51 UPSTREAM ENERGY FUND VII, LLC

CONFIDENTIAL PRIVATE SECURITIES OFFERING
UNITS OF MEMBERSHIP INTEREST

FEBRUARY 5, 2024

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THIS "MEMORANDUM") IS BEING PROVIDED ON A CONFIDENTIAL BASIS TO A LIMITED NUMBER OF ACCREDITED INVESTORS SOLELY FOR THE PURPOSE OF SUCH ACCREDITED INVESTORS' EVALUATION OF AN INVESTMENT IN UNITS OF 51 UPSTREAM ENERGY FUND VII, LLC (THE "FUND" OR THE "COMPANY").

ANY REPRODUCTION, TRANSMISSION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DISCLOSURE OF ITS CONTENTS, WHICH INCLUDE CONFIDENTIAL, PROPRIETARY, TRADE SECRET AND OTHER COMMERCIALLY SENSITIVE INFORMATION, WITHOUT THE PRIOR WRITTEN CONSENT OF NAPHTALI ENERGY, LLC (THE "MANAGER"), IS PROHIBITED. AS A CONDITION OF RECEIPT, EACH RECIPIENT OF THIS MEMORANDUM AGREES TO KEEP CONFIDENTIAL ALL INFORMATION CONTAINED HEREIN AND NOT ALREADY IN THE PUBLIC DOMAIN AND TO USE THIS MEMORANDUM AND SUCH INFORMATION FOR THE SOLE PURPOSE OF EVALUATING A POSSIBLE INVESTMENT IN THE FUND. BY ACCEPTING THIS MEMORANDUM, EACH PROSPECTIVE INVESTOR AGREES PROMPTLY TO RETURN OR, AT THE REQUEST OF THE MANAGER, DESTROY THIS MEMORANDUM IF SUCH PROSPECTIVE INVESTOR DOES NOT PURCHASE AN INTEREST IN THE FUND.

EACH PROSPECTIVE INVESTOR MUST MAKE ITS OWN INVESTIGATION OF THE INVESTMENT DESCRIBED HEREIN, INCLUDING THE RISKS INVOLVED, AND MUST MAKE ITS OWN INVESTMENT DECISION WITH RESPECT TO AN INVESTMENT IN THE FUND.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX, INVESTMENT OR ACCOUNTING ADVICE, AND EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ADVISORS AS TO THIS OFFERING AND THE LEGAL, BUSINESS, TAX, REGULATORY, FINANCIAL, ACCOUNTING AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE FUND.

THE UNITS OF THE COMPANY (THE "UNITS") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATES. THE UNITS ARE BEING OFFERED AND SOLD IN RELIANCE ON SECTION 4(a)(2) OF THE SECURITIES ACT AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER AND THE LAWS OF THE STATES WHERE THE OFFERING WILL BE MADE. THE UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES ADMINISTRATOR OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE FUND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT.

THE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS PURSUANT TO REGISTRATION, QUALIFICATION OR EXEMPTION THEREFROM. IN ADDITION, THE UNITS MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED, IN WHOLE OR IN PART, EXCEPT AS PROVIDED IN THE OPERATING AGREEMENT OF THE COMPANY (THE "OPERATING AGREEMENT"). ACCORDINGLY, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN

THE UNITS FOR AN INDEFINITE PERIOD OF TIME. THERE WILL BE NO PUBLIC MARKET FOR THE UNITS, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT OR ANY OTHER APPLICABLE SECURITIES LAWS.

INVESTMENT IN THE FUND IS SUITABLE ONLY FOR "ACCREDITED INVESTORS" WITHIN THE MEANING OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT. AN INVESTMENT IN THE UNITS INVOLVES SIGNIFICANT INVESTMENT RISKS, INCLUDING POTENTIAL LOSS OF THE ENTIRE AMOUNT INVESTED. ANY LOSSES EXPERIENCED BY INVESTORS IN THE FUND WILL BE BORNE SOLELY BY SUCH INVESTORS AND NOT BY THE MANAGER OR ITS AFFILIATES (OTHER THAN IN PROPORTION TO THE CAPITAL COMMITMENT OF ANY SUCH PERSON). NO ASSURANCE CAN BE GIVEN THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVES OR AVOID LOSSES. POTENTIAL INVESTORS SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION IN THE SECTION OF THIS MEMORANDUM ENTITLED "RISK FACTORS."

CERTAIN INFORMATION CONTAINED HEREIN CONCERNING ECONOMIC AND OTHER FORECASTS AND PERFORMANCE DATA ARE BASED ON OR DERIVED FROM INFORMATION PROVIDED BY THIRD-PARTY SOURCES. WHILE THE MANAGER BELIEVES SUCH SOURCES TO BE RELIABLE, SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE MANAGER, AND NONE OF THE MANAGER, THE FUND, OR ANY OF THEIR RESPECTIVE AFFILIATES, PERSONNEL OR RELATED PERSONS MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, CONCERNING THE ACCURACY, CORRECTNESS OR COMPLETENESS OF ANY THIRD-PARTY INFORMATION CONTAINED HEREIN, OR THE FAIRNESS OR REASONABLENESS OF ANY ASSUMPTIONS ON WHICH SUCH INFORMATION MAY BE BASED.

THE FUND IS OFFERING UNITS SOLELY PURSUANT TO THIS MEMORANDUM, AND ANY INFORMATION REGARDING THE FUND OR THE UNITS THAT IS NOT CONTAINED IN THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFERING OF UNITS. NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS MEMORANDUM AND THE OPERATING AGREEMENT. TO THE EXTENT THAT ANY INFORMATION IS PROVIDED OR ANY REPRESENTATION (ORAL OR OTHERWISE) IS MADE BY THE MANAGER, ANY OF ITS AFFILIATES OR ANY REPRESENTATIVE THEREOF OTHER THAN AS CONTAINED IN THIS MEMORANDUM OR THE OPERATING AGREEMENT, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON. ANY PURCHASE OF UNITS MADE BY ANY INVESTOR ON THE BASIS OF INFORMATION OR REPRESENTATIONS NOT CONTAINED IN, OR INCONSISTENT WITH, THIS MEMORANDUM OR THE OPERATING AGREEMENT SHALL BE SOLELY AT THE RISK OF SUCH INVESTOR. STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE ABOVE UNLESS STATED OTHERWISE HEREIN, AND NEITHER THE DELIVERY OF THIS MEMORANDUM AT ANY TIME, NOR ANY SALE HEREUNDER, SHALL UNDER ANY CIRCUMSTANCES CREATE ANY OBLIGATION TO UPDATE OR REVISE THIS MEMORANDUM TO REFLECT CIRCUMSTANCES OCCURRING AFTER THE DATE OF THIS MEMORANDUM OR CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO SUCH DATE.

PROSPECTIVE INVESTORS ARE INVITED, PRIOR TO THE PURCHASE OF ANY UNITS, TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THE MANAGER, CONCERNING THE FUND, THE UNITS AND THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION THEY CONSIDER APPROPRIATE TO MAKE AN INFORMED INVESTMENT DECISION. INQUIRIES SHOULD BE DIRECTED TO:

Robert C. Behner Executive Vice President, Venture Development Mohajir Energy Advisors, Inc. 2812 W. 47th Ave., 2nd Floor Kansas City, KS 66103 (816) 222-7500 rcbehner@mohajir.com	Ben Fraser Managing Director, Chief Investment Officer Aspen Funds, LLC 5700 W 112th St, Ste 110 Overland Park, KS 66211 (913) 344-7167 benfraser@aspenfunds.us

THIS IS NOT AN OFFER TO SELL NOR A SOLICITATION OF ANY OFFER TO BUY THE UNITS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE AN OFFER OR SALE.

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SUMMARY OF THE OFFERING

This summary highlights some of the information contained in this Memorandum. The summary may not contain all of the information that is important. To understand this Offering fully Investors should read the entire Memorandum carefully. For definitions of key terms used in this Memorandum, see "DEFINITIONS." ***For a discussion of the risks that should be considered in evaluating an investment in the Units, see "RISK FACTORS."***

General

The Manager is offering to Accredited Investors up to 75,000 Class A Units in the Fund; provided, however, that the Manager may expand the Offering in its sole discretion to a maximum of 100,000 Class A Units (the "Offering").

The Manager will offer and sell the Class A Units to Accredited Investors at a base price of $1,000 per Class A Class A Units ("Base Price Per Unit"); provided, however, that Investors purchasing at least 6,000 Class A Units or such lesser number of Class A Units as determined in the sole discretion of the Manager ("Large Investors") will receive a 15% discount from the Base Price Per Unit (for an effective price per Unit of $850) (the "Large Investor Discount").

In addition:

(a) the first 30,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 5% Early Investor Discount) that are sold to Investors purchasing at least 1,175 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager) shall be sold at a 15% discount (for an effective price per Unit of $850) (the "15% Early Investor Discount"); and

(b) the first 16,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 15% Early Investor Discount) that are sold to Investors purchasing at least 265 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager) shall be sold at a 5% discount (for an effective price per Unit of $950) (the "5% Early Investor Discount" and together with the 15% Early Investor Discount, the "Early Investor Discounts").

Affiliates of the Manager (including Aspen Funds, MMG, MEA and their principals) may purchase Class A Units receiving the Early Investor Discounts, thus reducing the number of Class A Units receiving the Early Investor Discounts that are available to other Investors.

Investors will be required to subscribe for a minimum of 150 Class A Units, subject to a lesser number in the sole discretion of the Manager.

The minimum number of Class A Units that are being offered is 150, and the maximum number of Class A Units that are being offered is 75,000; provided, however, that the Manager may expand the Offering in its sole discretion to a maximum of 100,000 Class A Units. Therefore, the minimum amount to be raised by the sale of Class A Units will be $150,000 (the "Minimum Dollar Amount"), and the maximum amount to be raised by the sale of Class A Units will be between $63,750,000 and $75,000,000, depending on whether the Investors are eligible for the discounts described above (or between $85,000,000 and $100,000,000, depending on whether the Investors are eligible for the discounts described above, if the Manager increases the Offering as described above).

The Manager may refuse to accept any subscription for any reason.

The subscription period for investing in Class A Units in the Fund will commence on the date of this Memorandum and terminate on the first anniversary thereof, unless the Manager, in its sole discretion, accelerates or delays the termination date of the Offering (the "Offering Period").

The Fund will not be funded with less than the Minimum Dollar Amount in aggregate Capital Contributions. There will be no escrow of subscription funds during the Offering Period.

The Fund will terminate no later than 10 years from the date of its formation unless the Manager, in its sole discretion, delays the termination date of the Fund.

Proposed Activities of the Fund

The primary investment objective of the Fund is to use the cash raised in the Offering to acquire oil and gas assets in non-operated producing wells, as well as leasehold and mineral acreage, in the "Lower 48" states of the United States. These assets likely will consist of petroleum commodities of oil, dry natural gas and high-Btu natural gas with associated natural gas liquids (NGLs). The Company also intends to participate in the potential development of production on leasehold and mineral acreage interests acquired (collectively, the "Fund Investments"). The Fund Investments will be identified and selected by the Manager in its sole and absolute discretion. See "PROPOSED ACTIVITIES."

Distributions and Tax Benefits

Although the Manager may elect to reinvest proceeds from Fund Investments, the Manager intends to make Cash Flow Distributions of the Cash Available for Distribution, if any, quarterly. In addition, the Fund may produce tax benefits to Investors, consisting principally of deductions for Intangible Drilling Costs, Tangible Costs, depletion and depreciation generated by the Fund Investments. To the extent that the operations of the Fund Investments result in a net loss derived by the Fund for a taxable period, under current Federal income tax rules (and most state tax rules), Investors will be able to utilize their respective shares of the deductions giving rise to such loss in that period as passive tax deductions subject to certain alternative minimum tax limitations. Accordingly, Investors will not be able to claim their shares of the deductions comprising such loss in the period except to the extent they have net passive income from other sources. Investors may be subject to other limitations on their ability to deduct losses. See "TAX ASPECTS."

Application of Proceeds and Expenses

The Fund will bear all legal, organizational and offering expenses, including the out-of-pocket expenses (e.g., legal and accounting fees and expenses, travel, accounting and other costs) of the Manager and its agents and affiliates incurred in the formation of the Fund and conducting the Offering (the "Organizational Expenses").

The Fund also will pay (or reimburse the Manager for) all fees, costs and expenses relating to the operations and activities of the Fund including, but not limited to, the following: (a) third-party fees, costs and expenses relating to professional services, including legal, auditing, investment banking, valuation, consulting, custody, administration, tax, accounting, depositary, safekeeping and other professional services; (b) fees, costs and expenses relating to Fund-related reporting obligations (including costs of preparing financial statements, tax returns and K-1s); (c) fees, costs and expenses relating to the discovery, evaluation, acquisition, holding, development, management, monitoring, refinancing and disposition of its proposed or actual Fund Investments, including, without limitation, travel, accommodation, meal and entertainment expenses related to such investments or prospective investments, including closing and execution costs, sales commissions, appraisal fees, taxes, underwriting commissions and discounts, brokerage and information services fees; (d) principal, interest, fees, costs and expenses arising out of all permitted borrowings made by the Fund; (e) deposits, fees, costs and expenses relating to unconsummated transactions; (f) fees, costs and expenses of liquidating the Fund; (g) fees, costs and expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund; (h) fees, costs and expenses incurred for research or obtaining information for the Fund; (i) fees, costs and expenses (and damages) related to regulation, litigation, government inquiries, investigations or proceedings, in each case related to the Fund or the Fund Investments; and (j) taxes, fees, registration expenses or other governmental charges levied against the Fund and other professional fees, costs and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund (collectively, "Fund Expenses").

Thus, not all of the Capital Contributions will be available to make Fund Investments.

Fees; Distributions; Carried Interest

Fees. The Fund will pay a management fee (the "Management Fee") to Mohajir Energy Advisors, Inc. ("MEA"), which is an owner of MMG (which itself is a member of the Manager), in accordance with the terms of the Management Agreement attached as **Exhibit B** (the "Management Agreement"). See "MANAGEMENT – Compensation and Reimbursement."

In addition, upon the acquisition of any Fund Investment, the Fund will pay an acquisition fee (the "Acquisition Fee") the Manager equal to 1.5% of the purchase price of such Fund Investment.

Cash Flow Distribution. Distributions of Cash Available for Distribution, other than Liquidating Distributions ("Cash Flow Distributions") will be apportioned among the Unitholders as follows:

(a) 70% to Class A Unitholders in proportion to the number of Class A Units held by them; and

(b) 30% to the Manager.

Liquidating Distributions. Distributions with respect to the liquidation of the Fund ("Liquidating Distributions") will be apportioned among the Unitholders in the following order of priority:

(a) first, 100% to the Class A Unitholders (in proportion to their unreturned Capital Contributions) until the Class A Unitholders have received, on a cumulative basis, taking into account all prior distributions (including Cash Flow Distributions) an aggregate amount equal to their Capital Contributions;

(b) second, 100% to the Class A Unitholders (in proportion to their unreturned Discounts) until the Class A Unitholders have received, on a cumulative basis, taking into account all prior distributions (including Cash Flow Distributions and Liquidating Distributions described in clause (a) above) an aggregate amount equal to the Discounts; and

(c) thereafter, 70% to the Class A Unitholders and 30% to the Manager.

Carried Interest. Cash Flow Distributions and Liquidating Distributions that the Manager receives (in its capacity as the Manager) are referred to herein as "Carried Interest Distributions." The Manager may defer or waive all or any portion of its Carried Interest Distributions and, in its discretion and subject to certain limitations, may choose to receive such amounts at a later date as determined by the Manager.

Distributions prior to the dissolution of the Fund will be made in cash. Upon dissolution of the Fund, distributions may also include other assets of the Fund.

The Fund will withhold tax in respect of Unitholders to the extent required by applicable law. Any amount withheld with respect to a Unitholder will be treated as a distribution made to such Unitholder for all purposes, including for the purposes of calculating distributions to the Unitholders.

Liability of Investors. Each Investor's liability under Kansas law will be limited generally to the amount of Capital Contributions that the Investor has contributed to the Fund.

Suitability Standards. Investment in the Fund is only suitable for persons who are Accredited Investors. See "TERMS OF THE OFFERING–Suitability Standards."

How to Subscribe. For instructions on how to subscribe for Class A Units in the Fund, see the Subscription Agreement and accompanying materials provided to Investors by the Manager or its authorized affiliates.

The foregoing is a summary of matters relating to the Offering of Class A Units in the Fund. This summary must be considered together with independent advice and a careful reading and examination of this entire Memorandum and the attached Exhibits.

RISK FACTORS

An investment in the Fund entails a significant degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Fund. There can be no assurance that the Fund will achieve its investment objectives or avoid substantial losses. Accordingly, a prospective Investor should only invest in the Fund if the Investor is able to withstand a total loss of its investment. In addition, there will be occasions when the Manager or its affiliates will encounter actual or potential conflicts of interest in connection with the activities of the Fund. In evaluating an investment in the Fund, prospective Investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Class A Units. Prospective Investors should carefully read this entire Memorandum, the Operating Agreement and the Subscription Agreement and should consult with their own legal, tax and financial advisors regarding an investment in the Fund, including the risks involved, before making a decision to invest in the Fund.

Forward Looking Statements

Certain statements in this Memorandum are forward-looking statements. All statements in this Memorandum, other than statements of historical fact, regarding the Fund's industry, plans, prospects, objectives, expectations, intentions and assumptions are forward-looking statements. When used in this Memorandum, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "foresee," "should," "would," "could" and similar expressions are generally intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on the Manager's current expectations and beliefs concerning future developments and their potential effect on the Fund. While the Manager believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting the Fund will be those that are anticipated. Because these forward-looking statements are based on current expectations and assumptions about future events, they involve significant risks and uncertainties, including those described in this "RISK FACTORS" section, and actual results may therefore differ materially from those expressed or implied by these forward-looking statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Manager does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Market data and forecasts used in this Memorandum have been obtained from independent industry sources. Although the Manager believes these sources are reliable, it does not guarantee the accuracy and completeness of historical data obtained from these sources and it has not independently verified these data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates.

General Risks Relating to the Offering

Financial wherewithal of the Manager and other Unitholders. The Manager is a newly formed entity that has no material net worth other than its Manager Interest in the Fund and its right to receive fees related to the operation of the Fund. There is no assurance that the Manager will have the necessary net worth, either currently or in the future, to meet its financial commitments under the Operating Agreement. No financial information will be provided to the Class A Unitholders concerning any other Class A Unitholder. In no event should Investors rely on the financial wherewithal of the Manager or other Unitholders.

No Assurance of investment return. All investments risk the loss of capital. No guarantee or representation can be made that the Fund will achieve its investment objective or avoid significant losses. On any given Fund Investment, total loss of principal is possible. Since the Fund is expected to participate in Fund Investments that involve a high degree of risk, the aggregate return of the Fund could be affected by the negative performance of a single Fund Investment. An investment in the Fund should only be considered by persons who can afford a loss of the entire amount invested.

No assurance of cash distributions. No distributions will be made from the Fund to the Unitholders until the Fund has cash that the Manager determines is not needed for the operation of the Fund (see definition of "Cash Available for Distribution"). Cash Available for Distribution can only be provided by net cash received by the Fund related to and derived from Fund Investments. Accordingly, there is no assurance that any distributions from the Fund will be made to its Unitholders and there is no assurance that Investors will receive any return on their investment. Moreover, distributions could be delayed to repay the principal and interest on Fund borrowings, if any, or to fund costs. Fund income will be taxable to the Unitholders in the year earned, even if cash is not distributed. Accordingly, Investors may be required to fund tax liabilities with respect to an interest in the Fund with cash from sources unrelated to an investment in the Fund.

Difficulty of locating suitable investments. Identification of attractive investment opportunities is a difficult, highly competitive activity that involves a high degree of uncertainty and will be subject to market conditions. The costs of acquiring oil and gas mineral rights, leases and royalty interests are significant. The Fund will be competing for Fund Investments with other investment funds (including 116 Upstream Energy), as well as other investors, some of which may have greater resources, higher risk tolerances, or lower cost of capital than the Fund. These other investors could create increased competition for appropriate investment opportunities, which could reduce the number of investment opportunities available to the Fund and adversely affect the terms, including price, on which the Fund is able to acquire Fund Investments. As of the date of this Memorandum, no Fund Investments have been made by the Fund, and it is expected that no such investments will be made as of the Fund's initial closing. Prospective investors must rely on the ability of the Manager to identify, structure, manage and exit Fund Investments consistent with the Fund's investment objectives. There can be no assurance that the Fund will be able to locate and complete Fund Investments or exit Fund Investments on favorable terms, or that it will be able to fully invest its capital.

Lack of insurance coverage. The Fund will not have liability insurance coverage of any kind whatsoever. The Manager of the Fund will require each Operator related to any Fund Investment to maintain various insurance coverages as will be determined in the sole discretion of the Manager in connection with its choice of Fund Investments. The required insurance coverages could be inadequate, and the Fund may be underinsured. In addition, some or all of the required insurance coverages may become unavailable or prohibitively expensive. If the Operator related to any Fund Investment fails to obtain or ceases to retain the required coverages, the Fund may be underinsured, and Investors could be subject to a greater risk of loss.

Exclusive right and authority of the Manager. Under the Operating Agreement, the Manager has exclusive right and authority to manage and operate the Fund's activities. The Manager will have complete and total authority and broad discretion to determine the Fund Investments and the manner in which all of the offering proceeds will be expended. Investors will have no role in the management of the business of the Fund or its choice of Fund Investments. Accordingly, Investors must rely solely on the Manager to make all decisions on behalf of the Fund. Therefore, the Fund's success will substantially depend upon the management the Manager provides and its choice of and decision to invest in Fund Investments through which to conduct the business of the Fund. The Manager is required to devote only such time as is reasonably needed to the operations of the Fund and is not required to devote full time to the business of the Fund.

Sale of less than the maximum number of Class A Units. The Fund is required to raise only the Minimum Dollar Amount before commencing operations. As a result, the Fund could be formed and commence operations with as little as $150,000. To the extent that the funds available to the Fund are limited, its ability to spread risks over a number of investments will be reduced. The number and type of Fund Investments also cannot be determined because the amount of Capital Contributions that will be available is currently indeterminate.

Illiquidity and lack of transferability. The Class A Units have not been registered under the Securities Act nor the securities laws of any states. Therefore, the Class A Units cannot be transferred or resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or an exemption from registration is available. It is not contemplated that the Class A Units will ever be registered under the Securities Act or other securities laws. In addition, although the Operating Agreement permits the assignment of Class A Units by Unitholders, assignments of Class A Units are subject to restrictions under the Operating Agreement. As one example, an assignee of Class A Units may not become a substituted Member without the consent of the Manager. Additionally, Investors may not assign fewer than all of their Class A Units in the Fund except in certain limited circumstances. Further, the Manager has a right of first refusal upon receipt of notice that an Investor is selling its Class A Units to a

third party. Accordingly, Investors should be prepared to bear the investment risks attendant to their investment for an indefinite period of time. There is no public market for the Class A Units, and one is not expected to develop. An investment in the Fund should be considered illiquid and long-term in nature. Investors will not have the right to withdraw any capital from the Fund or to receive the return of all or any portion of their Capital Contributions. The Manager expects that Unitholders to receive Cash Available for Distribution periodically, in such amounts are determined by the Manager, from the operations of the Fund Investments, upon a sale or other disposition of the Fund Investments, or upon the dissolution and liquidation of the Fund.

Indemnification; Return of Distributions. The Fund will be required to indemnify and advance expenses to, among others, the Manager and each of its employees, officers, agents, advisors and affiliates for liabilities incurred in connection with the Fund's activities, except under certain circumstances. The Manager may cause the Fund to advance the costs and expenses of an indemnitee pending the outcome of a particular matter (including a determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's entitlement to indemnification). As a result, there may be periods where the Fund is advancing expenses to an individual or entity with which the Fund is not aligned or is otherwise an adverse party in a dispute. This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation, so long as the Manager has determined that such disqualifying conduct did not occur. Such liabilities may be material and may have an adverse effect on the returns to the Investors. The Manager may also recall certain distributions previously made to the Investors to fund indemnification expenses and other obligations and liabilities of the Fund, and the Investor's obligation to return such distributions will extend beyond the term of the Fund. In addition, an Investor may be liable under applicable law to return to the Fund (or to creditors whose interests have been injured) a distribution made during the Fund's insolvency.

Limited voting rights. Investors will have limited voting rights in the affairs of the Fund. The Fund does not intend to hold annual meetings at which Investors may express their views and confront management directly. The control of the day-to-day operations of the Fund is vested exclusively in the Manager, and Investors must rely on the Manager to fulfill its duties to the Investors and to maximize the Fund's economic performance.

Limited redemption rights. Investors cannot require that the Fund purchase their Class A Units in whole or in part. Any redemption requests will be accepted or denied in the sole discretion of the Manager.

Limited ability to remove the Manager; Difficulty in finding a successor Manager. The Manager may be removed from its position as the Manager only for Cause, as defined in the Operating Agreement, by the affirmative vote of the Class A Members holding at least seventy five percent (75%) of the then outstanding Class A Units held by Members. In addition, the Manager may resign as the Manager of the Fund. The Class A Members in certain circumstances must, in order to continue the Fund, elect a successor to the removed or resigning Manager if the removal or resignation of the Manager would cause a dissolution of the Fund. There is a risk that the Class A Members could not find a new manager if the Manager is removed from or resigns such position.

Removal of a Class A Unitholder. The Manager has the right to remove any Class A Unitholder upon any attempted transfer of Class A Units in violation of the Operating Agreement, any other material breach of the Operating Agreement and certain other conditions and, upon such removal, to repurchase the Class A Unitholder's Class A Units. See "SUMMARY OF OPERATING AGREEMENT – Removal of Class A Unitholder."

No right to withdraw from the Fund. Under the Operating Agreement, each Class A Unitholder will agree not to voluntarily withdraw from the Fund. A Class A Unitholder who withdraws in violation of the Operating Agreement will be obligated to reimburse the Fund and the other Unitholders for any expenses incurred with such withdrawal.

Dissolution of the Fund. The Fund will be dissolved and terminated upon the occurrence of certain events, including the expiration of the Fund's term or the approval by the Manager. However, the Fund could also be dissolved as a result of events which do not include the passage of time or the consent of the Manager. These events include the bankruptcy, insolvency, dissolution or withdrawal from the Fund by the Manager. The Class A Members have the right to reconstitute the Fund under such circumstances and, in so doing, avoid termination of the Fund. However, there is no certainty that the Class A Members could find a new manager to replace the Manager in such circumstances.

Pandemics, including the COVID-19 Pandemic. Global or national health concerns, including the outbreak of pandemic or contagious disease, can negatively impact the global economy and, therefore, demand and pricing for oil and natural gas products. For example, the World Health Organization declared COVID-19 a pandemic in March 2020, and the continued duration and severity of COVID-19 and its ongoing impact on the oil and gas business cannot be predicted. The outbreak of communicable diseases, or the perception that such an outbreak could occur, could result in a widespread public health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that would negatively impact the demand for oil and natural gas products. Furthermore, uncertainty regarding the impact and length of any outbreak of pandemic or contagious disease, including COVID-19, could lead to increased volatility in oil and natural gas prices. The occurrence or continuation of any of these events could lead to decreased revenues from oil and gas exploration activities, which could adversely affect the Fund.

Risks Relating to Oil and Natural Gas Operations

Speculative nature of oil and natural gas investments. Investments in oil and gas properties involves a high degree of risk which could result in a loss of an Investor's investment. The investment activities of the Fund will focus upon investments in non-operated working interests in oil and gas properties. The Manager cannot predict with any certainty the amount of oil or natural gas recoverable from a well, the time it will take to recover the oil or natural gas, or the price of oil or natural gas at the time it will be sold. Thus, there is a risk that Investors will not recover all of their investment or, if they do recover their investment, that they will not receive a rate of return on their investment which is competitive with other types of investment.

Dependence on future prices for oil and natural gas. The revenues generated from the Fund Investments and the return on the investments of the Investors in the Fund will be highly dependent upon the future prices for oil and natural gas, which have been, and continue to be, extremely volatile, and this volatility is expected to continue. Oil and natural gas prices may fluctuate widely in response to relatively minor changes in the supply of and demand for oil and natural gas and other factors that are outside the control of the Manager's control. Lower oil and natural gas prices may decrease the Fund's expected future revenues.

Dependence on third-party operators. The Manager anticipates that the wells in which the Fund acquires an interest in will be operated by third parties. Additional financial risks exist when the cost of drilling, equipping, completing, and operating wells is shared by more than one person. If the Fund pays its share of the costs but another interest owner does not, then the Fund may have to pay the costs of the defaulting party which defaulting party would then lose its interest in the well. Because the Manager is not the actual operator of a well, there is a risk that the Manager cannot supervise the operations of the well. Also, decisions concerning how the well is operated and what expenditures are incurred will be made primarily by the operator or, in certain specific circumstances, the owners of a majority interest in such well. There is a risk that such decisions may not be in the best interest of the Fund. There is a further risk that a third-party operator will have financial difficulties and fail to pay for materials or services on the wells it drills or operates, and, in that event, the Fund could incur extra costs in discharging material's and workmen's liens. In addition, production from wells may be marketed on the Fund's behalf by the third-party operator. The Fund may not have control over such marketing, or the terms at which the oil or gas is marketed.

Drilling Hazards. There are numerous possible natural hazards involved in the drilling of wells. These items include: well cratering and blowouts, fires, and explosions; pipeline ruptures or spills and uncontrollable flows of natural gas or well fluids; and pollution, releases of toxic gas, accidental leakages, and other environmental hazards and risks. Any of these or other hazards may cause damage to property and third parties such as surface damage, bodily injury, damage to and loss of equipment, reservoir damage and loss of reserves, could result in direct or indirect substantial losses to the Fund Investments, and are generally outside of the Manager's control. These hazards may not be insured against. Liabilities to third parties or governmental entities could reduce returns from the Fund Investments or result in the loss of Fund property.

Hedging. Hedging, whereby an interest owner or operator of a well or wells presells volumes of projected production at a fixed or collared price(s), can be used in an effort to protect against the effects of significant decreases in the price of natural gas or oil. The Fund may determine to hedge some, all, or none of the anticipated production from its wells. There are risks associated with hedging, including that the price(s) at which the natural gas or oil is presold will be less than market value at the time of delivery or that the owner or operator will be unable to deliver

the committed volumes from its wells requiring the owner or operator to replace such volumes by purchasing the same, potentially at a higher price than it will be paid or pay substantial penalties. The Fund, if it hedges production, will also be exposed to the risk of non-performance by the counterparties to the commodity derivative agreements. Although the Company may hedge a portion of its estimated production, the hedging program may be inadequate to protect the Fund against continuing and prolonged declines in the price of oil and natural gas, if they occur.

Declining reserves and production. In general, the volume of production from oil and gas properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Fund's indirect share of such Proved Reserves and production will decline over time, and such decline may be substantial. As such, any distributions received by the Fund from the Fund Investments (and, thus, distributions to Investors) are likely to similarly decline over time.

Pollution and environmental liabilities. The Fund may be subject to liability for pollution and environmental damage as described above in "Drilling Hazards." Also, certain environmental claims may not be covered by insurance. There is a risk that environmental regulatory matters may, among other concerns, substantially increase the Fund's cost of doing business, cause delays in the drilling and completion of the wells related to the Fund Investments, and/or cause delays in producing natural gas and oil from the Fund's Investments. In addition, there have been claims, which the oil and gas industry deny, that the process of hydrofracturing which adversely impacts nearby aquifers and is likely to be used in in connection with Fund Investments. If area property owners experience water quality issues, there is the possibility of litigation against the Fund.

Lack of geographic diversity. The Fund may invest in a limited number of geographic regions. If that is the case, the Fund may be disproportionately exposed to the impact of regional supply and demand factors. Lack of geographic diversification can also affect the prices received for the oil and natural gas production in connection with Fund Investments because commodity prices are determined to a significant extent by factors affecting the regional supply of, and demand for, oil and natural gas. The Manager cannot accurately predict basis differentials and increases in the basis differentials could have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows by decreasing the proceeds the Fund receives from Fund Investments.

Government regulation; climate change. The activities of the Fund and the Fund Investments will be subject to numerous laws, rules and regulations which are enforced on the federal, state, and local levels. Changes to such laws, rules, or regulations or the method of their enforcement could affect the costs, timing, associated risks, or ability to conduct Fund activities, as well as the profitability of the Fund and the Fund Investments. The Manager cannot predict or control the possibility, timing or impact of such changes. Costs of compliance with governmental regulation are significant, and the cost of compliance with new and emerging laws and regulations and the incurrence of associated liabilities could adversely affect the results of the Fund and the Fund Investments. Additionally, the Fund Investments and the Fund may be subject to regulatory investigations or proceedings from time to time, which may result in the imposition of additional requirements on the Fund and the Fund Investments. Further, proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases as well as restrict or eliminate such future emissions. The operations of the Fund Investments will be subject to these efforts to restrict or eliminate future emissions. Moreover, climate change activism, fuel conservation measures, governmental initiatives for renewable energy resources, increasing consumer demand for alternative forms of energy, and technological advances in fuel economy and energy generation devices may create new competitive conditions that result in reduced demand for the oil and gas produced from the operations of the Fund Investments.

Limited refining capacity. Absent an expansion of United States refining and export capacity, domestic production of oil and condensates could result in a surplus of these products in the United States, which would likely cause prices for these commodities to fall and markets to constrict. Although United States law was changed in 2015 to permit the export of oil, exports may not occur if demand is lacking in foreign markets or the prices that can be obtained in foreign markets does not support associated export capacity expansions, transportation and other costs. In such circumstances, the rate of return on the Fund Investments may decline, possibly to levels that would make execution of the drilling plans uneconomical, which could have an adverse effect on the Fund Investments.

Limited pipeline and infrastructure capacity. The marketing of oil and gas production depends in large part on the capacity and availability of pipelines and storage facilities, gas gathering systems and other transportation, processing and refining facilities and infrastructure. Further, it is anticipated that the Fund Investments will rely on facilities

and infrastructure developed and owned by third parties in order to store, process, transmit and sell the oil and gas production. The Fund Investments could be materially and adversely affected by the unavailability, or the inability or unwillingness of third parties to provide, sufficient transmission, storage, processing, pressure or treating facilities and services on commercially reasonable terms or otherwise.

Imprecise Estimates of Proved Reserves. The Fund will receive reports setting forth estimates of Proved Reserves and future net cash flows from and with respect to the Fund Investments. Numerous uncertainties exist in estimating quantities of Proved Reserves and future net cash flows therefrom. Estimating underground accumulations of oil and gas is a subjective process and is not exact. Estimates of economically recoverable oil and gas reserves and of future net cash flows depend upon a number of variable factors and assumptions, including, without limitation: future commodity prices; future Operating Costs, development costs and workover and remedial costs; interpretation of the geologic reservoir characteristics; historical production from the applicable area compared with production from other producing areas; the quality, quantity and interpretation of available data; and the effects of regulations.

