

FARMOUT AGREEMENT

This agreement dated _____, 20 ____ is entered into between _____, of _____ (the "Assignor") and _____ of _____, (the "Assignee") upon the terms and conditions set forth below.

WHEREAS, Assignor represents and warrants that it has the right to earn an interest in oil and gas leasehold interests in and to certain lands located in Section _____, Township _____, Range _____, _____ County, Michigan. Said lands being further described on the attached Exhibit "A" and Area of Mutual Interest (AMI).

WHEREAS, Assignee desires the right to earn from Assignor an assignment, pursuant to paragraph 3 below, of Assignor's interest in said leases, lands and Prospects. Assignor is willing to grant such right and/or option as provided herein.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein to be kept and performed by the parties hereto, and other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. Test Well. On or before _____, on behalf of Assignee and its partners, Assignor shall participate in drilling the initial test well.

2. Costs. Assignee shall pay ____% of 100% of all costs and expenses of drilling, testing, completing, and equipping the Test Well, including the costs of the wellhead and other required surface production equipment, all pipelines and meters required to produce and transport the gas production to a gas sales line or other point where the production can be marketed and sold, or ____% of 100% of all costs associated with the plugging and abandoning the Test Well, whichever is the case. An Authorization for Expenditure for the Test Well shall be forwarded to Assignee prior to commencement of drilling operations. This Authorization of Expenditure shall represent the estimated cost of the Test Well and Assignor shall have the right to demand and receive from Assignee payment in advance of its respective share of the Authorization of Expenditure. Assignee shall pay the full amount of the payment so invoiced prior to commencement of drilling operations. In the event Assignee fails or refuses to make such advance payment, then Assignee shall forfeit all of its right, title and interest under this Agreement.

The Authorization for Expenditure is merely Assignor's reasonable good faith estimate of the costs and expenses of the Test Well. Actual costs and expenses of the Test Well may exceed the Authorization for Expenditure in which case Assignee shall pay its proportionate share of all such excess costs and expenses. Assignor shall have the right to demand and receive from Assignee payment in advance of its respective share of any estimate costs and expenses in excess of the Authorization for Expenditure. If Assignee fails or refuses to make any such advance payments, Assignee shall forfeit all right, title and interest under this Agreement.

3. Earning. If the Test Well is completed as a well capable of producing oil and/or gas in paying quantities, Assignee shall own and be entitled to _____ working interest in and to the Oil and Gas Leases set out in Exhibit "A". Said working interest of leases shall be delivered to Assignee at no less than _____ net revenue interest in the Test Well. Assignor makes no representation or warranty of net revenue interest except for the foregoing warranty of net revenue interest in the Test Well.

4. First Sale. First sales shall occur when all drilling, completion, testing and installation of all producing facilities are in place and the Test Well is ready for sales in to a gas transmission line or in to any line deemed a “sales point”. Assignor shall notify Assignee of first sales and shall prepare an assignment of said earned working interest to Assignee and recorded with the operator.

5. Well Geologic and Geophysical Data. Assignee will be provided with all drilling reports, including logs pertaining to the Test Well and will have full access, at its own risk and expense, during drilling and/or completion.

6. Operating Statement. All operations in the AMI will be conducted in accordance with the terms and provisions of the existing Operating Agreement, a copy of which is attached hereto as Exhibit C. Said Operating Agreement designates _____ as Operator. In the event of a conflict, the terms and provisions of this Agreement shall prevail over the Operating Agreement.

7. Shut-In Gas Payments. In the event the Test Well is completed as a well capable of gas production in paying quantities but is shut-in because of a lack of a pipeline connection or market for such gas (hereinafter referred to as “shut-in gas well”), Assignor shall immediately notify Assignee of such fact and Assignor shall inform the Operator of their responsibility and obligation to pay all shut-in gas payments that may be permitted to maintain the affected lease(s) and Assignor shall inform the Operator to provide Assignee with copies of all receipts made and given.

8. Compliance with Laws, Rules, and Regulations. Assignor shall inform the Operator to comply with all rules and regulations required as operator and shall also require that all of their operators, contractors, and subcontractors comply with any and all applicable laws and regulations, federal, state, and local, and with the requirements of each regulatory body or official asserting jurisdiction over operations hereunder.

9. Successors in Interest. This Agreement and its terms are personal in nature and the underlying leaseholds shall not be assigned and/or sold without the prior written consent of the parties hereto, such consent shall not be unreasonably withheld.

10. Conflict. This Agreement shall supersede any prior correspondence or oral communication between the parties. This Agreement may only be amended in writing.

11. Force Majeure. If Assignor 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, it shall give Assignee prompt written notice of the force majeure with reasonably full particulars concerning it. Thereupon, so far as Assignor is affected by the force majeure, such obligations shall be suspended during the continuance of the force majeure and for such time thereafter as is reasonably required to resume performance of the obligation(s) following removal of the force majeure situation. The term “force majeure”, as herein employed, shall mean an act of god, strike, lockout or other industrial disturbance, act of public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of Assignor.

12. Tax Partnership. It is not intended by this Agreement to create, nor shall this Agreement be construed as creating any relationship between the parties hereto of employer and employees, or any partnership, or association or corporation between the parties hereto. The liabilities of the parties hereto shall be as set forth in this Agreement and Assignor and Assignee shall be responsible only for their share of the costs, expenses, debts or obligations incurred hereunder as herein provided.

13. Notice. Notice may be given to each of the parties to this Agreement by depositing the notice in the United States mail, postage prepaid, addressed to the party at the address set forth above in the first paragraph of this Agreement. Notice shall be deemed delivered when deposited in the United States mail.

14. Non-Disclosure. All information regarding the Test Well or any subsequent well(s) shall be held confidential. Assignee shall not disclose any such confidential information to third parties without the prior consent of Assignor. Assignor is aware that Assignee may request certain public informational disclosures from time to time and Assignor will allow such releases provided that such disclosures will not detrimentally affect the potential assets attributable to this Agreement.

IN WITNESS WHEREOF, the parties have executed or have caused this instrument to be executed by their duly authorized officers and/or representatives.

Assignor:

Assignee:

By: /s/ _____

By: /s/ _____

Its:

Its: