECT TO THIS MEMORANDUM are PRODUCE OIL AND IF PRODUCING OIL WILL PRODUCE IN THE QUANTITIES AS SET FORTH ABOVE.**

## 6. OPERATING HAZARDS

The PROGRAM MANAGER's operations are subject to the usual hazard's incidental to the development and operation of oil and gas wells, such as explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. All of such hazards can potentially cause personal injury and loss of life, damage to and destruction of property and equipment, environmental damage and suspension of operations. While it may be possible to obtain insurance against all such risks, the costs of such insurance may be prohibitive, making comprehensive insurance not economically feasible for the PROGRAM MANAGER. Therefore, in accordance with industry practice, the PROGRAM MANAGER intends to maintain insurance against some, but not necessarily all, of the risks described above.

## 7. COMPLIANCE WITH GOVERNMENTAL REGULATIONS

Oil and natural gas operations are subject to extensive state and federal governmental regulation, which may be changed from time to time in response to economic, environmental, or political conditions. The PROGRAM MANAGER believes that the trend towards more expansive and stricter environmental laws and regulations will continue. The implementation of new, or the modification of existing, environmental, and other related laws or regulation, could have a material adverse impact on the PROGRAM MANAGER.

## 8. ABANDONMENT AND COST

Due to the PROGRAM MANAGER's anticipated increased inventory of producing wells in its operating portfolio, certain government regulations and lease requirements require the PROGRAM MANAGER to forecast projected abandonment costs. Estimated abandonment costs have been included in calculating the PROGRAM MANAGER's estimated net revenues from proved reserves. The PROGRAM MANAGER accounts for such costs through a provision for depreciation, depletion and amortization that is consistent with industry standards.

## **9. COMPETITION**

The oil and gas industry are highly competitive. The PROGRAM MANAGER competes in the areas of oil and natural gas development, 130 acres acquisition and leasing, production, marketing, and the use of advanced technologies with major oil companies, other independent oil and gas concerns and individual producers and operators. There is no assurance that the PROGRAM MANAGER will be able to develop and/or maintain profitable market presence in this field.

## **10. OPERATING HISTORY OF THE PROGRAM MANAGER**

The PROGRAM MANAGER has been in the oil and gas business since 2006, but Mr. Thomasson himself has long been involved in the various stages of the oil and gas business. Although there is no assurance that the PROGRAM MANAGER will be able to effectively operate under the PROGRAM MANAGER or that it will be able to conduct the Drilling Program with success, its continuing success in the past is a good indication of the continued success of the project. The Program Manager will also rely upon experts in the field for the operations and these should provide additional expertise to management necessary to operate efficiently.

## **11. LACK OF LIQUIDITY AND LIMITED TRANSFERABILITY**

There is presently no public market for any of the PROGRAM MANAGER's securities, and there can be no guarantee that a public trading market for any of them will ever develop. Accordingly, no assurance can be given that purchasers of the securities offered hereby will ever be able to resell or transfer them or that, in the event of such resale, the resale price would approximate the purchase price thereof. Furthermore, securities acquired through this Offering will be "restricted securities" under Federal and state securities laws. Prospective investors in the Offering are urged to consult with their own legal counsel and investment advisors prior to making an investment in the PROGRAM MANAGER.

## **12. POSSIBLE NEED FOR ADDITIONAL FINANCING**

It is possible that the PROGRAM MANAGER will require additional financing beyond the proceeds of this Offering and the funds it generates from internal operations. In such event, the PROGRAM MANAGER may elect to borrow or raise additional capital through future offerings of securities or other means in order to continue its operations. There can be no assurance that the PROGRAM MANAGER will be able to obtain adequate financing or raise additional capital if necessary to cover its development program and other operations, or that even if such additional capital is raised, that the terms of the financing will be advantageous to the PROGRAM MANAGER. In the event that the PROGRAM MANAGER is required to raise additional equity capital in the future, the interests of investors acquiring additional undivided interests in the subject properties of this Offering may be diluted significantly.

### **13. ARBITRARY OFFERING PRICE**

The Purchase Price of the Units being offered hereby has been arbitrarily determined by the PROGRAM MANAGER and is based entirely upon the capital requirements of the PROGRAM MANAGER to continue its business plan as described herein, and such Purchase Price bears no relationship to the value of the PROGRAM MANAGER or its assets as of the date of investment by any investor in this Offering, nor the estimated future earnings thereof. No assurance is or can be given that any Unit, if and when it becomes transferable, could be resold at the Purchase Price, or if at all.

### **14. RETURN ON INVESTMENT**

There can be no assurance that any investor will realize any particular return on his or her investment nor that any such investor will not lose the entire amount, or any portion, of his or her investment in the PROGRAM MANAGER. Thus, each prospective investor should read this Memorandum, all Exhibits and all Appendixes contained herein carefully, and should consult with his or her own attorney, accountant, or business advisor prior to making any investment decision. There will be assigned to the PROGRAM MANAGER 100% working interest subject to any overriding royalties which includes the Landowner's royalty and any royalty assigned to the Program Manager.

### **15. RESTRICTIONS ON TRANSFER**

In the event that an Investor desires to make any sale or transfer of its interest, the PROGRAM MANAGER has the right of first refusal and may purchase all or any portion of the interest to be sold at the purchase price negotiated between the PROGRAM MANAGER and the Investor. If, however, such cannot be determined within 30 days of the notice, the interest may be sold by the investor to a third party only if an opinion of counsel is obtained that such transfer will not violate the provisions of the any state or federal securities acts. This significantly hampers the ability of Investors to transfer their interest in the PROGRAM MANAGER.



## **16. DEPENDENCE UPON THE PROGRAM MANAGER**

The Direct Participant will acquire interests in the PROGRAM MANAGER, not in ENDEAVOR RESOURCES, LLC, INC. (Program Manager). They will not participate in either increases or decreases in ENDEAVOR RESOURCES, LLC, INC. net worth or value of its common stock. Nevertheless, because it is the PROGRAM MANAGER of the PROGRAM MANAGER, the PROGRAM MANAGER is primarily responsible for the proper conduct of the PROGRAM MANAGER's business and affairs and is obligated to provide certain funds that will be required in connection with its operations, and a significant financial reversal for ENDEAVOR RESOURCES, LLC, INC. could have an adverse effect on the PROGRAM MANAGER and the Investors interests therein.

Under the PROGRAM MANAGER Agreement Endeavor Resources, LLC. is designated as PROGRAM MANAGER of the Slinker FG1 Project and is given the exclusive authority to manage and operate the PROGRAM MANAGER's business. Accordingly, Investing Direct Participate must rely solely on the PROGRAM MANAGER to make all decisions on behalf of the Direct Participate.

### **The Investing INVESTOR will have No Role in the management of the business of the PROGRAM MANAGER.**

The PROGRAM MANAGER's success will depend, in part, upon the management provided by the PROGRAM MANAGER, the ability of the PROGRAM MANAGER to select and acquire oil and gas properties on which PROGRAM MANAGER wells capable of producing oil and natural gas in commercial quantities may be drilled, to fund the acquisition of revenue producing properties, and to market oil and natural gas produced from PROGRAM MANAGER wells.

## **17. INDEMNIFICATION OF DIRECT PARTICIPATE**

To the extent that the PROGRAM MANAGER may be responsible for discretionary or mandatory indemnification, it must decide whether to carry appropriate insurance to cover such indemnification. While such insurance may be available to the PROGRAM MANAGER, it may not be available at terms that are economically feasible, and therefore, the PROGRAM MANAGER may elect not to purchase such insurance in the near future, or at all.

## **18. DELAY OF CASH DISTRIBUTIONS**

For income tax purposes, an Investing Direct Participate must report his or her distributive (allocated) Share of income, gains, losses and deductions of the PROGRAM MANAGER whether or not cash distributions are made. Cash distributions are expected to be made as soon as possible after the closing of this offering at the earliest (if at all), notwithstanding that allocations to parties may occur much earlier than that. In addition, to the extent that the PROGRAM MANAGER uses its revenue to repay borrowings or finance its activities, the funds available for cash distributions by the PROGRAM MANAGER will be reduced or may be unavailable. It is possible that the amount of tax payable by an Investor on his or her distributive share of the income of an Investing PROGRAM MANAGER will exceed his or her cash distributions from the PROGRAM MANAGER the date any distributions commence, and their subsequent timing or amount cannot be accurately predicted. The decision as to whether or not the PROGRAM MANAGER will make cash distribution at any particular time will be made solely by the PROGRAM MANAGER.

# DESCRIPTION OF THE INDUSTRY



The oil and gas industry entails all aspects of the exploration, testing, drilling, and completion of wells which can produce, among other things, oil, condensate and/or natural gas, as well as the transportation, marketing, sale, delivery and distribution of such products to wholesale and retail consumers thereof. The industry is comprised of many companies which are engaged in various business activities within the industry, including without limitation, the provision of goods and services related to each aspect of the exploration, refining and marketing processes. Because of the huge diversity of companies participating in the industry, and the activities they engage in, it is not practical to review and describe every aspect of the industry in this Memorandum. There are, however, certain matters which are the concern of virtually every company engaged in the drilling, recovery and sale of oil and gas products, and such matters are described briefly in this Section of the Memorandum.

**THIS SECTION OF THE MEMORANDUM IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF EVERY ASPECT OF THE OIL AND GAS INDUSTRY BUT IS MERELY INTENDED TO DESCRIBE SOME OF THE MATERIAL ITEMS OF CONCERN TO BUSINESSES LIKE THE PROGRAM MANAGER, WHICH ARE ENGAGED IN THE EXPLOITATION AND ENHANCED RECOVERY OF HYDROCARBONS.**

## REGULATION

The availability of a ready market for oil and gas production depends upon numerous factors beyond the PROGRAM MANAGER's control. These factors include regulation of natural gas and oil production, federal and state regulations governing environmental quality and pollution control, state limits on allowable rates of production by well or prorated unit, the amount of natural gas and oil available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. For example, a productive natural gas well may be "shut-in" because of an oversupply of natural gas or lack of an available natural gas pipeline in the areas in which the PROGRAM MANAGER may conduct operations. State and federal regulations generally are intended to prevent waste of natural gas and oil, protect rights to produce natural gas and oil between owners in a common reservoir, control the amount of natural gas and oil produced by assigning allowable rates of production, and control contamination of the environment. Pipelines are subject to the jurisdiction of various federal, state and local agencies. The following discussion summarizes the regulation of the United States oil and gas industry and is not intended to constitute a complete discussion of the various statutes, rules, regulations and governmental orders to which the PROGRAM MANAGER's operations may be subject.

## STATE AND LOCAL REGULATION OF DRILLING AND PRODUCTION

It is intended that the PROGRAM MANAGER's oil and gas operations will be conducted onshore, primarily in Western Kentucky and more sufficiently described in the Geology Report made a part of this memorandum. Although PROGRAM MANAGER reserves the right to conduct operations in such other state or states as it, in its sole discretion, may deem to be in the best interests of the PROGRAM MANAGER and its shareholders. Several states and local jurisdictions regulate drilling and operating activities by requiring, among other things, drilling permits, bonds and reports concerning operations. The laws of these jurisdictions also govern a number of environmental and conservation matters, which may include the unitization and pooling of oil and gas properties and establishment of maximum rates of production from oil and gas wells. Some states prorate production to the market demand for oil and gas.

## OIL PRICE CONTROLS AND TRANSPORTATION RATES

Sales of crude oil, condensate and gas liquids by the PROGRAM MANAGER are not currently regulated and are made at market prices. The Federal Energy Regulatory Commission ("FERC") has issued an order establishing an indexing system for transportation rates for oil that could increase the cost of transporting oil to the purchaser. Because this order is still subject to administrative and judicial review, the PROGRAM MANAGER is not yet able to predict how much impact this order will ultimately have on it.

## ENVIRONMENTAL REGULATIONS

The PROGRAM MANAGER's operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Public interest in the protection of the environment has increased dramatically in recent years. The PROGRAM MANAGER believes that the trend of more expansive and stricter environmental legislation and regulations will continue. To the extent laws are enacted or other governmental action is taken that prohibits or restricts drilling or imposes environmental protection requirements that result in increased costs to the oil and gas industry in general and the drilling industry in particular, the business and prospects of the PROGRAM MANAGER could be adversely affected.

The Oil Pollution Act of 1990 (the "OPA") and regulations impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. A "responsible party" includes the owner or operator of any onshore facility that causes an unlawful discharge of oil into the waters of the United States or their shorelines. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages, unless the responsible party can show by a preponderance of the evidence that the unlawful discharge was caused solely by an act of God, an act of war or, under certain limited circumstances, an act or omission of some third party.

*cont.*

While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of federal safety, construction or operating regulation (the maximum liability which applies to responsible parties of onshore facilities, assuming such limit applies, is **Three Hundred Fifty Million Dollars (\$350,000,000)** per occurrence unless such amount is lessened by presidential decree). If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply. Few defenses exist to the liability imposed by the OPA. The OPA also imposes ongoing requirements on a responsible party, including proof of financial responsibility to cover at least some costs in a potential spill. Failure to comply with ongoing requirements or inadequate cooperation during a spill event may subject a responsible party to civil or criminal enforcement actions.

In addition, legislation has been proposed in Congress from time to time that would reclassify certain oil and gas exploration and production wastes as "hazardous wastes," which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. If such legislation were to be enacted, it could have a significant impact on the operating costs of the PROGRAM MANAGER, as well as the oil and gas industry in general. Initiatives to further regulate the disposal of oil and gas wastes are also pending in certain states, and these various initiatives could have a similar impact on the PROGRAM MANAGER.

## OPERATING HAZARDS AND INSURANCE

The oil and gas business involves a variety of operating risks, including the risk of fire, explosions, blow-outs, pipe failure, casing collapse, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures and discharges of toxic gases, the occurrence of any of which could result in substantial losses to the PROGRAM MANAGER due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Management does not intend that the PROGRAM MANAGER will engage in any oil and gas activities offshore, however, if Management ever decided, in its sole discretion, that it would be in the best interests of the PROGRAM MANAGER to engage in such activities, such activities would be subject to additional operating hazards.

In accordance with customary industry practice, the PROGRAM MANAGER intends to maintain insurance against some, but not all, of the risks described above. The PROGRAM MANAGER's insurance may not cover business interruption or protect against loss of revenues. There can be no assurance that any insurance obtained by the PROGRAM MANAGER will be adequate to cover any losses or liabilities. The PROGRAM MANAGER cannot predict the continued availability of insurance or the availability of insurance at premium levels that justify its purchase. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect the PROGRAM MANAGER's financial condition and operations.

## COMPETITION

The oil and gas industry are highly competitive in all of its phases. The PROGRAM MANAGER anticipates encountering competition from other oil and gas companies in all areas of its operations, including the acquisition of producing properties. The PROGRAM MANAGER's competitors include major integrated oil and natural gas companies and numerous independent oil and natural gas companies, individual and drilling and income programs. Many of the PROGRAM MANAGER's competitors are large, well-established companies with substantially larger operating staffs and greater capital resources than the PROGRAM MANAGER and which, in many instances, have been engaged in the energy business for a much longer time than the PROGRAM MANAGER. Such companies may be able to pay more for productive oil and natural gas properties and exploratory prospects. They may be able to define, evaluate, bid for and purchase a greater number of oil and gas properties and exploratory' prospects than the PROGRAM MANAGER's financial or human resources permit. The PROGRAM MANAGER's ability to acquire additional properties and to discover reserves in the future will be dependent upon its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

## PROGRAM MANAGER AGREEMENT TERMS

The PROGRAM MANAGER agreement to be executed by Danny Thomasson/Member and each Participant sets forth the powers and purposes of the PROGRAM MANAGER and also sets forth the respective rights of the Program Manager and the Participants. The following is some of the more important aspects of this Agreement and does not purport to be a complete statement of the various rights and obligations set forth therein. A complete copy of the PROGRAM MANAGER Agreement is an exhibit of this memorandum for review. Prospective Participants are urged to review, the agreement and consult with their counsel or investment advisors should they have any questions.

## CAPITAL CONTRIBUTIONS

Each participant will be obligated to contribute to the capital of the PROGRAM MANAGER the total amount of **\$12,500.00** for each Unit purchased by such Participant.

## COMPLETION FUNDS TO BE RAISED

The Francis Grace #1 Funds at the rate of **TWELVE THOUSAND and FIVE HUNDRED (\$12,500) DOLLARS** per unit as outlined in the Summary represents anticipated funding for the completion, testing, of ONE WELL and prepays anticipated costs of plugging and abandonment.

## REVENUES EXPENSES AND LOSSES

The revenue, expenses and losses of the Francis Grace #1, will be allocated based on the working interest held by the Investor ( UNITS HELD).

## FIDUCIARY RESPONSIBILITIES OF PROGRAM MANAGER

The PROGRAM MANAGER is accountable to the Program as a fiduciary and consequently must exercise good faith and integrity in handling Program affairs. Where the question has arisen, courts have held that a working interest owner may institute legal action on behalf of himself or all other similarly situated owners (a class action) to recover damages on a breach by the PROGRAM MANAGER of its fiduciary duties or on behalf of the Program to recover damages from third parties.

The PROGRAM MANAGER may not be liable to the Program or the Participants for errors in judgment or other acts or omissions not amounting to gross negligence or willful misconduct. Therefore, purchasers of Units may have a more limited right of action than they have absent the limitations in this Agreement.



## CONFLICTS OF INTEREST

The PROGRAM MANAGER may conduct gas or oil exploration activities for its own account or for the account of other ventures or projects on leases acquired prior to or subsequent to the date of this Memorandum. Consequently, the PROGRAM MANAGER could become involved in other gas or oil projects in areas which may be considered to be in competition with the Program.

Additionally, the PROGRAM MANAGER may be confronted with conflicts of interest in its management of the activities of the Program Wells in the following general areas:

- (1) The allocation of time between the activities of the Program and the activities of such other drilling projects or other business interests in which the PROGRAM MANAGER is or may become involved.
- (2) The drilling or completion of the Program Wells may "I prove-up" the Lease, resulting in a direct or indirect benefit to the PROGRAM MANAGER or its affiliate.
- (3) If a Program Well becomes a producer, the Well may be of value to the PROGRAM MANAGER as a "carried part" although the potential for recovery of costs and profits to the Participants may be questionable.

The PROGRAM MANAGER believes that the terms of the Contract are fair and reasonable in the industry under the circumstances and that it would be advantageous for the Operator to successfully perform under the Contract. However, the terms of the Contract were not competitively bid and therefore the amounts specified under the Contract may not be the lowest available.

The PROGRAM MANAGER is accountable to the working interest holders as a fiduciary and must act in accordance with its duties and obligations under general legal principles and with integrity and in good faith in the promotion of the interests in the Wells.

Counsel that represents the Program has and does represent the PROGRAM MANAGER and its affiliates in connection with the preparation of documents relating to this Offering, including this Memorandum and certain of the documents comprising the exhibits hereto. Accordingly, it is possible that counsel may not have prepared the documents in the most favorable manner to the Program or the Participants and may not have included legal protection for the Program or the Participants which might have been obtained if the Program had retained independent counsel. It is anticipated that such a dual representation will continue in the future. However, should a future dispute arise between the interest holders and the PROGRAM MANAGER or its affiliates, the interest holders may retain separate counsel for such matters. The above-described potential conflict shall not preclude or prevent counsel from representing PROGRAM MANAGER or its affiliates as a result of such dual representation in the event of such adversarial proceedings; provided proper disclosure to all appropriate parties has been made.

## PLUGGING AND ABANDONMENT

In the event it is determined, at the sole discretion of the PROGRAM MANAGER, that a well will not produce oil or gas or both in an amount sufficient to make it economically feasible, or in the event that a well appears to warrant a zone testing and/or completing which is unsuccessful, the Program Manager will plug and abandon the well. At some time, now or in the future, the well must be plugged and will require abandonment cost and final cleanup around the well site area, and there will be allocated from the drilling portion of the funding and, as the Program Manager deems it necessary, from the production revenues of the well, if any, to create and maintain a reserve, and increase this reserve from the production revenues of the well as Program Manager deems necessary, with the projected eventual use for costs of plugging and abandonment including any equipment located thereon. PROGRAM MANAGER anticipates that this reserve will be sufficient to cover all costs of there will not be any future plugging or abandonment assessment to the participant, although that possibility exists.

In the event of the plugging and abandonment of the well after it has produced, this Agreement makes provision for payment of all Participant debts/obligations, the adjustment of the Participant's capital accounts (including adjustments to reflect the value of the Participant's assets) and the payment to each Participant of a portion of the Participants assets having a value equal to its ownership and in accordance with the Operating Agreement which governs well operations of the well after it has been drilled. This agreement ends upon determination that the well drilled herein is to be plugged and abandoned or otherwise as allowed within this agreement.

Although under the terms of this agreement a certain well or wells may be identified by name and specific drill site location as those to be drilled under the terms and conditions of the agreement, the Participant hereby acknowledges and agrees that the Program Manager, may in its sole discretion, and without any notice to the Participant, have the full right to substitute any named or unnamed well location, or locations, for another location or locations, or another locality so long as the combination of the substituted location, or locations, are of a comparable depth, and/or cost, and/or risks, and/or reserves, regardless of the number of well(s) actually drilled when, in the opinion of Program Manager, the substituted location or locations appear (whether geology, engineering, or other such advice to Program Manager indicates that it/they could have better results) and or any such substitution(s) shall have no effect on any other terms and conditions of this agreement. If the substitution powers of the Program Manager are not deemed fair by the investor, in any way, then the investor should not invest.



## FUTURE DRILLING

Participants Rights extend only too well(s) drilled within the Program, and the original completed zone(s) therein. The identification of additional productive zones through the drilling program does not extend the right of ownership for the participant. If at any time the Program Manager should determine that future wells could be drilled within the leases designated for this program, the Participants would have no right to participate in any such future wells. The right to participate will be subject to time restrictions and interest availability. The Program Manager makes no guarantee that each Participant will be able to participate or participate with the same interest position.

## REPORTS TO INVESTORS

The PROGRAM MANAGER intends to provide to the Direct Participate Investors copies of annual reports of earnings and losses, if any, as well as general information concerning the business, operations and financial condition of the PROGRAM MANAGER. Participants will also be furnished annually with the information necessary for income tax purposes.

## SALES LITERATURE

The PROGRAM MANAGER has not authorized any sales literature or other collateral material to be used in connection with this Offering except for this Memorandum. Investors must base their decisions regarding an investment in the PROGRAM MANAGER solely upon the representations, warranties and other statements contained herein.

## FEDERAL INCOME TAX MATTERS OF PROGRAM MANAGER

IT IS IMPRACTICAL TO COMMENT ON ALL ASPECTS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY AFFECT THOSE INVESTING IN THE PROGRAM MANAGER. THE FOLLOWING IS A SUMMARY OF CERTAIN FEDERAL INCOME TAX MATTERS WHICH MAY BE OF PARTICULAR SIGNIFICANCE AND INTEREST TO INDIVIDUAL PARTICIPANTS. THE PROGRAM MANAGER HAS NOT SOUGHT, AND WILL NOT SEEK, A RULING FROM THE INTERNAL REVENUE SERVICE AS TO ANY TAX MATTER. AN OPINION OF TAX COUNSEL WILL NOT BE OBTAINED REGARDING CERTAIN TAX ASPECTS AND AS TO ANY MATTERS ASSOCIATED WITH THIS OFFERING.



## IMPORTANCE OF OBTAINING PROFESSIONAL ADVICE

THE FOREGOING ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO THE PROGRAM AND THE TRANSACTIONS DESCRIBED HEREIN ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS AND POSSIBLE CHANGES IN SUCH LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH PARTICIPANT. EACH PROSPECTIVE PARTICIPANT SHOULD CONSULT WITH AND RELY ON HIS OWN ADVISORS WITH RESPECT TO THE POSSIBLE TAX CONSEQUENCES (FEDERAL AS WELL AS STATE AND LOCAL) OF AN INVESTMENT IN THE PROGRAM.

## LITIGATION

There is no pending or threatened litigation against PROGRAM MANAGER's net worth or its ability to function as the PROGRAM MANAGER or its ability to absorb any potential losses in the drilling and development of the Program Wells. The following order relates to the only matter outstanding concerning the sale of securities.

(2005) An order was issued by the Kentucky Division of Securities against Danny J. Thomasson for sale of certificates of deposits, but the order did not involve any oil and gas matters, nor did it involve any allegation related to fraud or misrepresentations. Mr. Thomasson had good and valid defenses to the allegations but decided not to pursue these defenses.



# **DESCRIPTION OF THE PROGRAM MANAGER AGREEMENT**

THE FOLLOWING IS NOT INTENDED AS A COMPLETE DESCRIPTION OF ALL OF THE TERMS AND CONDITIONS CONTAINED IN THE PROGRAM MANAGER AGREEMENT. FOR A COPY OF THE COMPLETE AGREEMENT IN THE FORM EXECUTED BY THE PROGRAM MANAGER, REFER TO THE SUPPORTING DOCUMENT PACKAGE ATTACHED TO THIS MEMORANDUM.

## **ACCOUNTANT, LEGAL COUNSEL AND OTHER PROFESSIONALS**

The PROGRAM MANAGER will select the PROGRAM MANAGER's accountant, legal counsel and other professionals who may be necessary or desirable to engage to assist the PROGRAM MANAGER in its business and operation as described herein.

## **ACCOUNTING**

The accounting period of the PROGRAM MANAGER will be the calendar year, and the PROGRAM MANAGER will use the cash method of accounting.

## **AMENDMENTS**

The PROGRAM Agreement may be amended by the PROGRAM acting alone without the consent of the Investors in certain limited circumstances set forth in the PROGRAM MANAGER Agreement, notably upon the admission of any new Investor or the transferee of any Investor, or if the PROGRAM MANAGER deems such amendment either necessary in order to comply with any applicable law, or any judgment, rule, regulation or order of any court, arbitrator or governmental authority or agency or to be in the best interests of the Investors. No amendment may be made to the provisions of the Agreement concerning capital contributions, rights and obligations of the Direct Participate, allocation of expenditures, income, profit and loss, or to the provision which governs the making of amendments, without the concurrence therein of The Direct Participate who collectively hold 60% of the outstanding ownership interest in the PROGRAM MANAGER. The Direct Participate Investors who collectively hold 60% of the outstanding interest in the PROGRAM MANAGER may remove the PROGRAM MANAGER for cause. In all other cases, amendment may be made if the PROGRAM MANAGER and the Investors holding a majority of the interest in the PROGRAM MANAGER concur therein, except that no amendment may be made to the provisions concerning limitations on transfer of PROGRAM MANAGER Interests without the concurrence of the PROGRAM MANAGER and The Direct Participate Investors who collectively hold 60% of the outstanding interests in the Francis Grace #1 well.