Lack or increased cost of equipment, supplies, and personnel. The oil and gas industry is cyclical. When drilling activity increases, a shortage, or increase in the cost, of drilling rigs, equipment, supplies, insurance, qualified personnel or providers of certain services necessary for the drilling and completion of wells may result, which could adversely affect Fund Investments.

Tax Risks

No assurance of tax benefits. The Manager cannot assure that: (a) money invested in the Fund will be returned to Investors; (b) Capital Contributions will be expended or result in any tax deductions in the year such Capital Contributions are received by the Fund; (c) U.S. federal income tax laws or the present interpretation of those laws will not be changed, which could adversely affect the tax consequences of investing in Class A Units; or (d) any position taken by the Fund on its tax returns will not be challenged by the IRS. The Manager has not requested, and will not request, a ruling from the IRS regarding the tax consequences of investing in Class A Units. However, it is the Manager's belief that the material U.S. federal income tax benefits of an investment in Class A Units, on the whole, more likely than not will be realized in substantial part by a Unitholder who is an individual United States citizen and who acquires Class A Units for profit. Notwithstanding enactment of additional legislation or interpretations of legislation which might require different treatment than current law, the Fund is authorized to expend the Capital Contributions and to conduct its business and operations as described in this Memorandum. Investors should obtain professional guidance from their tax advisor in evaluating the tax risks involved in investing in the Fund.

Tax liabilities may exceed cash distributions. A Unitholder must report and pay income tax on his share of Fund income, regardless of whether such income is retained and used for debt service, working capital, or other purposes, any of which uses may not give rise to deductions for federal income tax purposes. The distribution by the Fund of Cash Available for Distribution to the Unitholders may be delayed due to various factors, such as the use of revenues for permitted activities. To the extent that the Unitholders are allocated income from the Fund's activities, an income tax liability will be incurred even though the Unitholders may not yet have received any cash distributions from the Fund. The timing and amount of cash distributions will be determined in the Manager's absolute discretion. Unitholders will be required to report their share of any Fund income on federal, state and local tax returns and will be responsible for the payment of taxes attributable to such income in the year in which it was earned by the Fund. Accordingly, in any year, Unitholder's resulting tax liability may exceed the amount of cash distributed to the Investor by the Fund.

Passive Losses. Class A Units in the Fund would likely be treated as a "passive activity," and any tax losses derived by a Unitholder in the Fund will be allowable only to the extent of such Unitholder's "passive income." Disallowed passive losses in any year can be carried forward indefinitely and used to offset future passive income or can be deducted in full when the Unitholder disposes of all of his Class A Units to an unrelated person in a fully taxable transaction. The treatment of the Fund as a "publicly traded partnership" for purposes of applying the passive activity loss limitations would even more severely restrict or eliminate a Unitholder's ability to use any Fund losses to offset income from other sources. Based on our representations and various assumptions and qualifications, the Manager believes that the Fund will not be treated as a publicly traded partnership for purposes of the application of the passive activity loss limitations of Section 469 of the Internal Revenue Code. The Manager's opinion is not binding on the IRS,

however, and there is no assurance that the IRS will not assert that the Fund is a publicly traded partnership for purposes of applying the passive activity loss limitations.

Deductions recaptured as ordinary income. Certain deductions for Intangible Drilling Costs, depletion and depreciation must be recaptured as ordinary income on disposition of property by the Fund or on disposition of Class A Units by a Unitholder. If the Fund disposes of property or a Unitholder transfers Class A Units in the Fund, the Fund and/or the Unitholder may recognize ordinary income (instead of capital gain) to the extent such deductions for Intangible Drilling Costs, depletion and depreciation must be recaptured.

IRS audit. The IRS may audit the tax returns of the Fund, in which case an audit of a Unitholder's individual tax returns also may result. If such audits occur, tax adjustments may be made, including adjustments to items on returns unrelated to the Fund. Furthermore, any settlement or judicial determination of the Fund's income may be binding on Unitholders.

Changes in tax laws. The Tax Cuts and Jobs Act (the "TCJA") substantially modified certain U.S. federal income tax laws, including by, among other things, changing the limitations on interest expense and loss deductibility and modifying certain cost recovery rules, which may adversely affect the tax consequences of investing in the Class A Units. The Treasury Department and the IRS have issued guidance, and could issue additional guidance, on how provisions of the TCJA will be applied or otherwise administered, which additional guidance may significantly alter certain tax considerations described in this Memorandum. Legislation has been proposed that would, if enacted into law, make other significant changes to U.S. tax laws, including to certain key U.S. federal income tax provisions currently available to oil and gas companies. Such proposed legislative changes include, among other proposals, (a) the repeal of the percentage depletion allowance for oil and gas properties, (b) the elimination of current deductions for intangible drilling and development costs with regard to any oil and gas well and the replacement thereof with an allowance for such costs to be amortized ratably over the 60-month period beginning with the month in which such costs are paid or incurred, and (c) the repeal of amortization for certain geological and geophysical expenditures. Moreover, judicial decisions, regulations or administrative pronouncements could unfavorably affect the tax consequences of an investment in the Fund. The passage of any future legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development, or increase costs, which could unfavorably affect the consequences of an investment in the Fund.

Limited ability to currently deduct costs and expenses. The Fund's direct or indirect investment in working interest in oil or gas wells does not constitute a passive activity so long as the Fund owns the working interest directly or through an entity that does not limit the Fund's liability with respect to such drilling or operation. The Manager expects to invest in the Fund Investments in a manner that will not limit the Fund's liability with respect to the drilling and other operations conducted by the Fund Investments. However, the Manager is of the opinion that the passive activity loss limitations of Section 469 of the Internal Revenue Code will apply to a Unitholder's share of the income or loss from such working interest, because such Unitholder's liability for Company debts would be limited by state law. Under state law a Member (or Assignee) of a limited liability company is generally not liable for debts or liabilities of the Company. In addition to the passive loss limitations, a Unitholder's loss or deductions from a working interest could also be subject to "basis," "at risk," "excess business loss" and "net operating loss" limitations.

Timing of Deductions. The Fund is not required to, and may not, make Fund Investments that deploy any or all of the Capital Contributions within the year such Capital Contributions are received or in any particular following year, in which event no substantial Fund tax deductions would be available for such period. Further, some of the expenses may be incurred prior to the actual drilling of oil and gas wells, and the Fund cannot assure that any Intangible Drilling Costs incurred in a year prior to the year of the actual drilling of an oil and gas well will be deductible in the year incurred. Any change in law regarding the treatment of intangible drilling costs may require that such costs be capitalized and recovered through depreciation or depletion or amortized over an undetermined period of years. Moreover, as noted above, the Fund may also invest in royalties or other carried interests which will not generate any immediate deductions.

Ability to claim percentage depletion deductions. Percentage depletion deductions are tax deductions calculated based upon a percentage of gross income from the oil and gas property but are limited to one hundred percent (100%) of the total taxable income of the Unitholder from the property or sixty five percent (65%) of the Unitholder's

overall taxable income, computed with certain adjustments, for each taxable year, and are only available to Unitholder qualifying as independent producers. Because depletion deductions must be computed separately by each Unitholder and not at the Fund level, the availability of percentage depletion will depend upon a Unitholder's individual circumstances. Therefore, an individual Investor may not be eligible to claim percentage depletion deductions. Any change in law regarding depletion deductions may reduce or eliminate the availability of percentage depletion, in which case an individual Investor may only be permitted to claim cost depletion deductions.

Potential Conflicts of Interest

The discussion below enumerates certain actual and potential conflicts of interest. The Manager and its affiliates will attempt to resolve any conflicts of interest in good faith and in accordance with the Operating Agreement, but there can be no assurance that conflicts of interest or actions taken by the Manager or its affiliates in attempting to resolve such conflicts of interest will not have an adverse effect on the Fund or the Class A Unitholders. By acquiring Class A Units, each Investor will be deemed to have acknowledged the existence of the actual and potential conflicts of interest described below, and to have consented to, and waived any claim in respect of, the existence of any such conflict of interest and the resolution thereof in accordance with the Operating Agreement.

Other investments. An affiliate of the Manager, Zebulon Energy, LLC ("Zebulon Energy"), is the general partner of 116 Upstream Energy Fund, VI, LP ("116 UEF VI"), which has similar investment strategies and objectives as the Company. In addition, the Manager or its affiliates may participate in oil and gas activities on behalf of other programs that it sponsors, will sponsor, or is for the Manager's account and it is possible that actions taken with regard to other programs may not be advantageous to the Fund.

Calculation and allocation of costs and expenses. The Operating Agreement provides that the Fund will be responsible for all costs and expenses in connection with its operation. Out-of-pocket expenses of the Manager will generally be reimbursed by the Fund. A conflict of interest will arise in the Manager's determination whether certain costs or expenses that are incurred in connection with the operation of the Fund meet the definition of Organizational Expenses and/or Fund Expenses for which the Fund is responsible, or whether such expenses should be borne by the Manager. The Fund will be reliant on the determinations of the Manager in this regard.

Fee income. The Manager and its affiliates or employees are expected to receive fees (including the Management Fee and the Acquisition Fee), reimbursements (including for Organizational Expenses and Fund Expenses) or other similar fees or reimbursements, which may give rise to certain conflicts of interest. The terms on which relevant fees and expenses are paid or are subject to reimbursement, respectively, generally will not be negotiated on an arm's-length basis, and the Manager will face a conflict of interest with respect to such negotiations.

Carried Interest. The Manager's Carried Interest could create an incentive for the Manager to make more speculative investments for the Fund than it would otherwise make in the absence of such performance-based distributions. In addition, the method of calculating the Carried Interest will result in conflicts of interest between the Manager, on the one hand, and the Investors, on the other hand, with respect to the management and disposition of Fund Investments, including the timing and sequence of such dispositions.

Indemnification. To the extent the Manager or one of its affiliates, personnel or related persons seeks indemnification or advancement of expenses as described under "Indemnification; Return of Distributions" above, the Manager will face a conflict of interest in any decision by it to provide such indemnification and/or advancement of expenses to such person.

Access to information. The Class A Members' rights to information regarding the Fund will be specified and limited in the Operating Agreement. In particular, it is anticipated that the Manager will obtain certain types of material information from, or relating to, Fund Investments that will not be disclosed to Class A Members. Decisions by the Manager to withhold information could have adverse consequences for Class A Members in a variety of circumstances. For example, decisions to withhold information may make it difficult for a Class A Member to monitor the Manager and the Manager's performance.

Transfers of Class A Units. To the extent that the Manager has discretion to consent to a transfer of Class A Units pursuant to the Operating Agreement, and subject to any restrictions therein, the Manager will generally take into consideration a variety of factors as it deems appropriate in exercising such discretion with respect to such a transfer.

Legal Representation. Legal counsel to the Fund (collectively, "Counsel") may represent the Manager and certain of its affiliates (including Zebulon Energy and 116 UEF VI) from time to time in a variety of different matters. Counsel does not represent or owe any duty to any or all of the other Unitholders. Counsel represents the Manager, including with respect to the Manager's role in relation to the Fund. It is not anticipated that, in connection with the organization or operation of the Fund, the Manager will have the Fund engage counsel separate from counsel to the Manager and its affiliates. Furthermore, in the event a conflict of interest or dispute arises between the Manager and the Fund or any other Class A Unitholder, Counsel will generally act as counsel to the Manager and not counsel to the Fund or other Class A Unitholders, notwithstanding the fact that, in certain cases, Counsel's fees are paid through or by the Fund. In addition, Counsel has not undertaken to monitor the compliance of the Manager and its affiliates with the investment program and other guidelines and terms set forth in this Memorandum and the Operating Agreement, nor does Counsel monitor compliance with applicable laws. Counsel has not investigated or verified the accuracy or completeness of the information set forth in this Memorandum concerning the Fund, the Manager and their affiliates and personnel.

TERMS OF THE OFFERING

General

The Manager is offering to Accredited Investors up to 75,000 Class A Units in the Fund; provided, however, that the Manager may expand the Offering in its sole discretion to a maximum of 100,000 Class A Units.

The Manager will offer and sell the Class A Units to Accredited Investors at a base price of $1,000 per Class A Unit ("Base Price Per Class A Unit"); provided, however, that Investors purchasing at least 6,000 Class A Units or such lesser number of Class A Units as determined in the sole discretion of the Manager ("Large Investors") will receive a 15% discount from the Base Price Per Unit (for an effective price per Unit of $850) (the "Large Investor Discount").

In addition:

(a) the first 30,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 5% Early Investor Discount) that are sold to Investors purchasing at least 1,175 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager) shall be sold at a 15% discount (for an effective price per Unit of $850) (the "15% Early Investor Discount"); and

(b) the first 16,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 15% Early Investor Discount) that are sold to Investors purchasing at least 265 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager) shall be sold at a 5% discount (for an effective price per Unit of $950) (the "5% Early Investor Discount" and together with the 15% Early Investor Discount, the "Early Investor Discounts").

Affiliates of the Manager (including Aspen Funds, MMG, MEA and their principals) may purchase Class A Units receiving the Early Investor Discounts, thus reducing the number of Class A Units receiving the Early Investor Discounts that are available to other Investors.

Investors will be required to subscribe for a minimum of 150 Class A Units, subject to a lesser number in the sole discretion of the Manager.

The minimum number of Class A Units that are being offered is 150, and the maximum number of Class A Units that are being offered is 75,000; provided, however, that the Manager may expand the Offering in its sole discretion to a maximum of 100,000 Class A Units. Therefore, the minimum amount to be raised by the sale of Class A Units will be $150,000 (the "Minimum Dollar Amount"), and the maximum amount to be raised by the sale of Class A Units will be between $63,750,000 and $75,000,000, depending on whether the Investors are eligible for the discounts described above (or between $85,000,000 and $100,000,000, depending on whether the Investors are eligible for the discounts described above, if the Manager increases the Offering as described above).

The Manager may refuse to accept any subscription for any reason.

The subscription period for investing in Class A Units in the Fund will commence on the date of this Memorandum and terminate on the first anniversary thereof, unless the Manager, in its sole discretion, accelerates or delays the termination date of the Offering (the "Offering Period").

The Fund will not be funded with less than the Minimum Dollar Amount in aggregate Capital Contributions. There will be no escrow of subscription funds during the Offering Period.

The Fund will terminate no later than 10 years from the date of its formation unless the Manager, in its sole discretion, delays the termination date of the Fund.

The execution of a Subscription Agreement by a prospective Investor constitutes a binding offer to purchase Class A Units in the Fund and an agreement to hold the offer open until the subscription is accepted or rejected by the Manager. Once a prospective Investor subscribes for Class A Units, the Investor will not have any revocation rights other than rights under applicable securities laws. The execution of a Subscription Agreement and its acceptance by the Manager also constitute the execution of the Operating Agreement by the Investor and an agreement to be bound by the terms of the Operating Agreement as an Class A Member, including the granting of a special power of attorney to the Manager appointing it as the Investor's lawful representative to make, execute, sign, swear to, and file various documents and instruments. See "SUMMARY OF OPERATING AGREEMENT."

The Manager has the right to remove a Class A Unitholder under certain circumstances. See "SUMMARY OF OPERATING AGREEMENT – Removal of Class A Unitholder."

Suitability Standards

In General. Each Investor must be an "Accredited Investor" within the meaning of Regulation D promulgated by the SEC under the Securities Act (see the Subscriber Questionnaire attached to the Subscription Agreement for a detailed description of the definition of Accredited Investor). Investment in the Fund involves a high degree of financial risk and is suitable only for Persons of substantial means who have no need for liquidity in their investment and who can afford to lose all of their investment. The suitability requirements described in this Memorandum represent the minimum suitability requirements for Investors in the Fund, and the satisfaction of such requirements by a prospective investor does not necessarily mean that an investment in the Fund is a suitable investment for that investor.

The Company may acquire interests in federal oil and gas leases; thus, subscriptions for Class A Units will not be accepted from a Person who is not an Eligible Citizen. In general, an Eligible Citizen is any Person who is a citizen of the United States or is otherwise eligible to be qualified to hold an interest in oil and gas leases on federal lands, including offshore areas, under federal laws and regulations in effect from time to time.

Subscription Agreement Representations. Each prospective Investor will be required to represent to the Fund in the Investor's Subscription Agreement and the attached Subscriber Questionnaire, among other things, that such Investor is an Accredited Investor, is an Eligible Citizen, is knowledgeable about and experienced in investments of this type, is able to bear the economic risk of an investment in the Fund for an indefinite period of time including the potential loss of its entire investment and is acquiring the Class A Units in the Fund for investment purposes only and not with a view to or for resale in connection with any distribution of such Class A Units.

Assignees of Class A Units. Assignees of Class A Units seeking to become substitute Members must also meet the suitability requirements discussed above.

Verification of Accredited Investors Status

In order to qualify for the exemption from registration provided by Rule 506(c) under Regulation D, the Manager must verify an Investor's qualifications. Accordingly, the Manager may verify status of a prospective Investor by examination of documents as described in the Subscription Agreement.

Bad Actor Prohibition

The exemption afforded by Rule 506(c) prohibits Investors subject to "disqualifying events" (as defined by the SEC) that occurred after September 23, 2013, from acquiring more than twenty percent (20%) of the Class A Units of the Fund. Investors subject to "disqualifying events" that have occurred before September 23, 2013, may acquire more than twenty percent (20%) of the Class A Units of the Fund but must disclose the "disqualifying events" to other Investors. Disqualifying events are broadly defined to include such things as criminal convictions, citations, cease and desist or other final orders issued by a court state or federal regulatory agency related to financial matters, securities violations, fraud, or misrepresentation.

Subscription Procedure

A prospective Investor may subscribe for Class A Units by properly completing, executing and delivering the following to the Manager:

- A Subscription Agreement in the form attached hereto as **Exhibit C**;
- a completed Subscriber Questionnaire in the form attached to the Subscription Agreement;
- Verification of the subscriber's status as an Accredited Investor as described above;
- a Joinder Agreement to the Operating Agreement in the form attached to the Subscription Agreement;
- Form W-9; and
- A check or a wire transfer payable to "51 Upstream Energy Fund VII, LLC" in an amount equal to the purchase price for the Class A Units to be purchased by that Investor.

The Subscription Agreement constitutes a binding agreement of the prospective Investor. Subject to the right of the Manager to reject subscriptions, each prospective Investor will become a Class A Member in the Fund at the time it is admitted to the Fund evidenced by the Manager's signature of acceptance on the Subscription Agreement. If a subscription is rejected, the subscription funds tendered in connection therewith will be promptly returned to the prospective Investor in full.

All Capital Contributions will be deposited in the Fund account. Each Investor whose subscription has been accepted and who has been admitted as a Class A Member will be provided written confirmation of such acceptance and admission. Investor subscriptions will be uncertificated and the Subscription Agreement, executed by the Investor and the Manager, will constitute the sole evidence of the Investor's ownership of Class A Units.

After the Offering Period (as may be extended by the Manager, in its sole discretion), no additional Class A Units will be offered or sold.

Pending their investment in Fund Investments, the Manager intends to hold the balance of the Capital Contributions in time deposits, short-term governmental obligations, U.S. treasury bills, money market accounts, commercial paper and similar investments. Any interest earned on Capital Contributions from Investor will be used for Fund purposes. Company funds will not be commingled with funds of any other Person, the Manager, or any affiliate of the Manager.

ADDITIONAL FINANCING

General

The actual costs of the Fund operations and activities, including the Fund Investments, may exceed the estimated or anticipated costs of such activities, and it is possible that additional funds in addition to the Capital Contributions from the Investors may be required to complete such activities. The Operating Agreement does not provide for any additional contributions, either mandatory or voluntary, of any Unitholder. Thus, it is anticipated that such additional expenditures will be financed by Fund borrowings, Fund revenues or the proceeds of the sale of Fund Investments. There can be no assurance that such additional funds can be obtained, and if they cannot be obtained the Fund might have to forego further investment activities. The inability to finance additional activities could result in the Fund not realizing the full value of its Fund Investments.

Borrowings

The Operating Agreement authorizes the Manager to borrow money on behalf of the Fund and to mortgage or pledge the Fund's assets as security and to engage in any other method of financing customary in the oil and gas industry. The Fund may borrow funds only if the lender agrees that it will have no recourse against the individual Class A Unitholders. Borrowings may be secured by the Fund's assets or income and may be made with or without recourse to the Manager. The Fund's ability to borrow will depend in large part upon the success of its investment activities. There is no assurance that the Manager will be able to secure non-recourse financing in an amount sufficient for the financing sought, that any such financing can be secured without the guarantee of the Manager or an affiliate of the Manager or that financing can be obtained at satisfactory interest rates or terms. The Fund's borrowings will be repaid from the revenues allocable to the Unitholders, reducing the amounts of Cash Available for Distribution.

PROPOSED ACTIVITIES

Investment Objectives

The primary investment objective of the Fund is to invest in oil and gas assets in non-operated producing wells, as well as leasehold and mineral acreage, in the "Lower 48" states of the United States. These assets will consist of petroleum commodities of oil and natural gas, including dry natural gas and high-Btu natural gas with associated natural gas liquids (NGLs). The Fund also intends to participate in the potential development of production on leasehold and mineral acreage interests acquired. However, the number and type of Fund Investments will vary according to the amount of funds raised, the market availability of such investments, and the cost of each acquisition.

In addition, the Fund structure may result in tax benefits, consisting principally of deductions for Intangible Drilling Costs, Tangible Costs, depletion and depreciation. See "TAX ASPECTS".

The Operating Agreement provides that Zebulon Energy, LLC, in its capacity as Manager of the Fund, will have the exclusive power and authority to act on behalf of the Fund with respect to the management and administration of the business and affairs of the Fund and the selection and management of Fund Investments.

Title to Fund Properties

Title to the Fund's oil and gas investments is anticipated, in most cases, be held in the name of the Fund or other entities wholly owned by the Fund.

Insurance

The Manager intends to require the Operator related to each Fund Investment to maintain insurance coverages that are typical of those maintained by similar Operators that drill for oil and gas in the areas where the Fund Investment is located and that the Manager deems prudent to protect, to the extent practicable, the Fund from losses that could arise in connection with the Fund Investments. These policies generally protect against the routine hazards encountered by such Operators and their employees and agents in the conduct of their business.

The insurance coverages maintained by the Operators may not be sufficient to cover all potential liability. Because most insurance policies include various exclusions, the Operator, and by extension the Fund will not be insured against all possible occurrences. Each of the policies are expected to have, among other things, specific policy terms, conditions, exclusions, reporting provisions for certain types of claims, sub-limits, various deductibles, annual aggregates, and limitations that may preclude the Operator and/or the Fund from recovering damages, expenses and liabilities suffered by the Operator and/or the Fund. In the event of an uninsured or underinsured loss, the Fund will be negatively affected.

MANAGEMENT

General

Nephtali Energy, LLC (the "Manager"), a Kansas limited liability company, will serve as the Manager of the Fund and in such capacity will have the sole power and authority to act on behalf of the Fund with respect to the management and administration of the Fund. The Manager is a newly formed entity. Its initial Members are Aspen Funds, LLC ("Aspen Funds"), and MEA Management Group, LLC. ("MMG").

MEA Management Group

MMG is a subsidiary of Mohajir Energy Advisors, Inc. ("MEA"). The principals of MEA are Jeff A. Mohajir and Robert C. Behner. Messrs. Mohajir and Behner have worked together managing various companies for the last 30 years.

Jeff A. Mohajir, President and CEO. Mr. Mohajir has over 37 years of energy industry experience. In addition to his duties as head of MEA and Manager of 40 Energy, LLC (a project of 500+ non-operated wells and developmental locations in Oklahoma), Mr. Mohajir has been the managing member of Genesis Gas and Oil LLC and Revelation Gas and Oil LLC, overseeing development of properties in Colorado, Wyoming, Oklahoma and Texas. Mr. Mohajir was a founder and COO of Layne Energy, Inc. ("Layne Energy"), a wholly owned subsidiary of Layne Christensen Company ("Layne"). During his tenure, Layne Energy deployed $29 million in capital in establishing and developing oil and gas projects in the Cherokee basin. At Layne, Mr. Mohajir led a team that in less than two years turned $29 million of investment on oil and gas properties into 22.3 Bcfe of proved reserves with a net present value (at a 10% discount rate) in excess of $44 million.

For over 11 years before joining Layne Energy, Mr. Mohajir served as President and COO of Mohajir Engineering Group ("MEG"). MEG provided full-service petroleum engineering, geological, geophysical, management and operational consulting to the energy industry. During Mr. Mohajir's tenure, MEG consulted on over $500 million of capital investment and reviewed over $3 billion of properties. Mr. Mohajir presided over the sale of MEG to Layne.

Mr. Mohajir graduated from Kansas University with a degree in geology.

Robert C. Behner, Executive Vice President, Venture Development. Mr. Behner also serves as Executive Vice President, Venture Development for 40 Energy, LLC. Mr. Behner has worked closely with the Mohajir family for over 32 years and before that as vice president of MEG. With MEG, Mr. Behner was responsible for the management of over $3 billion of property studies and economic evaluations, based on which over $500 million of capital was deployed. Upon the sale of MEG, Mr. Behner became manager of operations for Layne Energy. While at

Layne Energy, Mr. Behner was primarily responsible for obtaining all the rights-of-way for, and managing the construction and operation of, a $3.2 million, 11-mile ten-inch steel pipeline to transport natural gas reserves for Layne Energy's Cherokee Basin project. In addition to the pipeline, Mr. Behner managed the construction and operation of over 80 miles of gathering and compression systems.

Mr. Behner received dual degrees in business marketing and economics from Kansas State University.

Aspen Funds

Aspen Funds is an Inc. 5000 fund manager, managing over $300 million in assets across multiple asset classes. With a 10-year track record, Aspen uses a Macro-Driven approach to identify asset classes and strategies that are poised to perform well in every economic cycle. Aspen provides alternative investment funds for high-net worth individuals and institutional investors.

James Maffuccio, Co-Founder and Managing Director. Mr. Maffuccio has over 32 years of full-time experience in real estate investing and is an award-winning developer. Maffuccio is an expert in mortgage notes and other real estate asset classes. Mr. Maffuccio received his degree in civil engineering from Louisiana State University, and started his career with Exxon, gaining extensive project management experience.

Robert Fraser, Co-Founder and CFO. Mr. Fraser has over 27 years' experience in finance, investing and technology and has held several CFO and CTO positions. Fraser is a former E&Y entrepreneur of the year winner when he founded a technology company that became one of the fastest growing companies in the Midwest reaching 250+ employees. He was magna cum laude graduate of U.C. Berkeley's computer science program.

Daniel Schulte, Managing Director and COO. Mr. Schulte has over 22 years of experience in asset management, private equity, and real estate, and has held senior management positions with several entities, both public and private. Schulte is formerly the SVP and General Counsel for Waddell & Reed, a publicly traded mutual fund company. He began his career as a corporate securities attorney in the private practice of law for a boutique securities law firm and as a tax accountant for Ernst & Young.

Ben Fraser, Managing Director and CIO. Mr. Fraser is responsible for sourcing, vetting and capital formation of investments. Mr. Fraser has prior experience as a commercial banker and underwriter, as well as working in boutique asset management. Mr. Fraser is a contributor on the Forbes Finance Council. He is also a co-host of the Invest Like a Billionaire™ podcast. Mr. Fraser has his MBA from Azusa Pacific University and his B.S. in Finance from the University of Kansas where he graduated magna cum laude.

Compensation and Reimbursement

The Manager and its affiliates will receive benefits, both directly and indirectly, from its position as Manager of the Fund, which benefits may be considered to be compensation to the Manager and its affiliates. (See "SUMMARY OF THE OFFERING - Fees; Distributions; Carried Interest"). These benefits consist of the Carried Interest and reimbursement of the Organizational Expenses and the Fund Expenses, and the fees described below.

Upon the acquisition of any Fund Investment, the Fund will pay an acquisition fee (the "Acquisition Fee") the Manager equal to 1.5% of the purchase price of such Fund Investment.

None of the officers or directors of the Manager will be employed directly by or receive remuneration directly from the Fund but will continue to be compensated by their present employers or the Manager.

Management Agreement

The Fund will enter into a management agreement with MEA substantially in the form attached as **Exhibit B** (the "Management Agreement") pursuant to which MEA will oversee and manage the operation of Fund Investments; provided, however, that the decision to acquire any Fund Investments will be made by the Manager. In accordance with the terms of the Management Agreement, the Fund will pay a management fee (the "Management

Fee") to MEA, which initially shall be $100,000 per month. In addition to the Management Fee, the Management Agreement requires the Fund to reimburse MEA for certain expenses and to indemnify and hold harmless MEA under certain circumstances. *This summary is qualified in all respects by reference to the full text of the Management Agreement, which is attached as **Exhibit B** to this Memorandum. Each prospective Investor is urged to review the provisions of the Management Agreement in its entirety.*

Fiduciary Responsibility of the Manager

General. The Manager is accountable to the Company as a limited fiduciary as set forth in the Operating Agreement under Kansas law and is required to act in good faith and in the best interests of the Company at all times. This is a rapidly expanding and changing area of the law and if Investors have questions concerning the duties of the Manager, they should consult their own counsel.

Limitations. Under the terms of the Operating Agreement, the Manager has limited its liability to the Company and to the Class A Unitholders for any loss suffered by the Company or the Class A Unitholders which arises out of any action or inaction on the part of the Manager if the Manager determined in good faith the conduct or omission was in the best interest of the Fund and that it did not constitute fraud, gross negligence or willful misconduct. Thus, the Investors have a more limited right of action than they would have had without these limitations in the Operating Agreement.

The Operating Agreement also provides that the Manager is required to devote only so much of its time as is necessary to manage the affairs of the Fund, the Manager and its affiliates may conduct business with the Fund in a capacity other than as a Manager, the Manager and any of its affiliates may pursue business opportunities that are consistent with the Fund's objectives for their own account, the Manager, or its affiliates, may manage multiple programs simultaneously, and the Manager may delegate part or all of its administrative functions to affiliates and may pay part or all of its Management Fees to such affiliates. An affiliate of the Manager, Zebulon Energy, is the general partner of 116 UEF VI, which has similar investment strategies and objectives as the Company. As a result of these activities of the Manager and its affiliates, circumstances may arise where the interest of the Fund or the Manager or of its affiliates in such independent ventures may conflict with those of the Class A Unitholders.

The Operating Agreement provides for indemnification of the Manager, and its representatives and affiliates by the Company against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them in connection with the Company provided that they meet the standards set forth above. The Fund also can advance funds to the Manager, and its representatives and affiliates for legal expenses and other costs incurred in any legal action for which indemnification is being sought provided that certain conditions in the Operating Agreement are met.

The Manager would be subject to a conflict of interest in making any determination as to whether the Manager or its affiliates should be indemnified and/or expenses should be advanced, and the Class A Unitholders must rely upon the integrity of the Manager in making such determination. Use of Company funds or assets for indemnification or the advancement of expenses would reduce amounts available for Company operations or for distribution to the Class A Unitholders.

The Manager will attempt, in good faith, to resolve all conflicts of interest in a fair and equitable manner with respect to all persons affected by those conflicts of interest. Nevertheless, the actions of the Manager may not be the most advantageous to the Company and could fall short of the full exercise of such limited fiduciary duty. No provision has been made for an independent review of conflicts of interest.

As outlined in under "RISK FACTORS – Conflicts of Interest," the Manager may be subject to other conflicts of interests.

PRIOR ACTIVITIES

General

The tables set forth below reflect certain historical data with respect to prior activities of MEA and its principals.

Company	Asset	Investment Period (years)	Investment Amount ($MM)	Proceeds/Value ($MM)	Multiple of Invested Capital	Internal Rate of Return
116 UEF VI	SCOOP/Stack	1.5	$41	$60	1.5	36%
40 Energy	SCOOP/Stack	4.0	$12	$59*	4.9	72%
Layne Energy	Cherokee	2.2	$28	$44	1.6	41%
KLTG	Raton	3.5	$73	$250	3.4	47%
KLTG	Cherokee	1.5	$21	$44	2.1	76%
Genesis	Rockies	3.0	$29	$43	1.5	21%
Total/Average			**$173**	**$451**	**2.6**	

*Estimated

116 Upstream Energy Fund VI

116 Upstream Energy Fund VI, LP ("116 UEF VI"), which is managed by an affiliate of the Manager, Zebulon Energy, initially acquired non-operated working interests in 140 producing wells in September 2023 for $30.5 million. Since the initial acquisition, 116 UEF VI has made two further acquisitions for $10 million and $6 million, respectively. 116 UEF VI currently has interests in over 180 wells. These assets produce a diversified commodity mix (oil, natural gas, and natural gas liquids) and are producing over a large geographic area in seven counties, which reduces geologic risk. These acquisitions included approximately 10,000 net acres at no additional cost. To date, 116 UEF VI has participated in 9 newly drilled wells.

As a part of its initial capital structure, 116 UEF VI entered into a credit agreement with the Bank of Oklahoma to provide a reserve-based line of credit. 116 UEF VI was able to pay down the line of credit to make the current utilization 25% of the credit availability.

For the trailing 12 months average, 116 UEF VI properties have produced approximately 65,882 barrels of oil equivalent ("BOE") per month with an unhedged realized operating income of $879,557. This results in a realized operating margin of $14.30 per BOE.

Even with historically low natural gas prices, 116 UEF VI was able to make distributions one year ahead of projections. The current annualized distribution yield is between 17.7% and 15.0%, depending on investor status.

40 Energy

40 Energy LLC ("40 Energy"), which is managed by Messrs. Mohajir and Behner, acquired a non-operated working interest in 502 producing wells in December 2020 for a purchase price of $22 million. The assets produce a diversified commodity mix: oil, natural gas, and natural gas liquids and are producing over a large geographic area in seven counties, which reduces geologic risk. The asset base came with upside of approximately 1,793 potential developmental (drilling) locations on acreage that is 90% held by existing production but has no required drilling commitments. No value for drilling upside was attributed in the purchase price of the acquisition. To date 40 Energy management has elected to participate in over 78 newly drilled wells.

As part of the initial capital structure, 40 Energy entered into a four-year term loan with Bank of Oklahoma. Due to commodity price increases, disciplined operating cost cutting and increased volumes from additional drilling participations, 40 Energy was able to fully repay the four-year term loan within 18 months.

For the trailing 12 months average, 40 Energy properties have produced approximately 41,525 BOE per month with an unhedged realizable operating income of $646,348 per month. This results in a realized operating margin of $15.57 per BOE.

Even with the recent downturn in commodity pricing, 40 Energy is continuing to deliver better than originally projected distributions. With the most recent quarterly distribution, 40 Energy's annualized distribution yield increased to 30% and continues to outpace the various S&P 500 sector yields.

Layne Energy

Messrs. Mohajir and Behner formed the core of the management team of Layne Energy, Inc ("Layne Energy"). During that time, under their direction, Layne Energy actively tested and developed four unconventional natural gas projects in the Cherokee Basin of southeast Kansas and northeast Oklahoma, assembling over 100,000 gross acres, 140 producing wells, and 600 development locations.

In addition to these assets, Layne Energy acquired, designed and constructed over 80 miles of transportation infrastructure, including an 11-mile 10" steel pipeline, which it constructed from scratch under the supervision of Messrs. Mohajir and Behner. At the time of Managements departure, Layne Energy had invested approximately $29 million in these properties and had third party audited proved net reserves of 22.3 Bcfe and a net present value, discounted at 10%, in excess of $44 million. The finding and development cost on the proved reserves, alone, incorporating all start-up costs, was approximately $0.99 per Mcfe. In addition, Layne Energy invested $5.6 million in the construction of gas transportation and facilities reported by Layne to be worth $11.4 million.

This finding and development cost is particularly remarkable when one considers that Layne Energy actively pursued two additional projects, in one case losing out on a competitive bid and in the other determining that it was sub marginal to pursue. This latter involved a negotiated participation in a concession of over 250,000 potential acres in The Osage Nation of Oklahoma. After initial coring and pilot programs returned sporadic results, Management decided to relinquish all but 20,000 acres deemed to represent the most financially attractive. This self-discipline is particularly necessary during periods of price volatility and extraordinary competition.

Messrs. Mohajir and Behner elected to leave Layne Energy because Layne had determined that it would, for the foreseeable future, devote its budget to development of Layne Energy's properties in hand, thus emphasizing development of cash flow, versus expansion into and development of new projects, which is the forte of Messrs. Mohajir and Behner.

KLT Gas

Messrs. Mohajir and Behner were involved in the successful development and divestment of various properties at KLT Gas, Inc. ("KLTG") as the exclusive management, operational and technical advisors to KLTG.

During this time, KLTG grew from negative cash flow to an asset value of over $300 million. This dramatic turnaround was accomplished by completely revamping field operations in the Raton Basin and by making several strategic acquisitions focused on natural gas properties. KLTG's operating costs in the Raton Basin declined 50%, while daily net production increased from 13 MMcf/d to over 45 MMcf/d. Operating cash flow grew from $118,000 in 1st quarter of 1999, to $4.4 million in 1st quarter of 2000, a 37-fold increase, prior to gas price increases. Current Messrs. Mohajir and Behner in their respective roles at the time oversaw $90 million of capital investment, adding to KLTG's existing capital basis of approximately $35 million on the Raton Basin assets, the majority of which were in the Rocky Mountain region. Based on a change in KLT management in 2000, KLTG was directed to sell its Raton Basin, and Messrs. Mohajir and Behner oversaw the sale for $250 million, together with the sale of Oklahoma properties for $45 million (held for 18 months).

Genesis Gas & Oil

Messrs. Mohajir and Behner served as the management for Genesis Gas & Oil, LLC ("Genesis"), of which the Mohajir family owned 80%. Genesis was created through borrowing from the Common Fund of $17 million to

purchase 50% of the net working interest in the former FuelCO (the E&P subsidiary of Public Service of Colorado) properties from KN Production Company ("KN Production"), a wholly owned subsidiary of KN Energy, Inc., predecessor to Kinder Morgan, Inc. KN Production then merged its half of the net working interest into Tom Brown Inc ("TBI"). When Genesis was sold to TBI, it held over 100,000 net acres which had over 400 producing wells and 400 developmental locations. Against initial investment of $17 million and subsequent borrowings of $12 million for development, over $43 million in net proceeds were returned from operations and ultimate divestment. All of this was accomplished in a three-year period, which coincided with historically low product prices, particularly in the Northern Rocky Mountain Region.

During the three years it owned these assets, Genesis provided technical direction to the joint development partners and was the guiding force behind the development of key areas, which went on to become core TBI assets. These areas included both the Grand Valley Area and White River Dome Field. At the time of divestment, there was over 80 Bcf of proved reserves, which at the $2.47 per Mcf in the ground that Encana paid for TBI would have translated to approximately $200 million.

Investors should not assume that they will experience returns, if any, comparable to those described above. The results of the above-described oil and gas projects should be viewed only as a measure of the level of activity and experience of MEA and its principals with respect to oil and gas projects.

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TAX ASPECTS

The following discussion is a general summary only of the United States federal income and various other tax aspects of partnerships engaged in oil and gas operations and the tax effects on their partners. It is impractical to comment on all of the tax consequences of an investment in the Fund or of the contemplated operations of the Fund. Such consequences may vary depending on an Investor's particular circumstances. The following discussion is directed primarily to individuals who are citizens of the United States. Persons who are not individual U.S. citizens, such as partnerships, corporations, trusts, or estates may have federal income tax consequences substantially different from those discussed below. A particular Investor may be subject to various facts and circumstances that are applicable only to him and that may give rise to additional considerations. The following discussion generally does not address any of those additional considerations. In addition, an investment in Class A Units may have state and local tax consequences to a particular Investor that are not discussed below.

Accordingly, each potential Investor is urged to consult his tax advisor prior to purchasing Class A Units, with specific reference to the effect of such Investor's particular facts and circumstances on the matters discussed in this Memorandum. This Memorandum should not be construed as providing legal tax advice to prospective Investors.

The tax considerations discussed herein are based on existing provisions of the Internal Revenue Code, existing Treasury Regulations, published interpretations of the Internal Revenue Code and such regulations by the IRS and existing court decisions, any of which could be changed or become inapplicable at any time. Moreover, any new legislation, judicial decisions, regulations, or other pronouncements may apply retroactively to transactions prior to the date of such changes and could significantly modify the statements made and tax considerations discussed in this Memorandum.

A portion of the following discussion focuses on the characterization of income or losses under various rules as ordinary income or loss or capital gain or loss. At the present time, the marginal rate of federal income tax applicable to long- term capital gains is generally significantly more favorable for an individual taxpayer, depending upon income level, than the rate on ordinary income. Corporations, on the other hand, are taxable at the same rate on ordinary income and capital gains.

Company Taxation

General. A partnership is not a taxable entity under federal income tax laws. Instead, each partner reports on his federal income tax return for the taxable year in which the partnership's taxable year ends his distributive share of the income, gains, losses, deductions and credits of the partnership, irrespective of any actual cash distributions made to such partner during his taxable year. For example, a partner will be required to report his share of partnership income as determined under the partnership's method of accounting, notwithstanding that the revenues resulting in such income are retained in whole or in part by the partnership for payment of any partnership expenses or debt service or for working capital. A partner's share of any partnership losses in a taxable year may be applied against his income from other sources only to the extent of the tax basis of his interest in the partnership and to the extent permitted under the "passive activity," "at risk," "excess business loss," and "net operating loss" limitations.

Company classification. It is intended that the Company will be classified as a partnership for federal income tax purposes and the tax discussion herein is based on such classification. If the IRS were to assert that the Company should be classified as an association taxable as a corporation for federal income tax purposes, such classification would have a material adverse effect on the Unitholders. If the Company were determined to be taxable as a corporation, its income, deductions and credits would be reported by the Company and not by its Unitholders, the Company would be taxed directly on any net income, and distributions to its Unitholders would be treated as taxable dividends to the extent of current and accumulated earnings and profits of the Company. Thus, any tax benefits anticipated from investment in the Company would be adversely affected or eliminated if either the Company or the entities in which it invests were treated as a corporation.

Taxation of Unitholders. For each taxable year, each Class A Unitholder will be required to report on his individual federal income tax return his share of Company income, gain, loss, deduction and credit for that taxable

year. Each Class A Unitholder is required to take his share into account in computing his federal income tax liability regardless of whether he has received or will receive any cash distributions from the Company. Therefore, he may be required to report and pay tax on income that the Company has earned but that has not been distributed to him. This may occur, for example, when the Company uses revenues to repay Company borrowings or to pay nondeductible expenditures.

A distribution of cash to a Class A Unitholder generally is not taxable to such Class A Unitholder unless the amount of the distribution exceeds the Class A Unitholder's basis in his Class A Units. Any such excess generally should be taxable as capital gain, assuming those Class A Units are held as a capital asset. If, however, any portion of the distribution is considered to be in exchange for the Class A Unitholder's interest in ordinary income items, including potential recapture of intangible drilling cost, depletion and depreciation deductions, that portion will be taxed as ordinary income even if the amount of the distribution did not exceed the Class A Unitholder's tax basis in his Class A Units. In addition, a Class A Unitholder could recognize income if cash distributions made to him cause his "at risk" amount to be reduced below zero.

The Company will use the calendar year and the accrual method of accounting for federal income tax purposes. The IRS, however, could require the Company to treat particular items of income, gain, loss, or deduction under a different method of accounting if it determines that the use of the accrual method with respect to that item does not clearly reflect income. A change in the method of accounting could defer deductions or accelerate income.

Allocations. Under the Operating Agreement, all items of Company income, gain, loss, deduction and credit are allocated to the Unitholders (including the Manager) in such amounts as may be necessary to cause each Unitholder's capital account (as adjusted through the end of such period) to equal, as nearly as possible, the sum (which may be either a positive or negative amount) of (a) the amount such Unitholder would receive if all Company assets on hand at the end of such period were sold for cash at their Gross Asset Values (as defined in the Operating Agreement), all Company liabilities were satisfied in cash according to their terms (limited in the case of any Nonrecourse Liability and Partner Nonrecourse Debt (as those terms are defined in the Operating Agreement) to the Gross Asset Value of the property securing such liabilities), and any remaining cash was distributed to the Unitholders in accordance with the Agreement as of the last day of such period, minus (b) the Unitholder's share of Company Minimum Gain and Partner Nonrecourse Debt Minimum Gain (as those terms are defined in the Operating Agreement) computed immediately prior to such deemed sale of assets.

The Company will maintain a capital account for each Unitholder, which will be credited (increased) by his or its contributions to the Company and all items of income and gain allocated to such Unitholder. Such capital account will be debited (reduced) by all distributions and all deductions and losses allocated to such Unitholder. On dissolution and liquidation of the Company, each Unitholder will be entitled, after payment or provision for debts and liabilities and adjustment of the Unitholders' capital accounts for any unrealized gain or loss in assets to be distributed in kind, to receive assets equal in value to his or its respective positive capital account balance, if any, as so adjusted.

Unitholders are not obligated to restore deficit capital account balances at any time including following the liquidation of their respective Class A Units in the Company. The Operating Agreement provides for modifications in the allocations described above if necessary to prevent or eliminate any deficit capital account balance for any Unitholder, taking into account reasonably expected deductions and distributions in subsequent years.

Company allocations of income, gain, loss, deduction and credit among Unitholders are governed generally by Section 704(b) of the Internal Revenue Code. Section 704(b) provides that Company allocations will be respected for federal income tax purposes if such allocations either have "substantial economic effect" or are made, or deemed made, in accordance with the Unitholders' interest in the Company based on their respective Class A Units in the Company, determined by taking into account all relevant facts and circumstances. If an allocation of an item does not have substantial economic effect, such item will be reallocated among the Unitholders in accordance with their Class A Units in the Company.

Qualified business income. Section 199A of the Internal Revenue Code generally provides that for taxable years beginning after December 31, 2017, and ending on or before December 31, 2025, an individual taxpayer may deduct an amount equal to 20% of the combined "qualified business income" from qualified trades or businesses carried on by the taxpayer subject to certain limitations. The deduction cannot exceed 20% of the excess (if any) of the individual's taxable

income for the taxable year over any net capital gain (as defined in Section 1(h) of the Internal Revenue Code) for the taxable year.

Because the deductibility of any qualified business income by a Class A Unitholder will depend on such Class A Unitholder's personal tax situation, as well as the amount of wages paid by the Company and the amount of its unadjusted basis in qualified property, the Manager is unable to express any opinion regarding the availability or extent of any deduction under Section 199A of the Internal Revenue Code with respect to any qualified business income allocated to a Class A Unitholder by the Company. Prospective Investors are encouraged to consult their tax advisors regarding the applicability of Section 199A of the Internal Revenue Code to their investment in the Company.

Investment by tax-exempt entities. Before investing in the Fund, a tax-exempt Investor should consider the special income tax rules applicable to it. The following discussion relates solely to the U.S. federal income tax consequences to an Investor that is tax-exempt and does not address foreign, state, local or non-income tax matters. If the Fund were to generate unrelated business taxable income ("UBTI"), tax-exempt U.S. entities, including ERISA-type plans and charitable remainder trusts, may be subject to federal income tax with respect to any UBTI and are required to file federal income tax returns if they have gross unrelated business income in excess of $1,000, whether or not any tax is actually due. A tax-exempt entity is entitled to a $1,000 deduction and to other specified deductions so long as these expenses are directly connected with the unrelated business income. A net operating loss deduction is also available under certain circumstances.

UBTI includes income derived from a trade or business carried on by a tax-exempt entity or by a partnership of which the entity is a partner which is not related to its exemption function. Certain specified investment income (e.g., interest, dividends, rents from rental property, and gains on sale of assets held for investment) is generally not included in unrelated business income. Under the Internal Revenue Code, any gain or income earned from "debt financed" property is treated as income from an unrelated business, even if the income otherwise would have been excluded. The Fund may incur debt. Further, if a tax-exempt Investor incurs a debt in connection with the acquisition of its Class A Units, the income such tax-exempt Investor derives from the Fund will be unrelated business income. A 100% excise tax is imposed on the UBTI of a charitable remainder trust. Accordingly, an investment in the Fund may result in unrelated business taxable income for a tax-exempt Investor and any tax-exempt Investors are urged to consult their own tax advisor.

Accordingly, an investment in the Fund may not be appropriate for U.S. IRAs, pension plans and other tax-exempt entities because it may produce UBTI including debt-financed income that would be taxable to such entities.

Elections and returns. By March 15th of each year or as soon thereafter as reasonably possible, Class A Unitholder will receive a report showing his distributive share of items of income, gain, loss, deduction and credit for the preceding year. While no federal income tax is required to be paid by an organization classified as a partnership for federal income tax purposes, a partnership must file federal income tax information returns that are subject to audit by the IRS. Any such audit may lead to adjustments, in which event the Unitholders may be required to file amended personal federal income tax returns. Any such audit also may lead to an audit of a Class A Unitholder's individual tax return and adjustments to items unrelated to an investment in Class A Units.

Partnership audit rules and partnership-level taxes. Under the Partnership Audit Rules, an audit adjustment to the Company's tax return for a tax year (the "Reviewed Year") could result in a tax liability (including interest and penalties) imposed on the Company for the year during which a partnership-level adjustment is determined (the "Adjustment Year").

In certain circumstances and subject to certain conditions, the Company may be able to elect to pass through such adjustment to the Unitholders who participated in the Company for the Reviewed Year, in which case each Reviewed Year participating Unitholder, and not the Company, generally would be responsible for the payment of any tax deficiency (plus any penalties and interest), determined after including such Unitholder's share of the adjustment on its tax return for that year. If such an election is made by the Company, interest on any deficiency will be imposed at a higher rate than the rate that would otherwise apply to tax underpayments. It is not clear whether the Company would make such an election.

If such an election is not made, and the Company pays the partnership-level tax, Cash Available for Distributions to the Unitholders may be substantially reduced. However, if a partnership-level tax is determined to relate to one or more Unitholders, each such Unitholder will be required to contribute to the Company the amount of partnership-level taxes (including any applicable penalties and interest) that relate to such Unitholder and that were paid by the Company on such Unitholder's behalf. In the event that a Unitholder fails to contribute any such amount to the Company or Company Investment, as applicable, the Company may offset such amount against future distributions or deemed distributions that would otherwise be payable to such Unitholder.

In the event that a partnership-level tax is not reimbursed to the Company or offset against distributions as described above, the Company's tax liability (including penalties and interest), arising from audit adjustments would be economically borne (through reductions in distributions) by the Unitholders participating in the Company in the Adjustment Year (not the Reviewed Year) and without regard to the Unitholders' actual U.S. federal income tax liability that would have resulted from the adjustment. This means that each Unitholder would bear its allocable share of the Company's tax liability arising from an audit adjustment regardless of whether that Unitholder was subject to U.S. federal income tax and irrespective of whether such Unitholder was a Unitholder in the Reviewed Year.

The IRS may audit the tax returns of the Company, in which case an audit of an Investor's individual tax returns also may result. If such audits occur, tax adjustments may be made, including adjustments to items on an Investor's returns unrelated to the Company. Furthermore, any settlement or judicial determination of the Company's income may be binding on Investors. This is the case even though Investors may not have participated directly in the settlement proceedings or litigation.

The partnership audit rules authorize the Company to designate a person that does not have to be a Unitholder to serve as the "Partnership Representative." The Partnership Representative will have the sole authority to act on behalf of, and bind, the Company and the Unitholders of the Company with respect to the U.S. federal income tax matters, including in an audit of the Company by the IRS. The Manager will act as the Partnership Representative. Since the Manager is an entity, it will be an Entity Partnership Representative and will be required to designate an individual, acting on its behalf, as the Partnership Representative authorized to execute the Company tax return for the taxable year to which the designation applies.

Prospective Investors are encouraged to consult their tax advisors regarding the impact of the partnership audit rules on their investment in the Company.

Organizational and syndication costs. The Company will be required to capitalize any costs paid in connection with its organization or syndication of the Class A Units. The Company will be entitled to amortize the organizational costs (which include costs that are incident to the creation of the Company, such as filing fees and costs associated with preparing the Operating Agreement) over a period of 180 months. Syndication costs (which are those costs incurred to promote and sell Class A Units, such as costs associated with the preparation of this Memorandum) are not deductible.

The characterization of costs as organizational costs or as syndication costs is a question of fact. Therefore, there can be no assurance that the IRS will not classify as syndication costs certain costs amortized by the Company as organizational costs, or that the IRS will not classify as organizational costs or syndication costs certain other costs otherwise deducted by the Company.

Management and Acquisition Fees. Payments to a member for services rendered by the member to the Company are generally deductible by the Company if they constitute ordinary and necessary business expenses that are reasonable in amount. The Company can generally deduct such expenses in the year in which "economic performance" has occurred with respect to the services, which is generally the year in which the services are performed. However, if the payments for services are in connection with the acquisition of an asset such payment may be required to be capitalized and amortized over the applicable useful life of the asset. Accordingly, there can be no assurance that the IRS will agree with the Company's tax treatment of the Management Fee and Acquisition Fee.

Special Features of Oil and Gas Taxation

Lease acquisition costs. The cost of acquiring oil and gas leasehold or similar property interests is a capital expenditure that must be recovered through depletion deductions if the lease is productive. If a lease is proved worthless and abandoned, the cost of acquisition less any depletion claimed may be deducted as an ordinary loss in the year the lease becomes worthless.

Geological and geophysical costs. Any geological and geophysical expenses incurred by the Company in connection with the exploration for, or development of, oil or gas within the United States must be capitalized and amortized ratably over the 24-month period beginning on the date that such expense was paid or incurred (applying a half-year convention that treats all such expenses as incurred on the mid-point of the taxable year). The 24-month amortization period is extended to five years in the case of a major integrated oil company. If any property with respect to which geological and geophysical expenses are capitalized is retired or abandoned during the prescribed amortization period, no deduction is allowed on account of the retirement or abandonment and the amortization deduction continues with respect to the capitalized amount. In recent years, however, legislation has been introduced in Congress that would repeal amortization for geological and geophysical expenditures or increase the amortization period. In the event that the legislation is enacted in its proposed form, the cost of geological exploration that is properly allocable to an oil and gas property would likely be treated as additional costs of acquiring and retaining such property, and, as a result, each Unitholder's share of such costs would be capitalized into its tax basis in the applicable oil and gas property and recoverable through cost depletion.

Operating and administrative costs. Amounts paid for operating a producing well are deductible as ordinary business expenses, as are administrative costs to the extent they constitute ordinary and necessary business expenses that are reasonable in amount.

Intangible Drilling Costs. Owners of working interests in oil and gas properties may elect to deduct Intangible Drilling Costs they incur, such as expenditures for drilling, labor, wages, hauling, fuel, supplies and other costs incident to and necessary for the drilling and preparation of wells for production. The Company will most likely elect to deduct all Intangible Drilling Costs allocated to the Company from its investment activities. Assuming proper elections, each Class A Unitholder should be entitled to deduct his distributive share of the Intangible Drilling Costs incurred by or allocable to the Company, subject to the basis, at risk, passive activity, excess business loss and net operating loss limitations discussed below. These costs can also be amortized over 60 months; however, the Manager does not intend to do so.

The Company may deduct such expenses in the year incurred only if "economic performance" with respect to such Company occurs in such year or, subject to limitations, within 90 days after the close of such year, and all other requirements for deductions by accrual basis taxpayers are met. In the case of the drilling of an oil and gas well by an entity such as a partnership, "economic performance" is generally deemed to occur when the well is spudded (i.e., well boring is commenced). Even if all of these requirements are met, Unitholders will be entitled to deduct their share of any such prepayments only to the extent of the "cash basis" of their Class A Units, determined without regard to any liability of the Company. If any of these requirements are not satisfied in the year the expense is incurred, any deductions attributable to such expense would be deferred to the subsequent year in which the contract to which such expense relates is performed and subject to tax law in effect at such time. The deductibility of any Intangible Drilling Costs by the Company in the year incurred is an inherently factual determination predicated largely on future events.

Previously deducted Intangible Drilling Costs will be recaptured as ordinary income upon the disposition by the Company of assets to which such deductions relate (to the extent of the gain recognized) or upon the disposition by a Class A Unitholder of his Class A Units. In recent years, however, legislation has been introduced in Congress that would eliminate the ability to deduct Intangible Drilling Costs when paid or incurred. If such legislation is enacted, intangible drilling and development costs may be required to be capitalized and recovered through depreciation or depletion or amortized over an undetermined period of years.

Depreciation. Under Section 179 of the Internal Revenue Code, a partnership may elect to currently deduct the cost of certain depreciable business assets, up to certain limits, which for property placed in service in 2024 is $1,220,000.00. The amount of the deduction is reduced, however, by the amount by which qualifying property placed in service by a partnership during 2024 exceeds $3,050,000.00. In addition, under Section 168(k) of the Internal

Revenue Code, a partnership may elect to currently deduct 60% of the cost of certain depreciable business assets placed in service after January 1, 2024 and before December 31, 2024, to the extent not expensed under Section 179. For property placed in service during subsequent years, the deduction is phased down by 20% per year until December 31, 2026, after which the rate drops to 0%. The remaining cost of equipment such as casing, tubing, tanks, pumping units, and other similar property which is not deducted currently must be capitalized and recovered through depreciation. The depreciation deduction for most equipment used in domestic oil and gas exploration and production is calculated using an accelerated recovery method and a seven-year recovery period. Each Class A Unitholder should be entitled to his distributive share of the Company's depreciation deductions, subject to the general restrictions discussed in this Memorandum.

Depletion. The owner of an economic interest in an oil or gas property is entitled to a deduction for depletion in connection with the income derived from the production of oil, gas, and other minerals from the property. The deduction for depletion for any year with respect to any specific property is the greater of "cost" depletion or "percentage" depletion (if allowable).

Cost depletion is calculated by dividing the adjusted tax basis of the property by the units of reserves existing as of the end of the year and sold during the year, and then multiplying that unit cost by the number of units of sold during the year. Cost depletion cannot exceed the adjusted tax basis of the property to which it relates. The adjusted tax basis of the Company's oil and gas properties will include the direct costs of acquiring the properties, all costs incurred directly in connection with the drilling and development of a well, and all indirect costs properly allocable to the drilling of a well. However, geological and geophysical costs, and intangible drilling and development costs that are subject to a deduction election, are not included in tax basis for depletion purposes.

Percentage depletion is generally equal to 15% of gross income attributable to production from a property. The percentage depletion rate with respect to production from "marginal properties" is subject to increase (to a maximum of 25%) by one percentage point for each whole dollar that the reference price for crude oil (i.e., the IRS' estimate of the annual average wellhead price per barrel for all unregulated domestic crude oil production) during the immediately preceding year is less than $20.00 per barrel. The deduction for percentage depletion may not exceed the taxpayer's taxable income from the property (computed without regard to depletion deductions and the production activities deduction). Furthermore, the total amount of percentage depletion for a taxable year may not exceed 65% of the taxpayer's taxable income for such year (computed without regard to depletion deductions, the production activities deduction, and certain loss carrybacks). Any percentage depletion deductions disallowed because of this limitation may be carried forward indefinitely (subject to the same limitation in subsequent years). In addition, percentage depletion is only available with respect to that portion of the taxpayer's average daily production which does not exceed 1,000 equivalent barrels (with 6,000 cubic feet of gas being equal to one barrel of oil). Percentage depletion is allowable as a deduction even if the taxpayer has no basis in the property or even after the taxpayer has fully recovered such taxpayer's basis.

To be eligible to use percentage depletion, a taxpayer must qualify as an "independent producer," which is defined as a person who is (a) not engaged, directly or indirectly through related persons, in the retail marketing of oil and gas or oil and gas products (unless the gross receipts from such retail marketing does not exceed $5,000,000 for the taxable year), and (b) not a refiner of crude oil having average daily refinery runs for the taxable year that exceed 75,000 barrels (including refining by certain related persons).

The depletion deduction with respect to a property owned by a partnership must be determined at the partner level rather than at the partnership level. Accordingly, the determination whether cost or percentage depletion is applicable (including the determination whether the independent producer requirement is met) will be made by each Class A Unitholder, and each Class A Unitholder will be responsible for computing his own depletion allowance and maintaining records with respect to his share of the basis in Company depletable properties. Each prospective investor should consult his personal tax advisor to determine whether percentage depletion will be available to him.

Upon the disposition of a property at a gain, all amounts previously deducted for depletion (whether cost depletion or percentage depletion), to the extent that such amounts reduced the basis in the property, must be recaptured by treating the gain as ordinary income to the extent of such amounts.

In recent years, legislation has been introduced in Congress that would repeal the deduction for percentage depletion, in which case only cost depletion would be available in respect of production from oil and gas properties. Cost depletion is only available to the extent of a taxpayer's basis in the applicable oil and gas property and allows the recovery of certain capitalized costs of a producing property over its life by an annual depletion computed on the basis of the actual oil and gas sold each year in relation to estimated recoverable oil and gas of such producing property.

Passive activity loss limitations. Generally, a taxpayer can deduct losses from "passive activities" only against income from passive activities and can utilize passive activity tax credits only to offset the tax attributable to passive activity income. The taxpayer cannot use passive activity losses to offset personal earnings, active business income, or investment or portfolio income, such as interest, dividends, royalties, or gains from the sale of assets that generate investment or portfolio income and cannot reduce his tax liability attributable to those items with passive activity credits.

A passive activity is generally defined as any activity that involves the conduct of a trade or business in which the taxpayer does not materially participate. Ownership of Class A Units will be a passive activity and a Class A Unitholder will be subject to the passive activity loss limitations with respect to his share of Company losses and deductions. Consequently, a Class A Unitholder's share of Company losses and deductions may be deducted only to the extent of his share of Company income and any income from other passive activities. Passive activity losses that may not be utilized because of the passive activity loss limitations may be carried forward to offset passive activity income in subsequent years.

When a limited liability company taxed as a partnership disposes of an activity, its members can deduct their suspended passive activity losses attributable to that activity. Although unclear, each oil or gas asset may constitute a separate activity for purposes of the passive activity rules. Assuming that each oil or gas asset is a separate activity, whenever the Company sells an oil or gas property to an unrelated party or abandons it, each Class A Unitholder directly or indirectly in that partnership should then be able to deduct any suspended passive activity losses attributable to that asset. If a partnership disposes of only part of its interest in a property, however, Class A Unitholders will be able to offset only their suspended passive activity losses attributable to that property against the gain on the disposition. Any remaining suspended passive activity losses will remain suspended. Notwithstanding whether an oil and gas property is a separate activity, when a Class A Unitholder sells all his Class A Units, and has no further Membership Interest in the Company, the Unitholder should be able to deduct all his suspended passive activity losses attributable to that Company, subject to the "at risk" rules and other limitations discussed in the Memorandum.

A special provision of the passive activity rules applies to "publicly traded" partnerships. If this special provision were to apply to the Company, additional limitations would apply, the most significant of which is that a Class A Unitholder could only deduct his share of Company losses and deductions against his share of passive activity income from the Company. The definition of "publicly traded partnership" for purposes of this special provision is the same as the definition of "publicly traded partnership" in Section 7704 of the Internal Revenue Code, except that this special provision does not include the 90% gross income exception. Assuming that no public trading of Class A Units occurs and no public market for the Class A Units develops, the Manager believes that the Company will not be treated as a "publicly traded partnership" for purposes of the application of the passive activity loss limitations.

Limitations on interest deductions related to investment interest. Generally, a taxpayer may deduct "investment interest" only to the extent of his "net investment income." The taxpayer may carry forward any unused investment interest to later years when he has additional net investment income. Investment interest is interest paid on debt incurred or continued to acquire or carry property held for investment. Net investment income includes gross income and gains from property held for investment reduced by any expenses directly connected with the production of such income and gains. To the extent that interest is attributable to a passive activity, it is treated as a passive activity deduction and is subject to limitation under the passive activity rules and not under the investment interest limitation rules.

Interest expense on debt used by a taxpayer to purchase or carry an interest in a passive activity will be taken into account in computing the taxpayer's income or loss from the passive activity. There are detailed tracing and allocation rules with respect to the allocation of interest expense to specific expenditures. As a result, the deductibility of interest expense by a Class A Unitholder will depend upon such Unitholder's personal tax situation. Potential Investors who contemplate using borrowed funds to purchase Class A Units are urged to consult with their tax advisors with respect to the application and interaction of the investment interest and passive activity limitations.

Because the deductibility of any interest expense by a Class A Unitholder will depend on such Unitholder's personal tax situation, we are unable to express any opinion regarding the federal income tax treatment of interest expense on indebtedness incurred by a Class A Unitholder to acquire his interests. Prospective Investors are encouraged to consult their tax advisors regarding the impact of limitations on interest deductions related to investment interest.

Limitations on interest deductions related to business interest. Section 163(j) of the Internal Revenue Code limits deductions for "business interest expense" to the sum of a taxpayer's "business interest income" and 30% of its "adjusted taxable income". Business interest income comprises the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business and does not include investment income. For purposes of this limitation, adjusted taxable income is computed without regard to any item of income, gain, deduction or loss which is not properly allocable to a trade or business, any business interest expense or business interest income, the amount of any deduction allowed under Section 199A of the Internal Revenue Code and any NOL deduction.

Such determination is made at the partnership level. As a result, a partner in a partnership calculates his "adjusted taxable income" without regard to his distributive share of any partnership items. Any "excess taxable income" of a partnership (generally, the amount of the partnership's adjusted taxable income unused by the partnership to support its deductible business interest expense) should generally increase the "adjusted taxable incomes" of its partners, and any "excess business interest income" of a partnership should generally increase the "business interest incomes" of its partners. A partnership cannot carry forward any business interest deductions limited by Section 163(j) ("excess business interest expense") to a succeeding taxable year. Rather, a partnership allocates any such excess business interest expense to its partners, who may treat such excess business interest expense as business interest expense in the next succeeding taxable year in which such partner is allocated excess taxable income, or, under proposed Treasury Regulations, excess business interest income from such partnership (and only to the extent of such excess taxable income or excess business interest income). A partner's adjusted tax basis in his partnership interest is reduced by the amount of excess business interest expense allocated to him (and may be increased in the case of a subsequent disposition of all or substantially all of the partner's partnership interest).

Consequently, if the Company incurs interest expense properly allocable to a trade or business, the Company may not be able to deduct the full amount of such interest expense in the year in which such interest is paid or incurred. Similarly, the Class A Unitholders may be limited in their ability to deduct the full amount of any excess business interest allocated to them by the Company.

Basis and at risk limitations. A Unitholder may not deduct in any year any amount attributable to his share of Company losses, if any, which is in excess of his adjusted tax basis in his Class A Units at the end of the Company tax year. A Class A Unitholder's initial adjusted tax basis in his Membership Interest in the Company will equal his cash contributions to the Company. It will be increased by his distributive share of Company income and gain and by his share of certain borrowings of the Company. It will be decreased, but not below zero, by distributions from the Company, his distributive share of Company losses, depletion deductions on his share of Company oil and gas income, any decrease in his share of borrowings of the Company and the amount of any excess business interest allocated to him. Decreases in a Class A Unitholder's share of liabilities that have given rise to a basis increase will be treated as distributions of cash and, thus, will reduce basis.

In addition to the limitation of losses to a Class A Unitholder's adjusted tax basis, losses allocable to such Class A Unitholder in excess of allocable income during a taxable year may be deducted only to the extent of the amount with respect to which such Class A Unitholder is "at risk" at the close of the taxable year. A Class A Unitholder will be at risk as to the amount of money contributed, assuming such Class A Unitholder uses his personal funds to make such contribution or borrows the funds on a recourse basis from a lender unrelated to the Company, and amounts borrowed for use in the Company for which the Class A Unitholder is personally liable. The " at risk" amount will be increased by such Class A Unitholder's share of Company income and gains and the amount by which such Class A Unitholder's percentage depletion deductions with respect to Company assets exceed such Class A Unitholder's share of the basis of such asset. A Class A Unitholder will not be at risk with respect to amounts protected against loss through nonrecourse financings, guarantees, stop loss agreements, or "other similar arrangements" or with respect to amounts borrowed from other parties having a Membership Interest in the Company, family members or other related parties. The "at risk" amount is reduced by the amount of the allowable losses for the taxable year, the amount of distributions made to the Class A

Unitholder and such Class A Unitholder's depletion deductions, and the reduced amount determines the extent to which losses sustained in future years will be deductible. Any loss disallowed as a result of the application of the at-risk provisions may be deducted in future years to the extent the taxpayer increases his amount at risk. Losses deducted in a year are subject to recapture in a later year at ordinary income rates in the event, and to the extent, a taxpayer's adjusted amount at risk falls below zero.

Excess business loss limitation. Section 461(L) of the Internal Revenue Code imposes a further limitation on a Class A Unitholder's ability to deduct certain losses. Class A Unitholders other than corporations may not deduct any "excess business loss" in taxable years beginning after December 31, 2021, and before January 1, 2026. The CARES Act introduced several modifications to the determination of the excess business loss limitation under Section 461(1). An excess business loss is the excess (if any) of a Class A Unitholder's aggregate deductions for the taxable year that are attributable to the trades or businesses of such Class A Unitholder (determined without regard to the excess business loss limitation and without regard to any deduction allowable under Section 172 for net operating losses or under Section 199A with respect to qualified business income) over the aggregate gross income or gain of such Class A Unitholder for the taxable year that is attributable to such trades or businesses plus a threshold amount. The threshold amount is equal to $250,000 (or $500,000 for Class A Unitholders filing a joint return), indexed each year for inflation. The excess business loss limitation is determined without regard to income or deductions attributable to any trade or business of performing services as an employee and is subject to limitations regarding the inclusion of capital gains and capital losses that are beyond the scope of this memorandum.

The excess business loss limitation is applied at the partner level, and each Class A Unitholder will take into account the Class A Unitholder's allocable share of the Company's items of income, gain, deduction or loss for a taxable year from trades or businesses of the Company in applying the excess business loss limitation in the taxable year of such Class A Unitholder within which the taxable year of the Company ends. Any losses generated by the Company that are allocated to a Class A Unitholder and not otherwise limited by the basis, at risk, or passive loss limitations or excluded by the limitations described above will be included in the determination of such Class A Unitholder's aggregate trade or business deductions. Consequently, any losses the Company generates that are not so limited or excluded will only be available to offset a Class A Unitholder's other trade or business income (determined in the manner described above) plus an amount of non-trade or business income equal to the applicable threshold amount. Disallowed excess business losses are treated as a net operating loss for the taxable year for purposes of determining any net operating loss carryover for subsequent taxable years.

Limitation on net operating losses. Net operating losses arising in taxable years beginning on or after January 1, 2021 may be carried forward indefinitely, but for most taxpayers cannot be carried back to prior periods. The special provisions regarding net operating losses the CARES Act created have now ended.

Sale of property. When the Company sells property, it will recognize gain to the extent that the amount realized on the sale exceeds its basis in the property and will recognize loss to the extent that its basis exceeds the amount realized. In the case of a sale of an oil or gas property, each Class A Unitholder will compute his gain or loss individually based on his share of the amount realized, as allocated to him under the Operating Agreement and his share of the basis in such property. The amount realized will include the amount of money received and the fair market value of any other property received. If the purchaser assumes a liability in connection with the sale or takes the property subject to a liability, the amount realized will include the amount of such liability.

If gain is recognized on such sale, any portion of the gain that is treated as recapture of intangible drilling cost, depletion, or depreciation deductions will be treated as ordinary income and the remainder generally will constitute "Section 1231 gain." If loss is recognized on such sale, such loss generally will constitute "Section 1231 loss."

Each Class A Unitholder will be required to report his share of the portion of the gain that constitutes recapture as ordinary income and must also take into account his share of the Section 1231 gains and losses along with his Section 1231 gains and losses from other sources. The characterization of the Class A Unitholder's share of the Section 1231 gains and Section 1231 losses attributable to Company properties as either ordinary or capital will depend on the total amount of the Class A Unitholder's Section 1231 gains and the total amount of his Section 1231 losses from all sources for the year. Generally, if the total amount of the gains exceeds the total amount of the losses, all such gains and losses will be treated as capital gains and losses, and if the total amount of the losses exceeds the total amount of the gains, all such gains

and losses will be treated as ordinary income and losses. A Class A Unitholder's net Section 1231 gains, however, will be treated as ordinary income to the extent of the Class A Unitholder's net Section 1231 losses during the immediately preceding five years, reduced by the Section 1231 losses previously recaptured under this rule.

Termination of the Company. When the Company is terminated, each Class A Unitholder in the Company will be taxed, in the taxable year in which the termination occurs, on his share of Company income, gain, loss and deduction arising prior to the date of termination. Unitholders must also take into account their shares of gains or losses resulting from the sale or other disposition of Company assets in liquidation of the Company.

Upon the termination of the Company, each Class A Unitholder in the Company will be required to recognize gain to the extent that the amount of money distributed to him exceeds the basis of his Class A Units or his amount at risk with respect to the Company. A Class A Unitholder will recognize no loss unless he receives only money, unrealized receivables and inventory. In such a case, the Class A Unitholder could recognize loss to the extent that the basis of his Class A Units exceeds the aggregate of the money and the Company basis of the property received. If, however, a Class A Unitholder receives more or less than his share of ordinary income items, including potential recapture of intangible drilling cost, depletion and depreciation deductions, the Class A Unitholder will be required to recognize ordinary income or loss to that extent.

A Class A Unitholder's basis in any distributed property will be equal to the basis of his Class A Units, reduced by any money received. The Class A Unitholder's basis will first be allocated to ordinary income assets in an amount equal to the Company basis in such assets, which generally will be zero. Any remaining basis will be allocated, in general, to other properties to the extent of the Company's basis in those properties subject to reallocation among properties designed to reduce basis-value disparities to the extent possible. Thus, basis increases are allocated to properties with unrealized appreciation and basis decreases are allocated to properties with unrealized depreciation. Any basis adjustment remaining after the Company's basis has been fully carried over and reallocated is first allocated among those properties with unrealized appreciation to the full extent of each property's unrealized appreciation. To the extent that the increase is not fully allocated at this point, it is allocated in proportion to the properties' respective fair market values.

Sale of Class A Units. When a Class A Unitholder sells Class A Units, the Class A Unitholder will recognize gain or loss measured by the difference between the amount realized on the sale and his basis in the Class A Unit sold. The Class A Unitholder's amount realized will be the selling price plus his share of any liabilities that increased his basis in such Class A Units.

To the extent that the portion of the amount realized attributable to ordinary income items (including potential recapture of intangible drilling cost, depletion and depreciation deductions) exceeds the portion of the basis allocable to such items, which generally will be zero, the gain will be ordinary income. Therefore, a substantial portion of any gain realized upon the sale of Class A Units may constitute ordinary income. So long as the Class A Unitholder holds his Class A Units as a capital asset, generally meaning an asset held as an investment, the remainder of the gain will be capital gain and any loss will be capital loss. The Class A Unitholder will be required to recognize the full amount of the ordinary income portion even if it exceeds the overall gain on the sale (in which event the Class A Unitholder will also recognize capital loss to the extent the ordinary income exceeds the overall gain) or there is an overall loss on the sale (in which event the Class A Unitholder will recognize an offsetting capital loss equal to the ordinary income portion and an additional capital loss equal to the overall loss on the sale). Gain or loss realized by a Class A Unitholder upon the sale of Class A Units will generally constitute passive income or loss, which passive loss may be used to offset active income only upon a complete disposition of Class A Units.

Net long- term capital gains (gains arising from assets held more than (12) months) of individual taxpayers currently are taxed at the federal level at a special lower income tax rate (generally 15% but increases to 20% if the taxpayer's income for a tax year exceeds certain specified thresholds), which rate is less than the current maximum statutory rate applicable to other income (37%). Net long-term capital gains are the excess of net long-term capital gains over net short-term capital losses. These rates are subject to change by new legislation at any time.

In addition, an individual having a modified adjusted gross income (as such term is defined in Section 1411 of the Internal Revenue Code) in excess of $200,000 (or $250,000 for married taxpayers filing joint returns) is subject to a "Medicare tax" generally equal to 3.8% of the lesser of such excess or the individual's net investment income. In general, income and gains allocated by partnerships to partners are treated as net investment income for purposes of the 3.8%

Medicare tax if the investment is a passive activity as discussed above. As a result, most Class A Unitholders (those who are subject to the passive loss rules) will likely be subject to the 3.8% Medicare tax on their share of distributable income from the Company.

Generally, the sale of Class A Units has no effect on the Company's basis in its assets. If, however, the Company has made an election under Section 754 of the Internal Revenue Code, the Company's basis in its assets is adjusted for the benefit of the purchaser to reflect the gain or loss realized by the selling Unitholder upon the sale of Class A Units. Such a basis adjustment is mandatory if at the time the Class A Unit is sold, the Company has a substantial built-in loss with respect to its assets, which would be the case if the Company's tax basis in its assets exceeds their fair market value by more than $250,000. As a result of the tax accounting complexities inherent in, and the substantial expense attendant to, the election to adjust the tax basis of Company assets upon sales of Class A Units, the Manager does not currently intend to make this election on behalf of the Company. Under the Operating Agreement, such election may be made only with the consent of the Manager. The absence of any such election and of the power to compel the making of such an election may reduce the value of Class A Units to a potential transferee and may be an additional impediment to the transferability of Class A Units.

Other Tax Consequences

Alternative minimum tax. The individual alternative minimum tax is imposed at graduated rates of twenty-six percent (26%) and twenty-eight percent (28%) on "alternative minimum taxable income" in excess of exemption amounts. The tax thus computed is reduced by the taxpayer's regular tax liability. Corporations are not subject to the alternative minimum tax.

Alternative minimum taxable income is computed by increasing regular taxable income by tax preference items and re-computing certain items. Adjustments include such items as the difference between accelerated depreciation deductions and depreciation deductions under the alternative system of Section 168(g) of the Internal Revenue Code and certain amounts of intangible drilling and development cost.

Because a Class A Unitholder's liability for the alternative minimum tax is computed by taking into account his regular income tax liability, the extent to which any tax preference items directly or indirectly resulting from an investment in Class A Units would be subject to the alternative minimum tax will depend on the facts of his particular situation. For a taxpayer with substantial tax preference items, the alternative minimum tax could reduce the after-tax economic benefit of his investment in Class A Units. Each potential Investor should consult his tax advisor concerning the impact of the alternative minimum tax on his investment in the Class A Units.

Changes in federal income tax laws. The TCJA and CARES Act substantially modified certain U.S. federal income tax laws, including, among other things, changing the limitations on interest and loss deductibility and modifying certain cost recovery rules, which may adversely affect the tax consequences of investing in the Company Class A Units.

Legislation has been proposed that would, if enacted into law, make significant changes to U.S. tax laws, including to certain key U.S. federal income tax provisions currently available to oil and gas companies. Such proposed legislative changes include, among other proposals, (a) the repeal of the percentage depletion allowance for oil and gas properties, (b) the elimination of current deductions for intangible drilling and development costs with regard to any oil and gas well and the replacement thereof with an allowance for such costs to be amortized ratably over the 60-month period beginning with the month in which such costs are paid or incurred, and (c) the repeal of amortization for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. The passage of any future legislation as a result of these proposals or any similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that currently are available with respect to oil and gas exploration and development, or increase costs, which could unfavorably affect the consequences of an investment in the Company.

Compliance provisions. Taxpayers are subject to several penalties and other provisions which encourage compliance with the federal income tax laws, including an addition to tax of 20% of a "substantial understatement" of federal income tax. This addition is imposed if an understatement of tax exceeds the greater of (a) 10% (5% in the case of a taxpayer who claims the deduction allowed under Section 199A of the Internal Revenue Code for qualified

business income for the taxable year) of the tax required to be shown on the return or (b) $5,000. In the case of a corporation other than an S corporation or a personal holding company, this addition is imposed if an understatement of tax exceeds the lesser of (i) 10% of the tax required to be shown on the return (or if greater, $10,000) or (ii) $10,000,000.

Except in the case of understatements attributable to a listed transaction or reportable transaction with a significant tax avoidance purpose (hereinafter referred to as a "reportable avoidance transaction"), an item of understatement will not give rise to the penalty if (a) there is or was "substantial authority" for the taxpayer's treatment of the item or (b) all facts relevant to the tax treatment of the item are disclosed on the return or on a statement attached to the return and there was a reasonable basis for the tax treatment of the item. In the case of partnerships, the disclosure is to be made on the return of the partnership. However, an individual Unitholder may make adequate disclosure with respect to partnership items if specific conditions are met.

In the case of understatements attributable to "reportable avoidance transaction" items, the substantial understatement penalty may be avoided only if the taxpayer establishes, in addition to having substantial authority for his position and adequately disclosing the relevant facts affecting the tax treatment of the item on the return or on a statement attached to the return, that he reasonably believed that such treatment was more likely than not the proper treatment. An entity should not be considered as engaging in a "reportable avoidance transaction" merely because it avails itself of percentage depletion allowances, intangible drilling cost deductions, or certain other deductions. Investors are cautioned, however, to consult their tax advisors with respect to the possible application of the substantial understatement penalty.

Consistency requirements. Unitholders must generally treat partnership-related items on their federal income tax returns consistently with the treatment of such items on the partnership information return, unless the Unitholders files a statement with the IRS identifying the inconsistency. Failure to satisfy this requirement will result in an adjustment to conform the Unitholder's treatment of the item to the treatment of the item on the partnership return. Intentional or negligent disregard of the consistency requirement may subject a Unitholder to substantial penalties.

Nominees. A person who holds a Class A Unit as a nominee for another person must furnish to the Company the name, address and taxpayer identification number of the nominee and beneficial owner, along with any other information prescribed by regulations. The nominee also must provide certain information to the beneficial owner of the Class A Units, and the Company must furnish certain information to the nominee. Any prospective Investor who is acting as a nominee for another person should consult his tax advisor regarding these requirements.

Social Security benefits; self-employment tax. A Unitholder's share of any income or loss attributable to Class A Units could constitute "net earnings from self-employment". The rules for this determination are complex and unclear. The IRS has issued a proposed regulation which would allow a member who (1) does not actively participate in the Company's business more than 500 hours, (2) does not have the authority to contract on behalf of the Company, and (3) is not personally liable for any debts or liabilities of the Company, to be treated as a "limited partner" not subject to self-employment tax. This proposed regulation is not final; and therefore, not effective or binding on the IRS. Accordingly, there can be no assurance that a Unitholder who may met the requirements of this proposed regulation will be able to avoid self- employment tax which could be imposed at a rate as high as 15.3% on a member's share of income from the Company.

State law tax aspects. The Company will operate in states and localities which impose taxes on the Company's assets or income or on each Class A Unitholder based upon his share of any income derived from Company activities in such jurisdictions. Depending upon the location of the Company's assets and applicable state and local laws, deductions or credits available to a Class A Unitholder for federal income tax purposes may not be available for state or local income tax purposes.

To the extent the Company operates in certain jurisdictions, estate or inheritance taxes may be payable therein upon the death of a Class A Unitholder. Therefore, a Class A Unitholder may be subject to income taxes, estate or inheritance taxes or both in states or localities in which the Company does business as well as in his own state and domicile.

With respect to taxable years beginning after December 31, 2017, and before January 1, 2026, individual taxpayers' ability to deduct certain state and local income and property taxes is limited. Generally, an individual may not deduct an aggregate amount of state and local real property, personal property, sales, income, war profits, and excess profits taxes in excess of $10,000 ($5,000 in the case of a married individual filing a separate return). However, such limitation does not apply with respect to any state and local real or personal property taxes paid or accrued in carrying on a trade or business or in conducting certain activities for the production of income. Therefore, a Class A Unitholder may not be able to deduct the full amount of his allocable share of the state and local income or franchise taxes paid or accrued by the Company but this limitation does not apply to the Class A Unitholder's allocable share of property taxes paid or accrued by the Company in carrying on the trade or business of the Company.

Individual tax advice should be sought before investing in the Fund. **The tax considerations attendant to an investment in the Company are complex and vary with individual circumstances. Each prospective Investor should review such tax consequences with its tax advisor.**

COMPETITION, MARKETS AND REGULATION

Oil and Natural Gas Regulation

Oil prices are not regulated, and the price is subject to the supply and demand for oil, along with qualitative factors such as the gravity of the crude oil and sulfur content differentials.

Governmental agencies regulate the production and transportation of natural gas. Generally, the regulatory agency in the state where a producing natural gas well is located supervises production activities and the transportation of natural gas sold into intrastate markets and the Federal Energy Regulatory Commission regulates the interstate transportation of natural gas.

Natural gas prices are not regulated, and the price of natural gas is subject to the supply and demand for the natural gas along with factors such as the natural gas' BTU content and where the wells are located.

Competition and Markets

There are a large number of companies and individuals engaged in the acquisition of oil and gas mineral rights, oil and gas leases and/or mineral, oil and gas royalty interests. Many of the Fund's competitors will have greater financial resources than the Fund. Accordingly, the Fund and the Fund Investments will encounter strong competition from independent operators and major oil companies.

The costs of natural gas and oil exploration and development fluctuate. The industry historically has experienced periods of rapid cost increases from time to time. There is a risk that over the term of the Fund there will be fluctuating or increasing costs in doing business which would directly affect the performance of the Fund Investments.

As set forth above, natural gas and oil prices are not regulated and instead are subject to supply and demand factors as well as other factors largely beyond the control of the Fund. For example, reduced natural gas or oil demand and/or excess supplies will result in lower prices. In recent years, natural gas and oil prices have been volatile.

The marketing of production will be affected by numerous factors beyond the control of the Manager and which cannot be accurately predicted. These factors include, but are not limited to, the following: (a) the availability of suitable pipeline and other transportation facilities; (b) competition from other energy sources; (c) local, state, and federal regulations regarding production and transportation; (d) fluctuating seasonal supply and demand; (e) the amount of domestic production and foreign imports of natural gas and oil; and (f) political instability in oil producing countries.

There are other potential developments, beyond the control of the Manager, which could affect commodity prices. The Manager, however, is unable to predict what effect these factors will have on the price of the natural gas and oil.

The various factors affecting the price of natural gas and oil result in regional differences in pricing. Accordingly, it is anticipated that the price the Fund receives for natural gas and oil products will not be uniform.

State Regulations

Most states have a comprehensive statutory and regulatory scheme for natural gas and oil operations which create additional financial and operational burdens. Among other things, these regulations involve new well permit and well registration requirements, procedures, and fees, minimum well spacing requirements, restrictions on well locations and underground gas storage, certain well site restoration, groundwater protection, and safety measures, landowner notification requirements, certain bonding or other security measures, various reporting requirements, and well plugging standards and procedures.

State regulatory agencies also have broad regulatory and enforcement powers including those associated with pollution and environmental control laws which are discussed below.

Environmental Regulation

Oil and gas drilling and producing operations are subject to various federal, state, and local laws covering the discharge of materials into the environment, or otherwise relating to the protection of the environment. The Environmental Protection Agency and state and local agencies will require operators of the Fund Investments to obtain permits and take other measures with respect to the discharge of pollutants into navigable waters, disposal of wastewater and air pollutant emissions. If these requirements or permits are violated there can be substantial civil and criminal penalties which will increase if there was willful negligence or misconduct.

The Fund's liability can also extend to pollution costs that occurred on the leases before they, or a wellbore assignment, were acquired by the Fund. Although the Manager will not acquire any lease if it has actual knowledge that there is an existing potential environmental liability on the lease, there will not be an independent environmental audit of the leases before they are acquired. Thus, there is a risk that the leases will have potential environmental liability even before drilling begins.

The Fund's required compliance with these environmental laws and regulations may cause delays or increase the cost of the Fund and the Fund Investments' activities. Because these laws and regulations are constantly being revised and changed, the Manager is unable to predict the ultimate costs of complying with present and future environmental laws and regulations. Also, the Manager may be unable to obtain insurance to protect against many environmental claims.

Proposed Regulation

From time to time there are a number of proposals being considered in Congress and in the legislatures and agencies of various states that if enacted would significantly and adversely affect the natural gas and oil industry and the Fund. The proposals involve, among other things limiting the disposal of wastewater from wells, which could substantially increase the Fund's operating costs and make the Fund's wells uneconomical to produce, and changes in the tax laws. It is, however, impossible to accurately predict what proposals, if any, will be enacted and their subsequent effect on the Fund's activities, now and in the future.

Commodity Price Risk Derivative Instruments and Hedging Activity

The Fund and the Fund Investments are exposed to various risks, including commodity market price risks for oil and gas, which may negatively impact the performance of the Fund and the Fund Investments. Oil and gas prices historically have been volatile, with significant declines and fluctuations in recent years, and such volatility may adversely impact the Fund and the Fund Investments' operations and financial condition. The Fund may engage in derivative risk

management activities to provide partial protection against the commodity price volatility and the adverse effect it could have on the Fund and the Fund Investments. However, there is no guarantee that the Fund will engage in such derivative risk management activities or that, if it was to engage in such activities, that they would adequately limit the exposure to market risks relating to price volatility or offset any losses of the Fund or the Fund Investments. The hedging objectives, if any, may also change significantly in the future based on a number of factors, such as derivative instrument pricing and commodity pricing changes.

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the provisions of the Operating Agreement of the Company. This summary is qualified in all respects by reference to the full text of the Operating Agreement, which is attached as ***Exhibit A*** *to this Memorandum. Each prospective Investor is urged to review the provisions of the Operating Agreement in its entirety.*

Term

The Company is organized under the Kansas Revised Limited Liability Company Act (the "Kansas LLC Act"). The Company will continue in perpetuity years unless terminated earlier as provided in the Operating Agreement.

Rights and Powers of the Manager

General. The Manager has full and exclusive power, except as limited by the Operating Agreement and applicable law, to manage, administer and operate the assets, business and affairs of the Company. The Manager has the authority to enter into agreements and contracts on behalf of the Company. Under the Operating Agreement, the Manager is required to devote only such time and effort to the business of the Company as may be necessary. The Manager and its affiliates are permitted to engage in any other business ventures, including the ownership and management of oil and gas properties and the organization and management of other similar investment programs. Investors do not have any rights to participate in the Manager's outside business activities.

Indemnification. The Operating Agreement provides that neither the Manager nor any of its affiliates shall be liable to the Company or the Unitholders for any damages or otherwise for certain acts or omissions, including: (a) any breach of fiduciary duties arising under Operating Agreement, the Kansas LLC Act or any law under which fiduciary duties are not mandatory or are waivable, and such fiduciary duties are expressly waived pursuant to the Operating Agreement; (b) any acts or omission, except for those finally determined by a court of competent jurisdiction to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; and (c) any acts made on advice of legal counsel, accountants, or other professional advisors to the Company.

The Operating Agreement also provides that the Manager and its affiliates shall be indemnified by the Company from and against all for any loss, damage, expense, or other liability sustained by them in connection with acts performed or omitted by the Manager or affiliates acting on behalf of or performing services for the Company; provided that such acts, omissions or alleged acts or omission upon which such actual or threatened action, proceeding or claim are based are not finally determined by a court of competent jurisdiction to have been made in bad faith or to constitute fraud, willful misconduct, or gross negligence or a violation of applicable laws as to which a limitation of liability or indemnification is not permitted. The Company may advance to the Manager and its affiliates reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of such conduct. In the event that such an advance is made by the Company, the indemnified person shall agree to reimburse the Company for such fees, costs and expenses to the extent that it shall be determined that it was not entitled to indemnification under the Operating Agreement. In addition, the Company is authorized to purchase insurance to protect the Manager and its affiliates against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss.

Rights and Powers

Class A Unitholders. Under the terms of the Operating Agreement, Class A Unitholders will have the following rights and powers with respect to the Company:

- To share in allocations of income, gain, loss, deduction and credit in accordance with the Operating Agreement; and
- To receive Cash Flow Distributions and Liquidating Distributions in accordance with the Operating Agreement.

Class A Members. Under the terms of the Operating Agreement, Class A Members (which would include all Investors who purchase Class A Units from the Company in the Offering) will have the following additional rights and powers with respect to the Company:

- subject to the conditions set forth in the Operating Agreement, to obtain information regarding the Company's business and properties as is reasonable, including all books and records required under the Act;
- To reconstitute the Company with a new Manager upon the withdrawal or retirement of the Manager;
- To remove the Manager for Cause (as defined in the Operating Agreement) by a vote or written consent of at least 75% of the Class A Units held by Members, excluding the Class A Units held by the Manager or any affiliate of the Manager; and
- Upon removal of the Manager for Cause, to substitute a new Manager to operate and carry on the business of the Company by the affirmative vote of a majority of the Class A Units held by Members, excluding the Class A Units held by the Manager or any affiliate of the Manager.

Management. Investors will take no part in the control of the business or affairs of the Company and will have no voice in the management or operations of the Company.

Voting Rights

At any time, Class A Members holding 30% or more of the total Class A Units held by Members may call a meeting to vote, or vote without a meeting, on the matters set forth below without the concurrence of the Manager. On the matters being voted on, each Class A Member is entitled to one vote per Class A Unit. Class A Members holding a majority of the total Class A Units held by Members may vote to:

- Approve a successor Manager;
- Elect a substitute Manager and elect to continue the Company upon the bankruptcy, insolvency or liquidation of the Manager;
- If there is no Manager, elect a Person to accomplish the winding up of the Company; and
- With the concurrence of the Manager, amend the Operating Agreement; provided, that no amendment shall be made hereto without the concurrence of the holders of all Class A Units that would result in the loss of any Member's limited liability.

Assignability of Class A Units

A Class A Unitholder's ability to sell or otherwise transfer its Class A Units is restricted by securities laws and the Operating Agreement as described below.

First, the Class A Units have not been registered under the Securities Act or under the securities laws of any state. Instead, the Class A Units are being offered and sold under exemptions from registration under the Securities Act. These exemptions impose restrictions on the subsequent transfer of the Class A Units under the securities laws and Class A Unitholder's will not be able to sell, assign, pledge, hypothecate or transfer Class A Units unless the transferor delivers an opinion of counsel acceptable to the Manager that the registration and qualification of the Class A Units are not required.

Second, Class A Unitholders will not be able to sell, assign, exchange or transfer their Class A Units if it would, in the opinion of the Company's counsel, result in the Company being required to register as an investment company under the Investment Company Act of 1940, as amended, cause a termination of the Company for tax purposes, cause the Company to be treated as a "publicly traded partnership", or cause the Company to be deemed "plan assets" as defined under the Employee Retirement Income Security Act of 1974, as amended, or result in any "prohibited transaction" thereunder involving the Company.

Finally, under the Operating Agreement, a Class A Unitholder may not assign fewer than all of such Class A Unitholder's Class A Units in the Company and then only with the approval of the Manager; provided, however, that a Class A Unitholder that is an individual shall be entitled to transfer all or a portion of his or her Class A Units to a trust, the beneficiaries of which consist solely of such individual's family members or entities wholly owned by such family members.

Any transfer of Class A Units by a Class A Unitholder is subject to a right of first refusal in favor of the Manager.

If, notwithstanding the provisions of the Operating Agreement, the Company is required by law to recognize transfer not in compliance with the requirements of the Operating Agreement, the transferee shall be treated as an assignee with limited rights and the Manager (or its affiliate) may exercise an option to purchase such Class A Unitholder's Class A Units at a price equal to the Class A Unitholder's Capital Contribution less the sum of: (a) the Organizational Expenses allocated to such Class A Unitholder; and, (b) distributions paid to such Class A Unitholder up to and including the date of exercise of the option.

Removal of a Class A Unitholder

The Manager shall have the right to remove a Class A Unitholder under the following circumstances:

- the Class A Unitholder has transferred or attempted to transfer all or a portion of its Class A Units in a Prohibited Transfer (as defined in the Operating Agreement);
- Class A Unitholder fails to be an Eligible Citizen;
- the Class A Unitholder has materially breached the terms of this Agreement or any other material agreement with the Company; or
- the Manager determines that removal is necessary to comply with any requirements, conditions, or guidelines contained in any opinion, directive, order, ruling, or regulation of any United States federal or state agency or judicial authority or contained in any United States federal or state statute.

If the Manager removes a Class A Unitholder, then the Manager shall repurchase such Class A Unitholder's Class A Units at a price equal to the Class A Unitholder's Capital Contribution less the sum of: (a) Organizational Fees paid

with respect to such Class A Unitholder's subscription; and, (b) cash distributions paid to such Class A Unitholder up to and including the date of such Class A Unitholder's removal from the Company.

Removal or Withdrawal of the Manager

The Class A Members holding at least 75% of the Class A Units held by Members, excluding any Class A Units owned by the Manager or its affiliates, shall have the right to remove the Manager for cause (as defined in the Operating Agreement). The Class A Members may elect and substitute a new Manager. Upon the removal of the Manager the successor Manager or the Company shall be obligated to pay the removed Manager the fair market value of the Manager's Interest in the Company.

The Manager may withdraw and transfer all or a portion of its interest in the Company to a third party (who shall then become the successor Manager) upon 90 days prior written notice to the Class A Members. The Manager currently has no intention of withdrawing as the Manager of the Company at any time.

Dissolution, Liquidation and Termination

The Company shall be dissolved, and shall terminate and windup its affairs, upon the first to occur of the following:

- A determination by the Manager that the Company should terminate;
- The sale, exchange, forfeiture or other disposition of all or substantially all the properties of the Company;
- The bankruptcy, insolvency or liquidation of the Manager, unless the Class A Members elect a substitute Manager and elect to continue the Company; or
- Any event that under applicable law results in the dissolution of the Company.

If dissolution of the Company occurs, the Manager or a liquidator appointed by the Manager shall wind up the affairs of the Company and make final distribution of its assets. In the event the Manager is unable to serve as liquidator, the liquidator shall be appointed by the vote of the Class A Members. After making a proper accounting and paying or making provision for the payment of existing and contingent liabilities, the liquidator of the Company shall sell all remaining assets of the Company for cash at the best price available therefor and distribute the proceeds of such sales to the Members. The distribution of cash or assets to the Unitholders will constitute a complete distribution to the Unitholders of their respective Membership Interest in the Company and its assets.

Amendments

The Operating Agreement may be amended with the approval of the Manager and Class A Members holding a majority of the Class A Units held by Members. Minor and confirmatory amendments and amendments that do not adversely affect the Members in any material respect may be made by the Manager without the consent of the Members.

Reports to Members

The Manager will furnish to the Class A Members of the Company annual reports which will contain unaudited financial statements, a general description of the Company's activities, and a statement of changes in the Member's Capital Account.

Members in the Company will also receive quarterly reports summarizing the activities of the Fund. The Manager may provide such other reports and financial statements as it deems necessary or desirable in its discretion.

Notwithstanding the foregoing, the Manager may keep competitively sensitive data and information pertaining to the Fund or the Fund Investments confidential. Further, the Manager may condition the disclosure of any nonpublic information on the execution of a confidentiality agreement.

Not later than the date (including extensions) for filing the Company's tax return with the Internal Revenue Service, all Members will receive information necessary for the preparation of their federal income tax returns and any required state income tax returns.

Power of Attorney

In signing the Subscription Agreement, each Investor adopts the terms and provisions of the Operating Agreement and makes and executes the power of attorney set forth in the Operating Agreement. Pursuant to the Operating Agreement, each Investor will appoint the Manager as its attorney-in-fact, on his behalf and in his name, to execute, swear to and file all documents or instruments necessary or desirable for the conduct of the Company's business and affairs. Such appointment shall constitute a power coupled with an interest, shall not be revocable and shall be effectuated under the Operating Agreement by a Class A Unitholder's execution of the joinder agreement attached to the Subscription Agreement.

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DEFINITIONS

The following are definitions of certain terms used in this Memorandum. In order to fully understand the terms of this Offering, Investors should read these definitions carefully and refer to them as they read and review this Memorandum. The definitions in Section 1.1 of the Operating Agreement also apply to this Memorandum.

"**5% Early Investor Discount**" means the discount provided to the first 16,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 15% Early Investor Discount) that are sold to Investors purchasing at least 265 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager).

"**15% Early Investor Discount**" means the discount provided to the first 30,000 Class A Units (other than the Class A Units sold to Large Investors and the Class A Units sold pursuant to the 5% Early Investor Discount) that are sold to Investors purchasing at least 1,175 Class A Units (or such lesser number of Class A Units as determined in the sole discretion of the Manager).

"**116 UEF VI**" means 116 Upstream Energy Fund, VI, LP, a Kansas limited partnership.

"Accredited Investor" shall meet an Investor who meets the qualifications to be considered an "Accredited Investor" within the meaning of Regulation D promulgated by the SEC under the Securities Act as outlined under the Suitability Standards on pages 38 and 39 of this Private Placement Memorandum.

"Acquisition Fee" means the fee that will be paid by the Fund to the Manager upon each acquisition by the Fund of a Fund Investment in an amount equal to 1.5% of the purchase price of such Fund Investment.

"Adjustment Year" has the meaning set forth in 'TAX ASPECTS" **–** Company Taxation – *Company audit rules and partnership-level taxes.*"

"Aspen Funds" means Aspen Funds, LLC, a Wyoming limited liability company.

"**Assignee**" means a Person to whom Class A Units have been transferred, but who has not become a Member.

"Base Price Per Unit" means $1,000.

"**Bcfe"** means billion cubic feet equivalent.

"BOE" means barrels of oil equivalents.

"BTU" means British thermal unit.

"Capital Contribution" means the amount contributed by an Investor in exchange for Class A Units.

"**CARES Act"** means The Coronavirus Aid, Relief, and Economic Security Act.

"Carried Interest" means the Manager's Class B Units. See "SUMMARY OF THE OFFERING - Fees; Distributions; Carried Interest."

"Carried Interest Distributions" means the Cash Flow Distributions and Liquidating Distributions payable to the Manager with respect to its Class B Units.

"Cash Available for Distribution" shall mean, with respect to any period, all cash receipts and funds received by the Fund (except for Capital Contributions) from any of the Fund Investments or interest, if any, less the portion thereof (a) used to pay or establish reserves for all Organizational Expenses and Fund Expenses or principal and interest debt payments to third parties, (b) any reserves to be used for additional Fund Investments, (c) any amounts

representing working capital, and (d) any amounts retained for other reserves and contingencies, all as determined by the Manager.

"Cash Flow Distributions" means distributions of Cash Available for Distribution other than Liquidating Distributions.

"Class A Member" means a Member holding Class a Units.

"**Class A Units**" means a Unit designated in the Operating Agreement as a Class A Unit.

"**Class A Unitholder**" means a Unitholder holding Class A Units.

"**Class B Units**" means a Unit designated in the Operating Agreement as a Class B Unit.

"**Company**" means 51 Upstream Energy Fund, VII, LLC, a Kansas limited liability company.

"Discounts" means the Large Investor Discount and the Early Investor Discounts.

"Early Investor Discounts" means the 15% Early Investor Discount and the 5% Early Investor Discount.

"Eligible Citizen" means any Person who is eligible to be qualified to hold an interest in oil and gas leases on federal lands, including offshore areas, under federal laws and regulations in effect from time to time. As of the date of this Memorandum, in order to be an Eligible Citizen a person must: (a) be a citizen of the United States, (b) not be a minor, unless a legal guardian or trustee holds the Membership Interest on the minor's behalf, (c) be in compliance with federal acreage limitations, and (d) not be participating in any agreement, scheme, plan, or arrangement related to simultaneous oil and gas leasing that would otherwise be prohibited. Under current federal oil and gas leasing rules, (i) an association, including a partnership or a trust, is considered an Eligible Citizen if both such association and all of its members or partners, and all parties who own, hold, or control any of its instruments of ownership or control, satisfy requirements (a) through (d) above, and (ii) a corporation is considered an Eligible Citizen if it is organized or existing under the laws of the United States, a state, the District of Columbia, or a United States territory and if it and all parties who own, hold, or control any of its instruments of ownership or control satisfy requirements (a) through (d) above. For purposes of this clause (ii), aliens from countries that the federal government regards as not denying similar privileges to citizens or corporations of the United States may own, hold, or control stock in an Eligible Citizen. In addition, an Eligible Citizen may not hold, own, or control, directly or indirectly, interests in federal oil and natural gas leases, options for such leases or interests in such leases, on lands subject to the United States Mineral Lease Act of 1920, as amended, in excess of the following limits: (A) 246,080 acres, of which no more than 200,000 may be under option, in any one state other than Alaska; and (B) 300,000 acres, of which no more than 200,000 may be under option, in each of the northern and southern leasing districts of Alaska.

"**Fund**" means 51 Upstream Energy Fund, VII, LLC, a Kansas limited liability company.

"Fund Expenses" means all costs and expenses associated with matters that are attributable to the Fund's business activities. See "SUMMARY OF THE OFFERING - Application of Proceeds and Expenses."

"Fund Investments" means the investments of the Fund.

"Intangible Drilling Costs" means expenditures associated with the drilling and completion of oil and gas wells that under present law are generally accepted as fully deductible currently for federal income tax purposes. Intangible Drilling Costs include all expenditures made with respect to any well prior to, and in preparation of, establishment of production in commercial quantities. The term Intangible Drilling Costs shall not include lease acquisition costs. The term Intangible Drilling Costs shall not include expenditures that are funded by revenues from operations.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investor" means a Person who purchases Class A Units.

"IRS" means the Internal Revenue Service.

"Kansas LLC Act" means the Kansas Revised Limited Liability Company Act, as amended.

"KLTG" means KLT Gas, Inc.

"Large Investor Discount" means the discount from the Base Price Per Unit provided to Large Investors.

"Large Investors" means Investors that purchase at least 30,000 Class A Units or such lesser number of Class A Units as determined in the sole discretion of the Manager.

"Layne" means Layne Christianson Company.

"Layne Energy" means Layne Energy, Inc.

"Liquidating Distributions" means distributions made in connection with the liquidation of the Fund**.**

"Majority-in-Interest" means with respect to the Investors, the number of Investors who collectively hold more than fifty percent (50%) of the outstanding Class A Units, excluding the Class A Units held by the Manager or any affiliate of the Manager.

"Management Agreement" means the management agreement between the Fund and MEA attached as **Exhibit B**.

"Management Fee" means the fee due MEA pursuant to the Management Agreement.

"Manager" means Nephtali Energy, LLC, a Kansas limited liability company.

"Manager Interest" means the Class B Units held by the Manager.

"Mcf" means thousand cubic feet.

"Mcfe" means thousand cubic feet equivalent.

"MEA" means Mohajir Energy Advisors, Inc., a Kansas corporation.

"MEG" means Mohajir Energy Group.

"**Member**" means each Unitholder that is admitted as a Member of the Company.

"Membership Interest" means the interest of each of the Unitholders of the Fund represented by Units.

"Memorandum" means this private placement memorandum.

"Minimum Dollar Amount" has the meaning set forth in "SUMMARY OF THE OFFERING – General.".

"MMcf/d" means million cubic feet per day.

"**MMG**" means MEA Management Group LLC, a Kansas limited liability company.

"Offering" means the offer and sale of Class A Units described in this Memorandum.

"Offering Period" means the period commencing on the date of this Memorandum and terminating on the first anniversary thereof, unless the Manager, in its sole discretion, accelerates or delays the termination date of the Offering.

"Operating Costs" means all expenditures made and costs incurred in producing and marketing oil and gas from completed wells or in managing oil and gas mineral rights, leases and royalty interests, including, without limitation, labor, fuel, repairs, hauling, materials, supplies, utility charges, and other costs incident to or related to producing and marketing natural gas and oil, ad valorem and severance taxes, insurance, casualty loss expense and compensation to well operators or others for services rendered in conducting such operations.

"Operator" means the Person having the authority and responsibility to conduct the activities necessary to drill, complete, and/or produce a well or wells.

"Organizational Expenses" means all legal, organizational and offering expenses, including the out-of-pocket expenses (e.g., legal and accounting fees and expenses, travel, accounting and other costs) of the Manager and its agents and affiliates incurred in the formation of the Fund and conducting the Offering.

"Operating Agreement" means the operating agreement of the Fund attached hereto as **Exhibit A**, as it may be amended from time to time.

"Person" shall include individuals, corporations, limited partnerships, general partnerships, limited liability companies, joint stock companies or associations, joint ventures, associations, consortia, companies, trusts, banks, trust companies, land trusts, common law trusts, business trusts or other entities and governments and agencies and political subdivisions thereof.

"Proved Reserves" means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

"Reviewed Year" has the meaning set forth in 'TAX ASPECTS" **–** Partnership Taxation – *Partnership audit rules and partnership-level taxes.*"

"Securities Act" means the Securities Act of 1933, as amended.

"Subscription Agreement" means the agreement executed by each of the Investors to which the Investors subscribe to the Class A Units and whereby upon the acceptance of the Manager, the Class A Units are sold by the Fund and purchased by an Investor. The Subscription Agreement form is attached hereto as **Exhibit C**.

"Subscription Amount" means with respect to any Investor, the total dollar amount of Class A Units subscribed for.

"Tangible Costs" means those costs associated with drilling and completion of oil and gas wells which are generally accepted as capital expenditures under the Internal Revenue Code. This includes all costs of equipment, parts and items of hardware used in drilling and completing a well, and those items necessary to deliver acceptable natural gas and oil production to purchasers to the extent installed downstream from the wellhead of any well and which are required to be capitalized under applicable provisions of the Internal Revenue Code and regulations thereunder.

"TBI" means Tom Brown Inc.

"TCJA" means the Tax Cuts and Jobs Act.

"**UBTI**" means unrelated business taxable income.

"Unit(s)" means a unit representing a fractional party of the Membership Interests of Unitholders; provided, that any type or class of Unit shall have the privileges, preference, duties, liabilities, obligations and rights set forth in the Operating Agreement.

"**Unitholder**" means an Member or an Assignee.

"**Zebulon Energy**" means Zebulon Energy, LLC, a Kansas limited liability company and the general partner of 116 Upstream Energy.

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OPERATING AGREEMENT

This Operating Agreement of 51 Upstream Energy Fund VII, LLC, a Kansas limited liability company (the "Company"), is entered into as of February 3, 2025, by and among the Company, the Members of the Company as of the date hereof and each other Person who after the date hereof becomes a Member of the Company and becomes a party to this Agreement by executing a Joinder Agreement.

RECITALS

WHEREAS, the Company was formed under the laws of the State of Kansas by the filing of Articles of Organization with the Secretary of State of the State of Kansas; and

NOW, THEREFORE, the parties agree as follows:

ARTICLE I
DEFINITIONS

1.1. **Definitions**. The following definitions and the definitions set forth in Appendix A to this Agreement, apply to the terms used in this Agreement for all purposes.

"Acquisition Fee" means an fee payable by the Company to the Manager equal to 1.5% of the purchase price of each investment made by the Company.

"Act" means the Kansas Revised Limited Liability Company Act, as amended.

"Adjusted Capital Account Deficit" has the meaning set forth in **Appendix A**.

"Affiliate" means a Person who directly or indirectly controls, is controlled by, or is under common control with the Person in question. See the definition of "Control" below.

"Affiliated Persons" means the Manager, its Affiliates and their respective controlling persons, partners, managers, directors, members, shareholders, officers, employees, agents, brokers, agents, advisors, insurers or consultants of each or any of them, or any estate, servant, heir, successor, predecessor, assign or personal representative of the same.

"Agreement" means this Operating Agreement, as it may be amended, supplemented or restated from time to time.

"Applicable Law" means all applicable provisions of (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations, declarations or orders of any Governmental Authority; (b) any consents or approvals of any Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.

"Articles of Organization" means articles of organization filed with the Secretary of State of the State of Kansas, as they may be amended, supplemented or restated from time to time.

"Assignee" means a Person to whom Units have been transferred by a Unitholder in a Permitted Transfer, or in a Prohibited Transfer that the Company is required by law to recognize, but who has not become a Member.

"Bankruptcy" means, with respect to a Unitholder, the occurrence of any of the following: (a) the filing of an application by such Unitholder for, or a consent to, the appointment of a trustee of such Unitholder's assets; (b) the filing by such Unitholder of a voluntary petition in bankruptcy or the filing of a pleading in any court of record

admitting in writing such Unitholder's inability to pay its debts as they come due; (c) the making by such Unitholder of a general assignment for the benefit of such Unitholder's creditors; (d) the filing by such Unitholder of an answer admitting the material allegations of, or such Unitholder's consenting to, or defaulting in answering a bankruptcy petition filed against such Unitholder in any bankruptcy proceeding; or (e) the expiration of sixty (60) days following the entry of an order, judgment or decree by any court of competent jurisdiction adjudicating such Unitholder a bankrupt or appointing a trustee of such Unitholder's assets.

"Base Price Per Unit" means One Thousand Dollars ($1,000.00).

"BBA" has the meaning set forth in Section 9.5(a).

"Capital Account" has the meaning set forth in **Appendix A**.

"Capital Contribution" means the sum of any cash and the Fair Value of any property contributed to the Company by a Unitholder, including in connection with the issuance of the Units by the Company.

"Cause" means (a) the Manager's fraudulent conduct, theft, willful misconduct or gross negligence in its role as Manager of the Company; (b) the Manager's material breach of any provision of this Agreement, but only after such breach is not cured for a period of 30 days after written notice of such breach is delivered to the Manager; or (c) the Manager's conviction of a crime or plea of *nolo contendre* which, in the reasonable judgment of a Super Majority Vote, is likely to have a material adverse effect on the business or reputation of the Company.

"Class A Units" means a Unit designated in this Agreement as a Class A Unit.

"Class B Units" means a Unit designated in this Agreement as a Class B Unit.

"Company" has the meaning set forth in the Preamble.

"Company Expenses" means all fees, costs and expenses relating to the operations and activities of the Company.

"Company Investments" has the meaning set forth in Section 2.5.

"Company Minimum Gain" has the meaning set forth in **Appendix A**.

"Company Subsidiary" means a Subsidiary of the Company.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Depreciation" has the meaning set forth in **Appendix A**.

"Distribution" means a distribution made by the Company to a Unitholder, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; provided, that none of the following shall be a Distribution: (a) any redemption or repurchase by the Company or any Unitholder of any Units; (b) any recapitalization or exchange of securities of the Company; or (c) any subdivision (by a split of Units or otherwise) or any combination (by a reverse split of Units or otherwise) of any outstanding Units; or (d) any fees or remuneration paid to any Unitholder in such Unitholder's capacity as a Manager, Officer, employee, consultant or other service provider of the Company for the Company or a Company Subsidiary. "Distribute" when used as a verb shall have a correlative meaning.

"Electronic Transmission" means any form of communication not directly involving the physical transmission of paper that creates a record that may be retained, retrieved and reviewed by a recipient thereof and that may be directly reproduced in paper form by such a recipient through an automated process.

"Eligible Citizen" means a Person who is eligible to be qualified to hold an interest in oil and gas leases on federal lands, including offshore areas, under federal laws and regulations in effect from time to time.

"Fair Value" means, with respect to an asset, its Fair Value determined according to ARTICLE XIII.

"Fiscal Year" means the calendar year, unless the Company is required to have a taxable year other than the calendar year, in which case Fiscal Year shall be the period that conforms to its taxable year.

"Governmental Authority" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

"Gross Asset Value" has the meaning set forth in **Appendix A**.

"I.R.C." means the Internal Revenue Code of 1986.

"Indemnified Person" means the Manager, each Affiliated Person and the legal representatives of any of them. A Person is an Indemnified Person whether or not such Person has the status required to be an Indemnified Person at the time any Proceeding is made or maintained as described in ARTICLE VIII or at the time any amendment to this Agreement is proposed under 14.1, provided such Person had the status required to be an Indemnified Person at the time of the relevant actions referenced in the Proceeding.

"Investor" means any Unitholder holding Class A Units. For clarity, the Manager shall not be an Investor with respect to its Class B Units.

"Investor Member" means any Investor that is a Member.

"Joinder Agreement" means an agreement by which a Person becomes a party to, and bound by, this Agreement in form and substance approved by the Manager.

"Liquidator" is defined in Section 12.3(a).

"Majority-in-Interest" means Members who own collectively more than 50% of the Class A Units owned by Members.

"Manager" means Naphtali Energy, LLC, a Kansas limited liability company, and any Person who becomes a substituted Manager pursuant to this Agreement, in each case in such Person's capacity as Manager and for the period that such Person has such capacity.

"Member" means (a) each Person identified on the Members Schedule as of the date hereof as a Member and who has executed this Agreement or a counterpart thereof; and (b) and each Person who is hereafter admitted as a Member in accordance with the terms of this Agreement and the Act, in each case so long as such Person is shown on the Company's books and records as the owner of one or more Units. The Members shall constitute the "members" (as that term is defined in the Act) of the Company.

"Members Schedule" has the meaning set forth in Section 3.2.

"Membership Interests" means the right of Members and Assignees to receive allocations of profits and losses and distributions and other rights and obligations under this Agreement or the Act, and are represented by the Units.

"Net Loss" has the meaning set forth in **Appendix A**.

"Net Profit" has the meaning set forth in **Appendix A**.

"Nonrecourse Deduction" has the meaning set forth in **Appendix A**.

"Nonrecourse Liability" has the meaning set forth in **Appendix A**.

"Organizational Expenses" means all legal, organizational and offering expenses incurred in the formation of the Company.

"Partner Nonrecourse Debt" has the meaning set forth in **Appendix A**.

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in **Appendix A**.

"Partner Nonrecourse Deductions" has the meaning set forth in **Appendix A**.

"Partnership Representative" is defined in Section 9.5(b).

"Permitted Transfer" means any transfer of a Unit that is made in compliance with Section 10.1, Section 10.2 and, except for transfers in accordance with Section 10.2, Section 10.3.

"Person" shall include individuals, corporations, limited partnerships, general partnerships, limited liability companies, joint stock companies or associations, joint ventures, associations, consortia, companies, trusts, banks, trust companies, land trusts, common law trusts, business trusts or other entities and governments and agencies and political subdivisions thereof.

"Proceeding" means (a) any threatened, pending, or completed action or other proceeding, whether civil, criminal, administrative, arbitrative, or investigative; (b) an appeal of any such proceeding; and (c) an inquiry or investigation that could lead to any such proceeding.

"Prohibited Transfer" means any transfer (or attempted transfer), including involuntary transfers (or attempted transfers) and transfers (or attempted transfers) by operation of law, of a Unit that is not a Permitted Transfer.

"Push Out Election" has the meaning set forth in Section 9.5(e).

"Reviewed Year" has the meaning set forth in Section 9.5(f).

"Simulated Depletion" has the meaning set forth in **Appendix A**.

"Simulated Gain" has the meaning set forth in **Appendix A**.

"Simulated Loss" has the meaning set forth in **Appendix A**.

"Subscription Agreement" means the agreement by which a Person subscribes for Units whereby upon the acceptance by the Manager, the Units are sold by the Company and purchased by such Person.

"Subsidiary" means, with respect to any Person, any other Person of which a majority of the outstanding shares or other equity interests having the power to vote for directors or comparable managers are owned, directly or indirectly, by the first Person.

"Successor Manager" means any Person succeeding the Manager pursuant to ARTICLE XI.

"Super Majority Vote" means the affirmative vote of Members holding more than 75% of the outstanding Class A Units held by Members.

"transfer" when used in this Agreement in reference to a transfer of a Unit, means an assignment (whether voluntarily, involuntarily, or by operation of law and whether or not effective under this Agreement) of all or any portion of a Unit, or any interest therein, to another Person, and includes a sale, assignment, conveyance, gift, exchange, abandonment, or other disposition, a transfer by merger or other business combination, a transfer pursuant to Bankruptcy, insolvency, incapacity, divorce, or death, and any pledge, hypothecation, or other encumbrance. A change of Control of any Investor constitutes a transfer of the Unit(s) held by such Investor.

"Treasury Regulations" means the Treasury regulations promulgated under the I.R.C.

"Unit" means a unit representing a fractional part of the Membership Interests of Unitholders; provided, that any type or class of Unit shall have the privileges, preference, duties, liabilities, obligations and rights set forth in this Agreement.

"Unitholder" means an Member or an Assignee.

"Unreturned Capital Contributions" means with respect to each Unit, the aggregate of all Capital Contributions made with respect to such Unit, less the aggregate of all prior distributions with respect to such Unit pursuant to Sections 6.2(a)(i) and 6.2(b)(i).

"Unreturned Discounts" means with respect to each Unit, the Base Per Unit Price, less the aggregate of all prior distributions with respect to such Unit pursuant to Sections 6.2(a)(i), 6.2(b)(i) and 6.2(b)(ii).

1.2. **Usage**. In this Agreement, unless a clear contrary intention appears: (a) the singular number includes the plural number and vice versa; (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (c) reference to any gender includes the other gender and the neuter; (d) reference to any agreement or other document means such agreement or other document as amended or modified and in effect from time to time; (e) reference to any statute, regulation, or other legal requirement means such legal requirement as amended, modified, codified, replaced, or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any legal requirement means that provision of such legal requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (f) "hereunder," "hereof," "hereto," and words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other provision hereof; (g) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (h) "or" is used in the inclusive sense of "and/or"; (i) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and (j) references to agreements or other documents refer as well to all addenda, exhibits, schedules or amendments thereto.

ARTICLE II
ORGANIZATION

2.1. **Formation**.

(a) The Company was formed on February 3, 2025, pursuant to the provisions of the Act, upon the filing of the Articles of Organization with the Secretary of State of the State of Kansas.

(b) This Agreement shall constitute the "operating agreement" (as that term is used in the Act) of the Company. The rights, powers, duties, obligations and liabilities of the Unitholders shall be determined pursuant to the Act and this Agreement. To the extent that the rights, powers, duties, obligations and liabilities of any Unitholder are different by reason of any provision of this Agreement than they would be under the Act in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2. **Name**. The name of the Company is "51 Upstream Energy Fund VII, LLC" or such other name or names as the Manager may from time to time designate; provided, that the name shall always contain the words

"Limited Liability Company" or the abbreviation "L.L.C." or the designation "LLC." The Manager shall give prompt notice to each of the Members of any change to the name of the Company.

2.3. **Principal Office**. The principal office of the Company is located at 2812 W. 47th Ave., 2nd Floor, Kansas City, KS 66103, or such other place as may from time to time be determined by the Manager. The Manager shall give prompt notice of any such change to each of the Members.

2.4. **Registered Office; Registered Agent**.

(a) The registered office of the Company shall be the office of the initial registered agent named in the Articles of Organization or such other office (which need not be a place of business of the Company) as the Manager may designate from time to time in the manner provided by the Act and Applicable Law.

(b) The registered agent for service of process on the Company in the State of Kansas shall be the initial registered agent named in the Articles of Organization or such other Person or Persons as the Manager may designate from time to time in the manner provided by the Act and Applicable Law.

2.5. **Purpose; Powers**. The purpose of the Company is to acquire oil and gas assets in non-operated producing wells, as well as leasehold and mineral acreage, in the "Lower 48" states of the United States, and participate in the potential development of production on leasehold and mineral acreage interests acquired ("Company Investments") and to engage in such other lawful acts or activities for which limited liability companies may be organized under the laws of the State of Kansas, as the Manager may determine from time to time, and in general to carry on any other acts in connection with or arising out of the foregoing and to have and exercise all powers that are available to limited liability companies formed under the Act and to do any or all of the things herein set forth to the same extent as natural persons might or could do.

2.6. **Term**. The term of the Company commenced on the date the Articles of Organization were filed with the Secretary of State of the State of Kansas and shall continue in existence perpetually until the Company is dissolved in accordance with the provisions of this Agreement.

2.7. **No State-Law Partnership**. The Unitholders intend that the Company shall be treated as a partnership for federal and, if applicable, state and local income tax purposes, and, to the extent permissible, the Company shall elect to be treated as a partnership for such purposes. The Company and each Unitholder shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment and no Unitholder shall take any action inconsistent with such treatment. The Unitholders intend that the Company shall not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Unitholder, Manager or Officer of the Company shall be a partner or joint venturer of any other Unitholder, Manager or Officer of the Company, for any purposes other than as set forth in the first sentence of this Section 2.7.

ARTICLE III
UNITS

3.1. **Units Generally**. The Membership Interests shall be represented by Units, which shall have the privileges, preference, duties, liabilities, obligations and rights, including voting rights, if any, set forth in this Agreement.

3.2. **Issuance of Units**. The Manager may issue Class A Units periodically upon proper payment for said Units in accordance with the terms of this Agreement and the Subscription Agreement with respect to such Units. Each Unit when duly issued and outstanding shall have the rights and obligations of such Unit as set forth in this Agreement. The Manager shall maintain a schedule of the names and addresses of the Members and Assignees, the number of Units held by them and the amount of their capital contributions (the "Members Schedule") and shall update the Members Schedule upon the issuance or transfer of any Units to any new or existing Unitholder.

ARTICLE IV

MEMBERS

4.1. **Admission of New Members**.

(a) New Members may be admitted from time to time (i) in connection with an issuance of Units by the Company and (ii) in connection with a Transfer of Units, subject to compliance with the provisions of ARTICLE X, and in either case, following compliance with the provisions of Section 4.1(b).

(b) In order for any Person not already a Member of the Company to be admitted as a Member, whether pursuant to an issuance or transfer of Units, such Person shall have executed and delivered to the Company a Subscription Agreement or a Joinder Agreement. Upon the amendment of the Members Schedule by the Manager and the satisfaction of any other applicable conditions, including, if a condition, the receipt by the Company of payment for the issuance of the applicable Units, such Person shall be admitted as a Member and deemed listed as such on the books and records of the Company and thereupon shall be issued his, her or its Units. The Manager shall also adjust the Capital Accounts of the Unitholders as necessary in accordance with **Appendix A**.

4.2. **No Personal Liability**. Except as otherwise provided in the Act, by Applicable Law or expressly in this Agreement, no Unitholder will be obligated personally for any debt, obligation or liability of the Company or of any Company Subsidiaries or other Unitholders, whether arising in contract, tort or otherwise, solely by reason of being a Member or Assignee.

4.3. **Voting**. Except as otherwise provided by this Agreement or as otherwise required by the Act or Applicable Law, each Member shall be entitled to one vote per Class A Unit on all matters upon which the Members have the right to vote under this Agreement.

4.4. **Meetings**.

(a) Calling the Meeting. Meetings of the Members may be called by (i) the Manager or (ii) by a Member or group of Members holding more than 30% of the then-outstanding Class A Units. All holders of Units shall have the right to attend meetings of the Members.

(b) Notice. Written notice stating the place, date and time of the meeting and, in the case of a meeting of the Members not regularly scheduled, describing the purposes for which the meeting is called, shall be delivered not fewer than ten (10) days and not more than thirty (30) days before the date of the meeting to each Member, by or at the direction of the Manager or the Member(s) calling the meeting, as the case may be. The Members may hold meetings at the Company's principal office or at such other place as the Manager or the Member(s) calling the meeting may designate in the notice for such meeting.

(c) Participation. Any Member may participate in a meeting of the Members by means of conference telephone or other communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Vote by Proxy. On any matter that is to be voted on by Members, a Member may vote in person or by proxy, and such proxy may be granted in writing, by means of Electronic Transmission or as otherwise permitted by Applicable Law. Every proxy shall be revocable in the discretion of the Member executing it unless otherwise provided in such proxy; provided, that such right to revocation shall not invalidate or otherwise affect actions taken under such proxy prior to such revocation.

(e) Conduct of Business. The business to be conducted at such meeting need not be limited to the purpose described in the notice; provided, that the Members shall have been notified of the meeting in accordance with Section 4.4(b). Attendance of a Member at any meeting shall constitute a waiver of notice of such meeting, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

4.5. **Quorum and Voting**. A quorum of any meeting of the Members shall require the presence of the Members holding a majority of the Class A Units held by all Members. Subject to Section 4.6, no action at any meeting may be taken by the Members unless the appropriate quorum is present. Except as set forth in this Agreement, the affirmative vote or approval of the Members holding a Majority-in-Interest at a meeting at which a quorum is present shall be the act of the Members.

4.6. **Action Without Meeting**. Notwithstanding the provisions of Section 4.5, any matter that is to be voted on, consented to or approved by Members may be taken without a meeting, without prior notice and without a vote if consented to, in writing or by Electronic Transmission, by a Member or Members holding not less than the minimum number of Class A Units that would be necessary to authorize or take such action at a meeting and the Manager. If the action taken by consent is not unanimous, prompt notice thereof must be given to those Members who have not consented in writing. A record shall be maintained by the Manager of each such action taken by written consent of a Member or Members.

4.7. **Power of Members**. The Members shall have the power to exercise any and all rights or powers granted to Members pursuant to the express terms of this Agreement and the Act. Except as otherwise specifically provided by this Agreement or required by the Act, no Member, in its capacity as a Member, shall have the power to act for or on behalf of, or to bind, the Company.

4.8. **No Interest in Company Property**. No real or personal property of the Company shall be deemed to be owned by any Unitholder individually, but shall be owned by, and title shall be vested solely in, the Company. Without limiting the foregoing, each Unitholder hereby irrevocably waives during the term of the Company any right that such Unitholder may have to maintain any action for partition with respect to the property of the Company.

ARTICLE V
CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS

5.1. **Initial Capital Contributions**. Contemporaneously with the subscription for Units, each Unitholder shall make the Capital Contribution described in such Unitholder's subscription agreement.

5.2. **Additional Capital Contributions**. A Unitholder is not required to make additional Capital Contributions, and has no right to make additional Capital Contributions unless the Manager approves such additional Capital Contribution.

5.3. **Maintenance of Capital Accounts**. The Company shall establish and maintain for each Unitholder a separate capital account on its books and records in accordance with **Appendix A**.

5.4. **Negative Capital Accounts**. In the event that any Unitholder shall have a deficit balance in his, her or its Capital Account, such Unitholder shall have no obligation, during the term of the Company or upon dissolution or liquidation thereof, to restore such negative balance or make any Capital Contributions to the Company by reason thereof, except as may be required by Applicable Law or in respect of any negative balance resulting from a withdrawal of capital or dissolution in contravention of this Agreement.

5.5. **No Withdrawal**. No Unitholder shall be entitled to withdraw any part of his, her or its Capital Account or to receive any Distribution from the Company, except as provided in this Agreement. No Unitholder shall receive any interest, salary or drawing with respect to its Capital Contributions or its Capital Account, except as otherwise provided in this Agreement. The Capital Accounts are maintained for the sole purpose of allocating items of income, gain, loss and deduction among the Unitholders and shall have no effect on the amount of any Distributions to any Unitholders, in liquidation or otherwise.

5.6. **Treatment of Loans From Unitholders**. Loans by any Unitholder to the Company shall not be considered Capital Contributions and shall not affect the maintenance of such Unitholder's Capital Account.

5.7. **Modifications**. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Section 1.704-1(b) of the Treasury Regulations and

shall be interpreted and applied in a manner consistent with such Treasury Regulations. If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any increases or decreases to the Capital Accounts, are computed in order to comply with such Treasury Regulations, the Manager may authorize such modifications.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

6.1. **Allocation of Net Income and Net Loss**. Company profits and losses shall be allocated among the Unitholders in accordance with the provisions of **Appendix A**.

6.2. **Distributions**. Subject to Section 6.3:

(a) ***Cash Flow Distributions***. Except otherwise provided in Sections 6.2(b) and 12.3 relating to liquidating distributions, any Distribution shall be distributed as follows:

(i) 70% to the holders of Class A Units in proportion to the number of Class A Units held by them; and

(ii) 30% to the holders of Class B Units in proportion to the number of Class B Units held by them.

(b) ***Liquidating Distributions***. Liquidating distributions shall be distributed as follows:

(i) first, 100% to the holders of Class A Units in proportion to their Unreturned Capital Contributions with respect to such Class A Units until such holders have received, on a cumulative basis, taking into account all prior distributions (including distributions pursuant to Section 6.2(a)(i) and this Section 6.2(b)(i)) an aggregate amount equal to their Capital Contributions;

(ii) second, 100% to the holders of Class A Units (in proportion to their Unreturned Discounts) until such holders have received, on a cumulative basis, taking into account all prior distributions (including distributions pursuant to Section 6.2(a)(i), Section 6.2(b)(i) and this Section 6.2(b)(ii)) an aggregate amount equal the sum of the Base Price Per Unit multiplied by the number of Class A Units held by the holders of Class A Units; and

(iii) thereafter, (A) 70% t to the holders of Class A Units in proportion to the number of Class A Units held by them and (B) 30% to the holders of Class B Units in proportion to the number of Class B Units held by them.

6.3. **Withholding and Tax Adjustments**. The Company shall withhold from distributions, or pay on behalf of a Unitholder, all amounts that the Manager determines the Company is required to withhold or pay on behalf of such Person (including federal and state income tax withholding). All amounts so withheld from distributions are deemed to have been distributed to the Person otherwise entitled to receive the amount so withheld. To the extent an amount is paid by the Company on behalf of a Unitholder but not withheld from a distribution, the amount paid shall be treated as an advance against distributions to which such Unitholder would otherwise be entitled. To the extent that any taxes imposed on the Company as an entity, including any "imputed underpayment" within the meaning of I.R.C. § 6225 (as in effect following the Bipartisan Budget Act of 2015), are reduced (or increased) by reason of the holding of an interest by any Unitholder, the distributions to such Unitholder shall be increased (or reduced) relative to the amounts otherwise determined in order to take into account the reduction (or increase) in Company taxes, as determined by the Manager in good faith.

6.4. **Limitation on Distributions**. The Company may not make a distribution to a Unitholder to the extent that, after giving effect to the distribution, all liabilities of the Company, other than liabilities to Unitholders on account of their Units, exceed the fair value of the Company Assets. The Unitholders shall look solely to the assets of the Company for any distributions, including liquidating distributions. If the assets of the Company remaining after

the payment or discharge, or the provision for payment or discharge, of the Unitholder liabilities are insufficient to make any distributions, no Unitholder has any recourse against the separate assets of any other Unitholder.

6.5. **No Right to Partition or Distributions in Kind**. No Unitholder has any right, and waives any right that it might otherwise have, to cause any Company property to be partitioned and/or distributed in kind.

6.6. **Recovery of Erroneous Distributions**. If the Company has, pursuant to any clear and manifest accounting or similar error, distributed to any Unitholder an amount in excess of the amount to which the Unitholder is entitled pursuant to this Agreement, the Unitholder shall reimburse the Company to the extent of such excess, without interest, within 30 days after demand by the Company.

6.7. **Tax Withholding**. Notwithstanding any other provision of this Agreement, the Manager is authorized to take any action that it determines to be necessary or appropriate to cause the Company to comply with any federal, state, local and foreign withholding requirement with respect to any allocation, payment or distribution by the Company to any Unitholder or other person. All amounts withheld for such purposes shall be treated as Distributions to the Unitholders to which such amounts would have been distributed but for the withholding. If any such withholding requirement with respect to any Unitholder exceeds the amount distributable to such Unitholder under this Agreement or if any withholding requirement was not satisfied with respect to any amount previously allocated or distributed to the Unitholder, such Unitholder will reimburse the Company for such excess amount or such withholding requirement, as the case may be.

ARTICLE VII
MANAGEMENT

7.1. **Establishment of the Manager**. The business and affairs of the Company shall be managed, operated and controlled by or under the direction of the Manager, and the Manager shall have, and is hereby granted, the full and complete power, authority and discretion for, on behalf of and in the name of the Company, to take such actions as it may in its sole discretion deem necessary or advisable to carry out any and all of the objectives and purposes of the Company, subject only to the terms of this Agreement. Except as otherwise provided in this Agreement, all actions that the Manager may take and all determinations that the Manager may make pursuant to this Agreement may be taken and made in the absolute discretion of the Manager. Without limiting the generality of the foregoing, and subject to the limitations set forth in this Agreement and the Act, the Manager shall have the power and authority to:

(a) To enter into and execute any agreements in connection with the acquisition, sale, exploration, development or operation of oil and gas properties and any and all other instruments or documents considered by the Manager to be necessary or appropriate to carry on and conduct the business of the Company, for such consideration and on such terms as the Manager in its sole discretion may determine, and to cause the obligations of the Company thereunder to be performed;

(b) To purchase or otherwise acquire real or personal property of every nature reasonably necessary to carry on and conduct the business of the Company;

(c) To borrow money, for specific or general purposes, from the Manager or third parties, including Affiliates of the Manager, on terms and conditions deemed by the Manager to be in the best interests of the Company and to pledge, assign, mortgage or otherwise subject to a security interest Company assets and income as security for such borrowings;

(d) To make and enter into such agreements and contracts with such parties and to give such receipts, releases and discharges with respect to any and all of the foregoing and any matters incident thereto, as the Manager may deem advisable or appropriate; and

(e) To pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend or compromise on behalf of the Company, upon such terms as the Manager may determine, and upon such

evidence as it may deem sufficient, any obligation, suit, liability, cause of action or claim, including a suit or claim for taxes, in favor of or against the Company; and

(f) The Members and Assignees (other than the Manager, in its capacity as the "manager" of the Company) may not take part in the management or control of the Company business or bind the Company. The Members and Assignees, as such, shall not have the right to vote or otherwise consent or withhold consent to any actions taken by the Manager except with respect to such matters as are expressly stated in this Agreement.

7.2. **Employees and Agents**. The Manager may cause the Company to hire employees and agents, and may delegate to such Persons any of its authority hereunder, as the Manager deems appropriate for the conduct of the Company's business. The Manager may establish offices and appoint officers of the Company as the Manager deems appropriate. The officers may be appointed for such terms and may exercise such powers and authority and perform such duties as determined by the Manager. An officer need not be a Member or Assignee. Any two or more offices may be held by the same person. An officer may be removed, with or without cause, at any time by the Manager. Each officer will hold office until his successor is chosen and is qualified in his stead or until his death, resignation, or removal from office. Any vacancy in an office because of death, resignation, removal, or otherwise may be filled by a Person appointed by the Manager. An officer has the same fiduciary duties as a Manager as described in 7.5.

7.3. **Reliance**. Persons dealing with the Company may rely conclusively on the authority of the Manager as set forth in this Agreement. Every document executed by the Manager with respect to any business or property of the Company is conclusive evidence in favor of any Person relying on the document that (a) at the time of the execution and delivery of the document this Agreement was effective, (b) the document was executed in accordance with this Agreement and is binding on the Company, and (c) the Manager was authorized to execute and deliver the document on behalf of the Company.

7.4. **Compensation and Expenses**. Members and Assignees are not entitled to any salary, fee, or other remuneration (other than distributions with respect to the Unitholder's Membership Interest) for providing property or services or other consideration to or for the benefit of the Company in their capacity as a Member or Assignee, except that the Company shall pay to the Manager the Acquisition Fee and reimburse the Manager for all Organizational Expenses and Company Expenses. This 7.4 does not limit the Company's ability to enter into transactions with Members in their capacities other than as Members in accordance with 7.5(c).

7.5. **Standards of Conduct.**

(a) In General. The Manager shall manage and conduct the Company's business in good faith and in a manner the Manager reasonably believes to be in the Company's best interest. The Manager does not violate this 7.5(a) unless the Manager engages in the improper conduct described in 8.2(a).

(b) Outside Activities. The Manager shall devote to the Company's affairs only such time and resources as the Manager deems necessary for the conduct and winding up of the Company business. A Member (including the Manager) or Assignee may engage in or have an interest in other business ventures of every nature and description, independently or with others, including the ownership and operation of businesses similar to or in competition with, directly or indirectly, the Company. Neither the Company nor any Unitholder has, solely as a result of such Person's interest in the Company, any right to acquire any rights in or to any such other business venture or to the income or profits derived from any such other business venture. A Member (including the Manager) or Assignee has no duty to disclose any such similar or competing business venture to the Company or any Unitholder, or to offer the Company any prior opportunity to acquire an interest in such other business venture.

