SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

1099245

FORM D

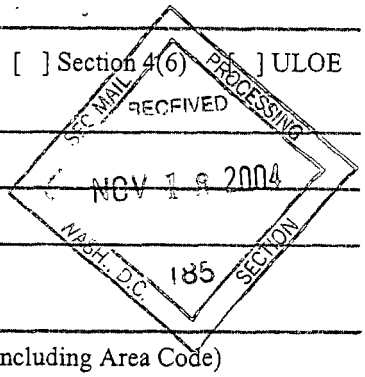
NOTICE OF SALE OF SECURITIES PURSUANT TO REGULATION D, SECTION 4(6), AND/OR UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY		
Prefix		Serial
DATE RECEIVED		

Name of Offering ([ ] check if this is an amendment and name has changed, and indicate change.)
Joaquin/Fredricksburg #5 Limited Partnership, Ltd.

Filing Under (Check box(es) that apply): [ ] Rule 504 [ ] Rule 505 [X] Rule 506 [ ] Section 4(6) [ ] ULOE

Type of Filing: [X] New Filing [ ] Amendment



A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer ([ ] check if this is an amendment and name has changed, and indicate change.)
Fortune Exploration of Kentucky, Inc.

Address of Executive Offices	(Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
12275 FM 1097 West	Willis, TX 77318	(936) 890-5700

Address of Principal Business Operations (Number and Street, City, State, Zip Code) Telephone Number (Including Area Code)
(if different from Executive Offices) **Same as above**

Brief Description of Business
Oil & Gas Drilling Limited Partnership

PROCESSED
NOV 24 2004
THOMSON
FINANCIAL

Type of Business Organization
[ ] corporation [X] limited partnership, already formed [ ] other (please specify):
[ ] business trust [ ] limited partnership, to be formed

Actual or Estimated Date of Incorporation or Organization: Month [0][7] Year [0][4] [X] Actual [ ] Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State:
CN for Canada; FN for other foreign jurisdiction) [T][X]

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When to File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix in the notice constitutes a part of this notice and must be completed.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [ ] Executive Officer [ ] Director [X] General and/or Managing Partner

Full Name (Last name first, if individual)
Vera, Russell L.

Business or Residence Address (Number and Street, City, State, Zip Code)
12275 FM 1097 West: Willis, TX 77318

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [**X**] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)
Richard Collette

Business or Residence Address (Number and Street, City, State, Zip Code)
187 Goodale Street, West Boylston, MA 01583

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [ ] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [x] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [ ] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [ ] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: [ ] Promoter [ ] Beneficial Owner [ ] Executive Officer [ ] Director [ ] General and/or Managing Partner

Full Name (Last name first, if individual)

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes [X] No [ ]

Answer also in Appendix, Column 2, if filing under ULOE.

2. What is the minimum investment that will be accepted from any individual? $ 5875.00

3. Does the offering permit joint ownership of a single unit? Yes [X] No [ ]

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States).................. [ ] All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States).................. [ ] All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States).................. [ ] All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box ¨ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$_____	$_____
Equity	$_____	$_____
[ ] Common [ ] Preferred		
Convertible Securities (including warrants)	$_____	$_____
Partnership Interests	$ 403,495.00	$ 158,625.00
Other (Specify_____).	$_____	$_____
Total	$_____	$_____

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	9	$ 158,625.00
Non-accredited Investors	_____	$_____
Total (for filings under Rule 504 only)	_____	$_____

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C-Question 1.

Type of offering	Type of Security	Dollar Amount Sold
Rule 505	_____	$_____
Regulation A	_____	$_____
Rule 504	_____	$_____
Total	_____	$_____

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	[ ] $_____
Printing and Engraving Costs	[X] $ 2,824.00
Legal Fees	[X] $ 2,824.00
Accounting Fees	[X] $ 5,649.00
Engineering Fees	[ ] $_____
Sales Commissions (specify finders' fees separately)	[ ] $_____
Other Expenses (identify) ___Management Fees_____	[X] $ 19,771.00
Total	[X] $ 31,069.00

1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer.".....	$ 337,075.00

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments To Others
Salaries and fees.....	[ ] $_____	[ ] $_____
Purchase of real estate.....	[ ] $_____	[ ] $_____
Purchase, rental or leasing and installation of machinery and equipment.....	[ ] $_____	[ ] $_____
Construction or leasing of plant buildings and facilities.....	[ ] $_____	[ ] $_____
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	[ ] $_____	[ ] $_____
Repayment of indebtedness.....	[ ] $_____	[ ] $_____
Working capital.....	[ ] $_____	[ ] $_____
Other (specify):_Drilling, Acquisition, and Testing____	[X] $251,378.00	[ ] $_____
_____Completion and Testing_____	[X] $121,049.00	[ ] $_____
Column Totals.....	[ ] $372,427.00	[ ] $_____
Total Payments Listed (column totals added).....	[ ] $_____	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type)	Signature	Date
Fortune Exploration of Kentucky, Inc.		11-4-04
Name of Signer (Print or Type)	Title of Signer (Print or Type)	
Russell L. Vera	**Managing General Partner**	

ATTENTION
Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes No [ ] [X]

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239,500) at such times as required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
Fortune Exploration of Kentucky, Inc.		11-4-04
Name of Signer (Print or Type)	Title (Print or Type)	
Russell L. Vera	**Managing General Partner**	

Instruction:

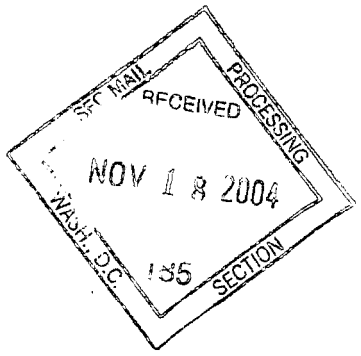
Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK									
AZ									
AR									
CA				1	11,750				
CO									
CT									
DE									
DC									
FL									
GA				1	5,875				
HI									
ID									
IL				1	5,875				
IN									
IA									
KS									
KY				1	23,500				
LA									
ME				1	23,500				
MD									
MA									
MI									
MN									
MS									
MO									
MT									
NE									
NV									
NH									
NJ									
NM									
NY									
NC									
ND									
OH				1	52,375				
OK									
OR									
PA									

SC										
SD										
TN					2	47,000				
TX										
UT										
VT										
VA										
WA										
WV										
WI										
WY										
PR										

http://www.sec.gov/divisions/corpfin/forms/formd.htm
Last update: 06/06/2002



JOAQUIN/FREDRICKSBURG #5 LIMITED PARTNERSHIP, LTD.

A One Well Limited Partnership
In
Shelby County, Texas

17 Units ($23,500 each)

Fortune Exploration of Kentucky, Inc.
12275 FM 1097 West
Willis, TX 77318
(800) 525-5883
info@petrofortune.com
www.petrofortune.com

JOAQUIN/FREDRICKSBURG #5 LIMITED PARTNERSHIP, LTD.

A One Well Limited Partnership in Shelby County, Texas
17 Units ($23,500 each)

Joaquin/Fredricksburg #5 Limited Partnership, Ltd., a Texas Limited Partnership (the "Partnership"), was organized on July 23, 2004. The primary investment objective of the Partnership is the acquisition of approximately a 17.00% Working Interest, which is approximately 12.75% of the Net Revenue Interest, in the well to be drilled on the Joaquin/Fredericksburg Prospect and the production and sale of oil and/or gas therefrom. The Joaquin/Fredericksburg #5 Limited Partnership, LTD. consists of 160 acres of oil and gas leases in Shelby County, Texas and the well to be drilled thereon (the "Partnership Well").

THIS INVESTMENT IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND SHOULD BE PURCHASED SOLELY BY THOSE PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

	Per Unit	General or Limited Partners [1]	Managing General Partner
Subscription Amount	$ 23,500.00	$ 399,500.00	$ 3,995.00
Lest Costs Of:			
Legal, Accounting, Organizational and Printing Costs [2]	658.00	11,297.86	111.86
Management and Administration Fees [2]	1,151.50	19,771.26	195.76
Estimated Proceeds to Partnership	$ 21,690.50	$ 368,738.50	$ 3,687.39

Total Estimated Proceeds to the Partnership: $ 368,738.50

(Footnotes appear on the following page.)