## CERTAIN PERMISSIBLE ACTIVITIES

The PROGRAM MANAGER Agreement expressly permits the PROGRAM MANAGER to engage in other activities for profit, whether in the oil or gas business or otherwise.

## DISSOLUTION, LIQUIDATION AND TERMINATION

The PROGRAM MANAGER will terminate and be dissolved by the occurrence of any of the following events: **(i)** failure to sell the minimum number of Units prior to the termination date; **(ii)** the bankruptcy, insolvency or withdrawal of the Program Manager (unless participants determine to elect a successor Program Manager and to continue the business of the PROGRAM as a reconstituted PROGRAM MANAGER); **(iii)** the sale, condemnation, or taking by eminent domain of all or substantially all of the assets of the PROGRAM (Francis Grace #1).

**(iv)** upon the vote of a majority in interest of the Participants to dissolve the PROGRAM MANAGER; **(v)** December 31, 2027; **(vi)** PROGRAM MANAGER purpose has either been accomplished or purpose no longer exists.

Upon dissolution, the PROGRAM MANAGER will conduct no further business except as necessary for the winding up of its affairs and the distribution of its assets. The PROGRAM MANAGER shall function as liquidator for the PROGRAM MANAGER or shall appoint a liquidator. Upon the failure of the PROGRAM MANAGER to so act, a liquidator may be appointed by the Investors holding a majority of the Units at such time.

The liquidator shall determine which of the PROGRAM MANAGER's properties are to be sold and which are to be distributed in kind. Such assets shall be distributed in the following order of priority:

**First:** To the payment of all of the PROGRAM MANAGER's debts and liabilities (other than to the participants and the Program Manager) and to the necessary expenses of liquidation.

**Second:** To the payment and discharge of all of the PROGRAM MANAGER's debts and liabilities to the Participants (other than on account of their contribution) and the Program Manager.

**Third:** To the Participants and the Program Manager, in accordance with their respective capital accounts and date of distribution.

The PROGRAM MANAGER Agreement provides that, notwithstanding the occurrence of an event which will cause the dissolution of the PROGRAM MANAGER, the Investors may reform the PROGRAM MANAGER upon those terms to which they all shall agree, and, in such an event, the PROGRAM MANAGER may continue its business as if such dissolution had not occurred.

## GOVERNING LAW AND VENUE

Except as may be otherwise required by law in any other jurisdiction, the provisions of the PROGRAM MANAGER Agreement will be governed by, and will be construed in accordance with, the laws of the Commonwealth of Kentucky.

## INDEMNIFICATION AND EXONERATION

The PROGRAM MANAGER shall not be liable to the PROGRAM MANAGER or the Investing The Direct Participates for any failure to comply with its obligations, other than its expressed contracted obligations under the Agreement, except for breach of any fiduciary obligation owed the Investors, gross negligence or willful misconduct on its part, or a material breach of the PROGRAM MANAGER Agreement.

The PROGRAM MANAGER will be indemnified for liabilities and expenses arising from any threatened, pending or completed action or suit in which it is a party or threatened to be made a party by reason of the fact that it is or was the PROGRAM MANAGER (other than an action by or in the right of the PROGRAM MANAGER or the Investors). The PROGRAM MANAGER will indemnify the PROGRAM MANAGER against expenses, including attorneys' fees, judgments and amounts paid in settlement of an action, suit or proceeding. However, this indemnity will only apply if the PROGRAM MANAGER acted in good faith and in a manner it reasonably believed to be in or not opposed to the best interests of the PROGRAM MANAGER and provided that its conduct did not constitute gross negligence, willful or wanton misconduct, or material breach of the PROGRAM MANAGER Agreement or a breach of fiduciary obligation in the performance of its duties to the PROGRAM MANAGER and the Investors. The termination of any actions, suit or proceeding by judgment, order or settlement shall not of itself create a presumption that the PROGRAM MANAGER did not act in good faith and not in a manner its reasonability believed to be in or not opposed to the best interests of the PROGRAM MANAGER.

In any threatened, pending or completed action or suit by or in the right of the PROGRAM MANAGER, to which the PROGRAM MANAGER was or is a party or is threatened to be made a party, involving an alleged cause of action by one or more Investors for damages arising from the activities of the PROGRAM MANAGER in the performance of management of the internal affairs of the PROGRAM MANAGER as prescribed by the PROGRAM MANAGER Agreement or by the law of the state of organization, or both, the PROGRAM MANAGER may indemnify the PROGRAM MANAGER against expenses, including attorneys' fees, actually and reasonably incurred by the PROGRAM MANAGER in connection with the defense or settlement of such action or suit if it acted in good faith and in a manner it reasonably believed to be in or not opposed to the best interests of the PROGRAM MANAGER and the Investors, except that no indemnification shall be made in respect of any claim, issue or matter as to which the PROGRAM MANAGER shall have been adjudged in a final, non-appealable decision by a court of competent jurisdiction to be liable for gross negligence, willful misconduct, or material breach of the PROGRAM MANAGER Agreement or breach of fiduciary obligation in the performance of its duty to the PROGRAM MANAGER, unless and only to the extent that the court in which such action or suit was

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brought shall determine upon application, that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

To the extent that the PROGRAM MANAGER has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein, the PROGRAM MANAGER shall indemnify the PROGRAM MANAGER against the expenses, including attorneys' fees, actually and reasonably incurred by it in connection therewith, any indemnification described above, unless ordered by a court, shall be made by the PROGRAM MANAGER only as authorized in the specific case and only upon a determination by independent legal counsel in a written opinion that indemnification of the PROGRAM MANAGER is proper in the circumstances because he or she has met the above applicable standard of conduct.

In any event, the indemnification of the PROGRAM MANAGER shall be limited to and recoverable only out of the assets of the PROGRAM MANAGER. The foregoing notwithstanding, the PROGRAM MANAGER's indemnification of the PROGRAM MANAGER shall be limited to the amount of such loss,

liability or damage which is not otherwise compensated for by insurance carried for the benefit of the PROGRAM MANAGER.

In addition, indemnification of the PROGRAM MANAGER shall not extend to claims asserted by any PROGRAM MANAGER, the SEC, or any state securities agency or commissioner to the effect that the PROGRAM MANAGER violated federal or state securities laws in offering the Units, unless such PROGRAM MANAGER or governmental agency fails to prevail on the merits.

## MANAGEMENT

The management of the business and affairs of the PROGRAM MANAGER will be the responsibility of the PROGRAM MANAGER, who is to have full and exclusive authority and responsibility to manage and control the affairs and business of the PROGRAM MANAGER, except as otherwise expressly provided in the PROGRAM MANAGER Agreement. The PROGRAM MANAGER will be required to devote only such time to the affairs and business of the PROGRAM MANAGER as it shall deem necessary to fulfill its obligations and perform its duties. The PROGRAM MANAGER shall have the right to appoint such employees or independent contractors to assist the PROGRAM MANAGER in the performance of its duties as it shall deem, in its sole and exclusive discretion, to be in the best interests of the PROGRAM MANAGER including, without limitation, the designation of ENDEAVOR RESOURCES, LLC, INC. to serve as the PROGRAM MANAGER's contract operator pursuant to the Operator Agreement, under terms which are not materially less favorable to the PROGRAM MANAGER than could be negotiated if such designation were negotiated at arm's length.

The PROGRAM MANAGER will be prohibited from taking certain specific actions described in the PROGRAM MANAGER Agreement without the consent of a majority in interest of the Investors, which

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proscribed actions include using the capital contributions of the Investors for any purpose other than in the conduct of its business as contemplated herein. Also, a majority in interest of the Investors must consent to a sale, exchange or other disposition of all or substantially all PROGRAM MANAGER assets. The PROGRAM MANAGER, however, will be permitted to take actions that are not specifically authorized by the PROGRAM MANAGER Agreement, provided that such actions are not specifically prohibited thereby.

The PROGRAM MANAGER agrees to act at all times in good faith and in such manner as may be required to promote the best interests of the PROGRAM MANAGER and the Investors.

The PROGRAM MANAGER is authorized to establish and maintain such reserves for future expenses as it shall determine to be appropriate in its sole discretion. Cash reserves may be funded with unexpended capital contributions or production revenues.

## LEGAL MATTERS

Legal matters for the PROGRAM MANAGER shall be directed to Endeavor Resources, LLC at 8525 State Rt 70 West, Bremen, Kentucky 42325.

## LIMITATION ON AUTHORITY OF THE INVESTOR

The Investor shall have no role in or authority with respect to the management of the PROGRAM MANAGER. Any INVESTOR attempting to or succeeding in taking any action without proper authority or in contravention of the PROGRAM MANAGER Agreement, will be subject to legal action by the PROGRAM MANAGER and/or the PROGRAM MANAGER to the fullest extent permitted under applicable law.

## LIABILITY OF INVESTOR

Under the OPEARTOR AGREEMENT the investor has limited liabilities. See the attached Operator Agreement.

## MEETINGS

Meetings of the Investors may be called by the PROGRAM MANAGER at any time and from time to time during the term of the PROGRAM MANAGER Agreement, upon the giving of notice as required thereby. Investors owning two-thirds or more of the aggregate number of Units outstanding at any given time may convene a PROGRAM MANAGER meeting to amend the PROGRAM MANAGER Agreement. Meetings shall be held at the offices of the PROGRAM MANAGER, or as otherwise designated by the PROGRAM MANAGER in any notice of meeting.

## PROGRAM MANAGER ASSETS

Initially, the assets of the PROGRAM MANAGER shall consist of (1) all cash contributed to the PROGRAM MANAGER by the Investors in this Offering (net of all amounts which are to be paid upon the receipt thereof, including all Commissions, Fees and the fees payable to the PROGRAM MANAGER under the Operator Agreement, as described above), and (2) the drilling rights contributed to the PROGRAM MANAGER by the PROGRAM MANAGER in consideration for its general PROGRAM MANAGER interest. The PROGRAM MANAGER reserves the right to replace such assets for other assets that are equal or greater in value to those replaced.

## POWER OF ATTORNEY

By the terms of the Subscription Agreement and the PROGRAM MANAGER Agreement, each Investor irrevocably constitutes and appoints the PROGRAM MANAGER, with full power of substitution, as his or her attorney-in-fact to execute, acknowledge, amend, file and record as appropriate in the name of such Investor: (i) all certificates of fictitious name, certificates of PROGRAM MANAGER and applications for authority to do business, if any, required for the conduct of the PROGRAM MANAGER's business; or (ii) any other instruments required in connection with the conduct of the business of the PROGRAM MANAGER. Such power of attorney will be deemed to be a power coupled with an interest and will survive the death or disability of the maker, to the extent he or she is able to so contract.

## REMOVAL OR RESIGNATION OF THE PROGRAM MANAGER

The PROGRAM MANAGER may be removed for cause (gross negligence or willful misconduct) by Investor holding, in the aggregate, sixty (60 %) per cent of the total ownership interest in the PROGRAM MANAGER in accordance with the procedures and conditions, including the naming of the PROGRAM MANAGER, set out in the PROGRAM MANAGER Agreement. If involuntarily removed, the PROGRAM MANAGER is entitled to be paid the appraised value of its ownership interest in the PROGRAM MANAGER, plus the amount of any accrued but unpaid Management Fee due the PROGRAM MANAGER as of the date of such removal. The PROGRAM MANAGER may resign in accordance with the procedures and conditions set out in the PROGRAM MANAGER Agreement.

## REPRESENTATIONS AND WARRANTIES OF INVESTOR

By the terms of the PROGRAM MANAGER Agreement, each Investor repeats for the benefit of the PROGRAM MANAGER and the other Investor all of the representations and warranties made by such Investing Direct Participate in his or her Subscription Agreement, including representations and warranties that such Investor has reviewed this Memorandum, agrees to be bound by the terms of the Offering set forth herein, is experienced in investment and business matters, understands the risk involved in investing in the PROGRAM MANAGER, has sought all necessary legal and other advice, and can comply with certain net worth and other suitability requirements.

## **TIMING OF DEDUCTIONS**

The PROGRAM MANAGER will elect to currently deduct IDCs each year as they are incurred. This may create an item which can be included as a tax preference in the annual calculation of Alternative Minimum Taxable Income (AMTI). AMTI is computed at the individual level, not at the PROGRAM MANAGER level. Although the PROGRAM MANAGER will elect to write off IDC's, individual investors who have positive AMTI may additionally elect to reduce AMTI by capitalizing and amortizing IDC's over five years under Section 59(e) of the Internal Revenue Code.

## **TRANSFER OF INTERESTS**

Transferability of the interests in the (PROGRAM) is limited. Subject to any restrictions imposed by the PROGRAM MANAGER and to the extent permitted by applicable securities law, the PROGRAM MANAGER, with the prior written consent of the PROGRAM MANAGER, will recognize the assignment of an interest in the PROGRAM MANAGER to a person approved by the PROGRAM MANAGER who represents that he or she is purchasing such interest in investment and not for resale. The Program Manager may withhold consent for the transfer or disposition of interests in the PROGRAM MANAGER, for any reason. Such assignment must be promptly executed by the assignor and assignee on a form satisfactory to the PROGRAM MANAGER, accompanied by an opinion of counsel satisfactory in form and substance to legal counsel to the PROGRAM MANAGER, that such assignment does not violate any state or federal securities laws or any other applicable law. Upon the death, incompetence, legal incapacity, bankruptcy, or insolvency of a Participant, his or her legally authorized personal representative shall have all of the rights of the Participant for the purpose of settling or managing his or her estate, and such personal representative may, with the consent of the Program Manager, become a substitute participant. All costs of assignment will be borne by the assignor. The assignee of such interests has certain rights of ownership; but may become a substituted participant only upon meeting certain conditions, including the execution of an agreement to be bound by the PROGRAM MANAGER Agreement and a power of attorney authorizing the PROGRAM MANAGER to act on his or her behalf in connection with affairs of the PROGRAM MANAGER.

## **WITHDRAWAL OF CAPITAL**

No Investor shall be entitled to withdraw any portion of his or her capital contribution to the PROGRAM MANAGER 'except' that each Participant will have five (5) days after the signing of their subscription to the PROGRAM MANAGER to exercise a right of full rescission which would entitle them to a refund of funds submitted, other than that this five day period there are "no other" rights of withdrawal from the PROGRAM MANAGER.

# DESCRIPTION OF DRILLING OPERATING AND MANAGEMENT AGREEMENT

## MANAGEMENT OF THE PROGRAM MANAGER

The PROGRAM MANAGER will be managed by ENDEAVOR RESOURCES, LLC, INC., the PROGRAM MANAGER of the PROGRAM MANAGER and is a Limited Liability Company. The PROGRAM MANAGER intends to continue to be involved, as a PROGRAM MANAGER or otherwise, in the financing, acquisition, development, drilling, marketing, sale and/or distribution of oil and natural gas through entities other than the PROGRAM MANAGER, in addition to serving as the PROGRAM MANAGER, and each of the officers, directors and shareholders of the PROGRAM MANAGER shall be entitled to pursue such other oil and gas activities independently of the PROGRAM MANAGER or the PROGRAM MANAGER, provided that such activities do not materially interfere with the performance of their respective duties to the PROGRAM MANAGER or the PROGRAM MANAGER.

The PROGRAM MANAGER will manage the day-to-day business and affairs of the PROGRAM and shall be responsible for all aspects of the drilling, testing, completion and production of oil and gas wells, and the marketing, selling and distribution of oil and natural gas on behalf of, and in the name of, the PROGRAM MANAGER.

The PROGRAM MANAGER is engaged in the acquisition, development and exploitation of real properties containing existing oil and gas wells, where the PROGRAM MANAGER can create additional production capacity by enhancing the recovery of hydrocarbons from such wells using advanced technologies. It combines efficient management and operating techniques with its knowledge of advanced technology for the development and exploitation of oil and gas reserves to build its production capabilities on its properties, primarily within the Commonwealth of Kentucky. The PROGRAM MANAGER will benefit from the experience of the PROGRAM MANAGERS management to create reserve growth through oil and gas exploration and development activities.



## COMPENSATION OF THE PROGRAM MANAGER

The PROGRAM MANAGER shall be responsible for all aspects of the management and administration of the PROGRAM MANAGER, its drilling activities, operations, marketing and sales. It will hire and coordinate the operations of each professional organization it engages to perform the various aspects of drilling new wells on behalf of the PROGRAM. In that capacity, it shall serve as the operator for all new wells drilled on the Initial PROGRAM MANAGER Properties, as well as the day-to-day manager of all aspects of the PROGRAM MANAGER. As compensation for these services on behalf of the PROGRAM MANAGER, the PROGRAM MANAGER shall be entitled to receive fees not to exceed \$500.00 per well per month that is drilled to completion. This fee shall be in addition to all normal operation costs, which shall be deducted on a pro-rata share basis among all Investors. In addition, the Program Manager will be entitled to be reimbursed by the PROGRAM MANAGER for any direct or indirect expenses (including overhead) the Program Manager incurs, pays, or makes on behalf of the PROGRAM MANAGER.

## OPERATING PLAN FOR THE PROGRAM MANAGER

Because of the PROGRAM MANAGER's familiarity with the properties involved, as well as with the condition of oil and gas reserves and geological formations, the PROGRAM MANAGER is intended to focus upon the drilling of the wells referred to in this memorandum on leases as set forth in this memorandum or such other leases as chosen by the PROGRAM MANAGER, and the well sites contributed by the PROGRAM MANAGER in consideration for its percentage of general PROGRAM MANAGER interests in the PROGRAM MANAGER.

From time to time the PROGRAM MANAGER may look into development and exploitation opportunities outside of the Commonwealth of Kentucky. Currently, the PROGRAM MANAGER is not engaged in or contemplating any such projects, however, if the PROGRAM MANAGER were to decide it is in the best interests of the PROGRAM MANAGER and its shareholders to pursue such an opportunity in the future, then it is possible that the PROGRAM MANAGER may engage in such activities.

## MANAGEMENT OF PROGRAM MANAGER

The success of the Francis Grace #1 PROGRAM in achieving its operational and revenue objectives is highly dependent upon the management of the PROGRAM MANAGER, who shall be responsible for the day-to-day management and operation of the PROGRAM business and affairs. Since its inception, the business of the PROGRAM MANAGER has been conducted primarily by Danny Thomasson, its MEMBER, who has been active in the acquisition, financing, development and exploitation of the PROGRAM oil and gas projects. The PROGRAM MANAGER's personnel have significant training, experience and an in-depth knowledge of the lease area, as well as long-standing relationships with a number of independent energy companies operating in that region. In addition, the PROGRAM MANAGER relies upon a number of independent professional engineers, geologists and other consultants to assist it in its field development activities.

## EXECUTIVE MANAGER



**DANNY J. THOMASSON**

**Member**

**Mr. Thomasson** is a founder and Member of **Endeavor Resources, LLC, Inc.**, which was formed in 2022 for the specific purposes of recovery of hydrocarbon reserves through drilling programs with outside investors and is the Managing General Member of this offering. Danny spent his childhood learning the family oil and gas business and has since been involved in all phases of the industry. Danny is married and has three grown children. He served in the US Marine Corp and is a Vietnam Veteran; and attended Western Kentucky University after his military service.

Mr. Thomasson has spent the last 40 years involved in the Financial Services Business, including the insurance industry, and brings extensive business knowledge to the Program, having been Regional Sales Director for Insurance Companies covering most of the South, and having built two successful Property and Casualty Agencies. Currently he is co-owner of Action Insurance Agency, Inc. in Mount Juliet, TN, as well as co-owner of Action Insurance Agency of Kentucky, Inc. Since 2001, Danny and his brother Kenneth successfully operated K&D Energy for the exploration of oil and gas in the Western Kentucky fields, drilling and managing wells, and currently the company has numerous acres in the Western Kentucky fields under lease for development.



**DEREK CHANCE THOMASSON**

**Financial Advisor**

**United States Marine Corp:** 1996-2001

B.S. in Accounting, University of Kentucky, 2004

**Chance** joins Endeavor Resources, LLC, Inc., as a financial advisor. He currently is Senior Vice President-Chief Risk Officer for Bay First Bank in St. Petersburg, FL. Also been an Internal Auditor for one of the leading accounting firms in the country, Crowe Chizek and Company LLC (A Member of Horwath International). Chance's area of work is in the banking and insurance business, working throughout the Southern states from Kentucky, Tennessee, Georgia, North Carolina, Mississippi, Alabama and Texas.

## LIMITATIONS ON USE OF THIS OFFERING MEMORANDUM

This Private Placement Memorandum is intended to assist the PROGRAM MANAGER in making a private placement of the Units for and on behalf of the PROGRAM MANAGER. This Memorandum has not been reviewed for merit by the United States Securities and Exchange Commission nor by the securities division or corporation's commission of any state, nor has any such federal or state regulatory agency passed on the completeness, adequacy or accuracy of the Memorandum. The PROGRAM MANAGER is relying on certain state and federal laws, regulations, policies, and judicial precedents that exempt the PROGRAM MANAGER from the necessity of registering or qualifying the Units. Specifically, the PROGRAM MANAGER is relying upon Section 4(2) of the Securities Act of 1933, and Rule 505 of Regulation D, as well as on the applicable private offering exemptions contained in the Blue-Sky laws of the states in which the Units may be offered and sold when sold only to Accredited Investors.

NO BROKER, SALESPERSON NOR ANY OTHER PERSON ACTING IN ANY CAPACITY WHATSOEVER WITH RESPECT TO THIS OFFERING, INCLUDING WITHOUT LIMITATION THE PLACEMENT AGENT, HAS ANY AUTHORITY TO GIVE ANY INFORMATION OR TO MAKE ANY EXPRESSED OR IMPLIED REPRESENTATIONS OR WARRANTIES FOR OR ON BEHALF OF THE PROGRAM MANAGER OR THE PROGRAM MANAGER, OTHER THAN THOSE WHICH MAY BE CONTAINED IN THIS OFFERING MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION, REPRESENTATIONS OR WARRANTIES MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PROGRAM MANAGER, ITS MEMBERS, AGENTS, EMPLOYEES OR REPRESENTATIVES.

## FEDERAL INCOME TAX CONSIDERATIONS

### GENERAL

This summary discusses certain federal income tax issues relating to an investment in the PROGRAM that management believes may be material to prospective investors in the PROGRAM MANAGER. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended through the date hereof (the "Codd"), existing and proposed Treasury Regulations promulgated under the Code of 1986, judicial decisions and current administrative rulings and practice. It is possible that the tax treatment currently available with respect to oil and gas exploration and production will be modified or eliminated on a retroactive or prospective basis by legislative, judicial, or administrative action. There can be no assurance that all of the anticipated tax benefits of an investment in the PROGRAM MANAGER will be realized. The limited tax benefit associated with oil and gas exploration do not eliminate the inherent risks.

This summary is not, and is not intended to be, a comprehensive review of all aspects of federal, state, and local laws that may affect the tax consequences to investors in the PROGRAM MANAGER, particularly since many of the consequences will not be the same for all taxpayers.

Prospective investors are urged to consult their own tax advisors as to the income and other tax consequences to them of an investment in the PROGRAM MANAGER. This summary does not consider the tax consequences under U.S. or foreign law of an investment in the PROGRAM MANAGER by persons who are neither citizens nor residents of the United States. In addition, this summary does not consider the consequences of an investment in the PROGRAM MANAGER by tax-exempt entities as defined in Section 168(h)(2)(A) or in Section 511(a) or (b) of the Code.

The PROGRAM MANAGER is not intended to be a "tax shelter" as defined by the Code. An investment in the PROGRAM MANAGER is not anticipated to generate for any Investor aggregate tax losses in excess of such Investor's capital contribution and is not intended to generate tax losses in any year of the PROGRAM MANAGER. Accordingly, an Investor's evaluation of an investment in the PROGRAM MANAGER should be based on the expected economic return from the investment, and an investment in the PROGRAM MANAGER should not be made with the intention of obtaining tax advantages normally associated with "tax shelters".

It should be recognized that (a) there can be no assurance that the Internal Revenue Service ("IRS") or the courts will agree with the interpretations of present law set forth in this summary and (b) the present federal income tax laws and regulations and the positions of the IRS may change in the future in ways that would adversely affect an investor's tax position. All references throughout this section to the tax treatment of investors are intended to apply equally to all of the Investors, unless otherwise specified.

It is possible that the IRS will audit the information returns to be filed by the PROGRAM MANAGER. On audit, the IRS may challenge positions taken by the PROGRAM MANAGER. Such challenges, if successful, could result in increases or decreases in an Investor's distributive share of the PROGRAM MANAGER's income, gains, losses, deductions or credits. In addition, an audit of the PROGRAM MANAGER's return may result in an audit of an Investor's personal tax return, which may produce adjustments not related to his/her/its participation in the PROGRAM MANAGER.

## OPINION OF TAX COUNSEL

THERE WILL BE NO OPINION OF TAX COUNSEL REGARDING ANY TAX ISSUES POTENTIAL TAX BENEFITS OR OTHERWISE NOR SHOULD THE INVESTOR RELY UPON ANY ORAL STATEMENTS BY ANY OFFICER DIRECTOR OR EMPLOYEE OF THE PROGRAM MANAGER FOR ADVICE.



## GENERAL TAX EFFECTS OF THE DIRECT PARTICIPATION STRUCTURE

The PROGRAM MANAGER will be formed as a general PROGRAM MANAGER pursuant to the PROGRAM MANAGER Agreement and the laws of the Commonwealth of Kentucky. No tax ruling will be sought from the IRS as to the status of the PROGRAM MANAGER as a PROGRAM MANAGER for federal income tax purposes. The applicability of the federal income tax consequences described herein depends on the treatment of the PROGRAM MANAGER as a PROGRAM MANAGER for federal income tax purposes and not as a corporation and not as an association taxable as a corporation. Any tax benefits anticipated from an investment in the PROGRAM MANAGER would be adversely affected or eliminated if the PROGRAM MANAGER is treated as a Limited Liability Company for federal income tax purposes.

Under the Code, a PROGRAM MANAGER is not a taxable entity and, accordingly, incurs no federal income tax liability. Rather, a PROGRAM MANAGER is a "pass-through" entity that is required to file an information return on IRS Form 1065 with the Service and **will provide information to each Investor on Schedule 1<-1**. In general, the character of a Investor's share of each item of income, gain, loss, deduction, and credit is determined at the PROGRAM MANAGER level.

Each Investor is allocated a distributive share of such items in accordance with the PROGRAM MANAGER agreement and is required to take such items into account in determining the Investor's income. Each Investor includes such amounts in income for any taxable year of the PROGRAM MANAGER ending within or with the taxable year of the Investor, without regard to whether the Investor has received or will receive any cash distributions from the PROGRAM MANAGER.

If the PROGRAM MANAGER were classified as a corporation, association taxable as a corporation or publicly traded PROGRAM MANAGER, any income, gain, loss, deduction, or credit of the PROGRAM MANAGER would remain at the entity level, and not flow through to the Investors. The Investor income o would be subject to personal or Corporation tax rates at the entity level and distributions to the Investor will be classified as personal income.

Each Investor will be entitled to deduct on his or her income tax return his or her allocable share of his direct net losses, if any, to the extent of the tax basis of such holder's Direct ownership interest at the end of the PROGRAM year in which such losses occur, subject to the "at risk", tax basis limitations described below.



## ALLOCATION OF PROFITS AND LOSSES

The Program Manager will make assignments of the oil and gas interest to each of the INVESTOR, so that each INVESTOR receives his share of the oil proceeds directly from the Oil Purchaser. However, operational expenses will be billed to the Direct Participate Investors on a monthly basis for reimbursement of the Program Manager for its operational costs, including the monthly fee of \$500 per well for each producing well, and including any reimbursement entitled by the PROGRAM MANAGER for any direct or indirect expenses (including overhead) the Program Manager incurs, pays, or makes on behalf of the PROGRAM MANAGER.

## INTANGIBLE DRILLING AND DEVELOPMENT COSTS DEDUCTIONS

Congress granted to the Secretary of the Treasury the authority to prescribe regulations that would allow taxpayers the option of deducting, rather than capitalizing Intangible Drilling Costs, IDC. The Secretary's rules state that, in general, the option to deduct IDC applies only to expenditures for drilling and development items that do not have a salvage value. General administrative and managerial functions of the PROGRAM MANAGER performed by the PROGRAM MANAGER will not be included in IDC deductions. The PROGRAM MANAGER will deduct all IDCs currently as incurred and shall pass them on to the Investor pro rata in accordance with each such Investor percentage of ownership interest in the PROGRAM.

## CLASSIFICATION OF COST'S

In general, IDC consists of those costs that in and of themselves have no salvage value, Intangible drilling costs may range from 50% to 80% of an investor's contributions although no amount of IDC may be guaranteed in any PROGRAM MANAGER year, or at all. In addition, a PROGRAM MANAGER's classification of a cost as IDC is not binding on the government, which might reclassify an item labeled as IDC as a cost which must be capitalized. To the extent not deductible, such amounts will be included in the PROGRAM MANAGER's basis in a mineral property and in the Investing Investors' bases in their interests in the PROGRAM MANAGER.

## TIMING OF DEDUCTIONS

Although the PROGRAM MANAGER will elect to deduct IDCs currently in the PROGRAM MANAGER year they are incurred, each Investor has an option of deducting IDC, or capitalizing all or a part of the IDC and amortizing it on a straight-line basis over a sixty-month period, beginning with the taxable month in which the expenditure is made. In addition to the effect of this change on regular taxable income, the two methods have different treatment under the Alternative Minimum Tax ("AMT") (see "Alternative Minimum Tax").

*cont.*

Although the PROGRAM MANAGER will attempt to satisfy each requirement of the IRS and judicial authority for deductibility of IDC in 2024 for the PROGRAM MANAGER, no assurance can be given that the IRS will not successfully contend that the IDC of a well which is not completed until 2024 for the PROGRAM MANAGER are not deductible in whole or in part until 2024 or later or not at all. Notwithstanding the foregoing, no assurance can be given that the IRS will not challenge the current deduction of IDC because of the prepayment being made to a related party. If the IRS were successful with such challenge, the Investors' deductions for IDC would be deferred to later years.

## **RECAPTURE OF IDC**

IDC previously deducted that is allocable to a property (directly or through the ownership of an interest in a PROGRAM MANAGER) and which would have been included in the adjusted basis of the property is recaptured as ordinary income to the extent of any gain realized upon the disposition of the property. Treasury regulations provide that recapture is determined at the Investor level (subject to certain anti-abuse provisions). Where only a portion of recapture property is disposed of, any IDC related to the entire property is recaptured to the extent of the gain realized on the portion of the proper-W sold. In the case of the disposition of an undivided interest in a property (as opposed to the disposition of a portion of the property), a proportionate part of the IDC with respect to the property is treated as allocable to the transferred undivided interest to the extent of any realized gain.

## **OFFERING AND ORGANIZATIONAL EXPENSES**

Certain Expenditures for the offering and sale of PROGRAM Units must be capitalized and cannot be deducted or amortized. The principal offering expenditures will be printing costs, marketing costs and fees paid to attorneys, accountants and others with respect to the placement and sale of the PROGRAM MANAGER Units. Expenditures for the organization of the PROGRAM MANAGER also must be capitalized but may be amortized over a 60-month period. The IRS may challenge the treatment of all, or a portion of the amounts characterized as organizational expenses on the basis that those amounts are in reality offering expenses. The IRS also may challenge the PROGRAM MANAGER's deduction, or capitalization and amortization, of payments made to the PROGRAM MANAGER under the PROGRAM MANAGER Agreement on the basis that a portion of those payments is allocable to offering or organization expenses.

## **LIMITATION ON DEDUCTION OF INTEREST**

EACH INVESTOR SHOULD CONSULT HIS OR HER OWN. TAX ADVISOR REGARDING THE POTENTIAL LIMITATIONS ON THE DEDUCTIBILITY OF INTEREST EXPENSE.

## SECTION 754 ELECTION

Due to the tax accounting burden such election imposes, the PROGRAM MANAGER does not intend to file an election under Section 754 of the Code to adjust the basis of PROGRAM MANAGER property in the case of a transfer of an interest in the PROGRAM MANAGER. However, the PROGRAM MANAGER has authority to make such an election and may do so in the future. If no such election is made, a transferee of a PROGRAM MANAGER interest would be allocated a share of the PROGRAM MANAGER's deductions and of the gain or loss realized by the PROGRAM MANAGER upon sale of its properties, determined without adjustment to reflect the price paid for its PROGRAM MANAGER interest. As a consequence, such a transferee may be subject to tax upon a portion of the proceeds of a sale or disposition of PROGRAM MANAGER property which represents as to such transferee a return of capital, and such transferee will not be entitled to take depreciation deductions for the excess of its purchase price over the transferor's share of the remaining basis of PROGRAM MANAGER property. This may adversely affect the price that potential purchasers would be willing to pay for a PROGRAM MANAGER interest.

## STATE AND LOCAL TAXES

PROSPECTIVE INVESTORS SHOULD CONSIDER, IN ADDITION TO THE FEDERAL INCOME TAX CONSEQUENCES DESCRIBED ABOVE, STATE AND LOCAL TAX CONSEQUENCES OF AN INVESTMENT IN THE PROGRAM.

An Investor distributive share of the taxable income or loss of the PROGRAM MANAGER generally will be required to be included in determining its reportable income for purposes of taxation by the state and locality in which it resides. In addition, the PROGRAM MANAGER will be required to file a PROGRAM MANAGER information return in certain states in which it engages in business, or from which it derives income, and Investors who are not residents of those states may be required to file tax returns in those states. In particular, Investors may be required to file income tax returns in Kentucky and any other state where the PROGRAM MANAGER may conduct its business during the term hereof. Certain tax benefits that may be available to an Investor for federal income tax purposes may not be available to such Investor for state or local tax purposes, and certain benefits which may be available to a INVESTOR in the states where it is currently filing taxes may not be available to such Investor in all states where the PROGRAM MANAGER may conduct its business. Investors are urged to consult their own tax advisors.

There may also be tax consequences for Investors that are corporations that are not already conducting business in the state where the PROGRAM MANAGER is or will be conducting its business. To the extent such Investors may be subjected to corporate tax as a result of their investment in the PROGRAM MANAGER, it is possible that such Investors could be subject to a very high effective tax rate in excess of the return on investment such corporation receives from the PROGRAM MANAGER.

## PROGRAM MANAGER AUDIT PROCEDURES

In general, the tax treatment of PROGRAM items is determined the PROGRAM MANAGER level at in a unified PROGRAM MANAGER proceeding rather than in separate proceedings with each investor. The term 'PROGRAM item' means any item required to be taken into account for the PROGRAM taxable year to the extent regulations deem it more appropriately determined at the PROGRAM MANAGER level than at the investor level. Conversely, a 'non-PROGRAM MANAGER item' is an item not treated as a PROGRAM MANAGER item. An Investor must treat a PROGRAM MANAGER item in a manner consistent with the treatment of such item on the PROGRAM MANAGER return unless he or she notifies the IRS of inconsistent treatment. Failure to tender such notice may result in penalties and exposure to broader assessment powers exercisable by the IRS. An inconsistent return prepared by a Investor may also result in a PROGRAM MANAGER level proceeding.

## RESTRICTIONS ON TRANSFER

This Offering is made in reliance upon the exemption from compliance with the registration requirements contained in Section 4(2) of the Securities Act of 1933 (the "Act" and in Rule 506 of Regulation D promulgated by the United States Securities and Exchange Commission (the "SEC") relating to certain private securities offerings (the "Rule"), as well as in reliance.

upon similar exemptions from state registration or qualification under the securities laws applicable in the several states where the Units may be offered for sale. Because of the requirements contained in such exemptions, each investor must satisfy certain suitability standards before its subscription for Units will be accepted by the Direct Participate Investors.

The availability of such exemptions is also dependent, in part, upon the "investment intent" of the Direct Participate Investors, and the exemptions would not be available if any Direct Participate Investors were purchasing the Units with a view to the redistribution thereof. Accordingly, each General Investor, when executing the required Subscription Agreement, will be required to acknowledge that his or her purchase is for investment only, for his or her own account and without any view to the resale, redistribution or other disposition thereof.

The Direct Participate Investors have not been granted the right to require the registration of their interests under either the Federal Securities Act or any other state securities act. The PROGRAM MANAGER has no present intention of registering these interests, and in view of the nature of the transaction, - it is highly unlikely that there will be any such registration of the Units in the future.

In order to ensure compliance with Regulation D promulgated by the Securities and Exchange Commission, the following legend shall be contained on the fact of any certificate evidencing an interest in the PROGRAM MANAGER.

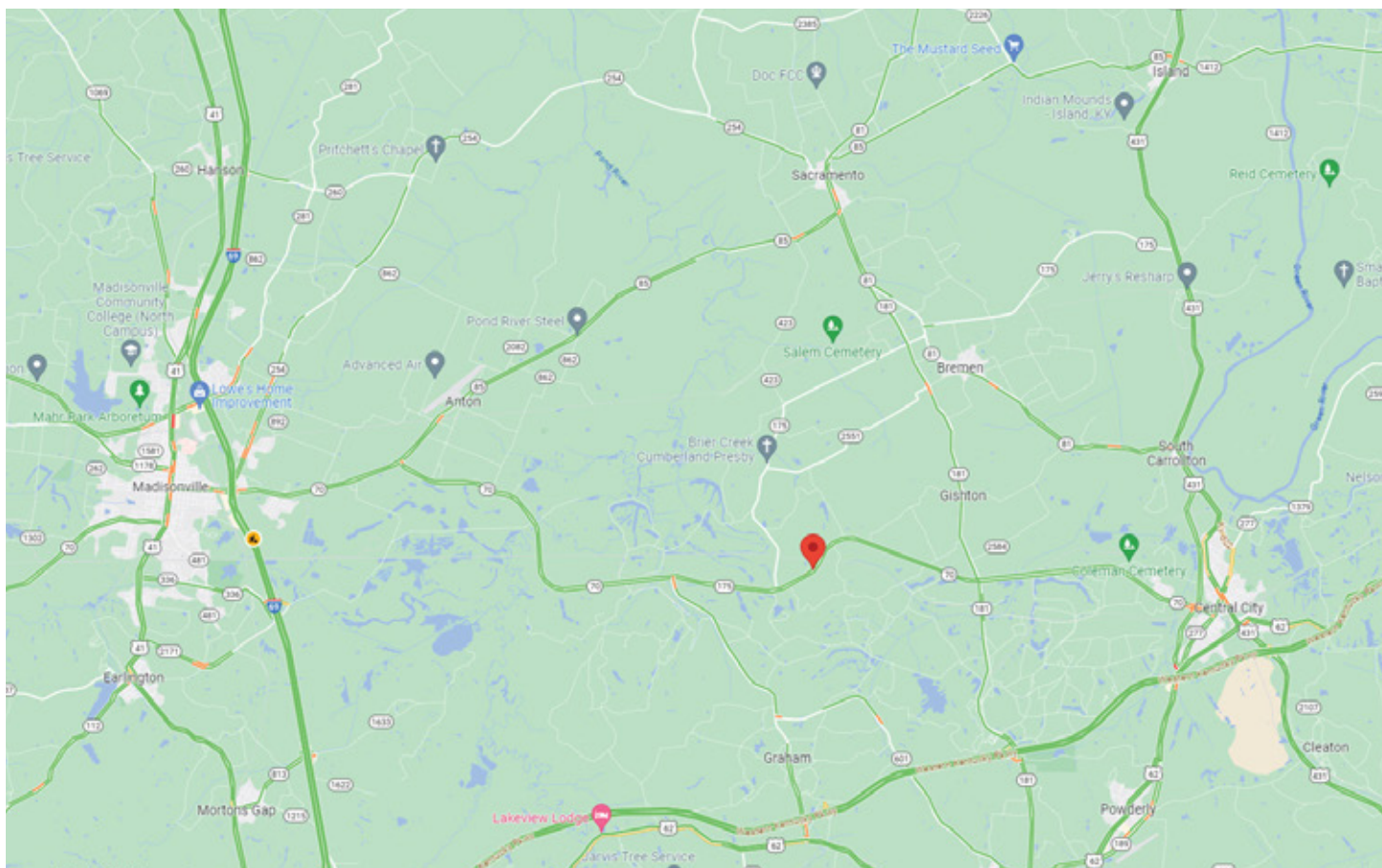
*cont.*

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED IN SECTION 4(2) AND REGULATION UNDER THAT ACT. AS SUCH, THE PURCHASE OF THIS UNIT WAS NECESSARILY WITH THE INTENT OF THE INVESTMENT AND NOT WITH A VIEW FOR DISTRIBUTION. THEREFORE, ANY SUBSEQUENT TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN WILL BE UNLAWFUL UNLESS IT IS REGISTERED UNDER THE ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FURTHERMORE, IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN, WITHOUT THE OPINION OF COUNSEL FOR THE PROGRAM MANAGER THAT THE PROPOSED TRANSFER OR SALE DOES NOT AFFECT THE EXEMPTIONS RELIED UPON BY THE PROGRAM MANAGER IN ORIGINALLY DISTRIBUTING THIS SECURITY.

The PROGRAM MANAGER shall make a notation in its records of the foregoing limitations on transferability and legend requirements.

## ADDITIONAL INFORMATION

Additional information regarding this Offering, including supplemental documentation, may be obtained from the office of the PROGRAM MANAGER. Questions may be directed to **DANNY THOMASSON, 8525 STATE ROUTE HIGHWAY 70 WEST, BREMEN, KENTUCKY 42325**, President of the PROGRAM MANAGER.



# INVESTOR SUITABILITY STANDARDS

**THESE  
SECURITIES  
INVOLVE A  
HIGH DEGREE  
OF RISK**



THIS INVESTMENT IS ONLY SUITABLE FOR PERSONS OF SUBSTANTIAL MEANS WHO (1) HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT, (2) HAVE BEEN ADVISED WITH RESPECT TO THE UNLIMITED PERSONAL LIABILITY WHICH MAY ARISE FROM THEIR OWNERSHIP OF THE UNITS, AND (3) CAN AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT.

THIS INVESTMENT IS, IN GENERAL, ONLY SUITABLE FOR PERSONS WHO ARE ACCREDITED INVESTORS AS THAT TERM IS DEFINED IN RULE 501, ET. SEQ. OF THE SECURITIES AND EXCHANGE COMMISSION REGULATION D AND RELIANCE ON RULE 506 SPECIFICALLY. THE PROGRAM MANAGER MAY, HOWEVER, MAKE EXCEPTIONS TO THE GENERAL SUITABILITY STANDARDS AND PERMIT SALES TO PERSONS WHO ARE NOT ACCREDITED INVESTORS IF SUCH PERSONS ARE ABLE TO DEMONSTRATE THEIR FINANCIAL SOPHISTICATION AND SUITABILITY TO THE SATISFACTION OF THE PROGRAM MANAGER. NOTWITHSTANDING. THE FOREGOING, UNITS WILL NOT, UNDER ANY CIRCUMSTANCES, BE SOLD TO MORE THAN 35 PERSONS WHO ARE NOT ACCREDITED INVESTORS.

UNITS WILL ONLY BE SOLD TO AN INVESTOR WITH RESPECT TO WHOM PROGRAM MANAGER HAS REASONABLE GROUNDS TO BELIEVE, AND DOES BELIEVE, IMMEDIATELY PRIOR TO SALE, AFTER MAKING REASONABLE INQUIRY, EITHER (1) THAT SUCH INVESTOR HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF THIS INVESTMENT, OR (2) THAT SUCH INVESTOR AND HIS OR HER "PURCHASER REPRESENTATIVE" (AS THAT TERM IS DEFINED IN THE SECURITIES AND EXCHANGE COMMISSION REGULATIONS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED) TOGETHER HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT THEY ARE CAPABLE OF EVALUATING THE MERITS AND RISK OF THIS INVESTMENT AND THAT SUCH INVESTOR IS ABLE TO BEAR THE ECONOMIC RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

*cont.*

IN ADDITION, UNITS ARE INTENDED TO BE SOLD TO INVESTORS WHO MAKE A WRITTEN REPRESENTATION THAT THEY ARE THE SOLE AND TRUE PARTY IN INTEREST AND ARE NOT PURCHASING THE UNITS FOR THE BENEFIT OF ANY OTHER PERSON (OR THAT THEY ARE PURCHASING FOR ANOTHER PERSON WHO MEETS ALL OF THE CONDITIONS SET FORTH HEREIN); AND (1) SUCH INVESTOR HAS, EXCLUDING HOME, FURNISHINGS AND AUTOMOBILES (1) A NET WORTH IN EXCESS OF \$125,000.00 OR TEN (10) TIMES HIS INVESTMENT THEREIN OR (11) A NET WORTH IN EXCESS OF FIVE TIMES HIS INVESTMENT AND ANTICIPATES ADJUSTED GROSS INCOME FOR 2007 IN EXCESS OF \$75,000.00 SOME PORTION OF WHICH IS SUBJECT TO THE HIGHEST FEDERAL TAX RATE OR AT LEAST 28% OR MORE OR (2) SUCH INVESTOR IS AN "ACCREDITED INVESTOR" AS THAT TERM IS DEFINED IN THE SECURITIES AND EXCHANGE COMMISSION REGULATION PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

IN ADDITION, HIGHER SUITABILITY STANDARDS MAYBE IMPOSED BY VARIOUS STATES. SEE EXHIBIT PACKAGE. FOR PURPOSES OF APPLYING THE FOREGOING SUITABILITY STANDARDS THE TERM "NET WORTH" SHALL MEAN THE NET FAIR MARKET VALUE OF A PERSON'S ASSETS. REDUCED BY (1) THE NET FAIR MARKET VALUE OF HIS LIABILITIES, AND (2) A REASONABLE PROVISION FOR TAXES ON UNRECOGNIZED GAINS.

ALL REFERENCES TO DOCUMENTS IN THIS PRIVATE PLACEMENT MEMORANDUM ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCES TO THE COMPLETE TEXT OF SUCH DOCUMENTS.

## **RISK FACTORS**

A PROSPECTIVE PARTICIPANT CONTEMPLATING AN INVESTMENT IN THE PROGRAM SHOULD GIVE CAREFUL CONSIDERATION. THE RISKS INVOLVED IN AN OIL OR GAS INVESTMENT, INCLUDING BUT NOT LIMITED TO THOSE SUMMARIZED HEREIN.

## **UNLIMITED LIABILITY OF PARTICIPANTS**

THE PARTICIPANTS WILL BE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS AND LIABILITIES OF CREDITORS AND CLAIMANTS WHETHER ARISING OUT OF CONTRACT OR TORT, IN THE CONDUCT OF PROGRAM MANAGER OPERATIONS, AND WILL INCLUDE ANY LIABILITIES INCURRED BY VIOLATION OF ANY ENVIRONMENTAL LAWS OR REGULATIONS. UNDER KENTUCKY LAW PARTICIPANTS ARE VIEWED AS DIRECT PARTICIPATE INVESTORS OF A PROGRAM MANAGER AND ARE JOINTLY AND SEVERALLY LIABLE FOR THE OPERATIONS OF A PROGRAM MANAGER EVEN THOUGH SUCH PARTICIPANTS MAY HAVE A RIGHT OF CONTRIBUTION AGAINST THE PROGRAM MANAGER OR AGAINST OTHER PARTICIPANTS. THUS, PARTICIPANTS MAY BE SUBJECTED TO LIABILITY FOR AMOUNTS IN EXCESS OF THEIR AGREED SUBSCRIPTIONS. POTENTIAL LIABILITY EXISTS FOR UNFORESEEN EVENTS SUCH AS BLOWOUTS LOST CIRCULATION STUCK DRILL PIPE AND OTHER SUCH EVENTS WHICH MAY RESULT IN UNANTICIPATED ADDITIONAL LIABILITY MATERIALLY IN EXCESS OF THE SUBSCRIPTION AMOUNT.

*cont.*

IT IS THE INTENTION OF THE PROGRAM MANAGER TO USE ITS BEST EFFORTS TO OBTAIN OR REQUIRE ITS CONTRACTORS OR SUBCONTRACTORS TO OBTAIN INSURANCE POLICIES SUBJECT TO ITS ANALYSIS OF THEIR PREMIUM COSTS COVERAGE AND OTHER FACTORS BUT SUCH INSURANCE MAY NOT BE SUFFICIENT TO COVER ALL LIABILITIES.

## LIMITED SUITABILITY

THE NATURE OF THE BUSINESS OF EXPLORING OR PRODUCING OIL AND GAS IS HIGHLY SPECULATIVE AND INVOLVES SUBSTANTIAL RISKS OF LOSS ACCORDINGLY, INVESTMENT IS RECOMMENDED ONLY TO PARTICIPANTS WHOSE FINANCIAL RESOURCES ARE SUCH THAT THEY ARE IN A POSITION TO ASSUME THE LOSS OF THE COSTS OF THIS INVESTMENT. EACH PARTICIPANT SHOULD HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF THE INVESTMENT.

## ARBITRATION

DISPUTES WITH THE PROGRAM MANAGERS OR, ANY OF THEIR AGENTS OR REPRESENTATIVES ARISING FROM THE PURCHASE OR OWNERSHIP OF UNITS IN THE PROGRAM MANAGER BY A UNIT HOLDER ARE SUBJECT TO REQUIRED ARBITRATION IN CHRISTIAN COUNTY, KENTUCKY, RATHER THAN ANY FORM OF LAWSUITS, DEMAND LETTERS, OR CIVIL LITIGATION FILED IN FEDERAL OR STATE COURTS. SUCH LIMITED DISPUTE RESOLUTION MAY BE VIEWED AS DEPRIVING UNIT HOLDERS OF THEIR FULL LEGAL REMEDIES, THE UNIT IT HOLDER IS AWARE OF SUCH LIMITATION AND AGREES TO THESE LIMITATION ARRANGEMENTS.



# INVESTMENT RISKS

## SPECULATIVE INVESTMENT

GAS AND OIL EXPLORATION IS A VERY SPECULATIVE INVESTMENT THAT HAS HISTORICALLY BEEN MARKED BY UNPROFITABLE EFFORTS NOT ONLY RESULTING FROM THE DRILLING OF DRY HOLES, BUT ALSO FROM THE DRILLING OF WELLS WHICH, THOUGH PRODUCTIVE, DO NOT PRODUCE GAS OR OIL IN SUFFICIENT AMOUNTS TO RETURN A PROFIT ON THE COSTS EXPENDED. SUCH EXPLORATION THEREFORE CARRIES WITH IT A HIGH DEGREE OF RISK OF LOSS THAT EVEN A COMBINATION OF EXPERIENCE, KNOWLEDGE AND CAREFUL EVALUATION CANNOT ALWAYS OVERCOME. THUS, THERE IS NO ASSURANCE THAT ANY PRODUCTION WILL BE OBTAINED OR THAT SUCH PRODUCTION, IF OBTAINED, WILL BE SUFFICIENT TO ENABLE THE PURCHASERS OF UNITS TO FULLY RECOUP THEIR INVESTMENT.

## ENVIRONMENTAL HAZARDS AND LIABILITIES

THERE ARE VARIOUS NATURAL HAZARDS INVOLVED IN THE DRILLING OF OIL OR GAS WELLS, INCLUDING, BUT NOT LIMITED TO, ENCOUNTERING UNUSUAL OR UNEXPECTED FORMATIONS, PRESSURE, BLOWOUTS INVOLVING POSSIBLE DAMAGES TO THIRD PARTIES, SURFACE DAMAGES, BODILY INJURIES, DAMAGE TO AND LOSS OF EQUIPMENT, RESERVOIR DAMAGE AND LOSS OF RESERVES. THE PROGRAM MANAGER WILL USE ITS BEST EFFORTS TO PROCURE, OR CAUSE TO BE PROCURED BY ANY DRILLING, COMPLETION OR OTHER SUBCONTRACTORS INVOLVED, SUCH INSURANCE AS IS ORDINARILY MAINTAINED BY REASONABLY PRUDENT OPERATORS IN THE OIL AND GAS BUSINESS AND CARRIES A Million dollar(1,000,000.00 COMMERCIAL GENERAL LIABILITY POLICY WHICH IS LIMITED IN COVERAGE TO \$50,000.00 FOR FIRE AND \$5,000.00 FOR MEDICAL. THERE IS NO ASSURANCE, HOWEVER, THAT THE PROGRAM MANAGER WILL BE SUFFICIENTLY INSURED AGAINST ALL LOSSES OR LIABILITIES WHICH MAY ARISE FROM SUCH HAZARDS, EITHER BECAUSE OF HIGH PREMIUM COSTS OR OTHER REASONS. FURTHER, MOST INSURANCE POLICIES NO LONGER INSURE AGAINST ENVIRONMENTAL RISKS SUCH AS THOSE ATTENDANT WITH THE PROGRAM MANAGER'S ACTIVITIES.