(c) Related Party Transactions. Except as otherwise provided in this Agreement, the Manager, when acting on behalf of the Company, may purchase property from, sell property to, or otherwise deal with any Unitholder, acting on its own behalf, or any Affiliate of any Unitholder, but any such transaction shall be on terms that are no less favorable to the Company than if the transaction had been entered into with an independent third party. No provision of this Agreement requires disclosure of any transaction to, and approval of the transaction by, any disinterested governing persons of the Company or the Members.

7.6. **No Personal Liability**. Except as otherwise provided in the Act, by Applicable Law or expressly in this Agreement, the Manager will not be obligated personally for any debt, obligation or liability of the Company or of any Company Subsidiaries, whether arising in contract, tort or otherwise, solely by reason of being the Manager.

ARTICLE VIII
EXCULPATION AND INDEMNIFICATION

8.1. **Limitation of Liability**. The Manager and each Affiliated Person shall not be liable, responsible nor accountable for any loss, damage, expense, or other liability to the Company or any Partner, or to any successor, assignee or transferee of the Company or of any Partner, for: (a) any breach of fiduciary duties arising under this Agreement, the Act or any law under which fiduciary duties are not mandatory or are waivable, which such fiduciary duties are expressly waived by the parties to this Agreement; (b) any acts performed or the omission to perform any acts, fiduciary or otherwise, within the scope of the authority conferred on the Manager or any Affiliated Person by this Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; (c) performance by the Manager or any Affiliated Person of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the Company; (d) the fraud, gross negligence, dishonesty, bad faith, or other willful misconduct of any consultant, employee, or agent of the Company, including, without limitation, an Affiliated Person of the Manager, selected or engaged by the Manager or an Affiliated Person with reasonable care and in good faith; or (e) the fraud, gross negligence, dishonesty, bad faith, or other willful misconduct of any entities or associated Persons of such entities that control any of the Company Investments. The Manager and each Affiliated Person shall not be liable to the Company or to any Partner, or any successors, assignees, or transferees of the Company or any Partner, for any loss, damage, expense, or other liability due to any cause beyond its reasonable control, including, but not limited to, strikes, labor troubles, riots, fires, blowouts, tornadoes, floods, bank moratoria, trading suspensions on any exchange, acts of a public enemy, insurrections, acts of God, pandemics, acts of terrorism, failures to carry out the provisions hereof due to prohibitions imposed by law, rules, or regulations promulgated by any governmental agency, or any demand or requisition by any government authority.

8.2. **Indemnification by Company**

(a) To the fullest extent permitted by law, the Company, in the Manager's sole discretion, may indemnify and hold harmless each Indemnified Person, from and against any for any loss, damage, expense, or other liability suffered or sustained by an Indemnified Person by reason of any acts, omissions or alleged acts or omissions arising out of or in connection with the Company, this Agreement or any Company Investment made or held by the Company (including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened Proceeding), provided that such acts, omissions or alleged acts or omission upon which such actual or threatened action, proceeding or claim are based are not found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct, or gross negligence by such Indemnified Party, or a violation of applicable laws as to which a limitation of liability or indemnification is not permitted.

(b) The Company may, in the sole discretion of the Manager, advance to any Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of such conduct. In the event that such an advance is made by the Company, the Indemnified Person shall agree to reimburse the Company for such fees, costs and expenses to the extent that it shall be determined that it was not entitled to indemnification under this Section 8.2.

(c) Notwithstanding the Company's express waiver of fiduciary claims herein, and any of the foregoing to the contrary, the provisions of this Section 8.2 shall not be construed to limit liability or to provide for the indemnification of any Indemnified Person for any liability (including liability under federal or state securities laws which, under certain circumstances, impose liability even on Persons that act in good faith), to the extent (but only to the extent) that such limitation of liability or indemnification would be in violation of applicable law, but shall be construed to effectuate the provisions of this Section 8.2 to the fullest extent permitted by law.

(d) The right to indemnification conferred in this Section 8.2 is not exclusive of any other right that any Person may have or hereafter acquire under any statute, agreement, vote of Partners, or otherwise. The Company may maintain insurance to protect any Person against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under the Act.

8.3. **Survival**. The indemnities provided for in this Section 8.2 survive the transfer of an Indemnified Person's Units, the termination of the Person's status as the Manger or other status giving rise to classification as an Indemnified Person, and the termination of this Agreement and the Company.

ARTICLE IX

ACCOUNTING; TAX MATTERS

9.1. **Maintenance of and Access to Books and Records**. The Company shall maintain such books and records regarding the Company's business and properties as is reasonable, including all books and records required under the Act. Each Member shall have access to such books and records to the extent required by the Act during ordinary business hours to the extent and under the conditions provided in the Act. Assignees shall not be entitled to such access except as specifically required by the Act or Applicable Law. Notwithstanding the foregoing, the Manager may keep geophysical, geological and other similar data and information pertaining to the Company or the Company Investments, including, but not limited to, studies, maps, evaluations, interpretations and reports derived therefrom or related thereto, confidential considering the business interests of the Company and the Company Investments and/or condition such disclosure on the execution of a confidentiality agreement in a form approved by the Manager.

9.2. **Fiscal Year**. The Company shall adopt the calendar year as its fiscal year for financial and tax accounting purposes.

9.3. **Financial and Operating Reports**. Within 60 days after the end of each calendar quarter, the Manager shall deliver to each Member an quarterly report containing a general description of the Company's activities during such fiscal quarter. Within 120 days after the end of each fiscal year, the Manager shall deliver to each Member an annual report containing the following:

(a) a Company balance sheet as of the end of such fiscal year, and Company income statements;

(b) a general description of the Company's activities during such fiscal year; and

(c) a statement of changes in the Member's Capital Account (showing the balance in the Member's Capital Account as of the beginning of the fiscal year, contributions or distributions during the year, allocations of profits and losses during the year, any other adjustments to the Capital Account balances during the year, and the balance in the Capital Account as of the end of the year).

9.4. **Tax Reports**. Not later than the date (including extensions) for filing the Company's tax return with the Internal Revenue Service (Form 1065), the Manager shall deliver to each Person who was a Unitholder at any time during the period covered by the return all information necessary for the preparation of such Person's United States federal income tax returns, including a Form 1065 Schedule K-1 (if applicable). Upon the written request of any Unitholder, the Manager shall deliver to such Person information necessary for the preparation of any tax returns that must be filed by such Person, including information necessary for estimating and paying estimated taxes.

9.5. **Partnership Representative.**

(a) For purposes of this section, unless otherwise specified, all references to provisions of the I.R.C. shall be to such provisions as enacted by the Bipartisan Budget Act of 2015 as such provisions may subsequently be modified (the "BBA").

(b) The Manager is hereby appointed and designated as the Company's designated "partnership representative" within the meaning of I.R.C. § 6223 (the "Partnership Representative") with sole authority to act on behalf of the Company for purposes of Subchapter C of Chapter 63 of the I.R.C. and any comparable provisions of state or local income tax laws. In the event the Partnership Representative fails, ceases or is unable, to act, a Majority-in-Interest may remove and /or appoint a replacement Partnership Representative. The Partnership Representative shall provide the Unitholders within ten (10) days of the receipt a copy of any (i) notice of administrative proceeding initiated by the Internal Revenue Service, (ii) any notice of proposed partnership adjustment and (iii) notice of final partnership adjustment (all as described in I.R.C. § 6231(a)). The Partnership Representative shall keep the Unitholders reasonably informed of actions taken, the status, the issues and the resolution of any partnership administrative audit adjustment proceeding.

(c) If the Company qualifies to elect pursuant to I.R.C. § 6221(b) (or successor provision) to have Subchapter C of Chapter 63 of the I.R.C. not apply to any federal income tax audits and other proceedings, the Partnership Representative shall cause the Company to make such election.

(d) If the Partnership Representative receives a notice of proposed partnership adjustment (as described in I.R.C. § 6231(a)) with respect to the Company, the Partnership Representative shall promptly notify the Unitholders upon the receipt of such notice, and shall take such reasonable actions (including those as may be directed by a Majority-in-Interest in writing), including the modification of any "imputed underpayment" (as defined in I.R.C. § 6225) pursuant to I.R.C. § 6225(c)(2)(A), 6225(c)(2)(B), 6625(c)(3), 6225(c)(4) or the modifications under I.R.C. § 6625(c)(5) and 6625(c)(6) . The Unitholders agree to take such actions as reasonably requested by the Partnership Representative, including timely filing amended tax returns and paying any tax due in accordance with any applicable provisions of I.R.C. § 6225, within 240 days of the notice of proposed partnership adjustment, so as to allow the Company to submit its required information to the Internal Revenue Service within 270 days of the date of said notice of proposed partnership adjustment.

(e) If the Partnership Representative receives a notice of final partnership adjustment (as described in I.R.C. § 6231(a)), the Partnership Representative is expressly authorized to make the election under I.R.C. § 6626 (the "Push Out Election") and may file a petition to the United States Tax Court contesting such final partnership adjustment. The Partnership Representative may also cause the Company to pay the amount of the imputed underpayment pursuant to such final partnership adjustment, with the right if it deems advisable to file a petition for refund in the United States District Court or the Court of Federal Claims.

(f) If any "partnership adjustment" (as defined in I.R.C. § 6241(2)) is finally determined with respect to the Company and the Partnership Representatives has not caused the Company to make the Push Out Election under I.R.C. § 6226, then any "imputed underpayment" (as determined in accordance with I.R.C. § 6225) or partnership adjustment that does not give rise to an imputed underpayment, shall be apportioned among the Unitholders of the Company for the taxable year in which the adjustment is finalized in such manner as may be necessary (as determined by the Partnership Representative in good faith) so that, to the maximum extent possible, the tax and economic consequences of the partnership adjustment and any associated interest and penalties are borne by the Unitholders based upon their interests in the Company for the tax year under audit ("Reviewed Year"). In addition, the Unitholders agree that the Partnership Representative shall have the authority to require any Unitholder of the Company during the Reviewed Year(s) (including those who have subsequently transferred their Units) to reimburse the Company for their share of the imputed underpayment within ten (10) days of demand therefor by the Partnership Representative. Each Unitholder during a Reviewed Year(s) who is obligated to reimburse the Company under the foregoing provisions shall indemnify and hold harmless the Company for such Unitholder's allocable share of the amount of such imputed underpayment, including any interest and penalties associated therewith.

(g) The Partnership Representative shall have the authority to make an administrative adjustment request provided for in I.R.C. § 6227 consistent with the principles and limitations set forth in the foregoing provision for partnership adjustments of the Company, and the Unitholders shall take such actions

reasonably requested by the Partnership Representative in furtherance of such administrative adjustment request.

(h) The obligations of each Unitholder or former Unitholder under this Section 9.5 shall survive the transfer or redemption by such Unitholder of its Units and the termination of this Agreement or the dissolution of the Company.

9.6. **Tax Returns**. At the expense of the Company, the Manager (or any Officer that it may designate) shall endeavor to cause the preparation and timely filing (including extensions) of all tax returns required to be filed by the Company pursuant to the I.R.C. as well as all other required tax returns in each jurisdiction in which the Company and the Company Subsidiaries own property or do business. As soon as reasonably possible after the end of each Fiscal Year, the Manager or designated Officer will cause to be delivered to each Person who was a Unitholder at any time during such Fiscal Year, IRS Schedule K-1 to Form 1065 and such other information with respect to the Company as may be necessary for the preparation of such Person's federal, state and local income tax returns for such Fiscal Year.

9.7. **Company Funds**. All funds of the Company shall be deposited in its name, or in such name as may be designated by the Manager, in such checking, savings or other accounts, or held in its name in the form of such other investments as shall be designated by the Manager. The funds of the Company shall not be commingled with the funds of any other Person. All withdrawals of such deposits or liquidations of such investments by the Company shall be made exclusively upon the signature or signatures of such Officer or Officers as the Manager may designate.

ARTICLE X
TRANSFER

10.1. **Limitation on Transfer of Units**.

(a) Except for transfers in accordance with 10.2, no Investor shall transfer any Units held by such Investor except with the prior written consent of the Manager.

(b) An Investor shall not assign, sell, transfer or otherwise dispose of fewer than all of such Investor's Units. In addition, no Investor shall transfer any Units:

(i) unless such transfer is exempt from registration under the Securities Act and all applicable state securities laws, and the Company (if requested by the Manager) has received an opinion of counsel satisfactory to the Manager that the transfer may be made without registration under all applicable federal and state securities laws;

(ii) if such transfer would, in the opinion of counsel to the Company, cause (A) the Company to be required to register as an investment company under the Investment Company Act of 1940, as amended, (B) a termination of the Company as a partnership for tax purposes, (C) the Company to be treated as a "publicly traded partnership" under the I.R.C., or (D) the Company to be deemed "plan assets" as defined under the Employee Retirement Income Security Act of 1974, as amended, or its accompanying regulations or result in any "prohibited transaction" thereunder involving the Company;

(iii) unless the Manager receives a copy of the instrument effecting such transfer and the transferee shall execute and deliver to the Manager a Joinder Agreement.

Following compliance with this Section 10.1 and, if applicable, Sections 10.2 or 10.3, the transferee will be treated as a Member with respect to the Units transferred. The transferor shall be reimburse the Company for all legal fees and costs of the Company in connection with such transfer.

10.2. **Permitted Transfer**. Subject to Section 10.1(a), an Investor who is an individual shall be entitled to transfer all or a portion of his or her Units (a) by will or the laws of descent to spouses and lineal descendants, (b)

to a trust, the beneficiaries of which consist solely of such individual's spouse or lineal descendants, or (c) entities wholly owned by such individual's spouse or lineal descendants; provided that any such transfer shall not (without the consent of the Manager) relieve the transferor of his or her obligations to the Company in the event the trust or entity fails to perform such obligations.

10.3. **Right of First Refusal**. Except in connection with a transfer in accordance with Section 10.2 and without limiting the provisions of Section 10.1, no Class A Units may be sold to any third party (a Person other than the Manager) unless such Class A Units are first offered to the Manager (or its Affiliate) on the same, bona fide terms and conditions of the proposed sale to the third party. Written notice of the proposed sale and the offer shall be delivered to the Manager, and the Manager shall have 30 days from the receipt of notice to decide whether or not to purchase the Class A Units so offered. In the event the Manager (or its Affiliate) exercises its right to purchase the Class A Units, it shall make payment therefore within 60 days of its decision to purchase.

10.4. **Prohibited Transfer**.

(a) Except as otherwise required by law, any purported transfer of a Unit not in compliance with Section 10.1 and, if applicable, Sections 10.2 or 10.3, shall be void and need not be recognized by the Company and the Company and the Manager shall treat the transferor as continuing to be the owner of the Units purported to be transferred.

(b) In the event of a Prohibited Transfer of Units, the transferor and the transferee shall immediately provide notice of such Prohibited Transfer to the Manager. If, notwithstanding the provisions of 10.4, the Company is required by law to recognize a Prohibited Transfer, (i) the transferee shall be treated as an Assignee with respect to the Units transferred and may not be treated as a Member with respect to the Units transferred unless admitted as a Member with the consent of the Manager, (ii) such Assignee shall not be entitled to any of the rights granted to a Member, other than the rights to receive allocations of profits and losses and distributions with respect to the Units transferred, to transfer the Assignee's Units (subject to the conditions of this ARTICLE X), and to receive reports and information as specified in Section 9.1, (iii) the Assignee shall be bound by the limitations and obligations imposed on Unitholders under this Agreement irrespective of whether the Assignee has signed or otherwise adopted this Agreement; and (iv) the transferor and transferee with respect to a Prohibited Transfer shall be jointly and severally liable to the Company for, and shall indemnify and hold the Company harmless against, any expense, liability, or loss incurred by the Company (including reasonable legal fees and expenses) as a result of such transfer.

10.5. **Effective Date**. A Permitted Transfer of Units is effective as of the first day of the calendar month following the calendar month during which the Manager receives notice of such transfer (in such form and manner as the Manager may require) unless the Manager determines that the transfer should be effective as of an earlier or later date (for example, on any date the transfer is effective as a matter of state law, or where the notice of transfer specifies that the transfer is to be effective on a future date). Distributions with respect to transferred Units that are made before the effective date of the transfer shall be paid to the transferor, and distributions with respect to the transferred Units that are made after such date shall be paid to the transferee. Effective as of the effective date of a transfer of Units, the Manager shall amend the Members' Schedule as necessary to reflect such transfer. Neither the Company nor the Manager has any liability for making distributions to the Unitholders determined in accordance with this 10.5, whether or not the Manager or the Company has knowledge of any transfer of any Units.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF MEMBERS

11.1. **Withdrawal of Manager**. The Manager may withdraw without the consent of the Members and transfer all or a portion of its Class B Units to a third party, if it complies with the following conditions:

(a) Provides 90 days prior written notice to all Members of its intention to resign;

(b) States in such notice the name of the intended assignee who is to become the Successor Manager and other information reasonably appropriate to enable the Members to decide whether or not to approve the substitution by a Majority-in-Interest of such Units; and

(c) Obtains from the proposed successor Manager an agreement to be bound by all provisions of this Agreement.

11.2. **Removal of the Manager**. The Manager may be removed at any time for Cause by a Super Majority Vote, and a successor Manager shall be designated by a Majority-in-Interest. In such event, the Manager shall withdraw as Manager and the Company business shall be continued by the Successor Manager or Managers elected by the Members holding a Majority-in-Interest. Any such shall be conditioned on:

(a) the Successor Manager agreeing to pay to the removed Manager within 30 days after the date of removal a cash amount equal to the Fair Value of such Manager's Class B Units in exchange for the Manager's Class B Units; or

(b) That the Company shall pay to the removed Manager an amount equal to the Fair Value of such Manager's Class B Units in exchange for the Manager's Class B Units; provided that if cash payment to the removed Manager would result in insolvency of the Company or create severe liquidity problems, the Company shall grant to the removed Manager a promissory note in the amount of the Company's obligation under this section which shall bear interest at the current prime rate, for a term not to exceed two years.

11.3. **Withdrawal of Investors**. Except as otherwise specifically provided in this Agreement, no Investor shall have the right to withdraw; no Investor shall have the right to demand or receive property other than cash in return for such Investor's Capital Contributions; and, except as provided in this Agreement or under applicable law, no Investor shall have priority over any other Unitholder either as to the return of his Capital Contributions or as to profits or distributions. A Member shall not cease to be a Member as a result of the Bankruptcy of such Member or as a result of any other events specified in section 17-7689 of the Act. The death of any Member or Assignee shall not cause the dissolution of the Company. In such event the Company and its business shall be continued and the Units owned by the deceased Member shall automatically be Transferred to such Member's or Assignee's heirs; provided, that within a reasonable time after such transfer, the applicable heirs shall sign a Joinder Agreement.

11.4. **Removal of Investor Members**.

(a) An Investor Member may be removed as an Investor Member (in which case such Investor Member shall become an Assignee) by the Manager under the following circumstances:

(i) the Person has transferred or attempted to transfer all or a portion of its Units in a Prohibited Transfer;

(ii) the Investor Member fails to qualify as an Eligible Citizen;

(iii) the Person has materially breached the terms of this Agreement or any other material agreement with the Company; or

(iv) the Manager determines that the Person's status as a Member (or the Person's status as a holder of Units) violates or conflicts with any requirements, conditions, or guidelines contained in any opinion, directive, order, ruling, or regulation of any United States federal or state agency or judicial authority or contained in any United States federal or state statute.

(b) If the Manager proposes to remove an Investor Member pursuant to this Section 11.4, the Manager shall notify the Investor Member in writing of the proposed removal, and if applicable shall provide such Investor Member a reasonable opportunity (not to exceed 30 days) to cure the event giving rise to removal. The removal of the Investor Member shall be effective at such time as determined by the Manager.

(c) If an Investor Member is removed (or if an Assignee is subject to the circumstances described in 11.4(a)), the Manager (or its assignee) may exercise an option to repurchase such Investor's Units at a price equal to the Investor's Capital Contribution less the sum of: (i) the Investor's share of the Organizational Expenses; and (ii) distributions paid to such Investor up to and including the date of the exercise of such option.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

12.1. **Events of Dissolution**. The Company shall be dissolved and is affairs wound up only upon the occurrence of any of the following events:

(a) The determination of the Manager to dissolve the Company;

(b) An election to dissolve the Company made pursuant to the vote of the Members required by Section 4.3;

(c) The sale, exchange, involuntary conversion, or other disposition or transfer of all or substantially all the assets of the Company; or

(d) The entry of a decree of judicial dissolution pursuant to section 17-76,117 of the Act.

12.2. **Effectiveness of Dissolution**. Dissolution of the Company shall be effective on the day on which the event described in Section 12.1 occurs, but the Company shall not terminate until the winding up of the Company has been completed, the assets of the Company have been distributed as provided in Section 12.3 and the Articles of Organization shall have been cancelled as provided in Section 12.4.

12.3. **Liquidation**. If the Company is dissolved pursuant to Section 12.1, the Company shall be liquidated and its business and affairs wound up in accordance with the Act and the following provisions:

(a) Liquidator. The Manager, or, if the Manager is unable to do so, a Person selected by the holders of a Majority-in-Interest, shall act as liquidator to wind up the Company (the "Liquidator"). The Liquidator shall have full power and authority to sell, assign, and encumber any or all of the Company's assets and to wind up and liquidate the affairs of the Company in an orderly and business-like manner.

(b) Accounting. As promptly as possible after dissolution and again after final liquidation, the Liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable.

(c) Distribution of Proceeds. The Liquidator shall liquidate the assets of the Company and Distribute the proceeds of such liquidation in the following order of priority, unless otherwise required by mandatory provisions of Applicable Law:

(i) First, to the payment of all of the Company's debts and liabilities to its creditors (including Members, if applicable) and the expenses of liquidation (including sales commissions incident to any sales of assets of the Company);

(ii) Second, to the establishment of and additions to reserves that are determined by the Manager in its sole discretion to be reasonably necessary for any contingent unforeseen liabilities or obligations of the Company; and

(iii) Third, to the Members in accordance with the provisions of Section 6.2(b).

(d) Discretion of Liquidator. Notwithstanding the provisions of Section 12.3(c) that require the liquidation of the assets of the Company, but subject to the order of priorities set forth in Section 12.3(c), if upon dissolution of the Company the Liquidator determines that an immediate sale of part or all of the Company's assets would be impractical or could cause undue loss to the Unitholders, the Liquidator may defer the liquidation of any assets except those necessary to satisfy Company liabilities and reserves, and may, in its absolute discretion, Distribute to the Unitholders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 12.3(c), undivided interests in such Company assets as the Liquidator deems not suitable for liquidation. Any such Distribution in kind will be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operating of such properties at such time. For purposes of any such Distribution, any property to be Distributed will be valued at its Fair Market Value.

12.4. **Certificate of Cancellation**. Upon the completion of the winding up of the Company pursuant to this ARTICLE XII, the Company shall file a Certificate of Cancellation with the Secretary of State of the State of Kansas.

12.5. **Survival of Rights, Duties and Obligations**. Dissolution, liquidation, winding up or termination of the Company for any reason shall not release any party from any claim or loss which at the time of such dissolution, liquidation, winding up or termination already had accrued to any other party or which thereafter may accrue in respect of any act or omission prior to such dissolution, liquidation, winding up or termination.

12.6. **Recourse for Claims**. Each Unitholder shall look solely to the assets of the Company for all Distributions with respect to the Company, such Unitholder's Capital Account, and such Unitholder's share of Net Income, Net Loss and other items of income, gain, loss and deduction, and shall have no recourse therefor (upon dissolution or otherwise) against the Manager, the Liquidator or any other Unitholder.

ARTICLE XIIIVALUATION

13.1. **Fair Value of Company Property**. Except as set forth in Section 13.1, the "Fair Value" of an asset as of any date is its fair market value as determined by the Manager in good faith using any reasonable valuation method.

13.2. **Fair Value of Company Interest**. For purposes of any purchase of the Manager's Class B Units pursuant to Section 11.2, the "Fair Value" of the Manager Interest is its fair market value as determined by the Successor Manager (or, if there is no Successor Manager, by the Liquidator) in good faith based on the net proceeds that would be received with respect to the Manager's Class B Units in an arm's length sale of the Company to a willing buyer (without any discounts for minority interest, lack of transferability or the like). If the removed Manager does not agree with the Fair Value of the Manager's Class B Units as determined above, the removed Manager may submit to the Company a notice of objection within 30 days of the Assignee's receipt of the valuation notice. Within 15 days following receipt of the notice of objection, the Company and the removed Manager shall mutually agree upon and appoint a qualified appraiser. The appraiser shall determine the Fair Value of the Manager's Class B Units in accordance with the principles of this Section 13.2. The appraiser's determination of the Fair Value of the Manager's Class B Units shall be made within 30 days of his appointment (or such longer period as is reasonably required to complete the appraisal), and is final and binding on all concerned, absent manifest error. The cost of each appraisal shall be shared equally by the Company and the removed Manager. Interest shall be paid at the prime rate on any amount payable pursuant to Section 11.2 for the period from the date of removal of the Manager to the date the amount is paid.

ARTICLE XIV
MISCELLANEOUS

14.1. **Amendments**. Any amendment to this Agreement shall be effective only if the same shall be concurred to in writing by the Manager and a Majority-in-Interest of the Units; provided, however, that the Manager may, without such concurrence by a Majority-in-Interest: (a) amend the Members Schedule from time to time to reflect the admission and withdrawal of Investors, and (b) make minor and conforming amendments that do not adversely

affect the Unitholders in any material respect; provided, further that no amendment shall be made hereto without the concurrence of all Unitholders and the Manager that would result in the loss of any Unitholder's limited liability.

14.2. **Notice**. Notices, requests, reports or other communications required to be given or made hereunder shall be in writing and shall be deemed to be delivered when delivered by hand or when properly addressed and posted by U.S. Mail or national courier service to the party being given such notice at its last known address. Addresses shown on the Members Schedule shall be considered the last known address of each said party unless the Manager is otherwise notified in writing. Any notice to the Manager shall be given at the address shown as the Company's principal office.

14.3. **Governing Law; Consent to Jurisdiction**. All matters arising out of or relating to this Agreement, including the validity, enforceability, breach, or termination of this Agreement, shall be governed by, and this Agreement shall be interpreted and construed according to, the laws of the State of Kansas without regard to legal requirements that would require the application of the law of any other jurisdiction. Any Proceeding arising out of or relating to this Agreement or the Company's activities or properties may be brought in the state courts located in Johnson County, Kansas, or, if it has or can acquire jurisdiction, in the United States District Court for the Western District of Kansas. Each Member and Assignee irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the Proceeding shall be heard and determined only in any such court, and agrees not to bring any such Proceeding in any other court. The Company or any Unitholder may file a copy of this Agreement with any court as written evidence of the agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any Proceeding referred to in the second sentence of this section may be served on any party anywhere in the world. Service of process on any party in any such Proceeding may be made at the party's address as set forth in the Company's records, with notice of such service to such party as provided in 14.1.

14.4. **Waiver**. Any failure by a party to insist upon the strict performance of any covenant or condition of this Agreement, or to exercise any right or remedy upon a breach of any such covenant or condition, does not constitute waiver of any such covenant or condition or any breach thereof. A party will not be deemed to have waived any right or remedy under this Agreement unless that party has signed a written document to that effect, and any such waiver is applicable only with respect to the specific provision and instance for which it is given.

14.5. **Entire Agreement**. This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the agreement between the parties with respect to its subject matter. For the avoidance of doubt, this Agreement shall not supersede or override any written agreement containing representations or warranties, or covering other matters, in connection with the acquisition of an interest in the Company or admission as a Member.

14.6. **Successors and Assigns**. No Unitholder may assign any of its rights or delegate any of its obligations under this Agreement except as expressly permitted in this Agreement.

14.7. **Third-Parties**. Other than as provided in Section 7.3 (relating to reliance on authority of the Manager), ARTICLE VIII (relating to rights of Indemnified Persons), and Section 14.13 (relating to legal representation), none of the provisions of this Agreement are for the benefit of or enforceable by any creditors of the Company or other Persons not a party to this Agreement, except such benefits as inure to a successor or assign in accordance with 14.5.

14.8. **Severability**. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

14.9. **Construction**. The language in all parts of this Agreement is to be construed according to its fair meaning and is not to be strictly construed for or against any party. Nothing in this Agreement is to be construed as authorizing or requiring any action that is prohibited by the Act or other applicable law, or as prohibiting any action

that is required by the Act or other applicable law. The exhibits and attachments referred to in this Agreement constitute an integral part of this Agreement and shall be given effect as such.

14.10. **Execution of Agreement**. This Agreement may be executed in counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which together constitute one agreement. Any signature to this Agreement evidenced by a facsimile or other electronic transmission of such signature shall be binding on the parties to the same extent as if such signature were an original.

14.11. **Further Assurances**. The parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be reasonably necessary or appropriate to achieve the purposes of this Agreement.

14.12. **Power of Attorney**.

(a) Each Unitholder appoints the Manager (including any Successor Manager) and the Liquidator severally with full power of substitution, as the true and lawful attorney-in-fact for such Unitholder, and authorizes such attorney-in-fact in the name, place, and stead of such Unitholder to execute, certify, acknowledge, swear to, file, publish, and record:

(i) any certificate or other document that may be required to be filed by the Company or the Unitholders in order to qualify the Company to do business in any jurisdiction, except that no such filing shall include a consent by any Unitholder to service of process in any jurisdiction with the Unitholder's approval;

(ii) any amendment to the Articles of Organization, to this Agreement, or to any other agreement or document as required or permitted by this Agreement;

(iii) any certificate of termination and other documents that may be required to effectuate the termination of the Company pursuant to the provisions of this Agreement; and

(iv) any document required of the Company to carry out the actions that the Manager is authorized to take under this Agreement.

(b) The foregoing appointment of the Manager and Liquidator as an Unitholder's attorney-in-fact does not grant such attorney-in-fact any power or authority to approve, consent, or agree to the substantive terms of any agreement or other document on behalf of such Unitholder.

(c) The power of attorney granted pursuant to this Section 14.12 is a special power of attorney coupled with an interest and is irrevocable, and survives the withdrawal or removal of Unitholder or the assignment of the Unitholder's Units.

14.13. **Legal Representation**. This Agreement has been prepared by Spencer Fane LLP in its role as counsel to the Manager and the Company. Spencer Fane LLP does not represent any other Unitholder, and the other Unitholders should consult their own counsel to advise them regarding this Agreement and the transactions contemplated by the Company.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

Company:

51 Upstream Energy Fund VII, LLC
By: Naphtali Energy, LLC, its Manager

By:_____
Jeff A. Mohajir, Manager

APPENDIX A

PRINCIPLES OF ALLOCATION

A.1 **Introduction**. This Appendix sets forth principles under which items of income, gain, loss, deduction and credit shall be allocated among the Members. This Appendix also provides for the determination and maintenance of Capital Accounts, generally in accordance with Treasury Regulations promulgated under I.R.C. § 704(b), for purposes of determining such allocations. For purposes of this Appendix, an Assignee shall be treated in the same manner as a Member.

A.2. **Definitions**. Capitalized terms used in this Appendix have the meanings set forth below or in the Agreement.

A.2.1 "Adjusted Capital Account Deficit" means any deficit balance in a Member's Capital Account as of the end of a taxable year, after giving effect to the following adjustments:

Credit to the Capital Account any amounts the Member is obligated to restore pursuant to the Agreement or is deemed to be obligated to restore pursuant to (a) Treasury Regulations Section 1.704-1(b)(2)(ii)(c) (relating to obligations to pay partner promissory notes and other obligations to make contributions to the Company), or (b) the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) (relating to partnership minimum gain) and 1.704-2(i)(5) (relating to partner nonrecourse debt minimum gain); and

Debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition is intended to comply with Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

A.2.2 "Capital Account" has the meaning set forth in Section A.3.

A.2.3 "Company Minimum Gain" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(2) and shall be determined in accordance with Treasury Regulations Section 1.704-2(d).

A.2.4 "Depreciation" means, for each taxable year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such taxable year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such taxable year, Depreciation is an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such taxable year bears to such beginning adjusted tax basis. If the adjusted basis for federal income tax purposes of an asset at the beginning of such taxable year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager.

A.2.5 "Gross Asset Value" means an asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of an asset contributed by a Member to the Company is the gross Fair Value of such asset, as determined by the contributing Member and the Manager. If the contributing Member is the Manager, the determination of the Fair Value of any contributed asset requires the approval of a Majority-in-Interest of the remaining Members;

(b) The Gross Asset Values of Company assets shall be adjusted to equal their respective gross Fair Values (taking I.R.C. § 7701(g) into account), as determined by the Manager, as of the following times: (A) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (B) the

distribution by the Company to a Member of more than a de minimis amount of property as consideration for an interest in the Company; (C) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); and (D) in connection with the grant of an interest in the Company (other than a de minimis interest) as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in a partner capacity, or by a new Member acting in a partner capacity in anticipation of being a Member. Adjustments pursuant to clauses (A), (B), and (D) above are required only if the Manager determines that such adjustments are necessary to accurately reflect the relative economic interests of the Members in the Company;

(c) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross Fair Value (taking I.R.C. § 7701(g) into account) of such asset on the date of distribution as determined by the distributee and the Manager. If the distributee is the Manager, the determination of the Fair Value of the distributed asset requires the approval of a Majority-in-Interest of the remaining Members.

(d) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to I.R.C. § 734(b) or I.R.C. § 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m). Gross Asset Values shall not be adjusted pursuant to this paragraph (iv) to the extent that an adjustment is required pursuant to paragraph (ii).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs (i), (ii) or (iv) of this definition, the asset's Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profit and Net Loss and by any Simulated Depletion with respect to such asset for purposes of computing Simulated Gain or Simulated Loss.

A.2.6 "Net Profit" and "Net Loss" mean, for each taxable year or other relevant period, an amount equal to the Company's taxable income or loss for such taxable year or other relevant period, determined in accordance with I.R.C. § 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to I.R.C. § 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profit or Net Loss shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in I.R.C. § 705(a)(2)(B) or treated as I.R.C. § 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Profit or Net Loss, shall be subtracted from such taxable income or loss;

(c) If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (ii) or (iii) of the Section A.2 definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from disposition of the asset for purposes of computing Net Profit and Net Loss;

(d) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of (unreduced by any liabilities attributable thereto), notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation, computed in accordance with the definition of Depreciation in Section A.2; and

(f) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to I.R.C. § 734(b) is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Company Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profit or Net Loss.

A.2.7 "Nonrecourse Deductions" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(1) and shall be determined according to the provisions of Treasury Regulations Section 1.704-2(c).

A.2.8 "Nonrecourse Liability" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

A.2.9 "Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(4).

A.2.10 "Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulations Section 1.704-2(i)(2) and shall be determined in accordance with Treasury Regulations Section 1.704-2(i)(3).

A.2.11 "Partner Nonrecourse Deductions" has the meaning set forth in Treasury Regulations Section 1.704-2(i)(1) and shall be determined in accordance with Treasury Regulations Section 1.704-2(i)(2).

A.2.12 "Simulated Depletion" means the simulated depletion allowance computed by the Company with respect to its oil and gas properties pursuant to Regulations Section 1.704-(1)(b)(2)(iv)(k)(2).

A.2.13 "Simulated Gain" or "Simulated Loss" means, respectively, the simulated gains or simulated losses computed by the Company with respect to its oil and gas properties pursuant to Regulations Section 1.704-1(b)(2)(iv)(k)(2).

A.3 **Capital Accounts**. The Company shall determine and maintain Capital Accounts. "Capital Account" means an account of each Member determined and maintained throughout the full term of the Company in accordance with the capital accounting rules of Treasury Regulations Section 1.704-1(b)(2)(iv). Without limiting the generality of the foregoing, the following rules apply:A.3.1 The Capital Account of each Member shall be credited with (i) an amount equal to such Member's Capital Contributions and the Fair Value of property contributed (if permitted hereunder) to the Company by such Member, (ii) such Member's share of the Company's Net Profit, (iii) the amount of any Company liabilities assumed by such Member or that are secured by property distributed to such Member, and (iv) the Member's share of Simulated Gain as provided in Section A.3.5.

A.3.2 The Capital Account of each Member shall be debited by (i) the amount of cash and the Fair Value of property distributed to such Member, (ii) such Member's share of the Company's Net Loss, (iii) the amount of any liabilities of such Member assumed by the Company or that are secured by any property contributed by such Member to the Company, and (iv) the Member's share of Simulated Depletion and Simulated Loss as provided in Section A.3.5.

A.3.3 Upon the transfer by a Member of all or part of an interest in the Company, the Capital Account of the transferor that is attributable to the transferred interest carries over to the transferee and the Capital Accounts of the Members shall be adjusted to the extent provided in Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

A.3.4 In determining the amount of any liability for purposes of Sections A.3.1 and A.3.2, I.R.C. § 752(c) and any other applicable provisions of the I.R.C. and the Treasury Regulations shall be taken into account.

A.3.5 Simulated Depletion, Simulated Gain, and Simulated Loss with respect to each Company oil and gas property shall be allocated among the Members according to Treasury Regulations Section 1.704-1(b)(2)(iv)(k). For this purpose, the adjusted basis of each oil and gas property shall be allocated to the Members according to and otherwise according to Treasury Regulations Sections 1.613A-3(e) and 1.704-1(b)(4)(v).

A.3.6 Except as otherwise required by Treasury Regulations Section 1.704-1(b)(2)(iv), adjustments to Capital Accounts in respect of Company income, gain, loss, deduction, and I.R.C. § 705(a)(2)(B) expenditures (or items thereof) shall be made with reference to the federal tax treatment of such items (and, in the case of book items, with reference to the federal tax treatment of the corresponding tax items) at the Company level, without regard to any mandatory or elective tax treatment of such items at the Member level.

A.3.7 The provisions of this Appendix and of the Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b)(2)(iv), and shall be interpreted and applied in a manner consistent with such Treasury Regulations.

A.4 **Allocations of Net Profit and Net Loss**

A.4.1 In General

(a) General. After giving effect to the special allocations set forth in Section A.4.2 (regulatory allocations), and Section A.4.3 (curative allocations), Net Profit and Net Loss (and to the extent necessary, individual items of income, gain, loss, or deduction) for any period shall be allocated to the Members in such amounts as may be necessary to cause each Member's Capital Account (as adjusted through the end of such period) to equal, as nearly as possible, the sum (which may be either a positive or negative amount) of (i) the amount such Member would receive if all Company assets on hand at the end of such period were sold for cash at their Gross Asset Values, all Company liabilities were satisfied in cash according to their terms (limited in the case of any Nonrecourse Liability and Partner Nonrecourse Debt to the Gross Asset Value of the property securing such liabilities), and any remaining cash was distributed to the Members as provided in Section 6.2(b) as of the last day of such period, minus (ii) the Member's share of Company Minimum Gain and Partner Nonrecourse Debt Minimum Gain computed immediately prior to such deemed sale of assets.

(b) Special Allocations. The following special allocations shall be made prior to the general allocations of Net Profit and Net Loss above.

(i) All costs incurred by the Company in organizing the Company (and any amortization deductions relating thereto) or to promote the sale (or to sell) Company Interests, shall be allocated to the Members in proportion to the number of Class A Units held by each.

(ii) All income from the temporary investment of Capital Contributions pending expenditure by the Company shall be allocated to the Members in proportion to the number of Class A Units held by each.

(ii) All leasehold acquisition costs, geological and geophysical costs, and drilling, testing, completing, equipping, and connection costs (to the transmission line in the case of natural gas, and to the storage tanks in the case of oil) incurred by the Company

with respect to the partnership wells shall be allocated to the Members in proportion to the number of Class A Units held by each.

(iv) All expenses incurred prior to connection of the partnership wells by the Company for the operation and management of the Company business as described in Section 2.5 shall be allocated to the Members in proportion to the number of Class A Units held by each.

A.4.2 Regulatory Allocations. The following special allocations shall be applied in the order in which they are listed. Such ordering is intended to comply with the ordering rules in Treasury Regulations Section 1.704-2(j) and shall be applied consistently therewith.(a) Minimum Gain Chargeback. Except as otherwise provided in Treasury Regulations Section 1.704-2(f), anything to the contrary in this Section A.4 notwithstanding, if there is a net decrease in Company Minimum Gain during any taxable year or other allocation period, each Member shall be allocated items of income and gain for that allocation period (and, if necessary, subsequent allocation periods) equal to that Member's share of the net decrease in Company Minimum Gain during such allocation period, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section A.4.2(a) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith, including that no chargeback shall be required to the extent the requirements for requesting a waiver described in Treasury Regulations Section 1.704-2(f)(4) are met or the requirements for any other exception prescribed by or pursuant to Treasury Regulations Section 1.704-2(f) are met.

(b) Partner Nonrecourse Debt Minimum Gain Chargeback. Except as otherwise provided in Treasury Regulations Section 1.704-2(i)(4), anything to the contrary in this Section A.4 notwithstanding, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during a taxable year or other allocation period, then, in addition to the amounts, if any, allocated pursuant to paragraph 4.2(a), any Member with a share of that Partner Nonrecourse Debt Minimum Gain (determined in accordance with Treasury Regulations Section 1.704-2(i)(5)) as of the beginning of the allocation period shall be allocated items of Company income and gain for that allocation period (and, if necessary, for subsequent allocation periods) equal to that Member's share of the net decrease in the Partner Nonrecourse Debt Minimum Gain during such allocation period, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). This Section A.4.2(b) is intended to comply with the chargeback of partner nonrecourse debt minimum gain required by Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith, including that no chargeback shall be required to the extent the requirements for any exceptions provided in Treasury Regulation Section 1.704-2(i)(4) are met.

(c) Qualified Income Offset. If any Member unexpectedly receives any adjustment, allocation, or distribution described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible. An allocation pursuant to the foregoing sentence shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in Section A.4 have been tentatively made as if this Section A.4.2(c) were not in this Appendix. This allocation is intended to constitute a "qualified income offset" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(3) and shall be construed in accordance with the requirements thereof.

(d) Gross Income Allocation. If a Member has an Adjusted Capital Account Deficit at the end of any taxable year, each such Member shall be specially allocated items of Company income and gain in the amount of such Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant to this clause shall be made only if and to the extent that the Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section A.4 have been made as if this Section A.4.2(d) were not in this Appendix.

(e) Nonrecourse Deductions. Nonrecourse Deductions for any allocation period shall be allocated among the Members in in proportion to the number of Units held by each.

(f) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any allocation period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(g) Basis Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to I.R.C. § 734(b) or I.R.C. § 743(b) is required under Treasury Regulations Section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

A.4.3 Curative Allocations. The allocations set forth in Section A.4.2 hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. The Members intend that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section A.4.3. Therefore, any other provisions of this Section A.4 (other than the Regulatory Allocations) notwithstanding, the Manager shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner the Manager determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Section A.4.1. In exercising its discretion under this Section A.4.3, the Manager shall take into account future Regulatory Allocations under Sections A.4.2(a) and A.4.2(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections A.4.2(e) and A.4.2(f).A.4.4 Other Allocation Rules(a) Timing of Allocations. Net Profit, Net Loss, and other items shall be allocated to the Members pursuant to this Appendix as of the last day of each taxable year, and at such times as the Gross Asset Values of Company property are adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value.

(b) Varying Interests. If during any taxable year any Member's percentage of outstanding Units changes, each Member's share of Net Profit, Net Loss, and other items for such taxable year shall be determined according to the their varying interests according to I.R.C. § 706(d), using any conventions permitted by law and selected by the Manager.

(c) Excess Nonrecourse Liabilities. For purposes of determining a Member's share of Company "excess nonrecourse liabilities" within the meaning of Treasury Regulations Section 1.752-3(a)(3), the Members' shares of Company profits shall be deemed to be in proportion to their respective Sharing Ratios.

(d) Distributions of Proceeds of Nonrecourse Liabilities. To the extent permitted by Treasury Regulations Section 1.704-2(h)(3), the Manager may treat any distribution of the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt (that would otherwise be allocable to an increase in Company Minimum Gain) as a distribution that is not allocable to an increase in Company Minimum Gain to the extent the distribution does not cause or increase an Adjusted Capital Account Deficit for any Member.

(e) Authority to Adjust Capital Accounts and Allocations. If the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including debits or credits relating to liabilities that are secured by contributions or distributed property or that are assumed by the Company or any Member), are computed in order to comply with Treasury Regulations Sections 1.704-1(b) and 1.704-2 and to reflect the Members' economic interests in the Company, the Manager may make such modification if it is not likely to have a

material effect on the amounts distributed or to be distributed to any Member pursuant to the Agreement. The Manager shall make any adjustments that are necessary or appropriate (i) to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g), and (ii) if unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b).

A.5 **Tax Allocations**

A.5.1 In General. Except as otherwise provided in this Section A.5, each item of income, gain, loss, and deduction of the Company for federal income tax purposes shall be allocated among the Members in the same manner as such items are allocated for book purposes under the Agreement and this Appendix.

A.5.2 Contributed or Revalued Property. In accordance with I.R.C. § 704(c) and the related Treasury Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Gross Asset Value. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value in Section A.2 hereof, subsequent allocations of income, gain, loss, and deductions with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under I.R.C. § 704(c) and the related Treasury Regulations. Any elections or other decisions relating to allocations pursuant to this Section A.5 shall be made by the Manager in any manner that reasonably reflects the purpose and intention of this Appendix and the Agreement.

A.5.3 Credits. Except as otherwise required by Treasury Regulations Section 1.704-1(b)(4)(ii), items of tax credit and tax credit recapture shall be allocated among the Members in accordance with their Sharing Ratios.

A.5.4 Effect of Tax Allocations. Allocations pursuant to this Section A.5 are solely for purposes of U.S. federal, state, and local taxes and shall not affect any Member's Capital Account or share of Net Profit, Net Loss, or other items or distributions pursuant to any provision of this Appendix and the Agreement.

Exhibit B
to Confidential Private Placement Memorandum
of 51 Upstream Energy Fund VII, LLC

MANAGEMENT AGREEMENT

This Management Agreement (this "Agreement") dated as of February 5, 2025 (the "Effective Date") is between Mohajir Energy Advisers Inc., a Kansas corporation ("MEA") and 51 Upstream Energy Fund VII, LLC, a Kansas limited liability company (the "Fund"). MEA and the Fund are sometimes referred to herein individually as a "Party" and collective as the "Parties."

The Fund intends to own certain producing and non-producing oil and gas properties (the "Properties") and engage, including in connection with the Properties, in the oil and gas business (the "Business").

The Fund requires services in the management of the Business and MEA desires to provide such management services upon the terms and conditions hereinafter provided.

In consideration of the mutual covenants and promises of this Agreement, and for other consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 SERVICES

1.1 The Fund hereby appoints MEA to provide the services described in this Agreement for the term commencing on the Effective Date and terminating on the termination date (as defined below) of this Agreement (the "Term").

1.2 MEA represents that it has the resources and expertise necessary to operate and manage the Business and hereby agrees to manage the Business for and on behalf of the Fund, such management to include, without limitation, performance of the following functions (collectively, the "Services") but only to the extent Services are not performed for the Fund by a subsidiary or contract operator for such subsidiary under a contract operating agreement (each a "Contract Operating Agreement"):

(a) Manage and maintain the Business, including but not limited to providing accounting and reporting services.

(b) Gather, process, condition, market, deliver, transport or sell (or cause to be gathered, processed, conditioned, marketed, delivered, transported or sold) gas, oil and related hydrocarbons produced by the Fund from the Business, and pay or cause to be paid all royalties, production payments, net profits interests and all other payment obligations, including but not limited to Operating Expenses, the Fund approved capital expenditures, swap payments, taxes and insurance, arising in connection with the Business or the production of hydrocarbons therefrom; provided, however, that MEA shall obtain the approval of the Fund to enter into any sales or marketing agreements which have terms of one year or greater.

(c) Operate and manage the Business in compliance in all material respects with all federal, state (including any duly constituted federal or state regulatory body), and local laws, ordinances, rules, regulations and orders applicable to the Business.

(d) Inform the Fund of any pending or threatened action or investigation of which MEA receives written notice and which MEA believes in good faith could have a material adverse effect on the Business, including all actions initiated or investigations threatened by a third party or governmental authority under applicable laws.

(e) Employ or contract for the services of any person or entity required by MEA, in its reasonable discretion, to assist MEA in the performance of any of its duties and responsibilities under this Agreement, including, without limitation, any legal, accounting, geological, geophysical, engineering, operating and other services and advice as MEA deems advisable, in its reasonable discretion.

(f) Pay and perform all obligations of the Fund which relate to the Business, including, without limitation, the payment to itself or to third parties, on behalf of the Fund.

(g) Maintain such insurance with respect to the Business as is reasonable and customary in the industry, and with respect to all such insurance, cause MEA and the Fund to be named as insured parties on all such insurance policies.

(h) Execute, file and record, when appropriate or required, all assignments and other instruments, permits, applications, requests or regulatory documents or instruments relating to the Business.

(i) Perform any necessary accounting, reporting and record keeping as required for the operation and management of the Business, including preparation of financial statements, general ledger management, cash flow management and forecasting, and handling and processing accounts payable and receivable, including, without limitation, all accounting and financial reporting required under any loan agreements between the Fund and any other party. All such accounting, reporting and record keeping shall be performed in accordance with generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board that are applicable from time to time ("GAAP") and recognized industry standards consistently applied. In addition, MEA will promptly deliver to the Fund copies of any monthly bank account statements relating to the Fund that it receives.

(j) Negotiate, execute, deliver, manage, amend or terminate all contracts and agreements and amendments to existing contracts and agreements affecting the Business which MEA believes are necessary or desirable in connection with the ownership, development, operation, production and maintenance of the Business or to perform any of the Services hereunder; but excluding any such action with respect to any Operating Agreements, any loan agreement to which the Fund is a party, or any action relating to the Fund's organization, tax status or similar matter, all of which require the Fund's prior written consent. "Operating Agreements" means, whether one or more, any Contract Operating Agreement and any other operating agreements relating to the Properties to which the Fund is currently a party or by which the Fund is currently bound, and operating agreements related to the Properties to which the Fund hereafter becomes a party or by which the Fund hereafter becomes bound, which later operating agreements shall be reasonably satisfactory in form and substance to the Fund.

(k) Manage all contracts relating to the Business to which the Fund is or becomes a party.

(l) Receive and collect all revenues and income attributable to the Business.

(m) Assume, at the sole cost of the Fund, the defense, handling, investigation and/or settlement of all claims, demands, causes of action, lawsuits, mediations, arbitrations and other forms of dispute resolutions and other proceedings which relate in any way to the Business or the Services performed pursuant to this Agreement; provided such matters do not exceed $250,000 in the aggregate or could not result any criminal, environmental or other similar liability to the Fund**.**

(n) Serve as the Fund's representative as to all hearings, proceedings, filings, permits, bonds, licenses or such other similar matters as they relate to the Business and which relate to any governmental, quasi-governmental or regulatory body or agency (other than the Internal Revenue Service), and execute all applications, permits, orders, consents, waivers and agreements, as such relate to the Business with respect to such body or agency. Should a conflict arise between the interests of MEA and the Fund regarding the

foregoing matters, MEA shall advise the Fund of (i) any such conflict, and (ii) the Fund's right to represent itself with respect to such matters.

(o) With the Fund's prior written consent, commence or assert, on behalf of the Fund at the Fund's sole cost, claims, demands, causes of action, lawsuits, mediations, arbitrations and other forms of dispute resolutions and other proceedings which relate in any way to the Business or the Services performed pursuant to this Agreement.

(p) With the Fund's prior written consent, exercise on behalf of the Fund the right to not participate or to non-consent any proposal.

(q) With the Fund's prior written consent, pool, force pool, unpool, unitize, force unitize or deunitize the Fund's interests in the Properties.

(r) All other actions as are reasonably necessary to carry out MEA's responsibilities under this Agreement.

(s) If MEA is not at any time the operator of a particular portion of the Properties, the obligations of MEA under this Agreement with respect to such portion of the Properties shall be construed to require only that MEA use its reasonable efforts to cause the operator of such portion of the Properties to take such actions or render such performance within the constraints of any applicable contracts.

(t) MEA shall perform the services in a timely, good and workman-like manner, with diligence and in accordance with good industry practices and procedures and use substantially the same level of care, skill and diligence as it uses in the provision of similar services to itself and its subsidiaries.

ARTICLE 2 PERFORMANCE OF SERVICES

2.1 MEA is an independent contractor, and the Fund shall exercise no control over MEA's employees, servants, agents representatives, or subcontractors, the employees, servants, agents or representatives of its subcontractors, or the methods or means employed by MEA or its subcontractors in the performance of such the Services, the Fund's sole and only interest being in the results obtained.

ARTICLE 3 COMPENSATION FOR SERVICES

3.1 As total compensation for Services provided by MEA under this Agreement, the Fund shall pay to MEA a monthly fee (the "Monthly Fee") of $100,000. Except as provided in Section 3.2 below, the Monthly Fee shall be the sole amount payable to MEA under this Agreement, and the Fund shall have no responsibility for any other payments, including but not limited to any costs, expenses, payroll or any other amounts whatsoever.

3.2 In addition to the Monthly Fee, the Fund shall reimburse MEA for any and all costs, expenses and COPAS overhead charges incurred or paid by MEA and associated with the ownership and operation of the Properties and the Business during the term hereof, including without limitation Operating Expenses and capital expenditures related to the Properties. "Gross Receipts" means, if in relation to and arising from the Properties and Permitted Swap Agreements, all sums received therefrom by the Fund, including, but not limited to Swap Settlement Proceeds, net of any Swap Settlement Payables, and proceeds under gas sales agreements, oil sales agreements, natural gas liquids sales agreements, gas processing agreements, gas gathering agreements, Operating Agreements, saltwater disposal agreements, and service agreements, and any other receipts relating to or arising from the Properties. "Operating Expenses" means the Business' proportionate share of (a) direct lease operating expenses and well maintenance expenses, which arise from the Business' working interest in the wells that are included in the Properties, that are billed to the Fund by MEA or incurred by MEA, as Operator, of the Properties, or incurred by the operator under any Contract Operating Agreement, (b) the Fund's Working Interest share of expenses incurred in the repair, maintenance and replacement of damaged or obsolete equipment, and (c) the Fund's obligation to pay its share of any other operating expenses under Operating Agreements, if any. "Swap Settlement Proceeds" means any

settlement amounts paid to the Fund under the terms of any executed Swap Agreement, after giving effect to any netting provisions of such agreement. "Swap Settlement Payables" means any settlement amounts payable by the Fund under the terms of any executed Swap Agreement, after giving effect to any netting provisions of such agreement. "Swap Agreement" means any swap agreement, cap, collar, floor, exchange transaction, forward agreement or exchange or protection agreement related to gas, coal seam gas, coal mine methane gas or any hydrocarbon products or any option with respect to such transaction entered into by the Fund specifically related to the Properties.

3.3 On or before the 25th day of each calendar month, MEA shall deliver to the Fund a monthly field report (the "Property Operating Statement") in the form of **Exhibit B** hereto indicating all Gross Receipts, Property Expenses and other expenditures for the Business for the immediately preceding calendar month.

3.4 The Fund may in its sole discretion and at MEA's request, advance funds to MEA for use on the Fund's behalf in connection with this Agreement (the "Trust Funds") and such Trust Funds shall be held by MEA as trustee for the benefit of the Fund and shall be disbursed only in the manner and amount approved by the Fund. All Trust Funds shall be deposited in a federally insured bank, and kept apart from MEA's own funds, and the Fund shall have the right, at any time to demand repayment of all or any of the Trust Funds. All earned interest attributable to the Trust Funds, if any, shall belong to the Fund. The Trust Funds shall remain at all times the property of the Fund, and shall not become part of MEA's estate. To the extent permitted by law, the Fund may deduct the amount of any Trust Funds outstanding from any amounts owed by the Fund to MEA. Nothing herein shall be construed to require the Fund to advance funds to MEA, or pay any fees, costs or expenses on MEA's behalf.

3.5 The Fund will not have to pay or withhold any taxes, insurance or any similar payments from amounts due MEA under this Agreement. MEA shall be solely liable for the payment of such sums, if any, which may be due in connection with work performed pursuant to this Agreement.

ARTICLE 4 INDEMNIFICATION AND LIABILITY

4.1 To the maximum extent permissible by law, the Fund or MEA, as the case may be (the "Indemnifying Party") agree to indemnify and hold harmless the other and its respective subsidiaries and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties" from and against any and all losses, damages, claims, cost and expenses, interests, awards, judgments and penalties (including reasonable attorney's fees and expenses) suffered or incurred by them to the extent arising, resulting from or relating to recklessness, gross negligence or willful misconduct of the Indemnifying Party**.**

4.2 In no event shall the Fund or MEA as the case may be or any of its officers, directors, employees, shareholders, agents, or representatives be liable to the other or its owners, officers, or directors, for any special, indirect, incidental, exemplary, or consequential damages or loss of goodwill in any way, whether such liability is based on contract, tort, negligence, strict liability, products liability or otherwise, arising from or relating to this agreement or resulting from the performance or non-performance of any Services, including the failure of essential purpose, even if MEA has been notified of the possibility or likelihood of such damages occurring. Further, the Fund or MEA, as the case may be, shall not be liable for any damages under this Agreement in excess of the amount received by MEA for the Monthly Fee over the 12 months prior to the incident giving rise to such damages.

ARTICLE 5 TERM; TERMINATION

5.1 This Agreement shall be effective from the Effective Date, and thereafter this Agreement shall continue in effect until terminated by either Party giving to the other at least six months prior written notice, specifying the date of termination. Upon termination this Agreement shall forthwith become void and there shall be no liability under this Agreement on the part of any Party hereto or any of their respective representatives and all rights and obligations of each Party hereto shall cease, except for Article 4 which shall survive any such termination.

ARTICLE 6 MISCELLANEOUS

6.1 The Parties each acknowledge that they are separate entities, each of which has entered into this Agreement for independent business reasons. The relationship of MEA and its subsidiaries and representatives to the Fund and its subsidiaries and representatives under this Agreement is that of an independent contractor and nothing herein shall be deemed or construed to create a relationship of partnership, employment, agency, joint venture, or any other relationship. MEA and the Fund acknowledge and agree that neither shall be deemed a fiduciary of the other.

6.2 This Agreement may not be modified or amended except by an instrument in writing signed by all the Parties hereto. Any such Party may, only by an instrument in writing signed by the Party or Parties to be bound thereby, waive compliance by another Party with any term or provision of this Agreement on the part of such other Party to be performed or complied with. The waiver by any Party of a breach of any term or provision of this Agreement or failure by any Party to enforce any term or condition of this Agreement, or to exercise any right hereunder, shall not be construed as a waiver of such rights with respect to any future occurrence or breach of this Agreement.

6.3 All notices, requests, consents and demands under this Agreement shall be in writing and delivered (a) personally, (b) by registered or certified mail with postage prepaid, and return receipt requested, (c) by commercial overnight courier service with charges prepaid, or (d) by facsimile transmission, directed to the intended recipient at the address or facsimile number set forth on the signature page hereto. A notice or other communication shall be deemed delivered on the earlier to occur of (i) its actual receipt, (ii) the fifth Business Day following its deposit in registered or certified mail, with postage prepaid and return receipt requested, (iii) the first Business Day following its deposit with a commercial overnight courier service, with charges prepaid, or (iv) the date it is sent by confirmed facsimile transmission (if sent before 4:00 p.m. local time of the receiving Party on a Business Day) or the next Business Day (if sent after 4:00 p.m. of such local time or sent on a day that is not a Business Day). Either Party may change the address to which notices and other communications hereunder can be delivered by giving the other Party notice in the manner herein set forth.

6.4 This Agreement and the other documents referred to herein, constitute the entire agreement among the Parties and contain all of the agreements among the Parties with respect to the subject matter hereof as of the date of the Agreement and supersede all prior agreements, undertakings and negotiations (in each case, both oral and written) between the Parties, or any of them, with respect to the subject matter hereof.

6.5 This Agreement binds and inures to the benefit of the Parties hereto and their respective successors and assigns.

6.6 Any reference herein to this Agreement shall be deemed to include the schedules and exhibits.

6.7 This Agreement and the rights, obligations and remedies hereunder (including any amounts to be paid or received hereunder) shall not be assignable or transferable by either Party (including by operation of Law) without the prior written consent of the other Party (to be given in its sole discretion); provided, MEA may assign, delegate or transfer this Agreement to any affiliate and may assign or otherwise transfer its rights and delegate its obligations under this Agreement in connection with a sale of the Properties or the Business. Any attempted assignment that does not comply with the terms of this Section shall be null and void.

6.8 All matters arising out of or relating to this Agreement, including the validity, enforceability, breach, or termination of this Agreement, shall be governed by, and this Agreement shall be interpreted and construed according to, the laws of the State of Kansas without regard to legal requirements that would require the application of the law of any other jurisdiction. Any proceeding arising out of or relating to this Agreement may be brought in the state courts located in Johnson County, Kansas, or, if it has or can acquire jurisdiction, in the United States District Court for the Western District of Kansas. Each Party irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the proceeding shall be heard and determined only in any such court, and agrees not to bring any such proceeding in any other court. Any Party may file a copy of this Agreement with any court as written evidence of the agreement between the Parties irrevocably to waive any

objections to venue or to convenience of forum. Process in any proceeding referred to in the second sentence of this section may be served on any Party anywhere in the world. Service of process on any Party in any such proceeding may be made by notice in accordance with Section 6.3.

6.9 If any provision of this Agreement or the application of any such provision is held to be invalid, illegal or otherwise unenforceable such provision shall be deemed to be void and unenforceable. Notwithstanding the preceding sentence, the remaining provisions of this Agreement, if capable of substantial performance, shall remain in full force and effect.

6.10 This Agreement shall be construed fairly as to all Parties hereto and not in favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

6.11 This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement, but shall not be binding upon any Party hereto unless and until executed by all Parties.

This Agreement has been executed by the Parties on the dates indicated below, to be effective for all purposes as of the Effective Date.

51 Upstream Energy Fund VII, LLC
By: Naphtali Energy, LLC, its Manager

By: _____
Name:
Title:

Address: 2812 W. 47th Ave., 2nd Floor
Kansas City, Kansas 66103

Mohajir Energy Advisors Inc.

By: _____
Name:
Title: _____

Address: 2812 W. 47th Ave., 2nd Floor
Kansas City, Kansas 66103

Exhibit C
to Confidential Private Placement Memorandum
of 51 Upstream Energy Fund VII, LLC

INSTRUCTIONS

1. Carefully review the Confidential Private Placement Memorandum and the exhibits thereto, including the Operating Agreement and the Subscription Agreement, in their entirety.

2. Complete and sign:

- the Subscription Agreement;
- the Purchaser Questionnaire; and
- the Joinder Agreement.

3. Complete and sign a Form W-9 in order to avoiding withholding on distributions from the Company.

4. Mail a check payable to **"51 Upstream Energy Fund VII, LLC"** in an amount equal to the purchase price for the Subscribed Units to:

51 Upstream Energy Fund VII, LLC
c/o Naphtali Energy, LLC
2812 W. 47th Ave., 2nd Floor
Kansas City, KS 66103

Or, if you paying by wire transfer, wire the purchase price to the Fund in accordance with wire transfer instructions to be provided by the Manager.

If you have questions regarding the Subscription Agreement, please contact Robert C. Behner at (816) 222-7500 or rcbehner@mohajir.com or Ben Fraser at (913) 344-7167 or benfraser@aspenfunds.us.

SUBSCRIPTION AGREEMENT

51 Upstream Energy Fund VII, LLC

This Subscription Agreement (this "Agreement") is made by and between 51 Upstream Energy Fund VII, LLC, a Kansas limited liability company (the "Fund") and the undersigned Subscriber ("Subscriber").

1. Defined Terms. Capitalized terms not defined in this Agreement shall be as defined in the 51 Upstream Energy Fund VII, LLC Confidential Private Placement Memorandum dated as of February 5, 2025 (together with the exhibits attached thereto, the "PPM").

2. Subscription

2.1 **Subscription.** Subject to and in accordance with the respective terms and conditions of this Agreement and the Operating Agreement for 51 Upstream Energy Fund VII, LLC (the "Operating Agreement"), Subscriber hereby subscribes to purchase the number of Class A Units specified on the signature page to this Agreement (the "Subscribed Units") and be admitted as a Member of the Fund. The Base Price Per Unit for each Unit is $1,000, but the Subscribed Units may be subject to certain discounts as described in the PPM.

2.2 **Acceptance**.

(a) Subscriber understands and acknowledges that the Fund will rely on this Agreement and that Subscriber has no right to terminate or revoke this Agreement. Naphtali Energy, LLC, the Manager of the Fund (the "Manager") will have a right to refuse to accept this Agreement and Subscriber's subscription for any or no reason, including if, in its sole discretion, the Manager believes that (i) Subscriber is not an Accredited Investor, or (ii) Subscriber is not an Eligible Citizen. If not accepted by the Manager, this Agreement will be null and void and any funds paid to the Fund by Subscriber will be returned to Subscriber.

(b) Subscriber understands that this Subscription Agreement will not be binding on the Company or the Manager until accepted (which acceptance will be evidenced only by the execution of this Subscription Agreement and the Joinder Agreement by the Manager on behalf of the Fund and the delivery of such executed agreements to Subscriber), that the acceptance or rejection of subscriptions will be in the sole discretion of the Manager and that the Manager is not required to accept subscriptions in the order of receipt by the Manager. The date of acceptance of this Agreement is referred to as the "Acceptance Date."

(c) The Manager's acceptance of this Agreement is conditioned, among other things, upon Subscriber providing to the Manager:

(i) a completed and duly executed copy of this Agreement, properly designating the number of Class A Units for which Subscriber intends to subscribe and the purchase price for those Units;

(ii) a completed and duly executed Subscriber Questionnaire attached as Exhibit A;

(iii) Verification of Subscriber's status as an Accredited Investor;

(iv) a duly executed Joinder Agreement to the Operating Agreement attached as Exhibit B;

(v) a duly executed Form W-9, a copy of which is attached as Exhibit C; and

(vi) a check payable to the order of "51 Upstream Energy Fund VII, LLC" or wire transfer to the account specified by the Manager in an amount equal to the purchase price for the Subscribed Units.

3. Representations, Warranties and Agreements. Subscriber hereby represents, warrants and agrees as of the date of this Agreement and as of the Acceptance Date, as follows:

3.1 Subscriber has carefully read the PPM, which Subscriber acknowledges has been provided to Subscriber. Subscriber has been given the opportunity to ask questions of, and receive answers from, the Manager concerning the terms and conditions of the Offering and the PPM and to obtain such additional information, to the extent the Manager possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of same as Subscriber reasonably desires in order to evaluate the

investment. Subscriber has carefully reviewed the PPM, and Subscriber has had the opportunity to discuss any questions regarding any of the PPM with and its attorneys, accountants and other representatives. Notwithstanding the foregoing, the only information upon which Subscriber has relied is that set forth in the PPM. The Subscriber has received no representations or warranties from the Fund, the Manager or their employees, agents or attorneys in making this investment decision other than as set forth in the PPM. Subscriber does not desire to receive any further information.

3.2 Subscriber is authorized to enter into this Agreement, the Purchaser Questionnaire, the Joinder Agreement, and such other agreements or other instruments as are executed by or on behalf of Subscriber in connection with its obligations under the Operating Agreement or in connection with this Agreement, to perform its obligations under hereunder and thereunder, and to consummate the transactions contemplated hereby or thereby. The signature of the respective individual signing this Agreement, the Purchaser Questionnaire and the Joinder Agreement as, or on behalf of, Subscriber is binding upon Subscriber.

3.3 The execution and delivery of this Agreement, the Purchaser Questionnaire and the Joinder Agreement by or on behalf of Subscriber and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with or result in any violation of or default under any provision of any articles of incorporation, bylaws, trust agreement, partnership agreement or other organizational document of Subscriber or any agreement or other instrument to which Subscriber is a party or by which Subscriber is bound, or any law, regulation or order applicable to Subscriber.

3.4 Subscriber is an "Accredited Investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act, is an "Eligible Citizen" as described in the PPM, has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of the investment in the Subscribed Units.

3.5 Subscriber is purchasing the Subscribed Units for Subscriber's own account, with the intention of holding the Subscribed Units and with no present intention of dividing or allowing others to participate in this investment or of reselling or otherwise participating, directly or indirectly, in a distribution of the Subscribed Units. Subscriber will not pledge, transfer or assign this Agreement.

3.6 Subscriber understands that investment in the Fund is speculative and entails a very high degree of risk and understands fully the risks associated with the operation of the Fund and Subscriber's investment in the Fund including the potential that Subscriber could lose its entire investment. Subscriber is financially able to bear the economic risk of this investment, including the ability to hold the Subscribed Units indefinitely, or to afford a complete loss the investment in the Subscribed Units. Subscriber's overall commitment to investments which are not readily marketable is not disproportionate to Subscriber's net worth, and Subscriber's investment in the Subscribed Units will not cause such overall commitment to become excessive. Subscriber is able to bear the economic risk of losing its entire investment in the Fund. Subscriber, if an individual, he or she has adequate means of providing for his or her current needs and personal and family contingencies and has no need for liquidity in this investment in the Units.

3.7 Subscriber understands that substantial restrictions will exist on transferability of the Units, that no market for resale of any Units exists and none may develop, and that Subscriber may not be able to liquidate its investment in the Fund.

3.8 Subscriber acknowledges and agrees that based in part upon its representations contained herein and in reliance upon applicable exemptions the Subscribed Units has not been and will not be registered under the Securities Act or the securities laws of any domestic or foreign jurisdiction. Accordingly, no such interest may be offered for sale, sold, pledged, hypothecated or otherwise transferred in whole or in part except in accordance with the terms of the Operating Agreement and in compliance with all applicable laws, including securities laws. Subscriber acknowledges that it has been advised that the Fund has no obligation and does not intend to cause any Units to be registered under the Securities Act or any other securities laws or to comply with any exemption under the Securities Act or any other securities law which would permit Subscriber to sell Subscriber's interest in the Fund.

