

**Elias, Books, Brown & Nelson, PC**

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October 9, 2015

TO: All Unverified Working Interest Owners

RE: Mackenzie No. 1, Section 21-3N-1W, Garvin County, Oklahoma. **AFE ELECTIONS AND LAST NOTICE AND ATTEMPT TO VERIFY WORKING INTEREST**

Dear Unverified Working Interest Owner:

Initially, although we have a copy of your signed subscription agreement for the Mackenzie No. 1 Well, we do not have your proof of payment for the investment. In order for the Receiver to verify your investment and put you into "pay" status, you must submit proof of your investment in the Mackenzie No. 1 PPM/Well with Gates Oil & Gas, LTD., Jasmine, Inc., and/or Oklahoma Energy Exchange, LLC. This proof of investment needs to be a copy of a cancelled check, a wire confirmation, or something similar. Your banking and/or finance institution should be able to provide this information. You must submit this information within **twenty (20) days** of the date on this letter.

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**PLEASE NOTE THAT THIS IS THE FINAL NOTICE AND ATTEMPT TO RETRIEVE YOUR PAYMENT VERIFICATION INFORMATION—FAILURE TO SUBMIT THE REQUESTED INFORMATION WILL RESULT IN A LOSS OF ANY POSSIBLE WORKING INTEREST OWNERSHIP YOU MAY CLAIM IN THE MACKENZIE NO. 1 WELL.**

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Regarding the Mackenzie No. 1 Well, itself, production has thus far struggled due to the inability of the water disposal well – the Jamie No. 1 SWD – to take any significant quantities of produced water within the injection permit of the Oklahoma Corporation Commission. What is believed, and has been determined, to be the best solution to this problem has been designed by the contract operator, Magnum Energy, Inc. to allow full production. The plan is to drill out the casing shoe and open the Bromide and Oil Creeks sands for injection. The Court has approved this plan, and the Authorization For Expenditure ("AFE") associated therewith.

On the few occasions when the captioned well was able to produce, it indicated that stabilized oil production could be in the range of 20 to 25 BOPD. It is unknown if the well is capable of maintaining this level of production for any length of time. At this rate of production it is estimated that this well could generate about \$10,000 per month in revenue in excess of the operating costs.

Pursuant to the Court Order, and in addition to your submission of the above-mentioned information to confirm your investment in the Mackenzie No. 1 Well, all confirmed working interest owners are required to make an election within **twenty (20) days** of the date of this letter. The elections are as follows:

Option 1: Participate. Verified working interest owners electing to participate must (a) pay all joint billing indebtedness accumulated to date associated with both the Mackenzie and the Jamie SWD Wells that is owed to Magnum Energy, Inc.; (b) affirmatively elect to participate in the workover of the Jamie SWD Well; and (c) prepay the prorated amount of the AFE costs attributable to his/her/its working interest, all within twenty (20) days of the Receiver's mailing of the election letter and AFE;

Option 2: Non-Consent. Verified working interest owners electing "non-consent" will keep his/her/its full working interest, subject to a 400% non-consent penalty recovery of all costs of the proposed operation (including the owner's pro rata share of joint interest billings accrued or accruing).

Option 3: Abandon Interest/Default Election. Parties electing this Option and/or who fail to respond to the election letter from the Receiver, will have all outstanding account receivables forgiven and will be released from plugging and restoration cost liability for the Mackenzie and Jamie SWD Wells.

Please also note that in accordance with the Court's Order, should you fail to make an affirmative election within twenty (20) days of the date of this letter, you will have been deemed to elect Option 3. Please further note that in accordance with the Court's Order, should you affirmatively elect Option 1, but fail to pay the amounts associated with the election of Option 1, you will have been deemed to elect Option 3. **THIS MEANS THAT IF YOU DO NOT AFFIRMATIVELY ELECT AN OPTION, YOU WILL LOSE YOUR INTEREST IN THE MACKENZIE NO. 1 WELL. THIS ALSO MEANS THAT IF YOU FAIL TO PAY WITHIN TWENTY (20) DAYS AFTER AFFIRMATIVELY ELECTING OPTION 1, YOU WILL LOSE YOUR INTEREST IN THE MACKENZIE NO. 1 WELL.**

Enclosed herewith, please find the following:

1. A Copy of the Court's September 22, 2015, Order;
2. An Election Form for the Mackenzie No. 1 Pursuant to Court Order that you **MUST** fill out and return in order to affirmatively make a valid election (please follow instructions present thereon);
3. A copy of the AFE for your signature that **MUST** be returned with your signature in order to affirmatively make a valid election; and
4. A spreadsheet titled " Working Interest Owners with Incomplete Verification" for your reference:
  - a. Delineating the accumulated amounts you would owe for Mackenzie/Jamie operations through September 30, 2015, should your working interest ownership be verified;
  - b. Calculating the amount you would owe under the AFE should your working interest ownership be verified and should you elect Option 1; and
  - c. Calculating the total amount you should submit within twenty (20) days of the date on this letter should you elect Option 1.

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**ACCORDINGLY, YOU MUST SUBMIT THE FOLLOWING TO BE CREDITED WITH ANY CLAIMED WORKING INTEREST IN THE MACKENZIE NO. 1. WELL:**

- 1. PROOF OF INVESTMENT**
- 2. FILLED OUT AND SIGNED ELECTION FORM**
- 3. SIGNED COPY OF AFE**
- 4. CHECK OR MONEY ORDER<sup>1</sup>**

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Please submit **all** the required information and documents to me at the address provided in the enclosed Election Form **within twenty (20) days of the date of this letter.**

Please do not hesitate to call me with any question you may have.

Sincerely,

Nicholas A. Johnson,  
Attorney for the Receiver

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<sup>1</sup> Only applicable if you elect Option 1.