## INVESTMENT CONSIDERATION

INVESTMENT IN THE PROGRAM IS GENERALLY NOT SUITABLE FOR PERSONS WHO DO NOT EXPECT TO HAVE INCOME SUBJECT TO TAXATION AT THE HIGHEST FEDERAL INCOME TAX BRACKET. EACH PROSPECTIVE PARTICIPANT SHOULD SATISFY HIMSELF AS TO THE INCOME AND OTHER TAX CONSEQUENCES OF HIS PARTICIPATION IN THE PROGRAMS BY OBTAINING ADVICE FROM HIS OR HER TAX ADVISOR. SUCH PERSONAL ADVICE IS IMPORTANT SINCE THE PARTICIPANT'S SPECIFIC TAX FACTS AND CIRCUMSTANCES, INCLUDING THE POTENTIAL FOR CHANGE THEREIN, MAY AFFECT WHETHER A PARTICIPANT SHOULD PARTICIPATE IN THE PROGRAMS (SEE "FEDERAL TAX MATTERS".)

## WELL SITE ACQUISITIONS

THE SELECTION OF A LEASE, WELL SITE OR PROSPECT FOR OIL AND GAS DRILLING IS INHERENTLY SPECULATIVE.

THE FINAL DECISION REGARDING WHICH PARTICULAR WELL SITE OR PROSPECT WELL ACTUALLY TO BE DESIGNATED FOR ACQUISITION AND DEVELOPMENT BY THE PROGRAM RESTS SOLELY WITH THE PROGRAM MANAGER.

IN MAKING ITS DECISION TO ACQUIRE A PARTICULAR WELL SITE OR PROSPECT, PROGRAM MANAGER WILL CONSIDER A NUMBER OF FACTORS INCLUDING THE AMOUNT OF NET PROCEEDS AVAILABLE FOR DRILLING ACTIVITIES, THE DESIRED DIVERSIFICATION OF THE PROJECT, THE NATURE OF THE PROSPECT, ITS GEOGRAPHIC LOCATION AND THE NATURE AND EXTENT OF GEOLOGICAL AND GEOPHYSICAL DATA AVAILABLE. THE PROGRAM'S SUCCESS WILL DEPEND ON THE PROGRAM MANAGER'S ABILITY TO SELECT PROSPECTS AND TO PRODUCE AND MARKET OIL FROM THE PROSPECTS AT PRICES AND RATES THAT OVER TIME WILL GENERATE SUFFICIENT CASH FLOWS TO PROVIDE A FAVORABLE RETURN ON THE PROGRAM'S INITIAL INVESTMENT. THE LEASES THAT HAVE BEEN CHOSEN ARE BECAUSE OF THE PRODUCTION WITHIN THE AREA OF THE WELL SITES HEREIN. HOWEVER, NO GUARANTEE IS MADE THAT SUCH WELLS WILL BE PRODUCTIVE.

## TITLE TO PROPERTIES- LEASEHOLD DEFECTS

RECORD TITLE TO THE PROGRAM MANAGER'S PROPERTIES (LEASE ASSIGNMENT OR REAL ESTATE TITLE) MAY INITIALLY BE HELD IN THE NAME OF THE PROGRAM MANAGER, OR THEIR AFFILIATES, AS NOMINEE, A PRACTICE COMMON IN THE. INDUSTRY. THE UNRECORDED ASSIGNMENTS TO THE PROGRAM MAY NOT BE BINDING ON THE POTENTIAL CREDITORS OF THE RECORD OWNER OF THE PROPERTY AND THE PROGRAM'S PROPERTY INTERESTS COULD BE AT RISK, IN CERTAIN INSTANCES AND AT CERTAIN TIMES, IT MAY NOT BE POSSIBLE TO MAKE ASSIGNMENTS OR THERE MAY BE A DELAY IN THE EFFECTIVE DATE OF ASSIGNMENTS PENDING RESOLUTION OF A CONTINGENCY OR FULFILLMENT OF AN OBLIGATION, SUCH AS COMPLETION OF A FARMOUT WELL. ALTHOUGH THE PROGRAM MANAGER WILL REQUIRE A TITLE SEARCH OR TITLE OPINION UPDATE RENDERED WITH RESPECT TO THE LEASES OR WELL SITES ACQUIRED BY THE PROGRAM, BUT TITLE INSURANCE WILL NOT BE PURCHASED. THERE CAN BE NO ASSURANCE THAT THE PROGRAM WILL NOT EXPERIENCE LOSSES RESULTING FROM TITLE DEFECTS OR OTHER DEFECTS IN ITS LEASEHOLD RIGHTS. HOWEVER, ALL TITLE OPINIONS WILL BE BY AITORNEYS WHOSE MALPRACTICE INSURANCE WILL STAND GOOD FOR TITLES.

## LIMITATION ON SCOPE OF INVESTMENT

THE UNITS OFFERED HEREIN RELATE SOLELY TO THE REWORK of The Francis Grace #1 IN CHRISTIAN COUNTY, KENTUCKY. THE ENTIRE SUCCESS OF THE PROGRAM WILL DEPEND UPON FRAC of Francis Grace #1.

THERE IS NO DIVERSIFICATION SINCE ONLY ONE (1) WELLS WILL BE Frac. THE PROGRAM WILL NOT OFFER THE DIVERSIFICATION ACHIEVABLE WITH LARGER PUBLIC TYPE DRILLING PROJECTS.

## IMPORTANCE AND RELIANCE ON THE PROGRAM MANAGER

THE PARTICIPANTS WILL RELY SOLELY ON THE PROGRAM MANAGER TO ACT AS THE OPERATOR TO, COMPLETE AND OPERATE THE PROGRAM WELLS UNDER THE TURNKEY DRILLING AND OPERATING CONTRACT. THE UNFORESEEN LOSS OF -The SERVICES OF PROGRAM MANAGER OR ANY MEMBER OF THE MANAGEMENT TEAM COULD HAVE A MATERIAL ADVERSE EFFECT ON THE INVESTMENT VALUE OF THE UNITS.

## PROFIT ON CONTRACT

THE PAYMENT HAS BEEN CALCULATED, USING THE 'AFE' PROVIDED ELSEWHERE WITH THIS DOCUMENT IN THE SUPPORTING DOCUMENT PACKAGE, TO INCLUDE THE FOLLOWING PRICE COMPONENTS: (1) THE ESTIMATED OUT-OF-POCKET EXPENSES, (2) AN ALLOWANCE FOR CONTINGENCIES, COST OVERRUNS AND POTENTIAL. INDEMNIFICATION COSTS, AND (1) A 15% PROFIT OVER COST IN LIGHT OF THE RESPONSIBILITIES AND RISKS ASSUMED BY CONTRACTOR. IF THE ACTUAL COSTS ARE LOWER THAN THE ESTIMATE, THE EXCESS FUNDS WILL BE RETURNED PRO-RATA TO THE INVESTORS UNDER THE CONTRACT. CONVERSELY, IF COSTS ARE HIGHER THAN ANTICIPATED IN THE AFE, THE PROFIT TO OPERATOR MAY BE HIGHER, AND ADDITIONAL CASH CONTRIBUTION BY INVESTORS MAY BE REQUIRED TO COVER THESE UNFORESEEN EXPENSES.

**NOTWITHSTANDING THE FOREGOING ANY PROSPECTIVE PARTICIPANT WHO BELIEVES THAT THE TERMS ARE UNFAIR OR UNREASONABLE IN ANY RESPECT SHOULD NOT PURCHASE A UNIT.**

## EXPERIENCE OF PROGRAM MANAGER

PROGRAM MANAGER HAS EXPERIENCE IN DRILLING, COMPLETING AND OPERATING NATURAL GAS AND OIL WELLS OR AS MANAGER OR OPERATOR OF OIL AND GAS PRODUCTION OF THIS TYPE, AND ENDEAVOR RESOURCES, LLC, INC. HAS OIL AND GAS EXPERIENCES IN ALL PHASES OF OIL PRODUCTION. IN ADDITION, PROGRAM MANAGER DOES NOT HAVE ANY SUBSTANTIAL ASSETS AND CAN PROVIDE NO FINANCIAL ASSISTANCE TO THE PROGRAM.

## **FINANCIAL CONDITION OF CONTRACTOR OR SUBCONTRACTOR**

IF THE OPERATOR SUBCONTRACTS FOR WORK WITH DRILLERS OR OPERATORS THAT EXPERIENCE FINANCIAL DIFFICULTIES AND FAIL TO PAY IN A TIMELY MANNER FOR MATERIALS OR SERVICES, THE WELLS COULD BE SUBJECTED TO MATERIALMEN'S AND WORKMEN'S LIENS. IN SUCH EVENT, THE PROGRAM COULD INCUR COSTS IN DISCHARGING SUCH LIENS AND THE PROGRAM MAY NOT HAVE SUFFICIENT FUNDS TO DO SO, THEREBY RISKING THE LOSS OF ITS WELLS OR OTHER PROGRAM PROPERTY.

## **LIMITED TRANSFERABILITY OF UNITS**

THE UNITS OFFERED HEREIN ARE BEING OFFERED PURSUANT TO EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS. EACH PARTICIPANT AT THE TIME OF PURCHASE MUST REPRESENT TO THE PROGRAM MANAGER IN THE SUBSCRIPTION AGREEMENT THAT ALL UNITS ARE BEING PROGRAM MANAGER OR ANY MEMBER OF THE MANAGEMENT TEAM COULD HAVE A MATERIAL ADVERSE EFFECT ON THE INVESTMENT VALUE OF THE UNITS ACQUIRED WITHOUT A VIEW TOWARD DISTRIBUTION AND FOR INVESTMENT PURPOSES ONLY. THIS RESTRICTION WILL CURTAIL THE TRANSFER OF SUCH UNITS. ACCORDINGLY, A PARTICIPANT CANNOT EXPECT TO BE ABLE TO LIQUIDATE READILY HIS OR HER INVESTMENT IN THE EVENT OF ANY EMERGENCY OR IF IT OTHERWISE BECOMES NECESSARY TO DO SO.

ADDITIONALLY, THE PROGRAM PROVIDES THAT A PARTICIPANT MAY NOT SELL, PLEDGE OR OTHERWISE TRANSFER ANY UNIT WITHOUT THE PRIOR WRITTEN CONSENT OF THE PROGRAM MANAGER IN ITS SOLE AND ABSOLUTE DISCRETION FOR ANY REASON.

## **GOVERNMENT REGULATIONS**

MANY ASPECTS OF THE NATURAL GAS AND OIL BUSINESS ARE SUBJECT TO BROAD FEDERAL AND STATE REGULATIONS, INCLUDING BUT NOT LIMITED TO THE RATE OF PRODUCTION AND SALES PRICES OF NATURAL GAS AND OIL AND RULES RELATING TO ENVIRONMENTAL PROTECTION AND POLLUTION CONTROL. MOREOVER, MANY AREAS OF SUCH REGULATIONS ARE UNDERGOING CHANGE AND MAY BE AFFECTED BY PROPOSED REGULATIONS WHICH HAVE NOT YET BEEN ADOPTED. SUCH REGULATIONS ARE BEYOND THE CONTROL OF THE PROGRAM MANAGER AND THE ULTIMATE EFFECT OF SUCH REGULATIONS CANNOT BE ACCURATELY PREDICTED. SEE SECTION ENTITLED "COMPETITION, MARKETS AND REGULATIONS" FOUND BELOW IN THIS MEMORANDUM.

## **FLUCTUATING OIL AND GAS PRICES**

REVENUES GENERATED FROM THE OIL AND GAS OPERATIONS OF THE PROGRAM WILL BE HIGHLY DEPENDENT ON THE FUTURE PRICES OF OIL, NATURAL GAS AND GAS LIQUIDS. VARIOUS FACTORS BEYOND THE CONTROL OF PROGRAM MANAGER WILL AFFECT PRICES OF OIL, NATURAL GAS AND GAS LIQUIDS, INCLUDING THE WORLDWIDE AND DOMESTIC SUPPLIES OF THESE COMMODITIES, THE ABILITY OF THE MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES ("OPEC") TO AGREE TO MAINTAIN OIL PRICE AND PRODUCTION CONTROLS, POLITICAL INSTABILITY OR ARMED CONFLICT IN OIL-PRODUCING REGIONS, THE PRICE OF FOREIGN IMPORTS, THE LEVEL OF CONSUMER DEMAND, THE PRICE AND AVAILABILITY OF ALTERNATIVE FUELS, THE AVAILABILITY OF PIPELINE CAPACITY AND CHANGES IN EXISTING FEDERAL REGULATION AND PRICE CONTROLS. ANY SIGNIFICANT DECLINE IN THE PRICE OF OIL, NATURAL GAS OR GAS LIQUIDS WOULD ADVERSELY AFFECT THE PROGRAM'S REVENUES AND OPERATING INCOME. THE UNSETTLED OIL MARKET MAKES IT PARTICULARLY DIFFICULT TO ESTIMATE ACCURATELY FUTURE PRICES OF OIL AND GAS. OVER THE PAST SEVERAL YEARS, AN INDUSTRY-WIDE OVERSUPPLY OF DELIVERABLE NATURAL GAS HAS HAD AN ADVERSE EFFECT ON NATURAL GAS PRICES AND THE ABILITY OF PRODUCERS TO SELL GAS AT PRICES ABOVE THE PREVAILING SPOT MARKET INDEX. PROGRAM MANAGER ANTICIPATES THAT IF PROGRAM'S OIL OR NATURAL GAS PRODUCTION WILL BE SOLD UNDER FLEXIBLE PRICE CONTRACTS THAT WILL REFLECT FUTURE MARKET FLUCTUATIONS.

## **OPERATING CONDITIONS**

VARIOUS FIELD OPERATING CONDITIONS MAY CAUSE PRODUCTION FROM PROGRAM WELLS TO REMAIN BELOW CAPACITY FROM TIME TO TIME. CONDITIONS ROUTINELY ENCOUNTERED INCLUDE DELAYS IN OBTAINING REGULATORY APPROVALS AND EASEMENTS FOR CONNECTING COMPLETED WELLS TO TRANSPORTATION PIPELINES THROUGH CONSTRUCTION OF NEW GATHERING LINES, SHUT-IN OF CONNECTED WELLS PENDING COMPLETION OF ROUTINE REPAIRS AND EQUIPMENT MAINTENANCE AND SHUT-INS RESULTING FROM EXCESSIVE WATER ACCUMULATION IN PIPELINES, INSUFFICIENT TANK CAPACITY OR THEIR GEOLOGICAL AND MECHANICAL CONDITIONS. WHILE CLOSE WELL SUPERVISION AND EFFECTIVE MAINTENANCE OPERATIONS CAN CONTRIBUTE TO MAXIMIZING PRODUCTION RATES OVER TIME, PRODUCTION DELAYS AND DECLINES FROM NORMAL FIELD OPERATING CONDITIONS CANNOT BE ELIMINATED AND CAN BE EXPECTED TO ADVERSELY AFFECT REVENUE AND DISTRIBUTION LEVELS TO VARYING DEGREES.

## **RISKS OF DRILLING AND ENHANCED RECOVERY ACTIVITIES**

THE PROGRAM'S SOLE BUSINESS ACTIVITY WILL BE TO DRILL (AND, IF NECESSARY, ENHANCED RECOVERY ACTIVITIES) ON LEASED PROPERTIES. A SUBSTANTIAL PORTION OF THE NET PROCEEDS FROM THE OFFERING WILL BE ALLOCATED TO SUCH EFFORTS. THESE ACTIVITIES INHERENTLY INVOLVE MANY RISKS. FOR EXAMPLE, THE DRILLING OF WELLS INVOLVES RISKS SUCH AS ENCOUNTERING UNUSUAL OR UNEXPECTED PRESSURES AND OTHER CONDITIONS THAT COULD RESULT IN SUBSTANTIAL LOSSES AND LIABILITIES.

# RISKS & UNCERTAINTIES IN OIL AND GAS

## ALL REWORKS IS SUBJECT TO RISK OF FAILURE TO PRODUCE OIL AND GAS IN COMMERCIAL QUANTITIES

AN ENHANCED RECOVERY PROJECT MAY CAUSE DAMAGE TO THE PRODUCING FORMATION, WITH THE RESULTING INABILITY TO PRODUCE THE RESERVES THAT ARE LOCATED IN THE ZONES AFFECTED BY THE PROJECT. THE PROGRAM WILL ALSO BE SUBJECT TO ALL THE OPERATING HAZARDS AND RISKS NORMALLY INCIDENT TO DRILLING FOR OR PRODUCING OIL AND GAS, INCLUDING BLOWOUTS, CRATERING, POLLUTION AND FIRES, EACH OF WHICH COULD RESULT IN DAMAGE TO OR DESTRUCTION OF OIL AND GAS WELLS, PRODUCING FORMATIONS, PRODUCTION, PIPELINE, PROCESSING PLANTS, OTHER PROPERTY OR PERSONS. THERE IS NO ASSURANCE THAT THE PROGRAM WILL OBTAIN INSURANCE COVERAGE AGAINST SUCH RISKS.

### COMPETITION MARKETS AND REGULATION

THE NATURAL GAS AND OIL INDUSTRY IS HIGHLY COMPETITIVE IN ALL ITS PHASES. THE PROGRAM MAY ENCOUNTER STRONG COMPETITION FROM OTHER NATURAL GAS AND OIL COMPANIES, MANY OF WHOM HAVE GREATER FINANCIAL RESOURCES INVESTORS AND TECHNICAL CAPABILITIES IN ACQUIRING AND DEVELOPING ECONOMICALLY DESIRABLE PROPERTIES.

### MARKETS

THE AVAILABILITY OF A READY MARKET FOR ANY NATURAL GAS AND/OR OIL DISCOVERED WILL DEPEND UPON NUMEROUS FACTORS BEYOND THE CONTROL OF PROGRAM MANAGER THE EXACT EFFECT OF WHICH CANNOT BE ACCURATELY PREDICTED. THESE FACTORS INCLUDE THE EXTENT OF DOMESTIC PRODUCTION AND IMPORTS OF OIL, THE PROXIMITY AND CAPACITY OF NATURAL GAS PIPELINES AND THE EFFECT OF STATE AND FEDERAL REGULATION OF PRODUCTION AND FEDERAL REGULATION OF NATURAL GAS SOLD IN INTERSTATE COMMERCE.

### STATE REGULATIONS

PRODUCTION OF ANY OIL AND/OR GAS BY THE PROGRAM MAY BE AFFECTED TO SOME DEGREE BY STATE REGULATIONS. STATUTORY PROVISIONS REGULATE THE PRODUCTION OF NATURAL GAS AND OIL. ADMINISTRATIVE AGENCIES COULD PROMULGATE RULES IN CONNECTION WITH THE OPERATION AND PRODUCTION OF BOTH NATURAL GAS AND OIL AND ALLOWABLE RATES FOR PRODUCTION. SUCH REGULATORY ORDERS MAY RESTRICT THE RATE AT WHICH THE PROGRAM'S WELLS PRODUCES NATURAL GAS AND/OR OIL BELOW THE RATE AT WHICH SUCH WELLS SHOULD BE PRODUCED IN THE ABSENCE OF SUCH REGULATORY ORDERS. PRESENTLY THOSE REGULATIONS WOULD NOT AFFECT THE PRODUCTION OF THE CONTEMPLATED WELLS HEREIN.

*cont.*

THE FEDERAL ENERGY REGULATORY COMMISSION (FERC) REGULATES CERTAIN ASPECTS OF THE TRANSPORTATION AND MARKETING OF NATURAL GAS AND OIL AND THUS MAY HAVE AN EFFECT ON THE MARKETABILITY OF THE PROGRAM'S OIL.

IN LIGHT OF THE DYNAMIC NATURE-OF THE MARKET FORCES AFFECTING NATURAL GAS AND OIL SALES AND THE RECENT CHANGES CAUSED BY DEREGULATION AND VARIOUS FERC ORDERS, IT IS NOT POSSIBLE TO PREDICT THE EFFECT CHANGING MARKET CONDITIONS MAY HAVE ON THE MARKETABILITY OR PRICE OF ANY OIL DEVELOPED BY THE PROGRAM.

## ENVIRONMENTAL REGULATION

THE FEDERAL GOVERNMENT AND VARIOUS STATE GOVERNMENTS HAVE ADOPTED LAWS AND REGULATIONS REGARDING THE CONTROL AND CONTAMINATION OF THE ENVIRONMENT. THESE LAWS AND REGULATIONS MAY AFFECT THE ROUTINE DRILLING AND OPERATION OF THE WELLS INCLUDING REGULATION OF OIL SPILLS, THE DISCHARGE OF DRILLING FLUIDS, AND THE DISPOSAL OF WATER AND/OR BRINE PRODUCED IN CONNECTION WITH THE PRODUCTION OF NATURAL GAS AND OIL.

VIOLATION OF ENVIRONMENTAL LEGISLATION AND REGULATION MAY RESULT IN THE IMPOSITION OF FINES AND, IN CERTAIN CIRCUMSTANCES, THE ENTRY OF AN ORDER FOR THE ABATEMENT OF THE CONDITIONS OR SUSPENSION OF THE ACTIVITIES GIVING RISE TO THE VIOLATION. THE PROGRAM MANAGER BELIEVES THAT IT WILL COMPLY WITH ALL ORDERS AND REGULATIONS APPLICABLE TO ITS OPERATIONS; HOWEVER, IT CANNOT PREDICT THE OVERALL EFFECT OF ANY NONCOMPLIANCE.



## **RISKS OF COMPLETION**

THE COMPLETION PHASE OF OIL AND GAS EXPLORATION AND DEVELOPMENT INVOLVES ITS OWN RISKS AND UNCERTAINTIES. EVEN THOUGH AT THE TIME A COMPLETION DECISION MUST BE MADE THE OPERATOR HAS ADDITIONAL INFORMATION GAINED THROUGH DRILLING AND TESTING OF THE WELLS, IT IS NEVERTHELESS IMPOSSIBLE TO DETERMINE WHETHER OR NOT THE WELLS WILL ACTUALLY BE COMMERCIALY PRODUCTIVE UNLESS IT IS "COMPLETED" AT THE CASING POINT BY SETTING CASING, AND PERFORATING AND STIMULATING THE WELLS. THE DECISION AS TO WHETHER OR NOT TO EXPEND SIGNIFICANT ADDITIONAL FUNDS IN SUCH A COMPLETION ATTEMPT IS THEREFORE CRITICAL AND FREQUENTLY SURROUNDED BY CONSIDERABLE UNCERTAINTY. IF SUCH AN ORIGINAL COMPLETION ATTEMPT IS UNSUCCESSFUL, A DECISION MUST BE MADE AS TO WHETHER TO PLUG AND ABANDON THE WELLS OR UNDERTAKE ADDITIONAL COMPLETION ACTIVITIES. FURTHERMORE, AN APPARENTLY SUCCESSFUL COMPLETION ATTEMPT MAY LEAD TO THE INSTALLATION OF EXPENSIVE PRODUCTION EQUIPMENT AND FACILITIES DESPITE WHICH THE WELLS MAY NEVER PRODUCE SUFFICIENT RESERVES TO JUSTIFY EITHER THE DRILLING, COMPLETION OR EQUIPPING EXPENDITURES.

## **SHUT-IN WELLS**

PRODUCTION FROM ANY WELLS DRILLED IN AREAS GEOGRAPHICALLY REMOTE FROM MARKETING FACILITIES MAY BE DELAYED FOR EXTENDED PERIODS OF TIME UNTIL SUFFICIENT RESERVES OF GAS ARE ESTABLISHED TO JUSTIFY CONSTRUCTION OF THE NECESSARY PUMPING AND PRODUCTION FACILITIES OR UNTIL MARKETING CONDITIONS IN THE AREA WARRANT THE OPERATION OF THE WELLS. SUCH ACTIONS WOULD RESULT IN A LOSS OF REVENUE TO THE PROGRAM, THUS ADVERSELY AFFECTING THE PARTICIPANTS.

## **ACCESSIBILITY TO PIPELINES AND/OR TRANSPORTATION SYSTEMS**

ALTHOUGH PROGRAM MANAGER WILL ATTEMPT TO NEGOTIATE PURCHASE AND TRANSPORTATION CONTRACTS, THERE IS NO PRESENT AGREEMENT TO USE ANY FACILITY FOR THE PURCHASE OR TRANSPORTATION OF THE GAS OR OIL PROPOSED TO BE PURCHASED FROM THE PROGRAM FOR THE PROGRAM WELLS AND THERE CAN BE NO ASSURANCE THAT SUCH AN AGREEMENT CAN BE NEGOTIATED. THERE ARE PRESENTLY SUFFICIENT GAS TRANSMISSION LINES AVAILABLE. HOWEVER, LACK OF ACCESS TO TRANSPORTATION CAPACITY IN THE INTRASTATE OR INTERSTATE GAS TRANSMISSION PIPELINES, OR RESTRICTIONS ON THEIR THROUGHPUT, MAY ADVERSELY AFFECT THE ABILITY OF PROGRAM MANAGER TO PROVIDE FOR THE DELIVERY OF OIL AND GAS AND COULD AFFECT THE PROFITABILITY OF THE PROGRAM'S WELLS.

## **LEASEHOLD DEFECTS**

ALTHOUGH PROGRAM MANAGER WILL REQUIRE A TITLE SEARCH AND TITLE OPINIONS TO BE RENDERED WITH RESPECT TO THE LEASES ON WHICH THE WELL SITES WILL BE LOCATED, TITLE INSURANCE POLICIES WITH RESPECT TO LEASES ARE NOT OBTAINABLE, AND THEREFORE THERE CAN BE NO ASSURANCE THAT LOSSES WILL NOT RESULT FROM TITLE DEFECTS OR OTHER DEFECTS IN LEASEHOLD RIGHTS, WHICH LOSSES WOULD BE BORNE BY THE PROGRAM IN PROPORTION TO ITS WORKING INTEREST EXCEPT THAT CLAIMS CAN BE MADE AGAINST THE ATTORNEY IF NEGLIGENCE CAN BE PROVEN.