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY REGULATORY AUTHORITY OF ANY OTHER JURISDICTION HAS PASSED ON THE MERITS OF OR GIVEN ITS APPROVAL TO THE UNITS OFFERED OR THE TERMS OF THIS OFFERING, NOR DOES IT PASS UPON THE ACCURACY HEREOF OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THESE SECURITIES ARE OFFERED HEREBY PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SEC AND APPLICABLE SECURITIES REGULATORY AUTHORITIES OF OTHER JURISDICTIONS. NEITHER THE SEC NOR ANY REGULATORY AUTHORITY OF ANY OTHER JURISDICTION HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

The date of this Private Placement Memorandum is July 23, 2004

Memorandum No.:_____ Name of Offeree:_____

[1]*Seventeen(17) Units of limited and general partnership interests in Joaquin/Fredricksburg #5 Limited Partnership, Ltd. (the "Units") are being offered on behalf of the Partnership to a maximum of thirty-five (35) Non-Accredited Investors and an unlimited number of Accredited Investors as permitted by the jurisdictions in which the Units are to be offered and sold. See "Glossary" and "Terms of the Offering". The purchase price of the Units has been determined by the Managing General Partner. The Subscription Price for each Unit is $23,500, payable upon Subscription. Subscriptions must be for whole Units, with a minimum purchase of at least one Unit, unless an agreement is reached with the Managing General Partner to subscribe for less than this minimum purchase in a manner permitted by federal and state securities laws. Units will be offered only to qualified investors. There is no established public market for these Units, and it is probable that no such market will ever develop. These figures do not include the $3,995 Capital Contribution to be made to the Partnership by the Managing General Partner.*

[2]*The Partnership will pay the Legal, Accounting, Organizational and Printing Costs, and Syndication Costs incurred in connection with the offer and sale of Units. Legal, Accounting, Organizational and Printing Costs will be $23,030 or 2.8% of Capital Contributions. The Partnership will also pay Management and Administration Fees to the Managing General Partner of $19,771.26 for its management of the Partnership in connection with selection of the Partnership Prospect and administration of the Partnership during 2004.*

ADDITIONAL INFORMATION

During the course of this offering and prior to sale, each offeree will be afforded the opportunity to ask questions of and receive answers from the Managing General Partner concerning the terms and conditions of this offering. In addition, each offeree will be entitled to obtain additional information from the Managing General Partner which they believe to be material to a decision to invest in the Units (including additional information to verily the accuracy of the information contained in this Memorandum) to the extent the Managing General Partner possesses such information or can acquire it without unreasonable effort or expense. Such additional information and all documents relating to this investment will be made available to the offeree upon request to: Managing General Partner, Joaquin/Fredricksburg #5 Limited Partnership, Ltd., 12275 FM 1097 West, Willis, TX 77318, telephone number (800) 525-5883.

The Managing General Partner reserves the right to extend, withdraw or modify this offering and return the amounts tendered prior to issuing the Units to the Partners. This offering may be withdrawn at any time before the termination of this offering and is specifically made subject to the terms described in this Memorandum. The Managing General Partner specifically reserves the right to reject any subscription tendered.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE PARTNERSHIP OR ITS AGENTS AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS OR HER OWN LEGAL AND TAX ADVISORS AS TO THE LEGAL, TAX AND BUSINESS RAMIFICATIONS RELATED TO AN INVESTMENT IN THE UNITS.

THIS MEMORANDUM CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT, BUT REFERENCE IS MADE TO SAID PARTNERSHIP AGREEMENT, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A, FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO. THE INFORMATION CONTAINED IN THIS MEMORANDUM INCORPORATES SIGNIFICANT ASSUMPTIONS AS WELL AS FACTUAL MATTERS. NO WARRANTY OF SUCH ASSUMPTIONS IS EXPRESSED OR IMPLIED HEREBY. ALL PARTNERSHIP DOCUMENTS RELATING TO THIS MEMORANDUM WILL BE MADE AVAILABLE TO THE PERSON NAMED ON THE COVER PAGE HEREOF AS OFFEREE UPON REQUEST TO THE MANAGING GENERAL PARTNER.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS, OR FURNISH ANY INFORMATION, WITH RESPECT TO THE PARTNERSHIP OR THE UNITS, OTHER THAN THE REPRESENTATIONS AND INFORMATION SET FORTH IN THIS MEMORANDUM, THE PARTNERSHIP DOCUMENTS OR OTHER DOCUMENTS, OR OTHER INFORMATION WHICH IS FURNISHED BY THE MANAGING GENERAL PARTNER UPON REQUEST. AUTHORIZED REPRESENTATIVES OF THE MANAGING GENERAL PARTNER WILL, IF IT IS REASONABLY AVAILABLE, PROVIDE ADDITIONAL INFORMATION WHICH AN OFFEREE REQUESTS FOR THE PURPOSE OF EVALUATING THE MERITS AND RISKS OF THIS OFFERING. SUCH INFORMATION SHOULD ONLY BE RELIED UPON WHEN FURNISHED IN WRITTEN FORM AND SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE MANAGING GENERAL PARTNER, NEITHER THE DELIVERY OF THIS MEMORANDUM, NOR THE SALE OF THE UNITS, SHALL CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE PARTNERSHIP SINCE THE DATE AS OF WHICH THE INFORMATION IS GIVEN HEREIN, OR THE DATE HEREOF

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN IT AND ALL ENCLOSED DOCUMENTS TO THE MANAGING GENERAL PARTNER IF THE OFFEREE DOES NOT PURCHASE, FOR ANY REASON, ANY OF THE UNITS. ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGING GENERAL PARTNER, IS PROHIBITED.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHO HAS RECEIVED IT FROM THE ISSUER. DELIVERY OF THIS MEMORANDUM, OR ANY OTHER DOCUMENTS OR INFORMATION FURNISHED TO AN OFFEREE, TO ANYONE OTHER THAN THE PERSON WHO HAS RECEIVED IT FROM THE ISSUER IS UNAUTHORIZED, AND ANY REPRODUCTION HEREOF, IN WHOLE OR IN PART, WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGING GENERAL PARTNER IS PROHIBITED. ANY PERSON ACTING CONTRARY TO THE FOREGOING RESTRICTIONS MAY PLACE HIMSELF AND THE PARTNERSHIP IN VIOLATION OF FEDERAL AND STATE SECURITIES LAWS.

ANY OFFER TO PARTICIPATE IN THE PARTNERSHIP DESCRIBED HEREIN SHALL ONLY BE MADE TO QUALIFIED PERSONS BY A REGISTERED REPRESENTATIVE OF A BROKER DEALER OR AN AUTHORIZED AGENT OF THE MANAGING GENERAL PARTNER. THE PURPOSE OF THIS MEMORANDUM IS TO PROVIDE THE PROSPECTIVE INVESTOR WITH THAT INFORMATION WHICH THE MANAGING GENERAL PARTNER, ON BEHALF OF THE PARTNERSHIP, BELIEVES IS PERTINENT TO AN INFORMED INVESTMENT DECISION. IT IS RECOGNIZED THAT ADDITIONAL

INFORMATION MAY BE NEEDED BY THE PROSPECTIVE INVESTOR TO FORM SUCH AN INVESTMENT DECISION. THEREFORE, EACH PERSON TO WHOM AN OFFER IS MADE IS ENCOURAGED TO MAKE FURTHER INQUIRY OF THE MANAGING GENERAL PARTNER TO ANSWER SATISFACTORILY ANY QUESTIONS HE MAY HAVE. REQUESTS FOR FURTHER INFORMATION SHOULD BE MADE TO THE MANAGING GENERAL PARTNER, AND SUCH INFORMATION SHOULD ONLY BE RELIED UPON WHEN FURNISHED IN WRITTEN FORM AND SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE MANAGING GENERAL PARTNER.

BECAUSE THE UNITS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER ANY STATE, FEDERAL OR FOREIGN SECURITIES LAWS, THERE WILL BE NO PUBLIC MARKET FOR THEM. ACCORDINGLY, TRANSFERABILITY OF THE UNITS IS RESTRICTED AND INVESTORS MAY NOT BE ABLE TO LIQUIDATE THEIR INVESTMENT QUICKLY OR ON ACCEPTABLE TERMS, IF AT ALL. AN INVESTOR MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE UNITS SHOULD BE PURCHASED ONLY AS A LONG-TERM INVESTMENT.

GENERAL LEGEND

THESE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF CERTAIN STATES AND ARE BEING SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE UNITS ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, OR ANY STATE SECURITIES COMMISSIONER, OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE NAY OF THE FOREGOING AUTHORITIES PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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SUMMARY OF THE OFFERING

The following summary only highlights the information contained in this Private Placement Memorandum ("Memorandum"). This summary is qualified in its entirety by reference to the full text of the Memorandum and its exhibits, all of which should be read and understood by prospective investors.

Name of Partnership:	Joaquin/Fredricksburg #5 Limited Partnership, Ltd., a Texas Limited Partnership (the "Partnership").
Managing General Partner:	The Managing General Partner is Fortune Exploration of Kentucky, Inc. (hereinafter the "Managing General Partner"), whose address is 12275 FM 1097 West, Willis, TX 77318, telephone (800) 525 -5883.
Partners:	Those persons whose Subscriptions to purchase the Units of Limited and General Partner Units offered hereby are accepted by the Managing General Partner in an amount aggregating $399,500 (17 Units) who is subsequently admitted to the Partnership.
Offer and Sale of Units:	The Offering Period for the Units will be terminated on December 31, 2004, or earlier if all Units are sold. If less than the Subscription Amount is accepted by the Managing General Partner on or before the expiration of the Offering Period, the subscribers shall receive a return of their subscription without interest or deductions.
Subscription for Units:	The Subscription Price for each Unit is $23,500, payable upon subscription for the partnership well in Shelby County, Texas.
Subscription Documents:	Each subscriber shall return to the Managing General Partner an executed set of Subscription Documents, together with payment of $23,500 per Unit for each Unit subscribed.
Partnership Objective:	The primary investment objective of the Partnership is the acquisition of approximately a 17.00% Working Interest, which is approximately 12.75% of the Net Revenue Interest in the well to be drilled in the Joaquin/Fredricksburg Prospect and production and sale of oil and/or gas there from. The Joaquin/Fredricksburg #5 well consists of 160 acre oil and gas lease in Shelby County, Texas. The Joaquin/Fredricksburg #5 is to be drilled to a depth sufficient to test the Fredricksburg "A" and "B" Limestone.
Reimbursements and Compensation of the Managing General Partner:	The Managing General Partner and its Affiliates will receive compensation and reimbursement of costs and expenses, which may be significant in the aggregate.
Turnkey Drilling Agreement and Operator:	The Partnership will enter into a Turnkey Drilling Agreement with the Managing General Partner to drill, complete and equip, if warranted, its portion of the Partnership Well (the "Turnkey Drilling Agreement"). The Turnkey Drilling Agreement may provide the Managing General Partner with a profit of up to 19% of the total cost of the Turnkey Drilling Agreement. The Partners' portion of the Partnership Well will be operated by the Limited Partnership Managing General Partner, or its assignee, under the terms of a Standard Operating Agreement ("A.A.P.L. Form 610").
Terms of the Limited Partnership:	The Limited Partnership was organized as a limited partnership under the laws of the of Texas as of July 23, 2004, and shall continue until December 31, 2051, on which date the Limited Partnership shall dissolve, unless sooner terminated or upon the occurrence of any of the events of dissolution as described in the Limited Partnership Agreement
Proceeds:	All funds representing Subscriptions from the investors will be held in an escrow account in the name of the Joaquin/Fredricksburg #5 Limited Partnership, Ltd. at Whitney Bank, Lafayette, Louisiana. The Managing General Partner will have the right to break escrow when Subscriptions for five (5) Units ($117,500) have been accepted. When the escrow account is broken, either at five (5) Units or at the end of the Offering Period, or when all Units are sold, funds remaining in the escrow account will be released to the Managing General Partner. The Managing General Partner may purchase Units.
Capitalization:	The Limited Partnership will have available funds before costs in the amount of $403,495 when the Subscription Amount is raised, of which $399,500 will be contributed by the Partners and $3,995 by the Managing General Partner.
Assessments:	Each General Partner may be assessed by the Managing General Partner only for well operation costs associated with the Partnership Well up to the amount of his Capital Contributions.
Risk Factors:	There are risks associated with the purchase of a Unit in the Limited Partnership.
Limited Partnership:	Prospective investors may invest in the Limited Partnership as General Partners or as Limited Partners.

PARTICIPATION IN COSTS AND REVENUES

The following table sets forth the percentage allocation of Limited Partnership Costs and revenues between the Partners and the Managing General Partner.

Costs, Expenses and Deductions	Partners	Managing General Partner
Leasehold, Geological, and Geophysical Costs	99%	1%
Drilling and Testing Costs	99%	1%
Completing and Equipping Costs	99%	1%
Legal, Accounting and Printing Costs	99%	1%
Organization Costs	99%	1%
Management Fee	99%	1%
All Other Costs	99%	1%

Revenues	Partners	Managing General Partner
Revenues from the Joaquin #5 Well	99%	1%

Joaquin #5 Well

The following table describes the percentage allocation of the Working Interest and the Net Revenue Interest in the Joaquin #5 well to be drilled on the Joaquin/Fredricksburg Prospect:

	Working Interest	Net Revenue Interest
Joaquin #5 Limited Partnership, Ltd.		
Managing General Partner	00.17%	00.1275%
Partners [1,2]	17.00%	12.7500%
Fortune Exploration of Kentucky, Inc. [3]	4.83%	03.6225%
Unaffiliated Third Party Working Interests [4]	78.00%	58.5000%
Landowners and Other Overriding Royalty Interests [5]	00.00%	25.0000%
TOTALS:	100.00%	100.0000%

[1]Each Interest represents approximately a 1.00% Working Interest in the Joaquin #5 well.
[2]Each Interest represents approximately a 0.75% Net Revenue Interest in the Joaquin #5 Well.
[3]Fortune Exploration of Kentucky, Inc., the Managing General Partner, will have a 4.83% Carried Working Interest and will pay its pro-rata share of well operating costs.
[4]A 78.00% Working Interest is held by an Unaffiliated Third Party, who will pay their pro-rata share of all well cost.
[5]A 25.00% Overriding Royalty Interest is held by the landowners and unaffiliated third parties.

COMPENSATION

The following table is provided in order to assist the prospective investor in understanding the types and amounts of compensation, which the Managing General Partner and its affiliates will receive from the Limited Partnership.

Entity Receiving Compensation	Type of Estimated Compensation or Distribution	Estimated Amount
Managing General Partner	Management of Administration Fees of 4.9% of Capital Contributions	$19,771.26
Managing General Partner	Legal, Organization, Accounting and Printing Costs Associated with the Limited Partnership equal to 2.8% of Capital Contributions	$11,297.86
Managing General Partner	Estimated profit, if any, on the Turnkey Drilling Agreement.*	Indeterminate
Managing General Partner	4.83% of the Carried Working Interest from the Joaquin/Fredricksburg Prospect	Indeterminate

*Although the actual profit, if any, cannot be calculated with any degree of accuracy, the Managing General Partner anticipates a profit of $76,664.05, or 19% of the total cost of the well covered by the Turnkey Drilling Contract to the Limited Partnership.

USE OF PROCEEDS

Subscription proceeds shall be used as follows:

Source of Funds	Amount	Percentage
Managing General Partner's Capital Contribution	$ 3,995	1.0%
Limited and General Partners' Capital Contributions	399,500	99.0%
	$ 403,495	100.0%

Estimated Use of Proceeds[1]

	Amount	Percentage	Per Unit Amount
Drilling – IDC	$ 223,132.74	55.3%	$ 12,995.00
Leasehold	16,139.80	4.0%	940.00
Drilling – Equipment	12,104.85	3.0%	705.00
Completion – IDC	88,768.90	22.0%	5,170.00
Completion – Equipment	32,279.60	8.0%	1,880.00
Legal, Organization, Accounting and Printing Costs	11,297.86	2.8%	658.00
Management and Administration Fees	19,771.26	4.9%	1,151.50
Totals:	$ 403,495.00	100.0%	$ 23,500.00

[1]All figures used are estimates and are subject to adjustment.

GLOSSARY

The following are the definitions of certain terms used in this Memorandum:

Accredited Investor: Accredited Investor shall mean any investor that meets at least one of the following conditions:

1. Any natural person whose individual net worth (or joint net worth with that person's spouse, if applicable) at the time of purchase exceeds $1,000,000;
2. Any natural person who had an individual income in excess of $200,000 (or $300,000 with spouse) in each of the two most recent years and who reasonably expects an income in excess of $200,000 (or $300,000 with spouse) in the current year; or
3. Any other "Accredited Investor" as that term is defined in Regulation D as adopted by the SEC Act. The Securities Act of 1933, as amended.

Additional General Partner. The holder of a Unit of general partnership interest in the Partnership.

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

BBL. The common abbreviation for "barrels of oil".

Capital Contribution. The total cash contribution which a Limited or General Partner makes to the Partnership, including assessments. The Capital Contribution by a Limited or General Partner shall be $23,500 per Unit purchased, or such sum as is proportionally reduced for purchases of fractional Units. The Subscription Price for each Unit is payable $23,500 upon Subscription.

Capital Costs. Capital Costs shall mean all of the costs incurred by the Partnership in drilling, testing, completing, and equipping the Partnership Well, and any pipelines built to the Partnership, costs are required to be capitalized for federal income tax purposes, including any dry hole tangible costs but excluding any intangible completion costs, geological and geophysical costs, and Operating Costs.

Carried Working Interest. That portion of the Working Interest which is not required to pay its pro rata share of drilling, testing and/or completion and equipping costs.

Cash Flow. The amount of net revenue available for distribution to the Partners alters the establishment of such reserves as the Managing General Partner deems reasonably necessary for the Partnership. Capital Contributions to the Partnership and the amounts to be distributed upon the termination and winding-up of the Partnership shall not be taken into account in determining the Cash Flow.

Code. The Internal Revenue Code of 1986, as amended.

Contract Price. The estimated total of the intangible drilling costs, intangible completion costs, and Capital Costs to be incurred by the Partnership in the drilling, testing and completion of its portion of the Partnership Well.

Developmental Well. Oil and gas well drilled within the proven area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry Hole. Any oil and gas well drilled for the purpose of producing oil or gas, but which is not a Producing Well.

Exploratory Well. A well drilled on a geological anomaly not known to produce oil and gas.

General and Administrative Costs. In respect to any period, all reasonable and customary legal, accounting, geophysical, geological, land engineering, travel, rent, telephone and similar costs necessary or appropriate to the conduct of the business of the Partnership.

Initial Capital Contribution. The $23,500 per Unit Capital Contribution called for in the Memorandum, but excluding any assessment for Operating Costs.

Intangible Completion Costs. Intangible completion costs shall mean all of the costs incurred by the Partnership in completing the oil and gas well to be drilled by the Partnership which are to be paid by the Partnership and which may be deducted for federal income tax purposes pursuant to the exercise of the option provided under Section 263(c) of the Code.

Intangible Drilling Costs. Intangible drilling costs shall mean all of the costs incurred by the Partnership in drilling the oil and gas well to be drilled by the Partnership which is to be paid by the Partnership and which may be deducted for federal income tax purposes pursuant to the exercise of the option provided

under Section 263(c) of the Code.

Legal, Accounting and Printing Costs. The costs associated with the preparation of the Memorandum including legal fees, accounting fees, printing costs, and miscellaneous costs associated with the offer of the Units.

Limited Partner. The holder of a Unit of limited partnership interest in the Partnership.

MCF. The common description for a thousand cubic feet of natural gas.

MMCF. The common description for a million cubic feet of natural gas.

Management Fee. The fee (4.9% of Capital Contributions or $19,771.26) payable from the Proceeds of the offering to the Managing General Partner for its services in 2004 in connection with the selection of the Partnership Prospect and the initial operations of the Partnership.

Managing General Partner. The Managing General Partner of the Partnership is Fortune Exploration of Kentucky, Inc., Willis, Texas.

Memorandum. The Private Placement Memorandum of the Partnership, dated July 23, 2004, pursuant to which the Units are offered for sale.

Net Revenues. In respect to any period, the portion of Proceeds in excess of the Operating Costs and the General and Administrative Costs incurred by the Partnership during such period.

Net Revenue Interest. An Interest in an oil and gas property which entitles the owner to a specific portion of the production income from such property.

Non-Accredited Investor. Persons or entities who do not satisfy one or more of the alternative definitions of the term "Accredited Investor" and who, by virtue of their financial resources acumen or through the use of advisors, satisfy the Managing General Partner or its authorized representatives that such investors satisfy the suitability standards imposed by Rule 506 of Regulation D and otherwise meet the financial investment standards set forth in the Subscription Documents.

Offering Period. That period commencing on the date of this Memorandum and ending on the earlier to occur of the date on which the Managing General Partner has accepted Subscriptions for all Seventeen (17) Units or December 31, 2004.

Operating Agreement. The Managing General Partner will operate its portion of the Venture pursuant to the terms of an Operating Agreement (pursuant to A.A.P.L. Form 610).

Operating Costs. In respect to any period, all cash costs and expenses of the Partnership in any period, including, without limitation, all costs incurred in connection with the operation and maintenance of the Partnership and the Venture.

Operator. The Managing General Partner will operate the Partnership's portion of the Partnership Well.

Original Limited Partner. Russell L. Vera.

Overriding Royalty Units. Non-operating Units in oil and gas leases which entitled the owner thereof to receive a share in the production from any oil and gas well drilled on the property to which such Units are subject without being obligated to pay any of the drilling, testing, completion or operating costs related thereto.

Partners. The persons, firms, corporations and other entities that are admitted into the Partnership as either Additional General or Limited Partners in the Partnership. Reference to a "Partner" shall mean any one of the Partners and the Managing General Partner if the context so requires. A Partner shall be deemed to be the owner of any assigned interest in the Partnership unless and until the assignee of such Unit(s) in the Partnership has been admitted to the Partnership as a Substitute Partner in accordance with the terms of the Partnership Agreement.

Partnership. Joaquin/Fredricksburg #5 Limited Partnership, Ltd., a Texas limited partnership.

Partnership Agreement. The Limited Partnership Agreement in the form annexed to the Memorandum as Exhibit A, pursuant to which the Partnership will be continued after the admission of the General and Limited Partners into the Partnership.

Partnership Properties. All interests, properties and rights of any type owned by the Partnership.

Partnership Prospect. The oil and gas prospect described in Exhibit B which will be acquired by the Partnership, and any substitutions therefore or additions thereto that the Managing General Partner deems advisable or appropriate in the event the development of the specific prospect set forth in such exhibit has, in the sole judgment of the Managing General Partner, become imprudent or inadvisable.

Partnership Well. The drilling, testing, completing and equipping the well to be drilled on the Joaquin/Fredricksburg Prospect in Shelby County, Texas and any permitted substitutions or additions thereto.

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

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

Regulation D. Rules 501 through 506 of the SEC as adopted pursuant to Section 4(2) of the Act.

SEC. The U.S. Securities and Exchange Commission.

Service. The Internal Revenue Service (or "IRS").

Subscription. The execution and delivery to the Broker Dealer of a properly executed set of Subscription Documents by a potential Limited or General Partner and the tender by such investor of the required cash payment for the Unit or Units which he wishes to purchase.

Subscription Amount. The total Capital Contributions to be made by the Partners to the Partnership in the amount of $368,738.50, providing Subscriptions for all seventeen (17) Units are accepted by the Managing General Partner prior to the expiration of the Offering Period.

Substitute Partner. The assignee of the Unit or Units of a Limited or General Partner when both the assignor and assignee of such Unit or Units have satisfied all of the requirements of the Partnership Agreement.

Syndication Costs. All costs, including sales commissions and other expenses to be incurred by the Partnership in the syndication, distribution and offer of the Units pursuant to the Memorandum.

Tanks. When the drilling, testing, completing and equipping of a well is finished, the well is said to be completed "to the tanks."

Turnkey Drilling Contract. The agreement in the form contained in Exhibit C attached hereto, for the Partnership's portion of the Partnership Well, pursuant to which the Partnership's portion of drilling, testing, completing and equipping the Partnership Well will be drilled for a fixed price.

Unit. An investment in the Partnership in the amount of $23,500 per Unit. Except as otherwise agreed to by the Managing General Partner, a minimum Subscription of one Unit is required from each potential Limited or General Partner.

Working Interest. The operating Interest under an oil and gas lease entitling the holder, at his or its expense, to conduct drilling and production operations on the leased property and to receive the net revenues from such operations.

RISK FACTORS

THE PURCHASE OF THE UNITS OFFERED HEREBY IS SUBJECT TO A HIGH DEGREE OF RISK. PROSPECTIVE PURCHASERS OF UNITS SHOULD CONSIDER THE FOLLOWING FACTORS, AMONG OTHERS, BEFORE SUBSCRIBING. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN FINANCIAL, TAX AND LEGAL COUNSEL IN CONNECTION WITH THE POSSIBLE PURCHASE OF UNITS.

Risks Pertaining to Oil and Gas Investment

Speculative Nature of Oil and Gas Activities. Oil and gas drilling is a highly speculative activity marked by many unsuccessful efforts. Investors must recognize the possibility that the Partnership may not be productive. Even if the well are completed, it may not produce enough oil or gas to show a profit. Delays and added expenses may also he caused by poor weather conditions affecting, among other things, the ability to lay pipelines and install production equipment. In addition, ground water, various clays, lack of porosity and permeability may hinder, restrict or even make production impractical or impossible.

Oil and Gas Well Drilling and Production Risks. All drilling activities involve a high degree of risk with Exploratory Well presenting a higher degree of risk than Development Well. During the drilling and completion of the Venture, the Partnership could encounter hazards such as unexpected formations, pressures or other conditions, blow-outs, fires, failure of equipment, down hole collapses, and other hazards (whether similar or dissimilar to those enumerated). Although the Partnership will maintain insurance, the related Drilling Program may suffer losses due to hazards against which it cannot insure or against which it may elect not to insure. Such liabilities could result in personal liability for General Partners and the Managing General Partner.

Prices of Oil and Gas are Historically Quite Unstable. Global economic conditions, political conditions, and energy conservation have created unstable prices. The prices for domestic oil and gas production have materially declined at times in the past and could possibly decline in the future which would adversely affect the Partnership and the Partners.

Competition, Markets and Regulation. A large number of companies and individuals engage in drilling for oil and gas and there is competition for the most desirable leases. Also, international developments and the possible improved economics of domestic oil and gas exploration may influence major oil companies to increase their domestic oil and gas exploration. The major oil companies have significantly greater technical expertise and financial resources than the Managing General Partner. The sale of any oil or gas found and produced by the Partnership will be affected by fluctuating market conditions and regulations, including environmental standards, set by state and federal agencies.

Environmental Hazards and Liabilities. There are numerous natural hazards in the drilling of well, including unusual formations, pressure, blowouts involving possible damages to property and third parties, surface damages, bodily injuries, damage to and loss of equipment, reservoir damage and loss of reserves. Uninsured liabilities would reduce the fluids available to the Partnership, may result in the loss of Partnership properties and may create liability for the Limited Partnership. The Partnership may be subject to liability for pollution, abuses of the environment and other similar damages. Although the Partnership will maintain insurance coverage in amounts the Managing General Partner deems appropriate, it is possible that insurance coverage may be insufficient. In that event, Partnership assets would be utilized to pay personal injury and property damage claims and the costs of controlling blowouts or replacing destroyed equipment rather than for additional drilling activities.

Availability of Rigs and Prospects. A substantial increase in drilling operations in the Interested States could result in the decreased availability of drilling rigs and gas field tubular goods. Those factors may adversely affect the operations of the Partnership. Increased drilling activity could lead to shortages of equipment and material which would make timely drilling and completion of well impossible.

Titles to Properties. Within 90 days of the first production of any Partnership Well, the Managing General Partner will assign an Interest in the Lease to the Partnership. Leases acquired by each Partnership may initially and temporarily be held in the name of the Managing General Partner, as nominee, to facilitate joint-owner operations and the acquisition of properties. The existence of the unrecorded assignments from the record owner will indicate that the Leases are being held for the benefit of the Partnership and that the Leases are not subject to the debts, obligations or liabilities of the record owner; however, such unrecorded assignments may not fully protect the Partnership from the claims of creditors of the Managing General Partner. Partners must rely on the Managing General Partner to use its best judgment to obtain appropriate title to leases. Provisions of the Partnership Agreement relieve the Managing General Partner from any mistakes of judgment with respect to the waiver of title defects. The Managing General Partner will take such steps as it deems necessary to assure that title to leases is acceptable for purposes of the Partnerships. The Managing General Partner is free, however, to use its own judgment in waiving title requirements and will not be liable for any failure of title to lease transferred to the Partnership.

Financial Conditions of Subcontractors. *If subcontractors fail to timely pay for materials and services, the Partnership Well could be subject to material men* and workers' liens. In that event, the Partnership could incur excess costs in discharging such liens.

Shut-in Well and Delays in Production. Production from well drilled in areas remote from marketing facilities may be delayed until sufficient reserves are established to justly construction of necessary pipelines and production facilities. In addition, production from well may be reduced or delayed due to marketing demands which tend to be seasonal. The Partnership Well may have access to only one potential market. Local conditions including, but not limited to, closing businesses, conservation, shifting population, pipeline maximum operating pressure constraints, and development of local oversupply or deliverability problems could halt sales from the Partnership Well.

Delay in Distributions of Revenues. Distribution of revenue may be delayed for substantial periods of time after discovery of oil or gas due to unavailability of or delay in obtaining, necessary material for completion of a well; payment of operating and/or development costs; reduced takes by purchasers of oil or gas due to market conditions; delays in obtaining satisfactory purchase contracts and connections for gas well; delays in tide opinions and obtaining division orders; and other circumstances.

Dependence on Future Prices, Supply and Demand for Oil and Gas. The revenues generated from the activities of the Partnership will be highly dependent upon the future prices and demand for oil and gas. Factors which may affect prices and demand include the world-wide supply of oil and gas, the price of foreign imports, the levels of consumer demand, price and availability of alternative fuels and changes in existing and proposed federal regulation and taxation. The Interested States' average daily production of oil has declined from the mid 1935's to the present. The reduced production level is in part the result of decreased drilling activity in the Interested States. Another factor contributing to the reduction of Interested States oil production is the plugging and abandoning of well which are uneconomical due to the significant decrease in the price of oil.

Tax Risks

It is possible that the tax treatment currently available with respect to oil and gas exploration and production will be modified or eliminated on a case by case basis by additional legislative, judicial, or administrative actions. The limited tax benefits associated with oil and gas exploration do not eliminate the inherent

attendant risks.

Tax Shelter Registration. Although an investment in the Partnership may generate certain tax benefits, the Partnership should not be considered a "tax shelter" as that term is used in the Code. The Managing General Partner will not apply to the Service for a "tax shelter" registration number with respect to the Partnership.

General Partner Units Versus Limited Partner Units. An investment as Limited Partnership in the Partnership may not be advisable for a person whose taxable income from all sources is not recurring or is not normally subject to the higher marginal federal income tax rates. An investment as a Limited Partner may not be advisable for a person who does not anticipate having substantial current taxable income from passive trade or business activities. Such a person cannot utilize any passive losses generated by the Partnership until file person is in receipt of passive income or the partnership activity is terminated. The Partners will have the right to convert their Units into Limited Partner Units, subject to certain limitations. Upon the conversion, gain will be recognized to the extent that any liabilities of which the Limited Partnership is considered relieved due to the conversion exceed such Limited Partnership's adjusted basis in such Limited Partnership's Partnership Interest. Partnership income, losses, gains, and deductions allocable to any Limited Partners will be subject to the passive activity rules, whereas those allocable to General Partners will generally not be subject to the passive activity rules. Upon conversion of a Limited Partnership's interest to that of a Limited Partner, subsequently allocable income and gains will be treated as non-passive, while losses and deductions will be subject to limitations under the passive loss rules.

Tax Liabilities in Excess of Cash Distributions. Federal income tax payable by a Limited Partnership by reason of the Limited Partnership's distributive share of Partnership taxable income for any year may exceed the cash distributed to such Limited Partnership by the Partnership. A Limited Partnership must include in his or her own return for a taxable year their share of the items of the Partnership's income, gain, profit, loss, and deductions for the year, whether or not cash proceeds are actually distributed to the Limited Partnership. For example, income from the Partnership's sale of oil and gas production will be taxable to Partners as ordinary income whether or not it is actually distributed, for example, where such income is used to repay Partnership indebtedness.

Investment by Individual Retirement Accounts. Before proceeding with an investment in Units of a portion of the assets of an individual retirement account ("IRA"), the person with investment discretion on behalf of the IRA ("fiduciary"), taking into account the facts and circumstances of such IRA, should consider applicable fiduciary standards imposed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the permissibility of such investments under the governing documents of the IRA. Thus, the fiduciary should consider, among other things (i) whether the investment is prudent, and (ii) whether the transaction is prohibited under the Code. If the Partnership is successful, the purchase of Units will give rise to unrelated business taxable income under the Code. Such income is subject to tax if it, when added to unrelated business income from all other sources, exceeds $1,000 in any year.

Chance of Audits. Although the Partnership will not be registered with the Service as a "tax shelter," it is possible that the Service will audit the Partnership's returns. If such audits occur, tax adjustments might be made that would include the amount of taxes due or increase the risk of audit of Partners' individual tax returns. In addition, costs and expenses may be incurred by the Partnership in contesting such adjustments. The cost of responding to audits of Partners' tax returns will be borne solely by the Partners whose returns are audited.

Items Not Covered by the Tax Opinion. Due to the lack of authority, or the essentially factual nature of the question, tax counsel to the Managing General Partner ("Tax Counsel") has not expressed an opinion as to the following:

(i) whether the losses of a Partnership will be treated as derived from "activities not engaged in for profit," and, therefore, nondeductible from other gross income,

(ii) the availability or extent of percentage depletion deductions to the Partners,

(iii) the amount, if any, of the Management Fee, the Dealer-Manager's Fee and various other fees paid to third parties, the Managing General Partner, the Operator, or their Affiliates that will be deductible or amortizable, and

(iv) whether an investment in the Partnership may subject a Limited Partnership to the alternative minimum tax or increase a Limited Partnership's alternative minimum tax. No attorney or accountant has been retained to represent the Units of investors in connection with the formation of the Partnership or this offering. Several of the above-referenced mailers are factual in nature, and the facts are unknown at this time. Therefore, Tax Counsel is unable to render an opinion at this time as to the tax consequences and burdens a taxpayer will likely experience with respect to these mailers as a result of an investment in a Partnership. The facts when they become known with respect to the various matters referred to above will vary from taxpayer to taxpayer and will result in different tax consequences and burdens for individual taxpayers. Prospective investors should recognize that an opinion of counsel merely represents such counsel's reasonable legal judgment under existing statutes, judicial decisions, and administrative regulations and interpretations. There can be no assurance, however, that some of the deductions claimed by the Partnership will not be challenged successfully by the Service.

Working Interest Exception to the Passive Loss Limitations. Tax Counsel has rendered its opinion that Units in the Partnership held by the General Partners will not be subject to the passive activity rules. Losses arising after a conversion of a General Partner Interest to a Limited Partner Interest, however, will be treated as passive and, consequently, will only be available to offset passive income of the Limited Partner. Losses allocable to the Limited Partners will be subject to the passive loss rules, while income so allocable will be passive except to the extent characterized as portfolio income.

Material Portion of Subscription Proceeds Not Currently Deductible. A material portion of the Subscription proceeds of a Partnership will be expended for expense items which will not be currently deductible for federal income tax purposes.

Changes in Federal and State Income Tax Laws. Significant and fundamental changes in the nation's federal income tax laws and certain states have been made in recent years and additional changes are likely. Any such change may affect the Partnership and the Partners. Moreover, judicial decisions, regulations or administrative pronouncements could unfavorably affect the tax consequences of an investment in the Partnership.

Significance of Tax Aspects. The Units are being offered to parties who may avail themselves of the benefits presently allowed oil and gas activities under federal income tax laws and certain state income tax laws. There is no assurance that money invested in the Partnership will be recovered, that federal and state income tax laws or the present interpretation thereof will not be changed or that any position taken by the Partnership on its federal or state income tax returns will not be challenged by the Service. In addition, certain federal and state income tax provisions may limit deductions, trigger or increase a Limited Partnership's liability for the alternative minimum tax, increase tax liability on the disposition of Units, or otherwise increase the federal income tax liability of a Limited Partnership. It is suggested that prospective investors obtain professional guidance from their tax advisor in evaluating the tax risks involved in investing in a Partnership.

Specific Risks of this Offering

Unlimited Liability. Partners will be subject to joint and several liabilities for all obligations, debts and claims arising from the business activities of the

Partnership. As among themselves, the Partners and the Managing General Partner will be liable for their proportionate share of such debt or claim; however, there can be no assurance that each Limited Partnership will pay its proportionate share of the debt or claim. In such event, the other General Partners and the Managing General Partner may be obligated to pay a disproportionate share of such debt or claim. The Partnership Agreement contains cross-indemnity provisions between the Partners and the Managing General Partner; however, if Partners and the Managing General Partner pay a disproportionate share of the debt or claim, no assurances can be given that such excess payment will ever be recovered by contribution or otherwise.

Those persons investing as Limited Partners will be subject to such liabilities only to the extent of their investment.

Negligence of Operator. The Partners will be liable for the negligence of the operator of the Partnership Well. In the event the Operator conducts Partnership operations in such a manner as to negligently harm the royalty interest owners, owners of the surface estate, business invitees (including the employees of contractors), or livestock, all Partners participating as General Partners will be liable for such negligence. The Managing General Partner, in contracting with the operator, will obtain casualty insurance to cover such potential liabilities. There can be no assurance that the dollar amount of insurance coverage will be sufficient to pay such claims.

Those persons participating as Limited Partners will be subject to such liabilities only to the extent of their investment.

Lack of Diversification. Since the Partnership intends to drill only one well, the risk of investing in the Partnership is greater than investments in programs which spread the risks by participating in drilling larger numbers of well and/or prospects.

Substitute Well Location. The Managing General Partner reserves the right to move the Partnership Well location from that described in this Memorandum in the event (in the sole judgment of the Managing General Partner) additional geological information warrants the move. Additionally, the Managing General Partner reserves the right to substitute for, or add to, the specified oil and gas prospect if (in the sole judgment of the Managing General Partner) the development of the specific prospect becomes imprudent or inadvisable. In such event, Partners may not have an opportunity before purchasing Units to evaluate for themselves the relevant geophysical, geological, economic or other information regarding the prospects to be selected. If a new prospect or prospects are selected, delays in the investment or proceeds from this offering may occur.

Assessments. The Units will be subject to assessments for operational costs of the Partnership Well, up to the amount of their Initial Capital Contribution. The Partnership Agreement contains a penalty provision subjecting Partners who fail to pay any assessment to a three hundred percent (300%) payback penalty. Under the terms of this provision any Limited Partnership may pay a defaulting Limited Partnership's assessment and be entitled to receive all of such defaulting Limited Partnership's revenue distributions until such time as the Limited Partnership receives one and one half times the payment made on behalf of the defaulting Limited Partnership. No assurance can be given that any Limited Partnership will pay the assessments of a defaulting Limited Partnership or that if all Partners fail to pay an assessment the Partnership could continue operations.

Other Working Interest Owners. The drilling, testing, completing and equipping of its portion of the Partnership Well will be accomplished through the offering of Subscriptions for all Units by the Partnership, together with funds furnished by two unaffiliated entities and one affiliated entity. If such unaffiliated entity is unable to furnish the funds required to pay for drilling, testing and/or completion associated with its Working Units in the Partnership Well there will not be sufficient funds to drill, test, complete and equip the Partnership Well.

Initial Potential Figures. This Memorandum and/or the Geology Report may include oil and gas well statistics known as Initial Potential figures. The Initial Potential figures reported to state authorities are normally greater than actual production from well. Initial Potential figures are inherently unreliable and should not be relied upon by a prospective investor as indicative of actual production.

Decline Curve. Production from all oil and gas well by its very nature will decline over time. The actual decline curve is subject to numerous factors and cannot in normal circumstances, be calculated in advance. The production from oil and gas well is also subject to fluctuation for a myriad of reasons. Oil and/or gas production may not be stable on a month-to-month basis. Prospective investors should understand that over the economic life of a well, any oil or gas production obtained will decline and the well may, as a result of such decline, become noncommercial.

Liens on Partnership Well. The Partnership will acquire approximately 17.00% of the Working Interest in a well site in the Partnership Prospect. Under general property law, any contractor or subcontractor doing work for the Partnership may attach a lien to the undivided Working Interest with respect to which it does work, to secure the dollar value of all labor and material furnished to drill, test and complete the oil and/or gas well on the Partnership Prospect. Generally, only the leasehold interest and equipment is subject to the lien and not the personal assets of the Partners. A valid lien holder could, after the lien is perfected, institute a collection suit, subject to the lien, and if it were successful in obtaining a judgment, the Partnership Prospect and the equipment thereon could be foreclosed upon and the Partnership Well would be lost. It is not unusual for the purchaser of the oil and/or gas production to suspend payments until any liens are cleared or the lease is foreclosed. No assurance can be given that additional assessments may not be required to satisfy mechanics and material men liens, thereby preventing foreclosure of the Partnership Prospect.

Multiple Offerings. The Managing General Partner has sponsored twenty-seven previous oil and gas drilling partnerships. The Managing General Partner will be involved in the offer of Units in additional partnerships in the future. Any two or more drilling partnerships could be found by the Securities and Exchange Commission, or a state securities regulator, agency, to constitute a single offering of securities, which finding could lead to a disallowance of exemptions from registration for the sale of partnership Units in two or more of the partnerships, including the partnership in which Units are offered hereby. Such a finding could result in disallowance of one or more of the partnerships' exemptions from registration, which could give rise to various legal actions on behalf of a federal or state regulators agency, and the partners of such partnerships, including the Partnership.

Limited Experience. The Partnership was only recently organized and has no history, of operation. The Managing General Partner has ten years history of operations.

Dependence Upon the Managing General Partner. The operations and financial success of the Partnership are significantly dependent on the managerial personnel of the Managing General Partner. In the event that the management of the Managing General Partner becomes unable or unwilling to continue to direct the operations of the Partnership, the Partnership and the Partners could be adversely affected.

Arbitrary Offering Price. The offering price and terms for the Units were arbitrarily fixed by the Managing General Partner based upon the Partnership's presently contemplated financing needs. No investment banker or other appraiser was consulted regarding such price and terms. The offering price bears no relationship to the potential value of the well or the possible future earnings of the Partnership.

Compensation. As compensation for services rendered or to be rendered to the Partnership, the Managing General Partner will receive a Management Fee (4.9% of the Initial Capital Contributions or $19,771.26) and reimbursement of Legal, Accounting, Printing and Organizational Costs (2.8% of the Capital Contributions or $23,030) whether or not any distributions are made to the Partners.

Drilling, Testing and Completing Costs. The Partnership will raise $368,738.50 from Partners to purchase, drill, test and complete their portion of the Partnership Well.

Delay in Receipt of Income. The Partnership will be engaged in the exploration for, and possible development of, oil and gas reserves. The unavailability of

or delay in obtaining necessary materials for drilling, testing and completion activities, or in securing title opinions dated to the first production, may delay the distribution of any cash to the Partnership and, in turn, to the Partners, if any, for significant periods after the discovery and production of hydrocarbons.