3.9 The information in Subscriber's Subscriber Questionnaire is true and complete. The address set forth in Subscriber's Subscriber Questionnaire is Subscriber's correct principal place of business (or residence if a natural person), and Subscriber has no present intention of moving its principal place of business (or residence if a natural person) to any other domestic or foreign jurisdiction. The state and country set forth on Subscriber's Subscriber Questionnaire are Subscriber's correct state and country of organization (if Subscriber is not a natural person).

3.10 Subscriber and all of its beneficial owners (if Subscriber is an entity) are in compliance with all laws, statutes, rules and regulations relating to anti-terrorism or anti-money laundering laws of any federal, state or local government in the United States of America applicable to such persons or entities, including without limitation, the USA PATRIOT Act, Pub. L, No. 107-56 (October 26, 2001), Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 23, 2001) and all other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control ("OFAC"), the Department of Treasury and in any enabling legislation or other Executive Orders in respect thereof. Neither Subscriber nor any of its beneficial owners (if Subscriber is an entity) is listed on the Specially

Designated Nationals and Blocked Persons List maintained by OFAC, nor listed on any other lists of terrorists or terrorist organizations maintained and made publicly available by any governmental department, agency, or other entity.

3.11 Subscriber acknowledges and agrees that the Fund may be undertaking certain actions which could create a conflict of interest among the Manager, the Fund and/or Subscriber and Subscriber does hereby waive such conflict of interest.

3.12 Subscriber has received no materials related to the offering of Units other than the PPM and sales literature prepared by the Fund, and Subscriber is basing the decision to invest solely upon the information contained in the PPM and is not basing its decision to invest based on any of the sales literature accompanying the PPM, and expressly disclaims reliance upon any oral or other written representations made at any time prior by the Fund, Manager or any of their Affiliates, agents or employees other than those contained in the PPM.

3.13 Subscriber acknowledges that the Fund, the Manager, and each respective Unitholder in the Fund, has relied and will rely upon the representations, warranties and agreements of, and information furnished by, Subscriber set forth in this Agreement and Subscriber Questionnaire and that all such representations, warranties and agreements, and furnished information shall survive the purchase of the Subscribed Units and the execution of the Operating Agreement. If in any respect such representations, warranties and agreements, and furnished information shall not be true, or shall not have been complied with, Subscriber shall promptly give written notice of such fact to the Manager.

4. **Indemnification**. Subscriber will indemnify the Fund, the Manager and each of their controlling persons, managers, directors, members, shareholders, officers, Affiliates, subsidiaries, employees, agents, brokers, agents, advisors, insurers or consultants of each or any of them, or any estate, servant, heir, successor, predecessor, assign or personal representative of the same, and hold each of them harmless against any and all losses, claims, damages or liabilities to which any of them may become subject arising in any manner out of or in connection with any inaccuracy or breach of the representations, warranties and agreements of Subscriber set forth in this Agreement.

5. **Confidentiality**. Except as required by applicable law, Subscriber agrees that none of this Agreement, the Operating Agreement, the PPM, any sales literature prepared by the Fund or any other updates, supplements or addenda thereto (the "Confidential Information"), will be disclosed publicly or made available to third parties without the prior written approval of the Manager, including in the event that a dispute may arise between the parties. If the subscription is rejected by the Manager, Subscriber agrees to destroy all copies of any Confidential Information received from the Company. If Subscriber is requested or required by legal or administrative process to disclose Confidential Information, it will promptly notify the other party of such request or requirement so the Fund may seek an appropriate protective order or other relief. In any case, Subscriber will (a) disclose only that portion of the Confidential Information which Subscriber's legal counsel advises is required to be disclosed, (b) use its reasonable legal efforts to ensure that such Confidential Information is treated confidentially after disclosure and (c) notify the Manager as soon as reasonably practicable of the items of Confidential Information so disclosed.

6. Miscellaneous

6.1 **Amendment**. This Agreement may be modified or amended only with the written consent of the Manager and Subscriber.

6.2 **Governing Law; Consent to Jurisdiction**. All matters arising out of or relating to this Agreement, including the validity, enforceability, breach, or termination of this Agreement, shall be governed by, and this Agreement shall be interpreted and construed according to, the laws of the State of Kansas without regard to legal requirements that would require the application of the law of any other jurisdiction. Any Proceeding arising out of or relating to this Agreement or the subscription or purchase of the Subscribed Units may be brought in the state courts located in Johnson County, Kansas, or, if it has or can acquire jurisdiction, in the United States District Court for the Western District of Kansas. Subscriber irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the Proceeding shall be heard and determined only in any such court, and agrees not to bring any such Proceeding in any other court. The Fund or the Manager may file a copy of this Agreement with any court as written evidence of the agreement between the parties irrevocably to waive any objections to venue or to convenience of forum.

6.3 **Entire Agreement**. This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the agreement between the parties with respect to its subject matter.

6.4 **Execution of Agreement**. This Agreement may be executed in counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which together constitute one agreement. Any signature to this Agreement evidenced by a

facsimile or other electronic transmission of such signature shall be binding on the parties to the same extent as if such signature were an original.

[S*ignature page to follow*]

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on this _____day of _____ , 2025.

Number of Class A Units subscribed: _____

Purchase Price (*unless Discount applies, $1,000 per Unit*): $_____**Exact Name in which title is to be held**:___

_____

Execution by Subscriber who is a natural person (*both individuals should sign if held jointly*):

Signature:_____
Printed Name:

Signature:_____
Printed Name:

Execution by Subscriber that is an entity:

Name of Entity:_____

By:_____
Printed Name:
Title:

Accepted the ___ day of _____, 2025: 51 Upstream Energy Fund VII, LLC
By: Naphtali Energy, LLC, its Manager

By:_____
Name:
Title:
Date:

Exhibit A to Subscription Agreement

See Attached.

51 Upstream Energy Fund VII, LLC

Subscriber Questionnaire

The Units offered by 51 Upstream Energy Fund VII, LLC, a Kansas limited liability company (the "Fund") will not be registered under the Securities Act of 1933, as amended (the "Securities Act") or the laws of any state. In order to insure that the offering and sale of the Units are exempt from registration under the Securities Act and state law, the Company and the Manager must be reasonably satisfied after making reasonable inquiry that Subscriber, or its purchaser representative, if used, has such knowledge and experience in financial and business matters that Subscriber is (or together they are) capable of evaluating the merits and risks of an investment in the Fund, and is able to bear the economic risk of the investment. This Confidential Subscriber Questionnaire ("Questionnaire") is designed to provide the Fund with the information necessary to make a determination of whether the undersigned satisfies these suitability requirements. Joint Subscribers should photocopy this Questionnaire (or request an additional copy from the Manager) and complete it for each Subscriber.

The information supplied in this Questionnaire will be disclosed to no one without the consent of Subscriber, other than (i) Manager, other members of the Fund with a need to know, accountants and counsel to the Fund; or (ii) if it is necessary for the Fund to use such information, to support the exemption from registration under the Securities Act and state law which each claims for the offering.

BECAUSE THE FUND WILL RELY ON THIS QUESTIONNAIRE IN ORDER TO COMPLY WITH FEDERAL AND STATE SECURITIES LAWS, IT IS IMPORTANT THAT YOU CAREFULLY ANSWER EACH QUESTION THAT APPLIES TO YOU. SUBSCRIBERS MAY BE HELD LIABLE FOR ANY STATEMENT OR OMISSION IN THIS QUESTIONNAIRE.

In order to induce the Fund and the Manager to permit Subscriber to purchase the Units, Subscriber hereby represents to the Fund and the Manager as follows:

Section 1. Subscriber Identifying Information:

Please fill in all of the following information concerning Subscriber:

Name *(Last, First, Middle or Name of Entity)*

Mailing Address

City	State	Zip
Telephone	Fax	Email

Social Security Number of Employer ID No.

State of Residence (if Individual) or Organization (if Entity)	Country of Citizenship

Section 2. Registration of Units:

Please check the box indicating how the Units will be held by Subscriber.

□ Separate or individual property. *(A married Subscriber who resides in a community property state must submit written consent from his or her spouse to purchase Units using community funds.)*

□ Tenants in Common. *(Both parties must sign all required documents.)*

□ Joint Tenants with Right of Survivorship. *(Both parties must sign all required documents.)*

□ Husband and Wife Tenants by the Entirety. *(Both husband and wife must sign all required document.)*

□ Husband and Wife Community Property. *(Community property states only. Both husband and wife must sign all required documents.)*

□ Trust. *(Please attach a copy of trust instrument and provide the following information.)*

Name of Trust:

_____

Name of Trustee(s): _____

If Trust is a grantor Trust, please indicate the grantor's name, address, state of residency, social security number or tax identification number: _____ _____

_____

□ Entity: *(Describe):*

Section 3. Payment of Distributions:

□ Subscriber hereby requests that the Fund pay any cash distributions to the following account, except as the unless Subscriber otherwise notifies the Manager in writing:

Name of Bank: _____

ABA Number: _____

Account Number: _____

Account Name: _____

Telephone Number of Bank: _____

Address of Bank: _____

Section 4. Qualifications:

In order for the Manager to determine the number of sales which may be made pursuant to applicable exemptions from federal and state securities laws and the persons to whom sale can be made in compliance with certain exemptions from applicable securities laws, the Manager must determine whether Subscribers are "Accredited Investors," as defined in Regulation D adopted by the Securities and Exchange Commission ("SEC") under the Securities Act. The Manager must have the information to determine that exemptions are available to the Company.

Subscriber and, if a Subscriber is an entity formed for the purpose of making an investment in the Fund, the equity holders in Subscriber, will be required to provide the following types of documentation to the Manager so that the Manager can verify Subscriber's accredited investor status:

- A written opinion from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney or certified public accountant stating that such person has taken reasonable steps to verify that Subscriber, and, if a Subscriber is an entity formed for the purpose of making an investment in the Fund, each equity holder in Subscriber, is an accredited

investor within the prior three months;

- Internal Revenue Service forms reporting Subscriber's income for the two most recent fiscal years and a written representation of Subscriber that he or she has a reasonable expectation of reaching the required income level during the current calendar year; or
- One or more of the following documents, dated within the prior three months, and a written representation of Subscriber that all of Subscriber's liabilities necessary to make a determination of net worth have been disclosed:
    - For assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments and appraisal reports issued by independent third parties; and
    - For liabilities: a credit report from at least one of the nationwide consumer reporting agencies.

The Manager reserves the right to request additional documentation as it may determine to verify Subscriber's accredited investor status.

Initial all appropriate spaces below indicating the basis upon which Subscriber qualifies as an accredited investor.

For Individual Investors Only

_____ *(Initial)* (1) I certify that I am an accredited investor because I have an individual net worth[1], or my spouse or spousal equivalent[2] and I have a combined net worth, in excess of $1,000,000, and I/we have disclosed to the Manager all liabilities necessary to make a net worth determination.

_____ *(Initial)* (2) I certify that I am an accredited investor because I had individual income (exclusive of any income attributable to my spouse or spousal equivalent) of more than $200,000 in each of the past two years, or joint income with my spouse or spousal equivalent of more than $300,000 in each of those years, and I reasonably expect to reach the same income level in the current year.[3]

_____ *(Initial)* (3) I certify that I am an accredited investor because I am a director, executive officer, or general partner of the Fund.

_____ *(Initial)* (4) I certify that I am an accredited investor because I hold in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status.

[1] For purposes of this Questionnaire, (i) "net worth" means the excess of total assets (not counting autos or furnishings) at fair market value, over total liabilities; (ii) Subscriber may not count the value of Subscriber's primary residence in net worth, and if the amount of debt on Subscriber's primary residence exceeds its value, Subscriber must count the excess against net worth; and (iii) Subscriber does not need to count as a liability debt secured by Subscriber's primary residence up to the value of the residence, unless the amount of such debt exceeds the amount that was outstanding 60 days prior, other than debt resulting from the acquisition of the primary residence.

[2] For purposes of this Questionnaire, the term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent that of a spouse.

[3] For purposes of this Questionnaire, "individual income" means adjusted gross income, as reported for Federal income tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any tax-exempt interest income under Section 103 of the Internal Revenue Code (the "IRC"); (ii) the amount of losses claimed as a limited partner in a limited partnership as reported on Schedule E of Form 1040; (iii) the amount of any deduction, including the allowance for depletion, under IRC §611 et seq.; (iv) amounts contributed to an Individual Retirement Account (as defined in the IRC) or Keogh retirement plan; (v) alimony paid; and (vi) any elective contributions to a cash or deferred arrangement under IRC §401(k). For purposes of this Questionnaire, "joint income" means adjusted gross income, as reported for Federal income tax purposes, including any income attributable to a spouse or to property owned by a spouse, increased by the foregoing items (i) through (vi), (including any amounts attributable to a spouse or to property owned by a spouse).

For All Others

_____ *(Initial)* (5) Subscriber hereby certifies that it is an accredited investor because it is a bank as defined in Securities Act §3(a)(2) or a savings and loan association or other institution as defined in Securities Act §3(a)(5)(A), acting in its individual or fiduciary capacity.

_____ *(Initial)* (6) Subscriber hereby certifies that it is an accredited investor because it is a broker-dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended (the "1934 Act").

_____ *(Initial)* (7) Subscriber hereby certifies that it is an accredited investor because it is an investment adviser registered pursuant to § 203 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") or pursuant to the laws of a state.

_____ *(Initial)* (8) Subscriber hereby certifies that it is an accredited investor because it is an investment adviser relying on the exemption from registering with the SEC under § 203(l) or (m) of the Advisers Act.

_____ *(Initial)* (9) Subscriber hereby certifies that it is an accredited investor because it is an insurance company as defined in Securities Act §2(a)(13).

_____ *(Initial)* (10) Subscriber hereby certifies that it is an accredited investor because it is an investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act") or a business development company as defined in Investment Company Act §2(a)(48).

_____ *(Initial)* (11) Subscriber hereby certifies that it is an accredited investor because it is a 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.

_____ *(Initial)* (12) Subscriber hereby certifies that it is an accredited investor because it is a Rural Business Investment Company as defined in § 384A of the Consolidated Farm and Rural Development Act.

_____ *(Initial)* (13) Subscriber hereby certifies that it is an accredited investor because it is a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, and such plan has total assets in excess of $5 million.

_____ *(Initial)* (14) Subscriber hereby certifies that it is an accredited investor because it is an employee benefit plan within the meaning of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") if the investment decision is made by a plan fiduciary, as defined in § 3(21) of ERISA, 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. *The Manager, in its sole discretion, may request information regarding the basis on which such participants are accredited.*

_____ *(Initial)* (15) Subscriber hereby certifies that it is an accredited investor because it is a private business development company as defined in § 202(a)(22) of the Advisers Act.

_____ *(Initial)* (16) Subscriber hereby certifies that it is an accredited investor because it is (i) an organization described in Section 501(c)(3) of the IRC, corporation, Massachusetts or similar business trust, partnership, or limited liability company, (ii) was not formed for the specific purpose of acquiring the Units, and (iii) has total assets in excess of $5,000,000.

_____ *(Initial)* (17) Subscriber hereby certifies that it is an accredited investor because it is a trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Units, whose purchase is directed by a sophisticated person.[4]

[4] As used in this Questionnaire, a "sophisticated person" is one who has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment.

_____ (18) Subscriber hereby certifies that it is an accredited investor because all of its equity owners are accredited investors. *The Manager, in its sole discretion, may request information regarding the basis on which such equity owners are accredited.*

(Initial)

_____ (19) Subscriber hereby certifies that it is an accredited investor because it is an entity, of a type not listed in the preceding paragraphs, not formed for the specific purpose of acquiring Units, and owned investments (as defined in Rule 2a51-1(b) of the Investment Company Act) in excess of $5,000,000.

(Initial)

_____ (20) Subscriber hereby certifies that it is an accredited investor because it is a "family office," as defined in Rule 202(a)(11)(G)-1 under the Advisers Act (i) with assets under management in excess of $5,000,000, (ii) that is not formed for the specific purpose of acquiring Units, and (iii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

(Initial)

_____ (21) Subscriber hereby certifies that it is an accredited investor because it is a "family client," as defined in Rule 202(a)(11)(G)-1 under the Advisers Act, of a family office meeting the requirements in the immediately preceding paragraph and whose prospective investment in the Company is directed by such family office pursuant to clause (iii) of the immediately preceding paragraph.

(Initial)

Special Note for Trusts & Partnerships: The application of the "Accredited Investor" category to trusts (including Massachusetts or similar business trusts) and partnerships is subject to complex regulatory interpretations. Accordingly, any such Subscriber may be required to deliver additional information, including a satisfactory opinion of its counsel.

Section 5. Disqualified Persons:

Subscriber must certify whether or not it has experienced any of the following regulatory events by checking "Yes" or "No" where indicated. Subscriber's answers below apply to Subscriber and anyone who would "beneficially own"[5] Units in Subscriber's name.

A. Subscriber or anyone that would beneficially own the Units acquired by Subscriber has been convicted, within ten years prior to today, of any felony or misdemeanor: ☐ Yes ☐ No

(i) In connection with the purchase or sale of any security;
(ii) Involving the making of any false filing with the SEC; or
(iii) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities.

B. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is subject to an order, judgment or decree of a court of competent jurisdiction, entered within five years before today, that restrains or enjoins Subscriber or anyone that would beneficially own the Units acquired by Subscriber from engaging or continuing to engage in any conduct or practice: ☐ Yes ☐ No

(i) In connection with the purchase or sale of any security;
(ii) Involving the making of any false filing with the SEC; or
(iii) Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities.

C. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the Commodity Futures Trade Commission or the National Credit Union Administration that: ☐ Yes ☐ No

[5] For these purposes, "beneficially owns" has the meaning used in 1934 Act Rule 13d-1, which is broadly interpreted by the SEC and generally includes Subscriber as well as all persons who would have voting power over the Units held by Subscriber, as well as Subscriber's spouse, minor children, dependent children and other adults in Subscriber's household, and accounts subject to those persons' direct or indirect influence or control, such as trusts in which such persons are trustees or beneficiaries, partnerships in which such persons are general partners, corporations in which such persons are a controlling shareholder or similar arrangements.

(i) Presently bars Subscriber or anyone that would beneficially own the Units acquired by Subscriber from:

(a) Association with an entity regulated by such commission, authority, agency, or officer;
(b) Engaging in the business of securities, insurance or banking; or
(c) Engaging in savings association or credit union activities; or

(ii) Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before today.

D. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is subject to an order of the SEC entered pursuant to 1934 Act §15(b) or 15B(c) or Advisers Act §203(e) or (f) that: ☐ Yes ☐ No

(i) Suspends or revokes the registration as a broker, dealer, municipal securities dealer or investment adviser of Subscriber or anyone that would beneficially own the Units acquired by Subscriber;
(ii) Places limitations on the activities, functions or operations of Subscriber or anyone that would beneficially own the Units acquired by Subscriber; or
(iii) Bars Subscriber or anyone that would beneficially own the Units acquired by Subscriber from being associated with any entity or from participating in the offering of any penny stock.

E. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is subject to an order of the SEC entered into within five years of today, that presently ordered Subscriber or anyone that would beneficially own the Units acquired by Subscriber to cease and desist from committing or causing a violation or future violation of: ☐ Yes ☐ No

(i) Any scienter-based anti-fraud provision of the federal securities laws, including Securities Act §17(a)(1), 1934 Act §§10(b) and 15(c)(1), Rule 10-b-5 under the 1934 Act, and Advisers Act §206(1), or any other rule or regulation thereunder; or
(ii) Securities Act § 5.

F. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade. ☐ Yes ☐ No

G. Subscriber or anyone that would beneficially own the Units acquired by Subscriber has filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the SEC that, within five years of today, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, or is presently the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued. ☐ Yes ☐ No

H. Subscriber or anyone that would beneficially own the Units acquired by Subscriber is subject to a United States Postal Service false representation order entered within five years of today, or is presently subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations. ☐ Yes ☐ No

(Signature page to Confidential Purchaser Questionnaire follows.)

IN WITNESS WHEREOF, the undersigned has executed this Subscriber Questionnaire on this _____day of _____ , 2025.

Execution by Subscriber who is a natural person:

Signature:_____
Printed Name:

Execution by Subscriber that is an entity:

Name of Entity:_____

By:_____
Printed Name:
Title:

Exhibit B to Subscription Agreement

See Attached.

JOINDER AGREEMENT

Reference is hereby made to the Operating Agreement of 51 Upstream Energy Fund VII, LLC, a Kansas limited liability company (the "Company"), dated as of February 3, 2025, as amended from time to time (the "Operating Agreement").

As a result of the issuance of Class A Units to the undersigned in accordance with the Operating Agreement and that certain Contribution Agreement between the undersigned and the Company, the undersigned hereby acknowledges that the undersigned has received and reviewed a complete copy of the Operating Agreement and agrees that upon execution of this Joinder Agreement, the undersigned shall become a party to the Operating Agreement and shall be fully bound by, and subject to, all of the covenants, terms and conditions of the Operating Agreement as though an original party thereto. Upon the execution of this Joinder Agreement by the undersigned and the Company, the undersigned shall be deemed, and is hereby admitted as, a Member for all purposes thereof and entitled to all the rights incidental thereto.

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Joinder Agreement as of the ___ day of _____, 2025.

Execution by a natural person (*both individuals should sign if held jointly*)::

Signature:_____
Printed Name:

Signature:_____
Printed Name:

Execution by an entity:

Name of Entity:_____

By:_____
Printed Name:
Title:

Accepted the ___ day of _____, 2025: 51 Upstream Energy Fund VII, LLC
By: Naphtali Energy, LLC, its Manager

By:_____
Name:
Title:
Date:

Exhibit C to Subscription Agreement

See Attached.

Form **W-9**
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. See ***Specific Instructions*** on page 3.

1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)

2 Business name/disregarded entity name, if different from above.

3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor ☐ C corporation ☐ S corporation ☐ Partnership ☐ Trust/estate

☐ LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) . . . . .

Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.

☐ Other (see instructions)

3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions . . . . . ☐

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any)

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any)

(Applies to accounts maintained outside the United States.)

5 Address (number, street, and apt. or suite no.). See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

			–		–				

or

Employer identification number

		–							

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	**Signature of U.S. person**	**Date**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9*.

What's New

Line 3a has been modified to clarify how a disregarded entity completes this line. An LLC that is a disregarded entity should check the appropriate box for the tax classification of its owner. Otherwise, it should check the "LLC" box and enter its appropriate tax classification.

New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS is giving you this form because they

must obtain your correct taxpayer identification number (TIN), which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

• Form 1099-INT (interest earned or paid).

• Form 1099-DIV (dividends, including those from stocks or mutual funds).

• Form 1099-MISC (various types of income, prizes, awards, or gross proceeds).

• Form 1099-NEC (nonemployee compensation).

• Form 1099-B (stock or mutual fund sales and certain other transactions by brokers).

• Form 1099-S (proceeds from real estate transactions).

• Form 1099-K (merchant card and third-party network transactions).

• Form 1098 (home mortgage interest), 1098-E (student loan interest), and 1098-T (tuition).

• Form 1099-C (canceled debt).

• Form 1099-A (acquisition or abandonment of secured property).

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

Caution: If you don't return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding*, later.

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued);

2. Certify that you are not subject to backup withholding; or

3. Claim exemption from backup withholding if you are a U.S. exempt payee; and

4. Certify to your non-foreign status for purposes of withholding under chapter 3 or 4 of the Code (if applicable); and

5. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting is correct. See *What Is FATCA Reporting*, later, for further information.

Note: If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

• An individual who is a U.S. citizen or U.S. resident alien;

• A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;

• An estate (other than a foreign estate); or

• A domestic trust (as defined in Regulations section 301.7701-7).

Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding. Payments made to foreign persons, including certain distributions, allocations of income, or transfers of sales proceeds, may be subject to withholding under chapter 3 or chapter 4 of the Code (sections 1441–1474). Under those rules, if a Form W-9 or other certification of non-foreign status has not been received, a withholding agent, transferee, or partnership (payor) generally applies presumption rules that may require the payor to withhold applicable tax from the recipient, owner, transferor, or partner (payee). See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

The following persons must provide Form W-9 to the payor for purposes of establishing its non-foreign status.

• In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the disregarded entity.

• In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the grantor trust.

• In the case of a U.S. trust (other than a grantor trust), the U.S. trust and not the beneficiaries of the trust.

See Pub. 515 for more information on providing a Form W-9 or a certification of non-foreign status to avoid withholding.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person (under Regulations section 1.1441-1(b)(2)(iv) or other applicable section for chapter 3 or 4 purposes), do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Pub. 515). If you are a qualified foreign pension fund under Regulations section 1.897(l)-1(d), or a partnership that is wholly owned by qualified foreign pension funds, that is treated as a non-foreign person for purposes of section 1445 withholding, do not use Form W-9. Instead, use Form W-8EXP (or other certification of non-foreign status).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a saving clause. Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items.

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

2. The treaty article addressing the income.

3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.

4. The type and amount of income that qualifies for the exemption from tax.

5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if their stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first Protocol) and is relying on this exception to claim an exemption from tax on their scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

Backup Withholding

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 24% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include, but are not limited to, interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third-party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester;

2. You do not certify your TIN when required (see the instructions for Part II for details);

3. The IRS tells the requester that you furnished an incorrect TIN;

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only); or

5. You do not certify to the requester that you are not subject to backup withholding, as described in item 4 under "*By signing the filled-out form*" above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code*, later, and the separate Instructions for the Requester of Form W-9 for more information.

See also *Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding*, earlier.

What Is FATCA Reporting?

The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all U.S. account holders that are specified U.S. persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code*, later, and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you are no longer tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Line 1

You must enter one of the following on this line; **do not** leave this line blank. The name should match the name on your tax return.

If this Form W-9 is for a joint account (other than an account maintained by a foreign financial institution (FFI)), list first, and then circle, the name of the person or entity whose number you entered in Part I of Form W-9. If you are providing Form W-9 to an FFI to document a joint account, each holder of the account that is a U.S. person must provide a Form W-9.

• **Individual.** Generally, enter the name shown on your tax return. If you have changed your last name without informing the Social Security Administration (SSA) of the name change, enter your first name, the last name as shown on your social security card, and your new last name.

Note for ITIN applicant: Enter your individual name as it was entered on your Form W-7 application, line 1a. This should also be the same as the name you entered on the Form 1040 you filed with your application.

• **Sole proprietor.** Enter your individual name as shown on your Form 1040 on line 1. Enter your business, trade, or "doing business as" (DBA) name on line 2.

• **Partnership, C corporation, S corporation, or LLC, other than a disregarded entity.** Enter the entity's name as shown on the entity's tax return on line 1 and any business, trade, or DBA name on line 2.

• **Other entities.** Enter your name as shown on required U.S. federal tax documents on line 1. This name should match the name shown on the charter or other legal document creating the entity. Enter any business, trade, or DBA name on line 2.

• **Disregarded entity.** In general, a business entity that has a single owner, including an LLC, and is not a corporation, is disregarded as an entity separate from its owner (a disregarded entity). See Regulations section 301.7701-2(c)(2). A disregarded entity should check the appropriate box for the tax classification of its owner. Enter the owner's name on line 1. The name of the owner entered on line 1 should never be a disregarded entity. The name on line 1 should be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner's name is required to be provided on line 1. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on line 2. If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Line 2

If you have a business name, trade name, DBA name, or disregarded entity name, enter it on line 2.

Line 3a

Check the appropriate box on line 3a for the U.S. federal tax classification of the person whose name is entered on line 1. Check only one box on line 3a.

IF the entity/individual on line 1 is a(n) . . .	THEN check the box for . . .
• Corporation	Corporation.
• Individual or • Sole proprietorship	Individual/sole proprietor.
• LLC classified as a partnership for U.S. federal tax purposes or • LLC that has filed Form 8832 or 2553 electing to be taxed as a corporation	Limited liability company and enter the appropriate tax classification: P = Partnership, C = C corporation, or S = S corporation.
• Partnership	Partnership.
• Trust/estate	Trust/estate.

Line 3b

Check this box if you are a partnership (including an LLC classified as a partnership for U.S. federal tax purposes), trust, or estate that has any foreign partners, owners, or beneficiaries, and you are providing this form to a partnership, trust, or estate, in which you have an ownership interest. You must check the box on line 3b if you receive a Form W-8 (or documentary evidence) from any partner, owner, or beneficiary establishing foreign status or if you receive a Form W-9 from any partner, owner, or beneficiary that has checked the box on line 3b.

Note: A partnership that provides a Form W-9 and checks box 3b may be required to complete Schedules K-2 and K-3 (Form 1065). For more information, see the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

If you are required to complete line 3b but fail to do so, you may not receive the information necessary to file a correct information return with the IRS or furnish a correct payee statement to your partners or beneficiaries. See, for example, sections 6698, 6722, and 6724 for penalties that may apply.

Line 4 Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the appropriate space on line 4 any code(s) that may apply to you.

Exempt payee code.

• Generally, individuals (including sole proprietors) are not exempt from backup withholding.

• Except as provided below, corporations are exempt from backup withholding for certain payments, including interest and dividends.

• Corporations are not exempt from backup withholding for payments made in settlement of payment card or third-party network transactions.

• Corporations are not exempt from backup withholding with respect to attorneys' fees or gross proceeds paid to attorneys, and corporations that provide medical or health care services are not exempt with respect to payments reportable on Form 1099-MISC.

The following codes identify payees that are exempt from backup withholding. Enter the appropriate code in the space on line 4.

1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).

2—The United States or any of its agencies or instrumentalities.

3—A state, the District of Columbia, a U.S. commonwealth or territory, or any of their political subdivisions or instrumentalities.

4—A foreign government or any of its political subdivisions, agencies, or instrumentalities.

5—A corporation.

6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or territory.

7—A futures commission merchant registered with the Commodity Futures Trading Commission.

8—A real estate investment trust.

9—An entity registered at all times during the tax year under the Investment Company Act of 1940.

10—A common trust fund operated by a bank under section 584(a).

11—A financial institution as defined under section 581.

12—A middleman known in the investment community as a nominee or custodian.

13—A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
• Interest and dividend payments	All exempt payees except for 7.
• Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
• Barter exchange transactions and patronage dividends	Exempt payees 1 through 4.
• Payments over $600 required to be reported and direct sales over $5,000[1]	Generally, exempt payees 1 through 5.[2]
• Payments made in settlement of payment card or third-party network transactions	Exempt payees 1 through 4.

[1] See Form 1099-MISC, Miscellaneous Information, and its instructions.

[2] However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney reportable under section 6045(f), and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements. A requester may indicate that a code is not required by providing you with a Form W-9 with "Not Applicable" (or any similar indication) entered on the line for a FATCA exemption code.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37).

B—The United States or any of its agencies or instrumentalities.

C—A state, the District of Columbia, a U.S. commonwealth or territory, or any of their political subdivisions or instrumentalities.

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Regulations section 1.1472-1(c)(1)(i).

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Regulations section 1.1472-1(c)(1)(i).

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state.

G—A real estate investment trust.

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940.

I—A common trust fund as defined in section 584(a).

J—A bank as defined in section 581.

K—A broker.

L—A trust exempt from tax under section 664 or described in section 4947(a)(1).

M—A tax-exempt trust under a section 403(b) plan or section 457(g) plan.

Note: You may wish to consult with the financial institution requesting this form to determine whether the FATCA code and/or exempt payee code should be completed.

Line 5

Enter your address (number, street, and apartment or suite number). This is where the requester of this Form W-9 will mail your information returns. If this address differs from the one the requester already has on file, enter "NEW" at the top. If a new address is provided, there is still a chance the old address will be used until the payor changes your address in their records.

Line 6

Enter your city, state, and ZIP code.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have, and are not eligible to get, an SSN, your TIN is your IRS ITIN. Enter it in the entry space for the Social security number. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN.

If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's SSN (or EIN, if the owner has one). If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note: See *What Name and Number To Give the Requester*, later, for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local SSA office or get this form online at *www.SSA.gov*. You may also get this form by calling 800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/EIN*. Go to *www.irs.gov/Forms* to view, download, or print Form W-7 and/or Form SS-4. Or, you can go to *www.irs.gov/OrderForms* to place an order and have Form W-7 and/or Form SS-4 mailed to you within 15 business days.

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and enter "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, you will generally have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note: Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon. See also *Establishing U.S. status for purposes of chapter 3 and chapter 4 withholding*, earlier, for when you may instead be subject to withholding under chapter 3 or 4 of the Code.

Caution: A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, 4, or 5 below indicates otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on line 1 must sign. Exempt payees, see *Exempt payee code*, earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third-party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), ABLE accounts (under section 529A), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account) other than an account maintained by an FFI	The actual owner of the account or, if combined funds, the first individual on the account[1]
3. Two or more U.S. persons (joint account maintained by an FFI)	Each holder of the account
4. Custodial account of a minor (Uniform Gift to Minors Act)	The minor[2]
5. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee[1]
b. So-called trust account that is not a legal or valid trust under state law	The actual owner[1]
6. Sole proprietorship or disregarded entity owned by an individual	The owner[3]
7. Grantor trust filing under Optional Filing Method 1 (see Regulations section 1.671-4(b)(2)(i)(A))**	The grantor*
8. Disregarded entity not owned by an individual	The owner
9. A valid trust, estate, or pension trust	Legal entity[4]
10. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
11. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
12. Partnership or multi-member LLC	The partnership
13. A broker or registered nominee	The broker or nominee
14. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
15. Grantor trust filing Form 1041 or under the Optional Filing Method 2, requiring Form 1099 (see Regulations section 1.671-4(b)(2)(i)(B))**	The trust

[1] List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

[2] Circle the minor's name and furnish the minor's SSN.

[3] You must show your individual name on line 1, and enter your business or DBA name, if any, on line 2. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

[4] List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

* **Note:** The grantor must also provide a Form W-9 to the trustee of the trust.

** For more information on optional filing methods for grantor trusts, see the Instructions for Form 1041.

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records From Identity Theft

Identity theft occurs when someone uses your personal information, such as your name, SSN, or other identifying information, without your permission to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax return preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity, or a questionable credit report, contact the IRS Identity Theft Hotline at 800-908-4490 or submit Form 14039.

For more information, see Pub. 5027, Identity Theft Information for Taxpayers.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 877-777-4778 or TTY/TDD 800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to *phishing@irs.gov*. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration (TIGTA) at 800-366-4484. You can forward suspicious emails to the Federal Trade Commission at *spam@uce.gov* or report them at *www.ftc.gov/complaint*. You can contact the FTC at *www.ftc.gov/idtheft* or 877-IDTHEFT (877-438-4338). If you have been the victim of identity theft, see *www.IdentityTheft.gov* and Pub. 5027.

Go to *www.irs.gov/IdentityTheft* to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their laws. The information may also be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payors must generally withhold a percentage of taxable interest, dividends, and certain other payments to a payee who does not give a TIN to the payor. Certain penalties may also apply for providing false or fraudulent information.