## **SHORTAGE OF EQUIPMENT AND CREW**

THE PROGRAM MANAGER OR OPERATOR COULD EXPERIENCE SHORTAGES IN DRILLING AND COMPLETION EQUIPMENT, WHICH COULD RESULT IN DELAYS IN THE PROGRAM'S OPERATIONS. SUCH DELAYS COULD ALSO CAUSE THE PARTICIPANTS' CURRENT FEDERAL INCOME TAX DEDUCTION TO BE LESS THAN ANTICIPATED.

## **INCREASING COST OF DOING BUSINESS**

THE OIL AND GAS INDUSTRY, LIKE OTHER INDUSTRIES, IS CONTINUALLY EXPERIENCING AN INCREASE IN THE COST OF DOING BUSINESS WHICH COULD, DIRECTLY OR INDIRECTLY, AFFECT THE PROGRAM'S OR THE PROGRAM MANAGER OR THE OPERATOR'S CONTINUING ABILITY TO ACQUIRE EQUIPMENT, SUPPLIES OR LABOR.

## **NO TAX ATTORNEY OPINION OR IRS RULING**

THE PROGRAM MANAGER WILL NOT PROVIDE ANY OPINION OF COUNSEL A TAX OPINION AS TO THE CERTAIN TAX ASPECTS WHICH WILL BE ISSUED UPON FORMATION OF THE PROGRAM. THE PROGRAM MANAGER HAS NOT OBTAINED, NOR WILL IT OBTAIN, A RULING FROM THE INTERNAL REVENUE SERVICE CONCERNING THE TAX ASPECTS OF THIS PROGRAM AND ITS PARTICIPANTS. PARTICIPANTS, HOWEVER, SHOULD RELY ON THEIR OWN TAX ADVISORS AND SATISFY THEMSELVES AS TO INCOME AND OTHER TAX CONSEQUENCES OF THEIR PARTICIPATION IN THE PROGRAMS.

## **INCOME TAX AMENDMENTS LAWS SUBJECT TO CHANGE**

THE FEDERAL INCOME TAX TREATMENT OF OIL AND GAS ACTIVITIES HAS A MATERIAL EFFECT ON THE ECONOMICS OF INVESTING IN A NATURAL GAS PROJECT. EXISTING INCOME TAX LAWS AND REGULATIONS MAY BE CHANGED OR REPEALED IN THE FUTURE AND THE EFFECT OR NATURE OF ANY SUCH MODIFICATIONS CANNOT BE PREDICTED.

## RISK OF AUDIT

PARTICIPANTS SHOULD BE AWARE THAT AN AUDIT OF THE PROJECT OR PROGRAM MANAGER MAY RESULT IN AN AUDIT OF THE PARTICIPANTS BOTH WITH RESPECT IN ITEMS RELATED TO THE PROJECT AND OTHERWISE OF DEDUCTIONS AGAINST INCOME TAKEN BY THE PARTICIPANTS PURCHASING ANY OF THE UNITS. (FOR FURTHER INFORMATION ON TAX MATTERS, SEE "FEDERAL INCOME TAX MATTERS".)

## IMPORTANCE OF INDEPENDENT COUNSEL

PROSPECTIVE PARTICIPANTS ARE URGED TO CAREFULLY REVIEW THE MATERIAL SET FORTH UNDER THE CAPTION "FEDERAL INCOME TAX MATTERS" AND TO CONSULT WITH THEIR OWN LEGAL, TAX AND FINANCIAL ADVISORS BEFORE MAKING A DECISION TO PURCHASE A UNIT.

## POSSIBLE TAXABLE INCOME (OR COST) IN EXCESS OF CASH DISTRIBUTIONS

THE PROGRAM MANAGER EXPECTS TO MAKE DISTRIBUTIONS OF ANY FUNDS THAT ARE NOT, IN THE SOLE DISCRETION OF THE PROGRAM MANAGER REASONABLY NECESSARY FOR THE CONDUCT OF PROGRAM MANAGER'S BUSINESS. IF PROGRAM MANAGER DETERMINES THAT FUNDS MUST BE RETAINED TO MEET BUSINESS NEEDS (INCLUDING COSTS OF OPERATION OF THE WELLS OR THE SATISFACTION OF OTHER OBLIGATIONS OF THE PROGRAM), OR IF CERTAIN DEDUCTIONS ARE DISALLOWED BY THE INTERNAL REVENUE SERVICE, A PARTICIPANT'S DISTRIBUTIVE SHARE OF TAXABLE INCOME, AND POSSIBLY EVEN HIS TAX FROM THE PROGRAM, MAY EXCEED ANY SUCH DISTRIBUTIONS.



# PROGRAM MANAGER AGREEMENT



THIS GENERAL PROGRAM MANAGER AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_ 2024, by and among ENDEAVOR RESOURCES, LLC, INC. (the "PROGRAM MANAGER") and all those persons whose names and all those persons who from time to time execute a Participants Signature Page and are admitted to the PROGRAM MANAGER and who have executed and delivered this Agreement (the "Participants").

*WHEREAS* the parties hereto desire to enter into a Direct Participation of Working Interest in The Francis Grace #1.

*WHEREAS* the PROGRAM MANAGER wishes to admit new Participants in return for their capital contributions to the PROGRAM as units of investment, the PROGRAM MANAGER intends to accept capital contributions from such new Participants and to extend the funds so acquired for the purposes set forth under this agreement; and agrees as follows:

*WHEREAS* the parties to this Agreement desire to amend and restate the Agreement to provide for, among other things:

- (a) The admission of persons as Participants, and
- (b) The establishment of provisions for capital contributions to the PROGRAM MANAGER; and
- (c) The allocation of profits, losses and distributions among the Investors.

The parties hereto are entering into this Agreement to evidence such withdrawal, admissions, establishment, and obligations of the parties hereto.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants, conditions and agreements hereinafter set forth, the parties hereby agree that the original Agreement shall be amended and restated and, as so amended and restated, this OPERATING Agreement of PROGRAM MANAGER constitutes the entire agreement of the parties, as follows:

# CONTRACT AND OPERATING AGREEMENT

## CONTRACT AND OPERATING AGREEMENT BETWEEN ENDEAVOR RESOURCES, LLC, AND HILLTOPPER ENERGY, LLC

INVESTOR NAME

This AGREEMENT made and entered into the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, between Endeavor Resources, LLC, physically located at 8525 State Route Highway 70 West, Bremen, Kentucky 42325, hereinafter referred to as "OPERATOR", and \_\_\_\_\_,

**WITNESSETH:** That for and in consideration of the premises and the mutual covenants and provisions contained herein, said parties do hereby agree as follows:

**1.** OPERATOR owns certain oil and gas leasehold estate interests in property and leases referred to and described as THE Francis Grace #1 ", and \_\_\_\_\_ desires to acquire WORKING INTERESTS in Francis Grace #1 REWORK WELL LOCATION on said lease, well locations to be chosen by operator, to the extent and in the amount of 100% Working Interest / 60% Net Revenue Interest of the Francis Grace #1 Rework and Frac. The Francis Grace #1 well location, all for the purpose of conducting exploratory operations and development of the wells for the production of oil, gas, casing head gas, gas condensate and all others liquid or gaseous hydrocarbons.

**2.** Endeavor Resources, LLC and Hilltopper Energy, LLC, shall be the OPERATORS of said leases and shall conduct, direct and have full control of all operations of the leases; all operations shall be conducted in a good and workmanlike manner according to the standards in the WESTERN KENTUCKY OIL FIELDS, said OPERATOR shall have no liability to \_\_\_\_\_ for losses sustained or liabilities incurred by reason of this agreement. All employees shall be the employees of the OPERATOR and the number of employees, their selection, hours of labor and compensation for services performed, shall be determined by OPERATOR. The OPERATOR shall keep in force policies of insurance, including Workers Compensation Coverage for all employees of Endeavor Resources, LLC., otherwise all subcontractors will be required to provide certificates of insurance made in favor of Endeavor Resources, LLC, liability and property damage in such amounts and coverage's as may be determined by OPERATOR to be reasonable and in compliance with all applicable regulations and laws.

OPERATOR shall hold harmless and indemnify \_\_\_\_\_ for any casualty loss to any third person, including any employee of OPERATOR or any subcontractor, who may be injured on the leasehold premise, caused by the negligent acts of the OPERATOR, its employees, vendors, independent contractors, subcontractors, or any other person who is injured on the leasehold premises. In addition, OPERATOR agrees to hold harmless and indemnify THE INVESTOR from any contamination caused from the operations of OPERATOR including any action brought by a governmental agency or any aggrieved landowner.

3. OPERATOR agrees to commence the Rework and Frac of the e Francis Grace #1 well for commercial production of oil and/ or gas on said property as soon as all working interest are sold/or enough capital has been placed to drill the said Well. If in the judgment of the OPERATOR the well will not produce oil or gas enough paying quantities, \_\_\_\_\_ shall be notified and the well shall then be plugged and abandoned as promptly as possible.

4. Each party shall execute all divisions' orders and contracts of sale pertaining to his interest in production from the Well(s) and shall be entitled to receive payment from the oil or gas purchaser for his share of all production.

5. \_\_\_\_\_ shall have access to the leased premises at all times, at their sole risk, to inspect or observe operations and shall also have, at reasonable times, access to the books and records of OPERATOR pertaining to the development and operation of the specific wells.

6. \_\_\_\_\_ agrees to pay all leasehold operating expenses, including the cost of the Pumper.

Fee which will be initially set at \$500.00 monthly, per well. Payment of those costs shall be due OPERATOR within ten (10) days from the date of notification, whether oral or written. IF \_\_\_\_\_ fails to pay the said costs within said time, the amount due shall bear interest of 12% per annum until paid. Further, \_\_\_\_\_ hereby irrevocably grants OPERATOR the right and authority to receive all monies, including expenses or otherwise due by \_\_\_\_\_ to OPERATOR, from purchaser of the oil and/ gas purchased from said well(s) and OPERATOR shall have the right to execute for and on the behalf of \_\_\_\_\_ any and all division orders or transfers orders to effectuate said purchase.

7. OPERATOR may resign from its duties as operator at any time upon written notice of not less than (90) days given to \_\_\_\_\_. The retiring operator shall deliver to its successor all information and records necessary for the new operator to discharge his duties and obligations.

8. The liability of the parties to this agreement shall be several, not joint or collective. It is not the intention of the parties to create, nor shall this agreement be construed as creating a mining or other partnership or association, or to render them liable as Investors.

9. Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all provisions of Subchapter E of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions under which a similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under similar election is permitted, each of the parties agrees that such an election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the OPERATOR to execute such election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the OPERATOR may in lieu of filing copies, notify said authorities of the election by separate instrument in proper form.

**10.** 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 reasonable full particulars concerning it; the obligations of the party giving 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 possible diligence to remove the force majeure as quickly as possible. 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 direction 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, lighting, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

**11.** All notices or correspondence authorized or required between the parties shall be given in writing by the United States mail addressed to the party to whom the notice is given at the address listed herein and shall be deemed given as of the date of the notice or correspondence.

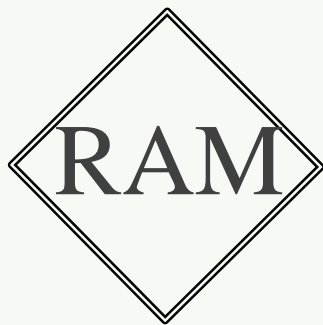
**12.** This instrument may be executed in counterpart, each to be considered an original, and shall be binding upon the successors/heirs and assigns of all parties.

**13.** In the event of default by \_\_\_\_\_ of any of the terms and conditions contained herein, \_\_\_\_\_ shall further be responsible for the OPERATOR'S reasonable attorney's fees and cost incurred thereby. In the event of default by OPERATOR of any of the terms and conditions contained herein, the OPERATOR shall further be responsible for reasonable attorney's fees and cost incurred thereby.


IN WITNESS WHEREOF this instrument has been executed, on this date herein above written.

Investor Name:  Number of Units Buying:

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



## CONTACT

 270.403.1125

[hilltopperenergy@gmail.com](mailto:hilltopperenergy@gmail.com)

 Hopkinsville, KY

 LinkedIn Profile

## SKILLS

Attention to Detail

P/L & Performance Improvement

Team Leadership

Project Planning

Accountability

Improving Efficiency

Entrepreneurship / Turnarounds

Business Development

Risk Assessment

Resource Management

Product Development

Capitalization & Investment

Negotiation / Deal Closing

Financial & Legal Transactions

Organizational Management

Uncovering New Trends / Vision

Revenue & Profit Growth

## EDUCATION

BACHELOR OF SCIENCES

Accounting

Equivalent Minor – Finance

University of Kentucky

Gatton Business School

1998-2003

# R. Allen McVay

President, Hilltopper Energy

## PROFESSIONAL PROFILE

10+ years CEO oversight, 15+ years management leadership, 20+ years' Operations, Finance and Business Development experience with exceptional record of driving revenue, building brands, and enhancing value. Proven record of building business to revitalize underperforming areas. Versatile and well-rounded with a diverse background encompassing many aspects of the oil and gas, real estate, and retail industries. Established reputation for achieving success despite complex challenges. An ethics-based leader putting service over self.

## ACHIEVEMENTS

- Launched Start-up Company amidst economic downturn. Leveraged capital implemented strategic marketing and became profitable within one year.
- Designed and Implemented complex spreadsheets to oversee a maintain \$160+ million in annual sales that are still in use by the organization today.
- Tripled profitability of retail business within 6 months of leading
- Secured thousands of acres of drilling rights and miles of pipe line right of way

## EXPERIENCE

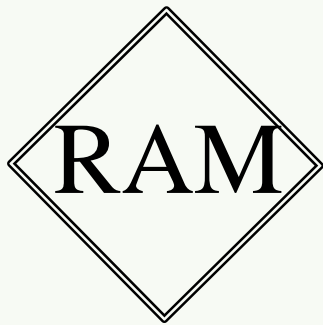
### PRESIDENT

Hilltopper Energy, LLC. 2008-Present

*Operating, leasing & investment in oil and gas industry*

Opportunity to utilize and amalgamate diverse skill set and career experience in business, economics, finance and operations. Fluency in all disciplines of business resulted in effective due diligence, organizational evaluation, assessing financial health and forecasting an ability to succeed for purposes of capitalization, investment and growth.

- Responsible for entirety of the organization, technologies, sales, contracts, personnel, opportunity, markets and deal structure. *Skill: Acumen*
- Constructed multiple joint venture or acquisition deals across the energy sector. Including securing contracts and right of ways to lay natural gas pipeline, and securing contracts with the state of Kentucky to plug and reclaim 50 abandoned wells as part of a federal government program. *Skill: Diverse Business Development*
- Oil and Gas well service division with focus on repairing existing wells, service rig operation, dirt work and reclamation, well plugging, vac truck services, roust about labor, and pipe line construction. *Skill: Team leadership*
- Current portfolio owns and operates 40 oil or natural gas producing wells and 20+ miles of natural gas pipe line tied into multiple markets. *Skill: Product Development*



# R. Allen McVay

President, Hilltopper Energy

## TECHNICALSKILLS

Microsoft Office Suite

Windows Operating Sys

Adobe Creative Suite

HTML, CSS & JAVA

Exchange Servers, Networking & IT  
Systems

Technology & Data Migration

QuickBooks

Salesforce

Multiple Social Media Platforms

## SOFTSKILLS

Integrity

Communication

Courteous

Responsible

Social Skills

Positive Attitude

Professional

Adaptable / Flexibility

Teamwork

Work Ethic

## DISCANALYSIS

Motivated by Ability to Lead

Extremely Task Oriented

Analytical

Effective Problem Solver

Maintains Deadlines Well

Seeks Tangible Results

Facts-Based Orientation

Quality / Accuracy

Achieve Bottom-line Results

Great in A Crisis

Self-Reliant

Overcomes Obstacles

Encourages People

Competitive

## EXPERIENCEcontinued

Member, Manager

ADG Properties, LLC 2007-2016

*Rental Property ownership and management*

- Conceived and built business model, strategies and infrastructure, establishing unique local rental brand despite severe economic downturn. Turned a challenged residential rental neighborhood into a desired area of a small town. Emphasis on business planning, architecting revenue models, multi-faceted marketing strategies and customer-centric tactics. *Skill: Strategy, Mission & Vision Planning*
- Doubled property values and revenues through integrated marketing campaigns, customer service, and property diversification. *Skill: Revenue & Profit Growth*

Operations Manager 2003-04 Financial Operations Coordinator 04-07

Saver Group, INC.

*Owns and Operates 30+ Save A Lot grocery stores, 2<sup>nd</sup> largest independent Save A Lot operator*

- Healed company through fresh vision and communication. Brought critically underperforming area of the company back into the black, while dropping 400% area employee turnover rate to less than 100% and increasing both customer service and store cleanliness. *Skill: Change Mgmt.*
- Achieved record-level gross profits and sales tripling an areas bottom line within 6 months. *Skill: Bottom-line Improvement*
- Developed and implemented a complex new spreadsheet that tracks shrink, labor, and individual stores gross profit that is still in use by the company today. *Skill: Improving Efficiencies*
- Developed and implemented a companywide bonus program. *Skill: Achieving Mission Critical Results*

Owner/Operator 1999-2003

H&M Lawn Care DBA Classic Cuts

*Specializing in design and implementation of lawn care and landscaping*

- Began business while attending the University of Kentucky in Lexington KY. Grew revenues to grossing over \$300,000 annually while going to school full time. Achieved large revenue growth by excelling in customer service and marketing strategies. Secured large contracts to design, landscape, and maintain the exterior of all facilities with many large corporations. *Skill: Entrepreneurship/Business Development*

## PROFESSIONAL DEVELOPMENT / AFFILIATIONS

- Elder 2019-present  
Journey Church
- Finance Chair 2014-2016  
St Andrews UMC
- Board Member 2008-2016  
NB Foods, LLC.
- Board member 2006-2007  
Grace Emmaus

# OPERATORS

Endeavor Resources, LLC and Hilltopper Energy, LLC

**WORKING INTEREST: 100%**

**NET REVENUE INTEREST: 60%**

## INVESTOR INTEREST AND UNITS IN BJ #2

**(4) UNITS 1/8 WORKING INTEREST EQUALS**

**7.5% NET REVENUE**

COST IS **\$50,000**

**(2) UNITS 1/16 WORKING INTEREST EQUALS**

**3.75% NET REVENUE**

COST IS **\$25,000**

**(1) UNIT 1/32 WORKING INTEREST EQUALS**

**1.875% NET REVENUE**

COST IS **\$12,500**

Investor Signature:

Address:  State:  Zip:

Telephone:  Email:

Fed Id or SS#

## ENDEAVOR RESOURCES, LLC.

8525 STATE RT. 70 WEST, BREMEN, KY 42325 270-543-5528

### ESTIMATE OF COST AND AUTHORIZATION FOR EXPENDITURE

<b>Prospect Name:</b> Warsaw	<b>Field:</b> Francis Grace #1	<b>Lease:</b> Francis Grace #1	<b>Date:</b>
<b>County:</b> Christian	<b>State:</b> Kentucky	<b>Primary Objective:</b> Salem-Warsaw	<input type="text"/>

## WARSAW SLICKWATER FRAC

CLASSIFICATION OF EXPENSE	SIZE	COMPLETION	TOTAL
<b>INTANGIBLES</b>			
Legal, Permits, Surveys & Leasehold		\$12,500.00	\$12,500.00
Location work & (Damages upon Restoration)		\$12,500.00	\$12,500.00
Insurance		\$3,500.00	\$3,500.00
Geological Services		\$5,000.00	\$5,000.00
Frac Tank Rental & Transportation		\$12,500.00	\$12,500.00
Completion Unit (Swabbing & Completion Work)	\$200 per hr 150	\$30,000.00	\$30,000.00
Perforating & Case Hole Logging	1	\$24,225.00	\$24,225.00
Stimulation - Slick Water Frac and Acid Job		\$115,000.00	\$115,000.00
Miscellaneous Intangibles		\$25,000.00	\$25,000.00
Administrative Overhead	Cost plus 15%	\$34,909.00	
Geological Prospect Fee			\$60,000.00
<b>TOTAL INTANGIBLES</b>			<b>\$327,634.00</b>

CLASSIFICATION OF EXPENSE	SIZE	PRICE / FT	FEET	COMPLETION	TOTAL
<b>TANGIBLES</b>					
Tubing	2"	\$8.00	11800	\$14,400.00	\$14,400.00
Packers - Plugs			5	\$4,400.00	\$4,400.00
Pumping Unit & Engine			1	\$15,000.00	\$15,000.00
Sucker Rods		\$3.00	1800	\$6,400.00	\$6,400.00
Downhole Pump	1	\$3,500.00		\$3,500.00	\$3,500.00
2100 bls Tanks and Water Separator	1			\$20,000.00	\$20,000.00
Miscellaneous Tangibles				\$12,500.00	\$12,500.00
<b>TOTAL TANGIBLES</b>					<b>\$73,700.00</b>
<b>TOTAL INTANGIBLES &amp; TANGIBLES</b>					<b>\$400,000.00</b>
<b>TOTAL COMPLETED WELL COSTS</b>					<b>\$400,000.00</b>

## Investor

Investor Name:  Number of Units Buying:

### APPROVALS:

Endeavor Resources LLC



Signature

Date:

**Danny Thomasson**

Member

Name:  Date:

**AVERAGE PRICE OF CRUDE OIL IN 2022 WAS \$94.78 A BARREL**

# SPECIAL NOTICE TO ALL INVESTORS



## TERMINATION OF OFFER

This offering will terminate as of August 15, 2025, unless terminated prior to that by reason of the sale of all units or extended an additional 60 days by the program without notice. If the offering is terminated, all subscriptions will be refunded in full without interest.

## SUBSTANTIAL RISKS

The securities offered herein will be sold in compliance with an exemption from registration under Regulation D (Section 506 exemptions) under the Securities Act of 1933, as amended, and thus may be sold to not more than 35 non-accredited investors and to an unlimited number of accredited investors. An investment in units of this nature involves substantial risks and is suitable only to persons of means who have no need for liquidity of this investment.

This memorandum contains essential information about the units being offered hereby. There is also an exhibit package which is an essential part of the memorandum and reference is made to those exhibits and, by such reference, they are made a part of this memorandum; and potential investors should consider the exhibits as a part of this memorandum. Persons are advised to carefully read this memorandum and exhibit package in its entirety prior to making any decision to purchase these securities.

No person may participate in this program except pursuant and subject to the terms set forth in this memorandum and by the approval of Program Manager. Program Manager reserves the right to reject any subscription, in whole or in part, and reserves the right, in its sole and absolute discretion to modify or withdraw this offering and reject all subscriptions.

## CONFIDENTIAL INFORMATION

Any reproduction or distribution of this memorandum and exhibit package, in whole or in part, or the divulgence of any of its contents without the prior written consent of Program Manager is prohibited. No person is authorized to give any information or make any representation not contained in this memorandum or an authorized summary hereof, or in any agreement contemplated hereby, and any information or representation not contained herein or in such authorized summary or agreement must not be relied upon.

## NO MARKET FOR UNITS OR TRANSFERABILITY

Since the units offered hereby are not being registered under the Securities Act of 1933, as amended, the units cannot be sold by an investor unless they are subsequently registered under such act, or unless an exemption from registration is available at the time of desired sale. Therefore, a purchaser must be able to bear the economic risk of the investment for an indefinite period of time. There is no public market for the units, and none is likely to develop.

## INCOME TAX

The tax aspects of an investment in this program require careful and informed study with respect to an investor's personal tax and financial position. Accordingly, no person should participate without prior independent expert advice as to the tax impact of an investment in the PROGRAM MANAGER on his or her own affairs. Nothing in this memorandum should be construed as legal or tax advice to potential investors.

A copy of this memorandum shall be delivered to every person solicited to buy any of the units hereby offered, at the time of the initial offer to sell.

## RIGHTS TO EXAMINE RECORDS AND ACTIVITIES

Each investor is hereby given an opportunity to ask questions of, and to receive answers from the officers and directors of PROGRAM MANAGER or any person acting on its behalf concerning the terms and conditions of this offering to obtain any additional information to the extent the program manager possesses such information (or can acquire it without unreasonable effort and expense) necessary to verify the accuracy of the information contained in this private placement memorandum. Furthermore, the Program Manager has or will have various documents connected with the proposed business of the program. All such documents are available to any prospective investor or his designated representative. If you have any questions whatsoever regarding this offering, or desire any additional information or documents to verify or supplement the information contained in this private placement memorandum, please write or call Program Manager at the address and telephone number shown below:

**Francis Grace #1**

**ENDEAVOR RESOURCES, LLC, INC.**

8525 STATE ROUTE HIGHWAY 70 WEST BREMEN, KENTUCKY 42325

Phone: (270) 543-5528 Email: [endeavorresources.llc@gmail.com](mailto:endeavorresources.llc@gmail.com)



## NOT REGISTERED WITH SEC OR STATE SECURITIES DIVISIONS

In making an investment decision, investors must rely on their own examination of the entity creating these securities and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

## NO REPRESENTATION ON PREDICTABLE FORECASTS

Any financial or production forecasts contained herein have been prepared based on the stated assumptions and hypotheses set forth elsewhere in this memorandum. Future operating results are impossible to predict accurately, and no representation of any kind is made with respect to the accuracy of the assumptions or projections.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable state securities laws, pursuant to the registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

## STATE SECURITIES NOTICE

There is included in the memorandum materials hereto and by this reference herein a list of the state jurisdictional notices which must not be construed to mean that this memorandum has been reviewed and processed in all such states or that there has been offered or will offer these securities in each state for which a notice appears.



# STATE DISCLOSURE REQUIREMENTS

## THE FOLLOWING ARE THE DISCLOSURES REQUIRED FOR THE VARIOUS STATES

### ALABAMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THESE SECURITIES MAY BE SOLD TO "ACCREDITED INVESTORS," AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

### ALASKA RESIDENTS

THESE SECURITIES OFFERED HAVE NOT BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISIONS OF 3 AAC 08.500-3 AAC 08.506. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. NONE OF THE FACTS OR THE MERITS, HAVE BEEN RECOMMENDED, OR APPROVED BY THE SECURITIES ADMINISTRATOR, ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF A.S. 45.55.170. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

### ARIZONA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION DOES NOT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE.

### ARKANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION OF THE ARKANSAS SECURITIES ACT AND SECTION 4(2) OF THE SECURITIES ACT OF 1933 AND MAY BE SOLD TO "ACCREDITED INVESTORS," AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933.

*cont.*

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### **CALIFORNIA RESIDENTS**

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFORE, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONERS RULES.

### **COLORADO RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED, APPROVED OR DISAPPROVED BY THE STATE OF ILLINOIS NOR HAS THE SECRETARY OF STATE COLORADO. THE STATE OF COLORADO PASSED UPON THE ACCURACY OF THIS MEMORANDUM. IN ADDITION, THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

### **CONNECTICUT RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT AND, THEREFORE, CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

### **DELAWARE RESIDENTS**

THESE SECURITIES ARE BEING SOLD IN RELIANCE UPON AN EXEMPTION PROVIDED BY SECTION OF THE DELAWARE SECURITIES ACT AND CANNOT BE RESOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THAT ACT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THAT ACT.

## **FLORIDA RESIDENTS**

THE SECURITIES REFERRED TO IN THIS MEMORANDUM WILL BE SOLD TO AND ACQUIRED BY, THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. SALES ARE MADE TO FIVE OR MORE FLORIDA RESIDENTS ANY SALE OF THE SECURITIES THE STATE OF FLORIDA IS VOIDABLE AT THE OPTION OF THE PURCHASER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE EITHER TO THE ISSUER, AN AGENT OR THE ISSUER OR AN ESCROW AGENT.

## **GEORGIA RESIDENTS**

THESE SECURITIES HAVE BEEN ISSUED OR SOLD IN GEORGIA IN RELIANCE ON THE EXEMPTION PROMULGATED UNDER THE GEORGIA SECURITIES ACT OF 1973, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT.

## **HAWAII RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE HAWAII BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **IDAHO RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE IDAHO BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED, APPROVED OR DISAPPROVED BY THE STATE OF ILLINOIS NOR HAS THE SECRETARY OF STATE OF THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OF THIS MEMORANDUM. IN ADDITION, THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## INDIANA RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SECTION 3 (23-2-1-3) OF THE INDIANA SECURITIES ACT BUT ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE INDIANA CODE OR ACT. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAW OR APPLICABLE EXEMPTIONS THEREFROM. AN INDIVIDUAL OR JOINT NET WORTH WITH HIS OR HER SPOUSE OF **\$225,000** OR MORE, WITHOUT REGARD TO THE INVESTMENT IN THE PROGRAM, (EXCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES) AND A COMBINED "TAXABLE INCOME" AS DEFINED IN SECTION 63 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OF **\$100,000** OR MORE FOR THE CURRENT YEAR AND FOR TWO PREVIOUS YEARS; OR AN INDIVIDUAL OR JOINT NET WORTH WITH HIS OR HER SPOUSE IN EXCESS OF \$1 INCLUSIVE OF HOME, HOME FURNISHINGS AND AUTOMOBILES, OR AN INDIVIDUAL OR JOINT NET WORTH WITH HIS OR HER SPOUSE IN EXCESS OF **\$500,000**, EXCLUSIVE OF HOME FURNISHINGS AND AUTOMOBILES; OR A COMBINED 'GROSS INCOME" AS DEFINED IN SECTION 61 OF THE INTERNAL REVENUE CODE OF 1986, IN EXCESS OF **\$200,000** IN THE CURRENT YEAR AND THE TWO PREVIOUS YEARS.

## IOWA RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE IOWA BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **KANSAS RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE KANSAS BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **KENTUCKY RESIDENTS**

KENTUCKY RESIDENTS, IF NON-ACCREDITED INVESTORS, MUST HAVE A NET WORTH OF TEN (10) TIMES THEIR INVESTMENT. THE SECURITIES REPRESENTED THIS MEMORANDUM OR SUBSCRIBER DOCUMENTS ARE BEING SOLD PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION OR QUALIFICATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISION OF APPLICABLE FEDERAL AND STATE SECURITIES LAW OR APPLICABLE EXEMPTIONS THEREFROM.

## **LOUISIANA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE LOUISIANA BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **MAINE RESIDENTS**

THESE SECURITIES ARE BEING SOLD PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE BANK SUPERINTENDENT OF THE STATE OF MAINE UNDER SECTION OF TITLE 32 OF THE MAINE REVISED STATUTES. THESE SECURITIES MAY BE DEEMED RESTRICTED AND AS SUCH THE HOLDER MAY NOT BE ABLE TO RESELL THE SECURITIES UNLESS PURSUANT TO REGISTRATION UNDER STATE OR FEDERAL SECURITIES LAWS OR UNLESS AN EXEMPTION UNDER SUCH LAW EXISTS.

## **MARYLAND RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MARYLAND BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE I) DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **MASSACHUSETTS RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE BLUE-SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **MICHIGAN RESIDENTS**

THE SECURITIES REFERRED TO IN THIS MEMORANDUM WILL BE SOLD TO AND ACQUIRED BY THE HOLDER IN A TRANSACTION EXEMPT UNDER THE MICHIGAN UNIFORM SECURITIES ACT. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT. THE MICHIGAN SECURITIES ACT PROVIDES THAT THIS PRIVATE PLACEMENT MEMORANDUM MUST BE PROVIDED TO PROSPECTIVE PURCHASERS AT LEAST 48 HOURS PRIOR TO ANY SALE OF THE SECURITIES OFFERED HEREBY.

IN ADDITION TO THE SUITABILITY STANDARDS SET FORTH IN THIS MEMORANDUM, THE PURCHASE PRICE OF THE INTEREST ACQUIRED BY A NON-ACCREDITED INVESTOR RESIDING IN THE STATE OF MICHIGAN MAY NOT EXCEED TEN PERCENT (10%) OF THE INVESTOR'S NET WORTH, EXCLUDING PRINCIPAL RESIDENCE, HOUSEHOLD FURNISHINGS AND PERSONAL AUTOMOBILES, WITHOUT REGARD TO THIS INVESTMENT.

THE ISSUER WILL MAINTAIN A LIST OF ALL NAMES AND ADDRESSES OF ALL PARTICIPANTS AT ITS OFFICES AND WILL KEEP AVAILABLE TO PARTICIPANTS OR THEIR DESIGNATED REPRESENTATIVE.

## **MINNESOTA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MINNESOTA UNIFORM SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF MINNESOTA NOR HAS THE COMMISSIONER OF SECURITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## **MISSISSIPPI RESIDENTS**

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE MISSISSIPPI SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE MISSISSIPPI SECRETARY OF STATE. THE SECRETARY OF STATE HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES, NOR APPROVED OR DISAPPROVED THE OFFERING. THE SECRETARY OF STATE DOES NOT RECOMMEND THE PURCHASE OF THESE OR ANY OTHER SECURITIES.

THERE MAY BE NO ESTABLISHED MARKET FOR THESE SECURITIES AND THERE MAY NOT BE ANY MARKET FOR THESE SECURITIES IN THE FUTURE. THE SUBSCRIPTION PRICE OF THESE SECURITIES MAY HAVE BEEN ARBITRARILY DETERMINED BY THE ISSUER AND MAY NOT BE AN INDICATION OF THE ACTUAL VALUE OF THESE SECURITIES. THE PURCHASER OF THESE SECURITIES MUST MEET CERTAIN SUITABILITY STANDARDS (SEE ACCREDITED INVESTORS PRIVATE PLACEMENT MEMORANDUM "ELIGIBLE SUBSCRIBERS") AND SHOULD BE PREPARED TO BEAR THE LOSS OF THE ENTIRE INVESTMENT. THESE SECURITIES MAY NOT BE TRANSFERRED WHICH IS EXEMPT UNDER THE MISSISSIPPI SECURITIES ACT.

## **MISSOURI RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MISSOURI BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. COMMISSIONER OF SECURITIES OF THE STATE OF MINNESOTA NOR HAS THE COMMISSIONER OF SECURITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## NEBRASKA RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE BLUE-SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## NEVADA RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE NEVADA BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD} TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## NEW HAMPSHIRE RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE NEW HAMPSHIRE BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## NEW JERSEY RESIDENTS

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BUREAU OF SECURITIES THE STATE OF NEW JERSEY NOR HAS THE BUREAU PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. THE FILING OF THE WITHIN OFFERING DOES NOT Construed APPROVAL OF THE ISSUE OR SALE THEREOF BY THE BUREAU OF SECURITES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## NEW MEXICO RESIDENTS

THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO.

*cont.*

THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM.

## NEW YORK RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK NOR HAS THE ATTORNEY GENERAL PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## NORTH CAROLINA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE NORTH CAROLINA SECURITIES ACT. THE NORTH CAROLINA SECURITIES ADMINISTRATOR NEITHER RECOMMENDS NOR ENDORSES THE PURCHASE OF ANY SECURITY, NOR HAS THE ADMINISTRATOR PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION PROVIDED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN ADDITION TO THE SUITABILITY STANDARDS SET FORTH IN THIS MEMORANDUM THE PURCHASE PRICE OF THE INTEREST ACQUIRED BY A NON-ACCREDITED INVESTOR RESIDING IN THE STATE OF NORTH CAROLINA MAY NOT EXCEED TEN PERCENT (10%) OF THE INVESTORS NET WORTH EXCLUDING PRINCIPAL RESIDENCE, HOUSEHOLD FURNISHINGS AND PERSONAL AUTOMOBILES, WITHOUT REGARD TO THE INVESTMENT.

INVESTORS MUST ALSO MEET ONE OF THE FOLLOWING STANDARDS; **(1)** NET WORTH OF \$225,000, EXCLUSIVE OF PRINCIPAL RESIDENCE, MORTGAGE THEREON, HOUSEHOLD FURNISHINGS AND PERSONAL AUTOMOBILES OR **(2)** NET WORTH OF AT LEAST **\$60,000** EXCLUSIVE OF Principal RESIDENCE, MORTGAGE THEREON, HOUSEHOLD FURNISHINGS AND PERSONAL AUTOMOBILES TOGETHER WITH TAXABLE INCOME DURING THE LAST TAXABLE YEAR OF AT LEAST \$60,000, IN EACH CASE WITHOUT REGARD TO THIS INVESTMENT.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS ON THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

### **NORTH DAKOTA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE NORTH DAKOTA SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER OF SECURITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### **OHIO RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE OHIO BLUE SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

### **OKLAHOMA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE ACT OF 1933, AS AMENDED, OR UNDER THE OKLAHOMA SECURITIES ACT, BY REASON SPECIFIC EXEMPTIONS THEREUNDER RELATING TO LIMITED AVAILABILITY TO OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF OKLAHOMA, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## OREGON RESIDENTS

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE CORPORATION COMMISSIONER OF THE STATE OF OREGON UNDER PROVISIONS OF OAR 815 DIVISION 365. THE INVESTOR IS ADVISED THAT THE COMMISSIONER HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE COMMISSIONER.

THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE COMPANY CREATING THE SECURITIES, AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

## PENNSYLVANIA RESIDENTS

RESIDENTS OF THE COMMONWEALTH OF PENNSYLVANIA CAN ONLY TRANSFER THESE SECURITIES IN ACCORDANCE WITH THE PROVISIONS OF SECTION 203(D) OF THE PENNSYLVANIA SECURITIES ACT AND ARE SUBJECT TO THE FOLLOWING CONDITIONS:

EACH PENNSYLVANIA RESIDENT WHO SUBSCRIBES FOR THE SECURITIES BEING OFFERED HEREBY AGREES NOT TO SELL THESE SECURITIES FOR A PERIOD 12 MONTHS AFTER THE DATE OF PURCHASE.

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE PENNSYLVANIA SECURITIES ACT AND MAY NOT BE SOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE ACT BECOMES AVAILABLE; AND EACH PENNSYLVANIA RESIDENT WHO SUBSCRIBES FOR THESE SECURITIES HAS THE RIGHT, PURSUANT TO SECTION 207 OF THE PENNSYLVANIA SECURITIES ACT, TO WITHDRAW HIS SUBSCRIPTION AND RECEIVE A FULL REFUND OF ALL MONEYS PAID, WITHIN TWO BUSINESS DAYS HE ENTERS INTO A BINDING CONTRACT OF PURCHASE, OR MAKES FULL PAYMENT FOR THESE SECURITIES, WHICHEVER IS LATER. WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER OR TELEGRAM TO THE DIRECT PARTICIPATE INVESTORS AT THE ADDRESS SET FORTH IN THE MEMORANDUM INDICATING THE INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IT IS PRUDENT TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. IF THE REQUEST IS MADE ORALLY (IN PERSON OR BY TELEPHONE TO THE DIRECT PARTICIPATE INVESTORS AT THE NUMBER LISTED IN THE MEMORANDUM), WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN RECEIVED SHOULD BE REQUESTED.

SECTION 207(M). "EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 203(D), DIRECTLY FROM THE ISSUER OR AFFILIATE OF THE ISSUER, SHALL HAVE THE RIGHT TO WITHDRAW ITS ACCEPTANCE WITHOUT INCURRING ANY

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LIABILITY TO THE SELLER, UNDERWRITER, ANY, OR ANY OTHER PERSON WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF THE RECEIPT BY THE ISSUER OF HIS WRITTEN, BINDING, CONTRACT TO PURCHASE OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT TO PURCHASE, WITHIN TWO (2) BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED. "

## **RHODE ISLAND RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE BLUE-SKY LAW, BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **SOUTH DAKOTA**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SOUTH DAKOTA SECURITIES LAW, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **TENNESSEE RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE TENNESSEE SECURITIES ACT, BY REASON OF A CLAIM OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THESE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES ACT OF THE STATE OF TENNESSEE IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THE SECURITIES TO BE ISSUED ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS PURSUANT TO THE REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## **TEXAS RESIDENTS**

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 5(1) OF THE TEXAS SECURITIES ACT OF 1957. AN OFFERING MEMORANDUM HAS NOT BEEN FILED WITH THE TEXAS COMMISSIONER. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT.

## **UTAH RESIDENTS**

THESE SECURITIES ARE BEING ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION REQUIREMENTS OF THE UTAH UNIFORM SECURITIES ACT. NO SUBSEQUENT RESALE OR OTHER DISTRIBUTION OF THESE SECURITIES MAY BE MADE WITHIN THE STATE OF UTAH IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RESPECTING THESE SECURITIES OR AN EXEMPTION THEREFROM.

## **VIRGINIA RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE VIRGINIA SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT OF THIS STATE, IF SUCH REGISTRATION IS REQUIRED, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

## **WASHINGTON RESIDENTS**

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON CHAPTER 21.20 RCW IN RELIANCE UPON AN EXEMPTION PROVIDED BY THE SECURITIES ACT OF WASHINGTON AND MAY NOT BE RESOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THAT ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THAT ACT. THESE SECURITIES HAVE NOT BEEN APPROVED OR REVIEWED BY THE ADMINISTRATOR OF SECURITIES OF THE STATE OF WASHINGTON PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM.

# DEFINITIONS

Whenever used in this Memorandum, the following terms will have the meanings described below:

## **A ACCREDITED INVESTOR**

**This term includes the following persons:**

- (1)** Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or Other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Securities Act Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of the Securities Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are Accredited Investors;
- (2)** Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- (3)** Any organization described in Section 501(c)(3) of the Code, corporation, Massachusetts or similar business trust, or PROGRAM MANAGER, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- (4)** Any director, executive officer, or general Investor of the issuer of the securities being. Offered or sold, or any director, executive officer, or general Investor of a general Investor of that issuer;
- (5)** Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1
- (6)** Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years, or joint income with that person's spouse in excess of \$300,000 in each of those years, and who reasonably expects to have an income of such amounts in the current year.
- (7)** Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquitting the securities authored, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; and
- (8)** Any entity in which all of the equity owners are accredited investors under paragraphs (1) through (7) above.

## **B** OIL AND GAS DEFINITIONS:

**Acidizing.** Pumping acid (usually hydrochloric acid) into a reservoir. As the acid dissolves calcite, the naturally occurring holes in the rock are opened and enlarged, facilitating increased flow from the reservoir. Also see Fracturing.

**Administrative Overhead.** All customary and routine legal, accounting, geological and engineering fees, travel, office rent, telephone, secretarial, salaries and other incidental reasonable expenses necessary to the conduct of the Program Managers business. Such expenses do not include direct charges to the Participants for such services as legal, auditing, accounting or engineering or reserve evaluations.

**Affiliate. An Affiliate is.**

- (i) any person directly or indirectly controlling, controlled by, or under common control with another person,
- (ii) any person owning or controlling ten percent (10%) or more of the outstanding voting securities of another person,
- (iii) any officer, director or Investor of a person, and
- (iv) if such person is an officer, director or Investor, any company for which such person acts in any such capacity. "Person" means any individual, corporation, PROGRAM MANAGER, trust, estate or other entity.

**Assessments.** Amounts, if any, which the investors who be required to contribute to the Program Manager for costs of drilling, testing, completing/equipping certain zones or formations discovered in the well(s) (see Assessments) or for the costs of the Program Manager to the extent funds are not available from either initial Capital Contributions or well Net Revenues. Also, a Percentage owner could be assessed a fee equal to his proportionate allocation of additional cost, per Percentage owned, per well, for subsequent work required to be performed on the well(s). Assessments are additional monies due beyond the initial Subscription Amount.

**Assignment (Assign).** Legal document transferring an Interest in a property from one party to another. The receiving party is the assignee; the transferring party is the assignor.

**Associated Gas.** Natural gas that naturally occurs in a reservoir along with or associated with oil, in a gas cap, or dissolved in the formation.

**Barrels (BBL).** The standard unit of oil measurement In the U.S. oil industry. A barrel equals 42 U.S. gallons, or 149 liters. [In some countries oil is measured using the metric system; volumes in liters, or weights in metric tons.]

**Behind Pipe.** If a well drills through several pay zones and is completed in the deepest productive reservoir, the casing is set all the way down to the producing zone. Viewed from a perspective inside the borehole, reserves in the shallower pay zones up the hole are behind the casing (pipe).

**Capital Costs.** Capital Costs shall mean all of the costs incurred by the Program Manager in the Drilling Operations, and, if warranted, the Completion Operations to be performed on a Well or other Program Properties, and any pipelines built to a Well, which costs are required to be capitalized for federal income tax purposes, including any dry hole tangible costs but excluding any Intangible Drilling Costs, Lease Acquisition Costs, and Operating Costs.

**Capital Contribution.** All sums contributed by an Investor to the Program Manager for this Drilling Memorandum.

**Code.** The Internal Revenue Code of 1996, as amended.

**Commercial Well.** A Well which, after initial evaluation, appears capable of producing Products in Commercial Quantities.

**Completed Well.** A Well, which requires no additional work other than connecting the Well to surface equipment in order to make it capable of production.

**Completion Costs.** All costs associated with the completion operations of a well, (also, applies to testing and equipment).

**Completion Operations.** Those operations involved in the completing and equipping of a Well as more particularly described in the Turnkey Agreement.

Cost When used with respect to a prospect or drill site;

(i) the sum of the prices paid by the seller for such property, including bonuses.

(ii) title insurance or examinations costs, brokers' commissions, filing fees, recording costs, transfer taxes, if any, and like charges in connection with the acquisition of such property; and

(iii) rentals and ad valorem taxes paid by the seller with respect to such property to the date of its transfer to the buyer, interest on hand used to acquire or maintain such property, and such portion of the seller's reasonable, necessary and actual expenses for geological, geophysical, seismic, land engineering, drafting, accounting, legal and other like services allocated to the property in accordance with generally accepted accounting practices, except for expenses in connection with the past drilling of wells which are not producers of sufficient quantities of oil or gas to make commercially reasonable their continued operations, and provided that the expenses enumerated in (iii) hereof shall have been incurred not more than 38 months prior to the Drilling Program Memorandum. When used with respect to services, "cost means the reasonable, necessary and actual expense incurred by the seller on behalf of the program in providing such services, determined in accordance with generally accepted accounting principles. When used with respect to Tangible Equipment Cost shall mean the price paid by the seller or contributor in an arm's length transaction; where Tangible Equipment is acquired in a transaction between affiliated parties the cost shall be that amount so determined by generally accepted oil and gas industry accounting standards. As used elsewhere, "cost" means the price paid by the seller in an arm's length transaction.

**Crude Oil.** A naturally occurring mixture of liquid hydrocarbons as it comes out of the ground (before or after any dissolved gas has been separated from it, but prior to any process of distilling or refining).

*cont.*

Greenish crude is usually high in paraffin (wax) content; blackish oil is more likely to be asphalt. Different types of source rock generate different types of crude oils.

**Depletion.** The value of naturally occurring mineral deposit is a function of.

- (i) the market value of the mineral, and
- (ii) the concentration of the mineral in the mineral deposit physical depletion is the exhaustion of a mineral deposit through production of the mineral. Economic depletion is the reduction in the value of the mineral deposit as it becomes exhausted (less concentrated) through production.

**Depletion Allowance.** The income tax deduction allowed for the exhaustion of a natural resource.

**Depreciation.** A tax accounting method in which the value of an asset (starting with its acquisition cost) is reduced each year. Scheduled annual (non-cash) amounts are charged against the asset, representing the gradual loss of value, as it wears out, deteriorates, or becomes obsolete. (Theoretically such charged amounts accumulate over time providing funds that could be used to replace the worn-out asset.)

**Developmental Prospect or Development Well.** A well drilled on, or a prospect involving, leases near proven productive areas where the Leases are believed to encompass the same geologic feature or drilled within the proven area of an oil or gas reservoir to the depth of a Stratigraphic horizon known to be productive.

**Drill Site(s).** The tract of land consisting of a portion of the Working Interest in Leases upon which a single well should be drilled according to law, regulation or the established pattern of drilling in the particular area.

**Drilling Costs.** All costs associated with Drilling Operations of a Well.

**Drilling Operations.** Those operations involved in the drilling of a Well as more particularly described in the Turnkey Agreement.

**Dry Gas.** Natural gas that contains no appreciable liquid hydrocarbons. It may occur naturally or may result from passing natural gas (that originally contained liquids) through standard separator equipment.

installed at a producing well.

**Dry Hole.** A well that the Program Manager determines to plug and abandon before equipping.

**Fault.** A crack or fracture in the earth's crust, along which the rocks on one side have moved relative to the rocks on the opposite side. The movement could be sideways or up and down and can range from a few inches to tens (or even hundreds) of miles. A fault can juxtapose a non-porous layer of rock against an oil-bearing reservoir (sometimes thereby forming a trap).

**Feet of Pay.** The thickness of the pay zone penetrated in a well. In the case of an oil column floating on water, it is the thickness of the layer of oil ('the oil column') above the oil-water contact.

**Field.** (As in Oil Field or Gas Field) A commercial oil or gas accumulation (or the land above it). The size of an oil field can range from a few acres to thousands of acres.

**Formation.** A layer of rock having characteristics that is distinct and recognizable. The rock layer is thus mappable, even among other layers of similar rocks. The thickness can range from a few feet to hundreds of feet. Distinctive features might include mineral composition, texture, diagnostic plant or animal remains (fossils), etc.

**Fracturing.** A procedure undertaken to increase the flow of oil or gas from a well. A fluid (usually crude oil, diesel oil, or water) is pumped into the reservoir, with such great force that the reservoir rock is physically broken and split open. Usually the 'Frac fluid' carries small pellets or beads mixed in with it; the idea is for them to be caught in the fractures and prop them open (the beads or pellets are called the propping agent or proppant).

**General and Administrative Costs.** All customary and routine accounting, legal, geophysical, geological, land, engineering, travel, mail and delivery services, office rent, telephone, compensation to officers and employees, and other incidental expenses of the Program Manager or its Affiliates necessary or appropriate to the conduct of the business of this Drilling Program as they relate to placement of the Percentages offered herein and fulfillment of its obligations hereunder and under the Turnkey Agreement through the Completion Operation.

**Hydrocarbons.** A large class of organic compounds composed of hydrogen and carbon. Crude oil, natural gas, and natural gas condensate are all mixtures of various hydrocarbons, among which methane is the simplest.

**Initial Production.** The average MCP'S or barrels of production delivered from the total production realized in the first 24 hours of well production.

**Intangible Drilling and Development Costs.** Drilling, testing, equipment and completion costs incurred for items which have no salvage value, including without limitation.

- (i) location and surface damages,
- (ii) drilling costs,
- (iii) drilling mud, chemicals, fuel and other materials and supplies,
- (iv) labor, repairs, hauling, clearing, draining, roadmaking, surveying, cementing, utility charges and other services,
- (v) drill-stem tests, core analysis and electric logs,
- (vi) well site engineering and geological Services, and
- (vii) dry hole contributions. Section 263(c) of The Code and the regulations promulgated there under permit these costs to be deducted as expenses if an election to that effect is made by the owner of the operating or working interest.

**Investors.** The persons, firms, corporations, participants and other entities that are admitted to the Drilling Program, either as original, additional or substituted as Investors under the PROGRAM MANAGER Act, and that are then owners of an interest in the PROGRAM MANAGER. Reference to an Investor shall mean any one of the Investors or Participants subscribed herein. An Investor shall not be deemed to be the owner of any assigned interest in the PROGRAM MANAGER unless and until the assignee of such interest in the Drilling Program has been admitted as an Investor.

**Kentucky Act.** The Kentucky Uniform PROGRAM MANAGER Act or PROGRAM MANAGER Act.

**Lease Acquisition Costs.** All costs and expenses incurred at any time for lease bonuses paid to and expenses of outside land men or scouts, recording fees, costs of abstracts, fees paid to and expenses of a geologists and geophysicists who performs services, cost of performing or acquiring seismic data, exploration rights and options, delay rentals and other similar payments, and other costs related thereto, and any and all consideration paid to others for assignments of leasehold interests or rights to acquire, retain, defend or protect interests.

**Leases/Drill Sites.** Full or partial interests in oil and gas leases or drill sites, oil and gas rights, fee rights, reservations, permits or other rights authorizing the owner to drill for and reduce to possession of oil and gas.

PROGRAM MANAGER, ENDEAVOR RESOURCES, LLC, INC. as used in this Memorandum, the term "the Program Manager" means ENDEAVOR RESOURCES, LLC, INC., its subsidiaries, and predecessors, unless the context otherwise requires.

**Memorandum.** The Confidential Memorandum of The REWORK Program pursuant to which the Percentages are offered for sale.

**MCF.** Thousands of cubic feet measured at standard temperature (60-degree F) and pressure (14.65 psi). In the U.S., MCF is the most common unit of measure for volumes of natural gas. ('M' is the Roman numeral for 1,000; MMCF indicates millions of cubic feet).

**Natural Gas.** A mixture of gaseous hydrocarbons formed naturally in the earth. Most natural gases contain methane as the primary component mixed with ethane, butane, pentane and/or hexane. Nonhydrocarbon gases such as carbon dioxide, helium, nitrogen, and hydrogen sulfide may also be present.