Dissolution of the Partnership. In the event the Partnership dissolves, the Partners may receive individual Working Units in the Partnership Well. At that time, the Partners may find it advisable to obtain additional personal liability insurance in order to provide them with coverage commensurate with this new form of ownership. Partners may concurrently find it more difficult to dispose of such Units because of the diversity of owners and Units involved.

Ability of the Managing General Partner to Cause Dissolution of the Partnership. Pursuant to the Partnership Agreement, the Managing General Partner has the power to force dissolution by withdrawing from the Partnership provided that, if a successor Managing General Partner is elected by a vote of Partners owning a majority of the outstanding Units within ninety (90) days of such withdrawal and such Partners agree to continue the Partnership business within such period, the withdrawal will not result in the dissolution and winding up of the Partnership. Similarly, if the Managing General Partner dissolves or is finally adjudicated to be bankrupt or insolvent, the Partnership would be wound up unless a successor Managing General Partner is elected and the Partners agree to continue the Partnership business as set forth above. While the Partners may under such circumstances elect to continue the Partnership and its business with a new Managing General Partner, the Partnership may not be able to find (or agree upon) a person or entity willing to act as Managing General Partner. In such event, any oil or gas Units would have to be sold or distributed to the Partners in liquidation of the Partnership. Any sale under such circumstances might not produce an advantageous price, and the Partners might suffer adverse tax consequences.

Limited Capitalization. The capitalization of the Partnership will be funded entirely by the funds generated through the Capital Contributions of the Partners and the Managing General Partner. Thus, the fiscal ability of the Partnership to perform the activities contemplated herein is singularly dependent upon the total and timely receipt by the Partnership of these funds. Even upon the receipt of all these funds, however, the Partnership will invest in only one oil and gas property. As such, the Partnership will not be able to diversify the risk of unsuccessful operations as well as a Partnership with more investment capital would be able to do.

Limited Net Worth of the Managing General Partner. The Managing General Partner has numerous obligations to the Partnership including the repayment of Subscription proceeds that come out of escrow if all of the Units are not sold. Its financial ability to meet these obligations may be of critical importance to the successful operation of the Partnership. There is no assurance that the Partnership will have the financial resources to meet these obligations if it should become necessary for it to do so. Most of the assets of the Managing General Partner are illiquid and are not readily convertible to cash. Prospective Partners should bear these facts in mind in evaluating the risk factors discussed in this section.

Reliance on Projections and/or Opinions. No agents of the Managing General Partner have been authorized to make any projections or express any opinion concerning future events, expected production, or availability of tax benefits, except as set forth within this Memorandum. No oral opinions which differ from the written data provided prospective Investors have been authorized and should not be relied upon. Opinions of possible future events are based upon various subjective determinations and assumptions. All projections by their very nature are inherently subject to uncertainty; accordingly, a prospective investor will be subject to the risk that any such projections will not be reached, that any such underlying assumptions may prove to be inaccurate.

Liability Indemnification of the Managing General Partner. The Partnership Agreement provides that the Managing General Partner will not be liable to the Partnership or to any Limited or General Partners for, and will be indemnified and held harmless by the Partnership in respect of the consequences of any act or failure to act of the Managing General Partner, unless such act or omission constitutes gross negligence or willful misconduct. The existence of these provisions grants to the Partners more limited causes of action than they might otherwise have had against the Managing General Partner in the absence of such provisions.

Arbitration. Disputes with the Managing General Partner arising from the purchase of Units in the Partnership by a Limited Partnership are subject to arbitration rather than civil litigation filed in federal or state courts. Such dispute resolution may be viewed as depriving the Partners of their full legal remedies. Prior to arbitrations the parties shall be required to seek a resolution of any differences through mediation.

Absence of Registration under Applicable Securities Laws. Prospective investors must recognize that the Units have not been, nor will they be, registered under the Act or applicable state securities laws. Subsequently, no sale can be made without registration under the Act or pursuant to an exemption therefrom. Except for certain limited review by the securities administrators of some states in which Units may be offered and sold, no regulatory authority has reviewed the nature and amounts of compensation to be paid to the Managing General Partner, the disclosure of risks and tax consequences inherent in such investment, or the other terms of this offering. Prospective investors must recognize that they do not necessarily have all of the protections afforded by applicable federal and state securities laws to registered or qualified offerings. They must therefore judge for themselves the adequacy of the disclosures, the amounts of such compensation, and the fairness of the other terms of this offering without the benefit of prior review by any regulatory authority.

Limits on Transferability of the Units. Substantial restrictions are imposed upon the transfer of the Units. The Managing General Partner must additionally consent to any subsequent sale if the transferee is to become a Substitute Limited or General Partner or if the transferor is an Additional General Partner. In that regard, the Managing General Partner may also require an opinion of counsel to the effect that any such transfer will not violate applicable federal or state securities laws. The Units will not be, and the purchasers of the Units have no right to require that they be, registered under the Act. There will be no public market for the Units and no market is expected to develop. In addition, each transferee of any Units must, unless specifically exempted by the Managing General Partner, satisfy the Suitability Standards contained herein. Neither the Partnership nor the Managing General Partner has an obligation to repurchase any of the Units from the Partners. The Units may become progressively less attractive to any prospective purchaser thereof because the anticipated tax benefits associated with an investment in the Partnership will decline over time as the Partnership Well is drilled, tested and completed and because of the payment of non-recurrent fees to be deducted by the Partnership in the earlier years of the Partnership.

TERMS OF THE OFFERING

The Partnership. The Managing General Partner, on behalf of the Partnership, hereby offers seventeen (17) Units of General or Limited Partner Units priced at $23,500 per Unit for a Subscription Amount of $368,738.50. Subscriptions must be for whole Units with a one Unit minimum, unless an agreement to subscribe for less than this minimum is reached with the Managing General Partner. In no event, however, will Units be sold to more than seventeen (17) Non-Accredited Investors and an unlimited number of Accredited Investors as allowed by the jurisdictions in which the Units are being offered and sold.

Suitability Standards. The Managing General Partner will adhere to the suitability standards imposed by Rule 506 of Regulation D in evaluating potential investors. Accordingly, participation as a Partner will be limited to only those persons who represent that they are willing and able to assume the risk of a highly speculative investment of limited liquidity.

A subscription will be accepted from a Non-Accredited Investor only if such person has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Units, and if such person either (1) has an individual net worth (or joint net worth with that person's spouse) at the time of subscription of at least $200,000 (exclusive of home, home furnishings and personal automobiles) or (2) has an individual net worth (or joint net worth with that person's spouse) at the time of Subscription of at least $175,000 (exclusive of home, home furnishings and personal automobiles), and had during the last tax year, and estimates that he will have during the current year, "taxable income" as defined in the Code, of at least $50,000 without taking into account the effect of an investment in the Units. Each subscriber must also meet any additional, more stringent suitability requirements of the securities laws in the jurisdiction in which he resides as set forth in the Subscription Agreement and as otherwise required by the Managing General Partner.

The foregoing requirements are only minimum suitability standards, and the satisfaction of those standards by an investor does not necessarily indicate that an investment in the Units is suitable for such person. The Managing General Partner has complete discretion in determining whether or not to accept any particular Subscription.

Calculation of Number of Purchasers. Under Regulation D, securities in an offering such as the one described herein can be sold to an unlimited number of Accredited Investors and to no more than seventeen (17) Non-Accredited Investors. For that reason, in no event will Subscriptions be accepted from more than seventeen (17) purchasers who are Non-Accredited Investors. For purposes of calculating the number of these Non-Accredited Investors, the following purchasers shall be excluded from this numerical limitation:

1. Any relative, spouse, or relative of the spouse of a purchaser who has the same principal residence as the purchaser;
2. Any trust or estate in which a purchaser and any of the persons related to him as specified in paragraph (i) above or (iii) below collectively own more than fifty percent (50%) of the beneficial Unit (excluding contingent interests);
3. Any corporation or other organization of which a purchaser and any of the persons related to him as specified in paragraph (i) or (ii) above collectively are beneficial owners of more than fifty percent (50%) of the equity securities (excluding directors' qualifying shares) or equity interests; and
4. Any Accredited Investor.

A corporation, partnership or other business entity shall be counted as one purchaser. However, if that association was organized for the specific purpose of acquiring the Units then each beneficial or equity owner of the equity securities or equity interests in such entity shall be counted as a separate purchaser.

Conversion of Units by Limited Partners. At any time, a Limited Partner may elect to convert all, but not less than all, of his Units of general Partnership Interest into Units of Limited Partnership Interest upon written notice to the Managing General Partner, provided the conversion will not constitute a termination of the Partnership for federal income tax purposes. Upon the conversion, such Additional General Partner will retain liability for his proportionate share of any partnership liability arising prior to the conversion.