**Net Revenue Interest (NRI).** The percentage of revenues due an interest holder in a property, net of royalties or other burdens of the property. (Example:) Assume Landowner leases his mineral rights to Oilman; Landowner retains a royalty of 1/8 (12.50%); his net revenue interest is 12.50% Oilman's net revenue interest would be 87.50%.

**Non-Accredited Investors.** Persons or entities who do not satisfy one or more of the alternative definitions of the term "Accredited Investor" and who, by virtue of their financial resources or acumen, or through the use of advisors, satisfy the Program Manager or its authorized representatives that such investors satisfy the suitability standards, and otherwise meet the financial investment standards set forth in The Subscription Documents.

**Non-Accredited Investors.** Persons or entities who do not satisfy one or more of the alternative definitions of the term "Accredited Investor" and who, by virtue of their financial resources or acumen, or through the use of advisors, satisfy the Program Manager or its authorized representatives that such investors satisfy the suitability standards, and otherwise meet the financial investment standards set forth in The Subscription Documents.

**Offering.** The offering for sale by This Memorandum of Percentages in the Drilling Program.

**Operating Expenses.** Expenditures made and costs incurred in producing oil or gas from Producing Wells, including labor, fuel, repairs, hauling, materials, supplies, utility charges and other costs incident to or necessary for the maintenance or operation of such wells or the sale of production there from. Operating Expenses also included valorem and severance taxes, insurance and casualty loss expense and compensation to the Program Manager for services rendered in supervising operations. In addition, Operating Expenses shall include any costs, which are incurred for fracturing a possible producing formation or zone formation even though such cost may be incurred prior to placing a well on production. Operating Expenses also shall include the costs of deepening, reworking or plugging back any Completed Well and the costs of implementation of any enhanced recovery operations. Operating Expenses also shall include the costs of any production equipment and facilities for producing or marketing oil and gas from Completed Wells, including construction, installation or purchase of production facilities downstream of the well-head, whether on or off the Drill Site, including, without limitation, compressor plants, gasoline plants, gas gathering plants, storage tanks, treating facilities, pumping units, saltwater disposal systems and costs incurred in installing pressure maintenance and secondary or tertiary production projects.

**Operator.** The entity responsible for the drilling, completion and production operations of a well, and the physical maintenance of the leased property. Responsibilities of the operator and other working interest owners are enumerated in the Operating Agreement.

**Organizational Expenses.** All amounts paid to the Program Manager by the Participants for expenses incurred by the Program Manager in connection with Printing, Offering Materials, Postage, Selling Costs, etc. The Program Manager reserves the right to waive such expenses whole or in part at its sole discretion.

**Payout.** Production has paid for the cost of the well as defined by the APE.

**Mugged & Abandoned (P & A).** This expression refers to setting cement plugs in an unsuccessful well (a 'dry hole') or a depleted well, before abandoning the well.

**Porosity.** The percentage (by volume) of holes or voids in a rock. Commercially productive reservoir rocks typically have porosity's ranging from about 5% - 20%. The higher the porosity, the more oil or gas that can be contained in the pore spaces, the better quality of the reservoir rock.

**Proceeds.** In respect to any period, the aggregate gross cash receipts received by the Participants from all sources during such period.

**Producing Well.** A Well capable of producing oil or gas in commercial quantities, including those Wells capable of producing in commercial quantities that are shut in, or Wells which are not currently producing in commercial quantities but have been commercially productive Wells in the past.

**Product, Products or Production.** All oil, gas and other mineral Products produced, if any, from a Well.

**Regulation D.** Rules 501 through 508 as promulgated by the SEC as adopted pursuant to an exemption from registration contained in Section 4(2) of The Securities Act.

**Regulations.** The United States Treasury Department regulations promulgated under the Code.

**Royalty Interests and Overriding Royalty Interests.** Rights to the income from properties, such as mineral leases or producing wells, without regard to participation in the costs of production of such income. Royalty Interests are carved out of the mineral interests and generally reserved by the landowner when the land is leased to the party who will operate it. Overriding Royalty Interests are carved out of the remaining interest and their duration is limited by the duration of the lease under which they are created.

**Securities Act.** The Securities Act of 1933 and all regulations promulgated thereunder.

**Severance Tax.** A tax paid to the state government by producers of oil or gas in the state. It may be specified either as a percent of the oil or gas taken (severed) from the earth, or as a dollar amount per barrel of oil or per thousand cubic feet (MCF) of gas produced (also called production tax).

**Subscription Agreement.** The Agreement between the Program Manager, Participants, and or the Investor provides that detailed documentation of the investor's willingness and understanding of his participation in the Drilling Program.

**Subscription Documents.** A Subscription Agreement must be submitted by a prospective Investor in order to subscribe for Percentages in the Drilling Program Memorandum. Subscription Period, that period commencing on the date of this Memorandum, which will terminate.

*cont.*

When sufficient funds have been raised to conduct the FRACKING, operations contemplated herein or closed at the discretion of the Program Manager. Subscription Price, or Amount (Initial). Price allocated for drilling and testing cost.

**Sustained Production.** The production level of a well that has been in production and has declined from initial production downward to the 'settled' level.

**Syndication Expenses.** All amounts paid to the Program Manager by the Participants for expenses the Program Manager incurs in connection with the placement of Percentages by The Program Manager. The Program Manager reserves the right to waive such expenses whole or in part at its sole discretion.

**Tangible Equipment.** Equipment used by the Program Manager in connection with completing and equipping wells, the cost of which is required to be capitalized for Federal Income Tax purposes; Tangible Equipment includes surface and production casing, tubing, flow lines, separators, oil storage tanks and battery, and miscellaneous fittings.

**Tangible Equipment Costs.** Costs for Tangible Equipment incurred by the Program Manager on behalf of the Drilling Program Participants, but specifically excluding any costs classified as Operating Costs.

**Unit.** An investment in the Drilling Program Memorandum in the amount specified herein. Except as otherwise agreed to by the Program Manager, a minimum Subscription of one (1) Unit is required from each potential Investor or Participant. However, under certain conditions the purchase of more or less than one (1) unit may be permitted. Units are subject to additional assessment costs.

**Unit Holder.** An investor in PROGRAM MANAGER Units.

**Well(s).** The proposed Development Well(s) anticipated to be drilled on behalf of the Memorandum Participants.

**Working Interest.** The operating interest under an oil and gas lease entitling the holder, at his or its expense, to conduct drilling and production operations on the leased property and to receive the net revenues from such operations. The Revenue Interest allocated to the owners of the Working Interest reflects the amount allocated from the proceeds of the sale of hydrocarbon products to the owners of the Working Interest in accordance with their respective interests after payment of all severance taxes and operating expenses, completion costs, transportation cost, among others.

**Working Interest Percentage Owners.** The persons, firms, corporations, and other entities that are admitted to the Drilling Program, either as original, additional or substituted Working Interest Percentage Owners and that are then owners of an interest in the well and/or Drilling Program.

Reference to a "Working Interest Percentage Owner" shall mean my one of The Working Interest Percentage Owners. A Working Interest Percentage Owner shall not be deemed to be the owner of any assigned interest in the Drilling Program unless and until the assignee of such interest in the Drilling Program has been admitted as a Working Interest Percentage Owner.

# **EXECUTIVE SUMMARY**

## **Francis Grace #1**

### **Christian County, Kentucky**

8525 STATE RT. 70 WEST,  
BREMEN, KY 42325

**270-543-5528**

## PROJECT SUMMARY

### FG1 WARSAW SLICKWATER FRAC AND ACID



**Endeavor Resources, LLC**, an oil, and gas consulting company owned by **Danny Thomasson** and his wife **Brenda Thomasson**. Danny Thomasson has been involved with leasing minerals rights, raising capital via private placement memorandums, drilling activities, and completion of oil and gas wells in Christian County, Kentucky, which is in the Illinois Basin, for over 58 years.

My Dad, **Henry Thomasson** holding me in West Texas in 1952. We lived from *Texas, New Mexico, North and South Dakota as well as Montana*. Honing his trade, he left the farm in 1933 and work from lease hand to becoming a driller and owning his own Drilling Company. (1914-1977)



**Danny** began his career at the early age of 13, working with his father's oil drilling company until he left for the United States Marine Corps during the Vietnam War, and he has been associated with the industry all his life.

Danny also spent over 40 years in the insurance industry, primarily working with insurance carriers focused on new business development focusing on annuities, life, health, and property and casualty insurance products and the development of independent insurance agents and brokers. Danny also owned several independent insurance agencies over his career.

**Why Recomplete Francis Grace #1 with a SlickWater Frac and Acid Job:** With the success of operators in Western Kentucky and Southern Illinois using Slickwater Fracks on the Salem Warsaw Zone that has low porosity in many cases have been left behind the pipe are being opened and fracked with above average results. We feel that this is above average opportunity for success. The Salem Warsaw Formation is blanketed across the Christian County as well as other counties lying next to the county giving a wide range to work from.

## STRUCTURE OF THE DEAL

**60%**  
**Net Revenue lease**

**15%**  
**Management fee**

**\$60,000**  
**Prospect fee for 189 acres**

- Endeavor Resources will offer the proposed entities a 60 % Net Revenue lease.
- This is a cost Plus 15% management fee.
- There will be a geological prospect fee of \$60,000.00 for the 189 acres leasehold.
- There is availability for additional leaseholds as a farm-out basis.
- All oil and gas service companies are located in the Illinois basin, including drilling, cementing, and well services such as fracking and acidizing companies.
- Operator of the oil and gas leasehold will be a joint operators, Endeavor Resources, LLC. and Hilltopper Energy, Inc.

See Attached AFE's and Proforma for Project.



# WHY INVEST IN THE Francis Grace #1

## ENDEAVOR RESOURCES, LLC, INC.

8525 State Route Highway 70 West Bremen,  
Kentucky 42325

Phone: 270.543.5528

Fax: 1-270-640-0010

Email: [endeavorresources.llc@gmail.com](mailto:endeavorresources.llc@gmail.com)



# TAX ADVANTAGE

## TAX ADVANTAGE OF INVESTING IN OIL AND GAS

The following general discussion of a few of the tax advantages related to oil and gas investments is provided for background information only. Potential investors should consult with their own tax advisors. **Endeavor Resources, LLC. does not give tax advice and is not qualified to give tax advice.**

### CONGRESSIONAL INCENTIVES ENCOURAGE DOMESTIC PETROLEUM DEVELOPMENT

Oil and natural gas production from domestic reserves helps to make our country more energy self-sufficient by reducing our dependence on foreign imports. In light of this, Congress passed the Tax Reform Act of 1986, which has provided attractive tax incentives to stimulate domestic natural gas and oil production financed by private sources. As a result, **oil and gas ventures are now on of the most tax - advantages investments available.** The act of 1986 specifically exempts oil and gas Working Interests from being classified as “Passive Income”. ( See Section 469(c) (3) of the Tax Code). Thus, all deductions can be used to offset “active” or “ordinary” income. Specifically, these federal tax subsidies allow investors involved in exploration and production of oil and natural gas wells to write off the majority of their costs immediately. These incentives are not “Loop Holes” – they were placed in the Tax Code by Congress to make participation in oil and gas ventures one of the best tax advantaged investment.

### INTANGIBLE DRILLING COST TAX DEDUCTION

When a well is drilled, there are several expenses that offer no salvage value, even if the drilled well is subsequently determined to be dry. These types of expenses are known as “Intangible Drilling and Completion Costs” (IDCs). Based on current tax laws, **IDCs are generally 100% deductible and are written off your ordinary income in the first year.** These intangible expenditures of drilling (labor, chemicals, fuel, mud, grease, logging, etc.) are usually the majority of the cost of a well. The IDC generally runs between 70% to 80% for oil wells and 80% to 90% for gas wells, of the total investment, and can be deducted either as a first year expense, or amortized over five years beginning in the year in which the well is placed in production. For example, a \$100,000 investment could typically yield up to \$75,000 in tax deductions during the first year of the venture. These deductions are available in the year the money was invested, even if the well does not start drilling until March 31 of the year following the contribution of capital.

(See Section 263 of the Tax Code) <http://www.irs.gov/publications/p535/ch08.html#doe6362>

### TANGIBLE DRILLING COST TAX DEDUCTION

As opposed to materials and services that offer no salvage value, equipment used in the completion and production of a drilled well is generally salvageable. Because these items retain a salvage value, they must be depreciated over time. These items include pipe, storage tanks, and wellhead equipment, capitalized and depreciated. The total amount of the investment allocated to the equipment, or Tangible Drilling Costs (IDCs), is **100% Tax Deductible.** In the example above, the remaining tangible costs \$25,000 (may be deducted as depreciation over a seven-year period).

(See Section 263 of the Tax Code) <http://www.irs.gov>

[This portion of the investment is depreciated over a five to seven-year period using the Accelerated Cost Recovery System (ACRS), or expensed in the first year based upon Section 179 of the IRS code, subject to limitations. Some companies currently utilize the Modified Accelerated Cost Recovery System to account for depreciation of these expenses. (See Section 179 of the Tax Code)]

Under the Job Creation and Worker Assistance Act, 100% of the depreciation up to \$100,000 is deductible in the first year of the investment.

## ACTIVE VS. PASSIVE INCOME

The Tax Reform Act of 1986 introduced into the Tax Code the concepts of “Passive” income and “Active” income. The Act prohibits the offsetting of losses from Passive activities against income from Active businesses. The Tax Code specifically states that a Working Interest in an oil and gas well is not a “Passive” activity, therefore, deductions can be offset against income from active stock trades, business income, salaries, etc. (See Section 469(c) (3) of the Tax Code)

## SMALL PRODUCERS TAX EXEMPTION ( PERCENTAGE DEPLETION ALLOWANCE)

The 1990 Tax Act provided some special tax advantages for small companies and individuals, the typical participants in oil and gas drilling projects. After a well is drilled and is producing, the owners of the production are allowed to **shelter some of the gross income** through a depletion deduction. This tax incentive, known as the “Percentage Depletion Allowance”, is specifically intended to encourage participation in oil and gas drilling. This tax benefit is not available to large oil companies or taxpayers who sell oil or natural gas through retail outlets or those who engage in refining crude oil with runs of more than 50,000 barrels per day. It is also not available for entities owning more than 1,000 barrels of oil (or 6,000,000 cubic feet of gas) average daily production. **The “Small Producers Exemption” specifically allows 15% of oil income and 15 to 22% of gas income from a producing property to be tax free.** Two types of depletion calculations may be used, cost depletion or percentage (statutory) depletion. (See Section 613A of the Tax Code)

## LEASE OPERATING AND PRODUCTION COSTS

Lease costs (purchase of leases, minerals, etc.), sales expenses, legal expenses, administrative accounting, and Lease Operating Costs (LOC) are 100% tax deductible through cost depletion. The operating costs, including but not limited to, pumping costs, well maintenance costs, mineral severance taxes, transportation costs, insurance, tax preparation, bank fees, filing fees and all other costs associated with the production of income from oil and gas wells, are **100% deductible** in the year in which the cost is incurred.



## ALTERNATIVE MINIMUM TAX

Prior to the 1992 Tax Act, working interest participants in oil and gas joint ventures were subject to the Alternative Minimum Tax to the extent that this tax exceeded their regular tax. The 1992 Tax Act specifically exempted Intangible Drilling Cost as a Tax Preference Item. "Alternative Minimum Taxable Income" generally consists of adjusted gross income, minus allowable Alternative Minimum Tax itemized deduction, plus the sum of tax preference items and adjustments. "Tax Preference Items" are preferences existing in the Tax Code that can greatly reduce or eliminate regular income taxation. Included within this group are deductions for excess intangible Drilling and Development Costs and the deduction for depletion allowable for a taxable year over the adjusted basis in the Drilling 130 acres and the wells thereon.

<http://www.irs.gov>

**Dry Hole:** In the event that you invest in a non-producing well, 100% of all dollars invested are written off as a loss against your ordinary income in the first year, subject to AMT limitations.

## TAX BILL GIVES INCENTIVE TO MARGINAL WELLS

The US Senate and House of Representative have passed a tax incentive bill to help small oil and gas producers. This bill provides a tax credit of up to \$9 per well per day for marginal wells. A typical marginal well pumps 15 barrels of crude or 90 thousand cubic feet of gas per day. There are 650,000 "marginal" or "stripper" oil and gas wells in the USA. Marginal wells provide as much as 25 percent of the nations' crude supply (on par with (Saudi Arabia) and about 10 percent of gas stocks. In 2002 alone, 17,500 oil and gas wells were permanently plugged with cement (13,600 oil wells and 3,900 gas wells). This tax bill will act as a safety net to save many of these wells, thereby reducing our reliance on the Middle East. The tax credit phases-in if the average crude price for a year is less than \$18 a barrel or \$2 per thousand cubic feet of gas. The maximum tax credit is \$3 a barrel for the first three barrels of crude produced if prices plunge below \$15 a barrel, and 50 cents per thousand cubic feet if gas prices average less than \$1.67 per thousand cubic feet. (Note: July 2007 - Crude oil is now above \$70 a barrel on the New York Mercantile Exchange and gas futures are near \$6.50 per thousand cubic feet).

*From Houston Chronicle, October 12, 2004*



**THESE ARE SIGNIFICANT TAX BENEFITS FOR THE INDIVIDUAL OIL AND GAS INVESTOR;** their benefits can be maximized with proper tax planning. This is only a brief explanation of a few of the federal tax considerations of investing in oil and gas ventures. The above examples are for general information only and not intended to be construed as legal or individual tax advice. The Federal Tax Laws are very complex and this discussion is not to be considered comprehensive or complete. Each investor should consult his or her own personal tax advisor concerning the applicability and effect on his or her personal tax situation of federal, state, and local tax laws. Tax laws change from time to time and there can be no guarantee of the interpretation of the tax laws.

# DIVISION ORDERS & INVESTOR PAYMENTS

## Information on Division Orders and How the Investor is paid



When CountryMark is contacted to purchase crude oil from a new well for refining, the Well Operator has a choice of getting the revenue sent to him from CountryMark, and then in turn sending revenue checks to investors himself, or, the Operator may choose to cut himself out of the loop by assigning the interests to investors and allowing CountryMark to send the revenue payments, net of expenses, directly to the investors.

### OVERVIEW OF PROCEDURES FOR DIVISION ORDERS

CountryMark is contacted by the well operator that he wishes to sell his oil to them. CountryMark assigns a lease number and starts to haul the oil once the operator advises us that he has oil ready to sell, and CountryMark holds the proceeds in suspense until we have been furnished with a title opinion from an oil and gas attorney. This attorney advises CountryMark who owns what and in what percentages.

If the Operator has investors, and wants CountryMark to send them their payments, the Operator will need to make Assignments to these investors, and this information will need to be furnished to the attorney. The Assignments only need to be signed by the operator, and will need to be recorded in the county in which the lease is located. The attorney does a check of the records of the county to determine the ownership of a lease. If no Assignments are made by the Operator to any of his investors, then the working interest will all be paid to the Operator. (This is because we pay record title.) If Assignments are made to the investors, CountryMark will pay the investors directly, and will not pay the Operator for these investor's proceeds, because we pay record title (or what has been put of record in the county where the lease is located.) Once the Operator makes assignment to the Investors, the Operator no longer will receive checks from the well other than for the portion due to him.

Once we have received the Title Opinion from the operator, we will issue Division Orders that will need to be signed by each owner before payment can be made. The Division Order comes with the optional authorization for electronic deposit. If you sign this, you will get direct deposit of your revenue check to the bank account you specify. Upon return of the Division Orders and the approval by the attorney, CountryMark will distribute the revenues directly to investors, by either check or electronic payment. In either case, you will receive a statement showing the total lease production, etc.

If the operator chooses to use our Operator Expense Program at the time we issue division orders, CountryMark will issue what we call an Operator Expense Division Order. Under this program, the operator reports the expenses to us, and we deduct that amount of expenses from the owners check. The owner's statement will show them the total amount of expenses that have been deducted. CountryMark relies upon the operator to report the correct amount of expenses to us, and only enters what has been submitted by them.

**Our statements show the following:**

**Barrels Produced** - both entire lease and owners % of barrels

**Gross Revenue** - both entire lease and owners gross amount

**Taxes** - both entire lease and owners tax amount

**Net Revenue** - both entire lease and owners net amount

Our statement does not include the price/bbl, but it can be calculated. CountryMark statements also include a Y-T-D value.

THIS IS JUST A BRIEF DESCRIPTION OF WHAT TAKES PLACE, IT IS MUCH MORE DETAILED.

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**CountryMark Cooperative, LLP**

1200 Refinery Road, Mt. Vernon, IN 47620

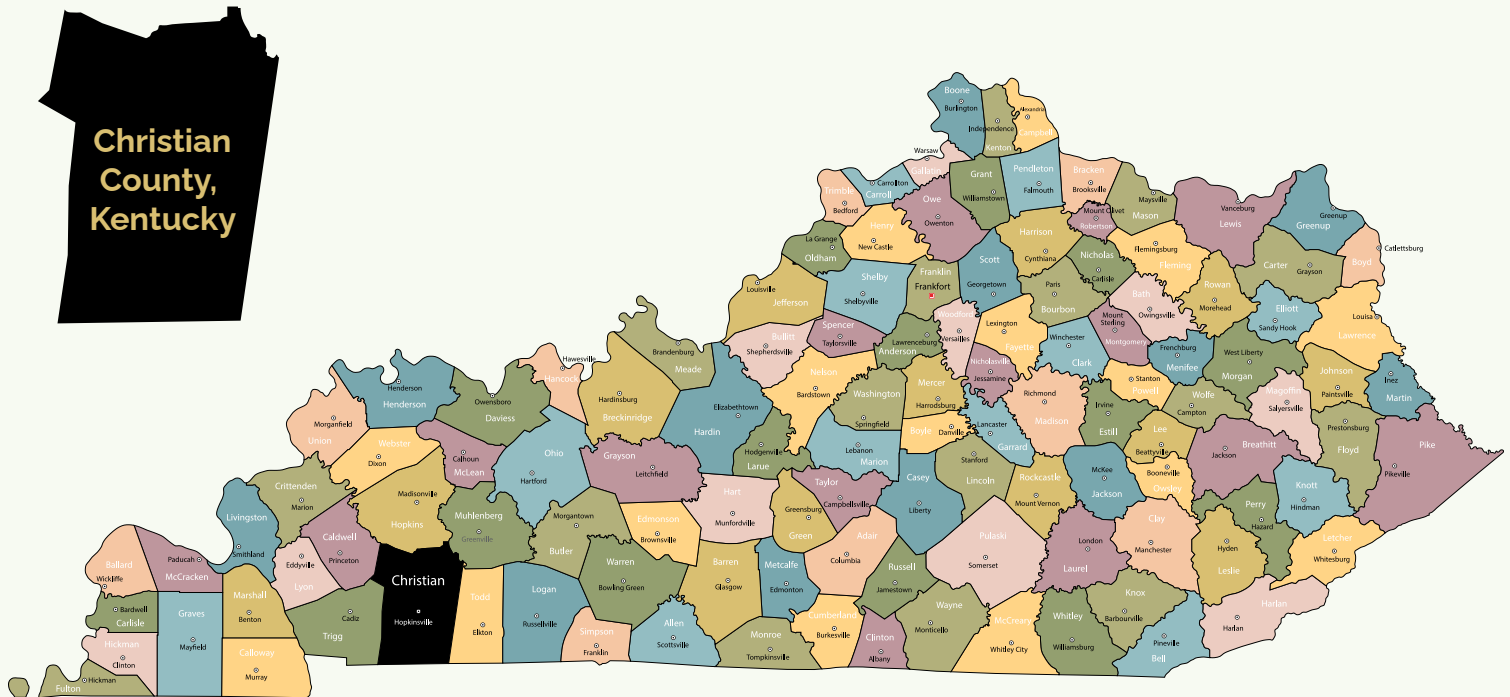
1-800-832-5490

<http://www.countrymark.com/>



# FG#1 FRAC OPPORTUNITY

## Francis Grace No.1 CHRISTIAN COUNTY, KENTUCKY



**\$50,000.00**  
PER 1/8 WORKING INTEREST

**7.5% NET REVENUE INTEREST**

**\$25,000.00**  
PER 1/16 WORKING INTEREST

**3.75% NET REVENUE INTEREST**

**\$12,500.00**  
PER 1/32 WORKING INTEREST

**1.875% NET REVENUE INTEREST**

# GEOLOGY REPORT

ERA	SYSTEM	SERIES		GROUP	FORMATION MEMBER	LITHOLOGY	DRILLERS' TERMS
		PottAppalachian	Midcontinent				
		Morrow					
O Z O I C	M I S S I S S I P P I A N	Chester		Bee Spring Ss.		● 52	
				Cassysville Fm.			
				Battery Rock Ss.		●	
				Kyrock Congl.		●	
				Kinkaid Ls.		●	
				Degonia Fm.		●	
				Clare Ls.		●	
				Palestine Fm.		● Stephens (Chapman Stray) Sd.	
				Menard Ls.		● Fuqua Sd.	
				Waltersburg Fm.		● Jeff Sd.	
		Meramec		Vienna Ls.		●	
				Tar Springs Ss.		●	
				Glen Dean Ls.		●	
				Hardinsburg Fm.		● Jones Sd.	
				Haney Ls.		● Jackson Sd.	
				Big Clifty Fm.		●	
				Beesh Creek Ls.		● Barlow Sd.	
				Cypress Ss.		● Bethel (Paint Creek) Sd.	
				Reelsville Ls.		● Cunningham (Benouist) Sd.	
				Sample Ss.		●	
Osage		Beaver Bend Ls.		●			
		Bethel Ss.		●			
		Renault Ls.		●			
		Aux Vasea Fm.		● O'Hara Lm.			
		Ste. Genevieve Ls.		● Rosiclair Lm.			
				● McClosky Lm.			
				●			
		St. Louis Ls.		●			
				●			
		Salem Ls.		●			
J U R A S S I C	K i n d e r h o o k					●	
						●	
						●	
						●	
						●	
						●	
						●	
						●	
						●	
						●	
P E T R O L I T H I C	U p p e r		Fort Payne Fm.				
			New Providence Sh.				
			New Albany (Chattanooga) Sh.		Devonian (Black) Sh.		
M i d d l e							
		Sellersburg Ls.		Devonian Lm.			
		Grand Tower Ls.		●			

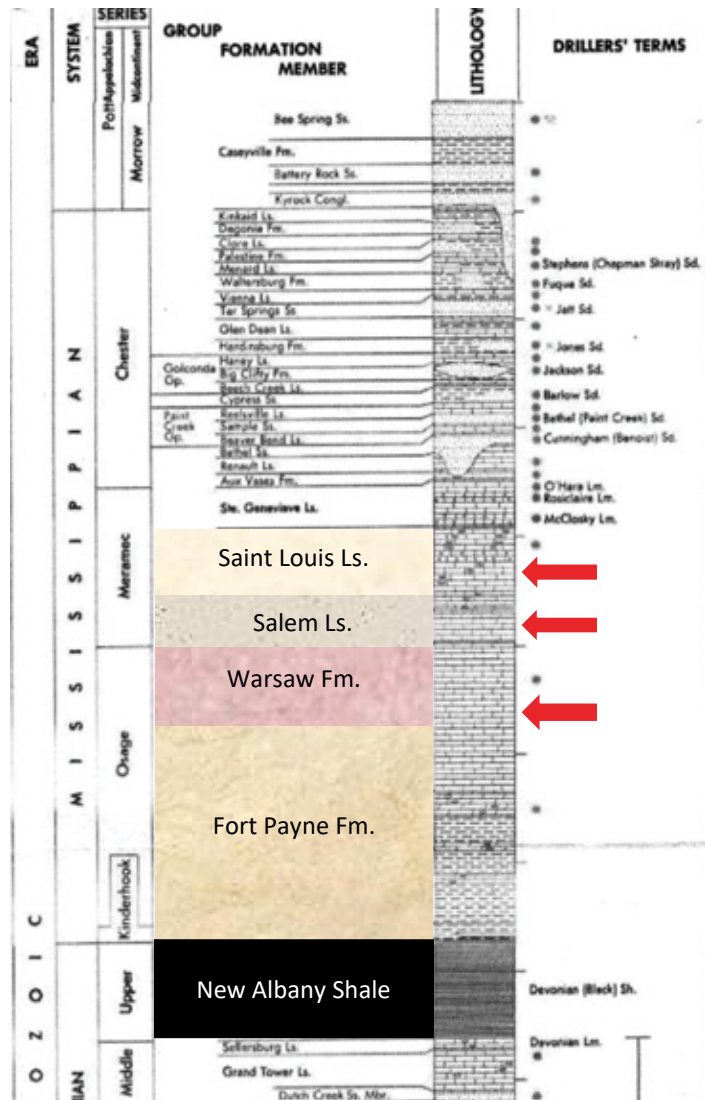
## SWABBING MICHAEL SLINKER NO. 1

**After successful Frac Job  
May, 2024**



## MAIN FORMATION OF INTEREST: WARSAW

**Figure #2:** West Kentucky Stratigraphic Column showing the relative position of the Warsaw Formation relative to other oil pay formations.



Source: Kentucky Geological Survey. Oil and Gas Map of Western Kentucky

## Thomas J. Sauer

Licensed Professional Geologist – *Illinois, Indiana, and Kentucky*

7845 Stanely Birk City Road, Owensboro, KY 42301

Responsible for the discovery of over 4 million barrels of oil and One Billion MCF of Gas over more than four decades of field exploration and development

### WORK EXPERIENCE

#### 2010 - Current

Independent Geologist

#### 1998 – 2010 Self Employed

Independent Consultant

#### 1997 - 1998 Farrar Oil Company, Mt. Vernon, Illinois

Geologist

**Duties:** Generate Oil/Gas prospects, well-site geology, analyze oil/gas prospects, data, etc., coordinate drilling and completion work both, state and federal liaison work, log evaluation, and some consulting.

#### 1988 – 1997 Har-Ken oil company, Owensboro Kentucky

Har-Ken Oil company purchased by Farrar oil company August 1997. Geologist.

**Duties:** similar responsibilities to duties at Farrar Oil.

#### 1985-1988 Self-Employed

Consulting concerning oil and gas lease in the tri-state area.

#### 1982-1985 Interstate Drilling Company, Inc., Owensboro, KY

Vice President and General Manager

Supervisory duties included managing office and field staff of 27 employees, operations and maintenance of two drilling rigs, one completion rig and seven vehicles; instituted operational and procedural systems for the disposition of annual drilling budget in excess of 2 million; conducted geological mapping, prospect investigations, sample analysis in excess of 125 wells in Southern Indiana, Western Kentucky coal,field portion of the Illinois Basin and in Ohio. Promoted from position of staff geologist.

#### Self-Employed

Worked as independent consultant for the oil and gas industry with limited exposure to the coal industry. Partial clientele list include: R.E. Williams, Memphis, TN, Blackstar Petroleum, Resource Development Group, Har-Ken Oil Company, Orbit Gas, Bonaventure Brothers, Basin Oil, Inc., Green Coal Company, Eagle Exploration Company, Interstate Oil and Gas, Inc., Barger Engineering, Bretagne Group, Walt Cline, J.C. Ellis Estate, First National Bank of Carmi IL, and Tri-Star Oil and Geigo Company, Innovative Gas, Jordan Oil and Gas, Knierim Company, A.E. Smith, Napper Oil Downing Industries, J.R. Powell, L. Quinn, Rebstock Oil, Blue Ridge Group, D. Scheffer, Har-Ken Agent, OK, W.J. Williams and Associates, Ambros Oil and Gas, J.R. Anderson, Lincoln Energy, Energy Resources, Conquest, Kelcas, Geico, and Trey Exploration.

## PREVIOUS EXPERIENCE

- Teacher Davies County Kentucky Parochial School System
- Area states representative for RJ Reynolds Tobacco Company in western Kentucky
- Assistant golf professional at Owensboro Country Club Owensboro KY

**Oil and gas seminars include:** well completion, logging, fracturing, cementing, utilization of special tools, perforating, oilfield equipment, acidizing, drill stem testing, .U.S. Environmental Protection Agency underground injection system permitting. Seminars sponsored by Halliburton, Dowell, Schlumberger Well Services, Birdwell, Dresser Atlas, George Asquith, PhD.

## COMPANIES WITH CREDIT ACCOUNT

Koontz, Schwartz, Boss, Norris Logging. Kentucky Well Service, Owensboro Supply, Ken's Supply, Scout Check Reliford Drilling, Weal Drilling, Vogler Services King Deep and Brannaman, Sampson Oil, Wayne County Well Services, Bradford Supply, Miller Testing, Dillman Chemicals, and others.

## DRILLING COMPANIES WITH ASSOCIATIONS

Hard Rock, Weal, Gwaltney, Venture, Inglebarger, Mitchell, Indiana, Goff and Pruitt, Har-Ken, Pacific Central, Reliford,Vogler, and Carey.

## EDUCATION

**Bachelor of science** from the **University of Kentucky** may 1970

196 credit hours with a heavy emphasis on geology. Employed summers for Texas Gas Transmission Corporation, Owensboro, Kentucky to earn tuition.

**Graduate of Daviess Co. High School**, 1964

## MILITARY EXPERIENCE

1970-1971 Honorable Discharge.

📍 7777 Stanley Birk City Rd, Owensboro,Kentucky 42301

☎ 270-993-6376

✉ Sauergeo@yahoo.com

## Danny Thomasson

Managing Member

### Endeavor Resources, LLC

8525 State Rt 70 West, Bremen, Kentucky 42325

Subject: Francis Grace #1

RN: 137724

PN: 105427

Sir:

Pursuant to your request please find a review of the caption well the author believes you need to preferate the following ascending order three holes per foot perforating from 1718/1722 to 1753/1764 to 1854/1868.

All zones above have sufficient resistivity calculating oil and gas with very little to no concentrate of water production if you're cement is in pervious there with are the standard industrial calculations NR equals 7758 times D8 times H X QXSH XRF percentage BOI.

#### Where:

N r = Volumetric recoverable or reserves in the stock tank barrel

Da = Drainage area in acres

H = Reservoir thickness in feet

O = Porosity

Sh = Hydrocarbon saturation(1.0-Sw)

Rf = Recovery factor

BOI = Oil volume factor or reservoir barrels per stock tank barrels

BOI = 1.05 +x(got/100)

#### Therefore:

Using 8% porosity as a log baseline, your log shows roughly 14 feet

Nr =  $7758 \times 15 \times 14' \times 0.010 \times 0.060 \times 0.15\% \times 1.04 = 28500 \text{ bbl}$

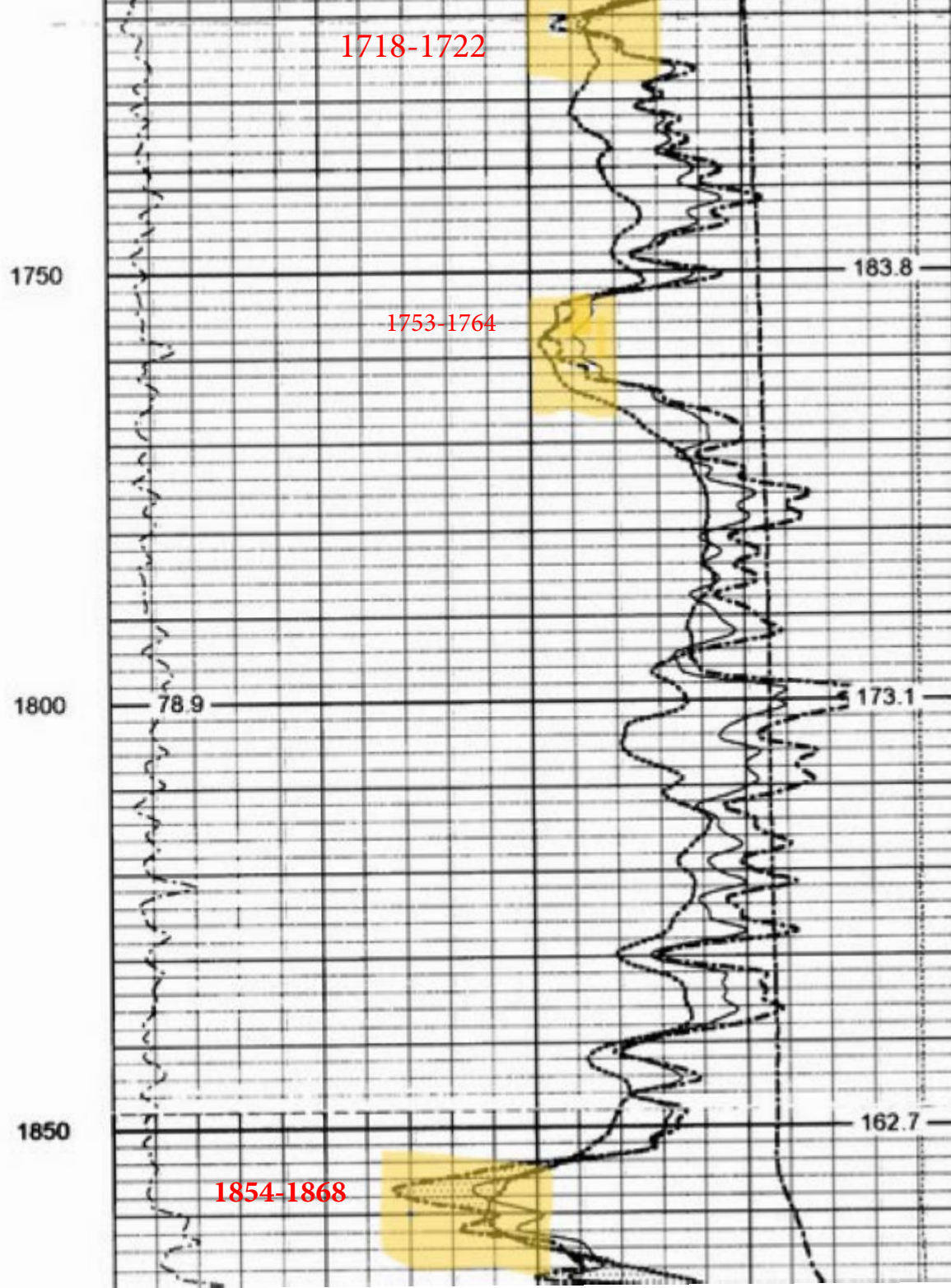
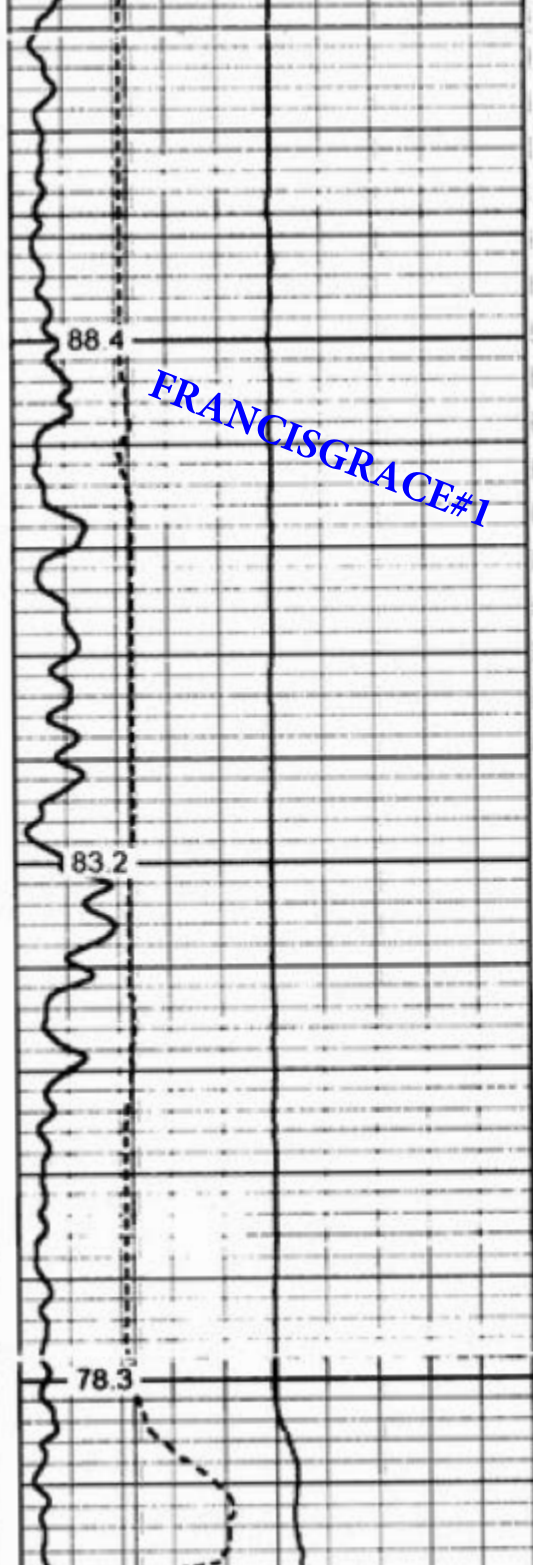
Optimal 28500 Plus Barrels x \$65/Bbl \$1,852,500

Probable = 20000 Bbl=\$1,300,000.00

*These figures reflex industry norms and a successful treatment.*

Respectfully,

Tom Sauer



# GAS WELL LOCATION MAP

137724

P# 105427

Kentucky Geological Survey



8157724881

CARY BRIDGE ROAD  
567  
GRANET ROAD

SURFACE OWNER:  
HUNTER LIVING  
REVOCABLE TRUST  
D.B. 619, P. 392  
MINERAL OWNERS:  
BILLY & WILMA HUNTER 50%  
CARL WELLS 50%  
OIL & GAS LESSEE:  
K & D ENERGY  
OIL & GAS ASSIGNEE:  
KY USA ENERGY, INC.

HUNTER -  
WELLS # 2  
PERMIT # 103883

STATE PLANE  
(NAD 83)

SURFACE OWNER:  
HUNTER LIVING  
REVOCABLE TRUST  
D.B. 619, P. 392  
MINERAL OWNERS:  
BILLY & WILMA HUNTER 50%  
CARL WELLS 50%  
OIL & GAS LESSEE:  
K & D ENERGY  
OIL & GAS ASSIGNEE:  
KY USA ENERGY, INC.

SURFACE &  
MINERAL OWNERS:  
LARRY GRACE  
RANDELL FRANCIS  
D.B. 487, P. 725  
OIL & GAS LESSEE:  
K & D ENERGY  
OIL & GAS ASSIGNEE:  
KY USA ENERGY, INC.

FRANCIS -  
GRACE # 1  
PERMIT # 103763

SURFACE &  
MINERAL OWNERS:  
LARRY GRACE  
RANDELL FRANCIS  
D.B. 487, P. 725  
OIL & GAS LESSEE:  
K & D ENERGY  
OIL & GAS ASSIGNEE:  
KY USA ENERGY, INC.

SURFACE & MINERAL OWNER:  
RANDEL A. JONES  
D.B. 531, P. 684  
OIL & GAS LESSEE:  
DAUGHERTY  
PETROLEUM, INC.

SURFACE OWNER:  
BENJAMIN REAVES, ET AL  
D.B. 465, P. 414  
MINERAL OWNER:  
LULA BONE, ET AL  
OIL & GAS LESSEE:  
JOHN VOGLER  
OIL & GAS FARMOR:  
VOGLER  
OIL & GAS FARMEE:  
DAUGHERTY  
PETROLEUM, INC.

New Albany  
3000'  
gas  
NO, 7418

## LEGEND

- - proposed well site
- - oil well
- ☆ - gas well
- - injection well
- - plugged well
- - abandoned well, not plugged
- \* - owner surface & minerals

Note: This is a revised  
plat of Permit # 103763.

COMPANY: KY USA ENERGY, INC.

ADDRESS: P.O. BOX 3008  
LONDON, KY 40743

FARM: FRANCIS - GRACE

WELL NO: 1

ELEVATION: 601.65 MSL

COUNTY: CHRISTIAN

STATE: KY

QUADRANGLE: HALEYS MILL

LATITUDE: 37° 04' 20.200" N (NAD 83)

LONGITUDE: 87° 17' 19.027" W (NAD 83)

CARTER COOR. 3 - G - 27

F.S.L. 2027

F.E.L. 1542

DATE: 02-12-08

SCALE: 1" = 400'

DRW. NO: A-15A-08

REVISED: 11-17-08

I hereby certify that the above plat is accurate and  
correct and satisfies the requirements of 805 KAR 1:030  
to the best of my knowledge and belief.

Karen L. Biggerstaff  
KAREN L. BIGGERSTAFF, PLS #3826

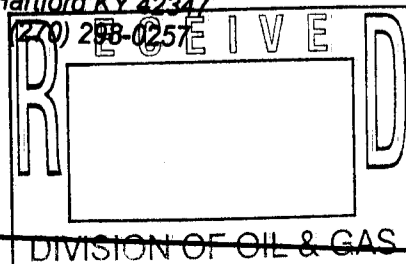
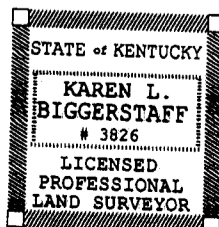
11-17-08  
Date

BIGGERSTAFF, WARD & ASSOCIATES, PLLC

125 East Center Street  
PO Box 191

Hartford KY 42347

(270) 288-0257



DIVISION OF OIL & GAS

# PROOF OF INSURANCE



## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
07/17/2024

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Cole & Durham 1075 N. Main St.  Madisonville KY 42431		<b>CONTACT NAME:</b> Fawne Metheny <b>PHONE (A/C, No. Ext.):</b> (270) 821-5527 <b>FAX (A/C, No.):</b> (270) 245-5026 <b>E-MAIL ADDRESS:</b> fmetheny@cowlorinsurance.com	
<b>INSURED</b> Endeavor Resources, LLC 8525 State Route 70 W  Bremen KY 42325		<b>INSURER(S) AFFORDING COVERAGE</b> <b>INSURER A:</b> Risk Placement Services, Inc. <b>INSURER B:</b> <b>INSURER C:</b> <b>INSURER D:</b> <b>INSURER E:</b> <b>INSURER F:</b>	

COVERAGES: CERTIFICATE NUMBER: 24-25 Master REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	ADDL. SUBR. (INSR., W/O)	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS
<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO. JCT. <input type="checkbox"/> LOC <input type="checkbox"/> OTHER		D100297040-0	04/24/2024	04/24/2025	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ex-occurrence) \$ 100,000 MED EXP (Any one person) \$ Excluded PERSONAL & ADV INJURY \$ Excluded GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 Underground \$ 250,000
<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					OWNERS-PROLEB/MBTH (Ex-accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DEF. <input type="checkbox"/> RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$ \$
<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPERTY OR PARTNER/EXECUTIVE OFFICER MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A				PER STATUTE <input type="checkbox"/> OTHER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

<b>CERTIFICATE HOLDER</b> Endeavor Resources LLC OFFICE COPY ONLY 8525 State Route 70 W Bremen KY 42325	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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ACORD 25 (2016/03)

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# WHAT IS HYDRAULIC FRACKING

Hydraulic fracturing, also known as fracking, is a method used to extract natural gas and oil from deep underground rock formations. Here are the basic steps involved in the hydraulic fracturing process:

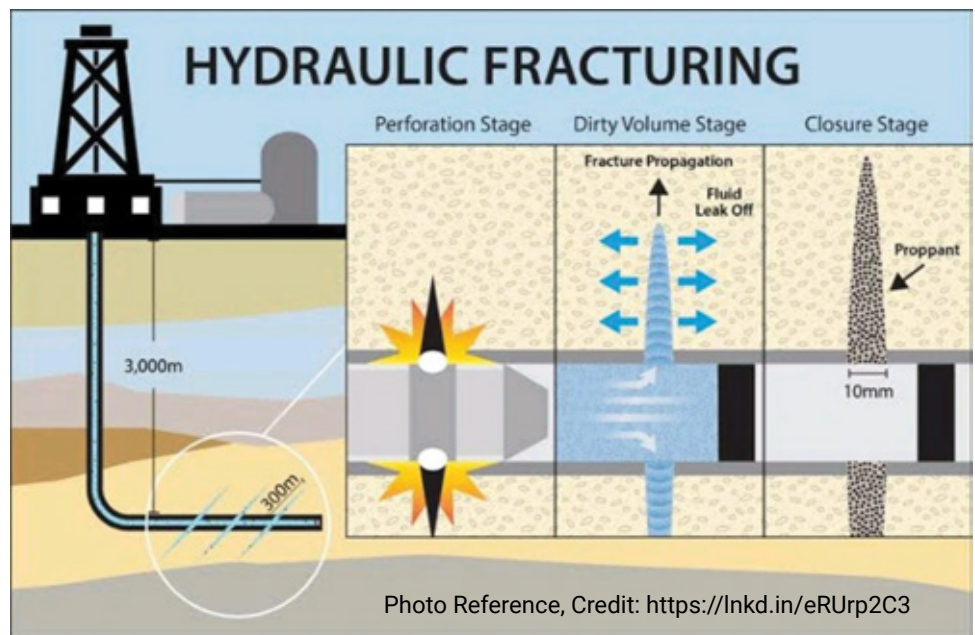
**2. PERFORATION:** Once the well is drilled, perforating guns are used to create small holes in the wellbore casing and through the surrounding cement into the target rock formation. These perforations are necessary to allow the fluid to enter the formation during the fracturing process.

**3. FRACTURING FLUID INJECTION:** A mixture of water, sand, and chemicals, called fracturing fluid, is pumped into the well at high pressure. The water, usually mixed with proppants like sand, acts as the main carrier while the chemicals help reduce friction, control bacteria, and prevent scaling or corrosion.

**4. HYDRAULIC FRACTURING:** The high-pressure injection of fracturing fluid creates fractures in the rock. These fractures allow the natural gas or oil trapped inside the rock to flow more freely to the wellbore and eventually to the surface. The fracturing fluid opens up the fractures, while the proppants (sand) keep them open, allowing the gas or oil to escape.

**5. FLOWBACK AND PRODUCTION:** After the hydraulic fracturing process is complete, most of the fracturing fluid is recovered and flowback occurs. Flowback refers to the fluid (a mixture of fracturing fluid, natural gas, oil, and water) that returns to the surface for collection and disposal. Once flowback subsides, the natural gas or oil production begins.

It is worth noting that hydraulic fracturing techniques can vary depending on the particular geology of the site, as well as the specific requirements of the well operator. Additionally, strict regulations and environmental measures are in place to ensure the safe and responsible use of hydraulic fracturing techniques.



# ADDITIONAL INFORMATION

## ENDEAVOR RESOURCES, LLC

### BALANCE SHEET

06/30/2024

### ASSETS

#### CURRENT ASSETS

Cash	\$100.00
Accounts Receivable	\$0.00
Inventory	\$0.00
Prepaid Expenses	\$0.00
Notes Receivable	\$0.00
Other Current Assets	\$0.00
<b>TOTAL CURRENT ASSETS</b>	<b>\$100.00</b>

#### FIXED ASSETS

Long-Term Investments	\$0.00
Land	\$0.00
Building	\$0.00
Accumulated Building Depreciation	(\$0.00)
Machinery and Equipment	\$0.00
Accumulated Machinery and Equipment Depreciation	(\$0.00)
Furniture and Fixtures	\$0.00
Accumulated Furniture and Fixtures Depreciation	(\$0.00)
Other Fixed Assets	\$0.00
<b>NET FIXED ASSETS</b>	<b>\$0.00</b>

#### OTHER ASSETS

Goodwill	\$0.00
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#### TOTAL ASSETS

**\$100.00**

## LIABILITIES & EQUITY

### CURRENT LIABILITIES

Accounts Payable (A/P)	\$0.00
Accrued Wages	\$0.00
Accrued Payroll Taxes	\$0.00
Accrued Employee Benefits	\$0.00
Interest Payable	\$0.00
Short-Term Notes	\$0.00
Current Portion of Long-Term Debt	\$0.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$0.00</b>

### LONG-TERM LIABILITY

Mortgage	\$0.00
Other Long-Term Liabilities	\$0.00
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$0.00</b>

### OWNER'S EQUITY

Paid-in Capital	\$100.00
Net Income	\$0.00
<b>TOTAL EQUITY</b>	<b>\$100.00</b>

<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$100.00</b>
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Please make sure that Total Assets equal Total Liabilities and Equity in your balance sheet. If the difference the two sides of the balance sheet is greater than 0, please review the values entered.

<b>TOTAL ASSETS</b>	<b>\$100.00</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$100.00</b>
	<b>\$00.00</b>



# ENDEAVOR RESOURCES, LLC.

📍 8525 STATE RT. 70 WEST, BREMEN, KY 42325

Fax: 1-270-640-0010    Email: [endeavorresources.llc@gmail.com](mailto:endeavorresources.llc@gmail.com)

PHONE: 📞 270-543-5528