Suitability Standards. The Managing General Partner will adhere to the suitability standards imposed by Rule 506 of Regulation D in evaluating potential investors. Accordingly, participation as a Limited Partnership will be limited to only those persons who are Accredited Investors. An Accredited Investor must meet at least one of the following conditions.

The total cash contribution which a Limited Partnership makes to the Partnership, including assessments. The Capital Contribution by a Limited Partnership shall be $23,500 per Unit purchased, or such sum as is proportionally reduced for purchases of fractional Units. The Subscription Price for each Unit is $23,500, payable upon Subscription. The foregoing requirements are only minimum suitability standards, and the satisfaction of those standards by an investor does not necessarily indicate that an investment in the Units is suitable for such person. The Managing General Partner has complete discretion in determining whether to accept any particular Subscription.

Deposit and Use of Funds. The Subscription payments received by the Partnership shall be held in an escrow account in the name of the Partnership at Whitney Bank, Lafayette, Louisiana, until all Subscriptions have been accepted by the Managing General Partner. The Managing General Partner may, however, break escrow when Subscriptions for five (5) Units ($117,500) have been accepted. If Subscriptions for $368,738.50 (17 Units) are not received prior to the termination of the Offering Period, then the Managing General Partner has the option, but not the obligation, to purchase that number of Units which remain unsold. Alternately the Managing General Partner may refund the full amount paid by each subscriber without interest or reduction.

Once all Subscriptions are received and accepted, the offering shall be closed. All of the funds contributed to the Partnership by the Partners will be combined with the Capital Contribution of the Managing General Partner in a bank account in the name of the Partnership. After payment of all fees and expenses, the net funds remaining from this offering will be expended for the drilling of the Partnership's portion of the Partnership Well, and operation of the Partnership. That portion of the revenues from operations of the Partnership prospect which are attributable to the Partnership will be collected by the Managing General Partner and deposited in a Partnership production bank account from which the Managing General Partner will pay all Operating Costs and Management and Administrative Costs incurred by the Partnership.

Subscription Procedure and Payment. Initial payments for Subscriptions for the Units described herein will be payable upon the execution of the Subscription Documents. The Managing General Partner will require the submission of Subscriptions accompanied by cash or check made payable to "Whitney Bank, Escrow Agent for Joaquin/Fredricksburg #5 Limited Partnership, Ltd.", in the amount of $23,500 per Unit subscribed.

TURNKEY DRILLING CONTRACT

The Partnership will enter into a Turnkey Drilling Contract with the Managing General Partner to drill, test, complete and equip as appropriate its portion of the Partnership Well. The Partnership will pay to the Managing General Partner $701,572 for the drilling of the Partnership Well, including completion and equipping. These amounts will become due upon the receipt by the Partnership of an invoice from the Managing General Partner. If the Managing General Partner is able to fulfill this contract with the Partnership at less than the Partnership's cost under the Turnkey Drilling Contract, any profit will inure to the benefit of the Managing General Partner. The Managing General Partner estimates that the Turnkey Drilling Contract, if the well are completed, will result in a profit of $70,140, or nineteen percent (19%) of the total cost of the well covered by the Turnkey Drilling Contract to the Partnership.

ADDITIONAL ASSESSMENTS

The Units are subject to assessments for additional Capital Contributions only for operational costs of the Partnership Well up to the amount of his limited Capital Contribution. Any General or Limited Partner that fails to pay an assessment shall be subject to a three hundred percent (300%) penalty as provided by the Partnership Agreement at the sole discretion of the Managing General Partner.

PLAN OF DISTRIBUTION

Units in the Partnership will be offered and sold by officers of the Managing General Partner.

PROPOSED ACTIVITIES

Oil and gas exploration involves a high degree of risk because of the many uncertainties inherent in locating and developing oil and gas reservoirs. Neither scientific techniques nor management expertise can completely eliminate those risks. Notwithstanding the presence of such uncertainty, the Partnership plans to drill, test, and complete, if appropriate, its portion of the Partnership Well if the Subscription Amount is raised. The Partnership Well is described in Exhibit B attached hereto.

Investment Objective: *The primary investment objective of the Partnership is to acquire, own, and deal with the Joaquin/Fredricksburg Prospect and to* participate in any value resulting from that investment. That value may be realized through the development of oil and natural gas reserves by the Partnership, the receipt of the proceeds to the Partnership from the operation of the Partnership Well, and through the appreciation in the value of the reserves on the Partnership Prospect resulting from such development. In addition, such value will also include the receipt by the Partnership of recordable Units in the Partnership Prospect.

Operations of the Partnership: The primary investment objective of the Partnership is the acquisition of approximately a 17.00% Working Interest, which is approximately 12.75% of the Net Revenue Interest, in the well to be drilled on the Joaquin/Fredricksburg Prospect and the production and sale of oil and/or gas therefrom. The Joaquin/Fredricksburg #5 well consists of 160 acres of oil and gas leases in Shelby County, Texas (the "Partnership Well"). The Joaquin #5 Well will be drilled to a depth to test the Fredricksburg "A" and "B" Limestone.

Joaquin/Fredricksburg Prospect: The Joaquin/Fredricksburg #5 well consists of 160 acres of oil and gas leases in Shelby County, Texas (the "Partnership Well"). The Partnership Well will be drilled to a depth sufficient to test the Fredricksburg "A" and "B" Limestone.

Operating Agreement: The Operating Agreement for the Partnership Well will be an agreement between the Partnership and the Managing General Partner, Fortune Exploration of Kentucky, Inc., as Operator, pursuant to which the Operator will perform the services of operating the Partnership's portion of the Partnership Well. The Operating Agreement will be entered into contemporaneously with the Turnkey Drilling Contract for the Partnership Well. The services to be rendered by the Managing General Partner under the Operating Agreement will be provided in exchange for reimbursement for production related expenses in accordance with, and in amounts competitive with industry practice for the area surrounding the Partnership Prospect. A copy of the executed Operating Agreement for the Partnership Well will be furnished by the Managing General Partner upon request when such agreement is executed.

Geological Report: The Geological Report on the Partnership Prospect was prepared by Sam Embras, Dallas, Texas, who is not an Affiliate of the Managing General Partner. The report is attached as Exhibit B.

Market: The Partnership Prospect is considered an oil and gas prospect. The gas spot price is approximately $5.00 per MCF as of the date of this Memorandum.

Substitute Well Location: The Managing General Partner reserves the right to move the location of the Partnership Well from that described in this Memorandum in the event, in the sole judgment of the Managing General Partner, additional geological information warrants it. Additionally, the Managing General Partner reserves the right to substitute for, or add to, the specified oil and gas prospect set forth in Exhibit B to the Memorandum if, in the sole judgment of the Managing General Partner, the development of the specific prospect becomes imprudent or inadvisable.

Management and Administration Fees: The Managing General Partner will receive a Management and Administration Fees of 4.9% of the Capital Contributions ($19,771.26) for its services in 2004 in connection with administration and operation of the Partnership, and for selection of the Partnership Prospects.

Insurance Coverage: In addition to the Operator's insurance, the Managing General Partner, for the benefit of the Managing General Partner and the Partnership, has obtained a One Million Dollar ($1,000,000) general liability insurance policy covering field activities. The coverage is subject to payment limitations, including single occurrence, fire damage, medical expenses, personal injury, and others. Insurance coverage should not be viewed as covering any or all potential oil and gas drilling production hazards.

SOURCE AND APPLICATION OF PROCEEDS

Subscription proceeds shall be used as follows:

Source of Funds		Amount	Percentage
Managing General Partner's Capital Contribution		$ 3,995.00	1.0%
General and Limited Partners' Capital Contributions		368,738.50	99.0%
	Totals:	$403,495.00	100.0%

Estimated Use of Proceeds[1]

	Amount	Percentage	Per Unit Amount
Drilling – IDC	$ 223,132.74	55.3%	$ 12,995.00
Leasehold	16,139.80	4.0%	940.00
Drilling – Equipment	12,104.85	3.0%	705.00
Completion – IDC	88,768.90	22.0%	5,170.00
Completion – Equipment	32,279.60	8.0%	1,880.00
Legal, Organization, Accounting and Printing Costs	11,297.86	2.8%	658.00
Management and Administration Fees	19,771.26	4.9%	1,152.00
Totals:	$ 403,495.00	100.0%	$ 23,500.00

[1]All figures used are estimates and are subject to adjustment.

PARTICIPATION IN COSTS AND REVENUES

The following table sets forth the percentage allocation of Partnership Costs and revenues between the Limited and General Partners and the Managing General Partner.

Costs, Expenses and Deductions	Partners	Managing General Partner
Leasehold, Geological, and Geophysical Costs	99%	1%
Drilling and Testing Costs	99%	1%
Completing and Equipping Costs	99%	1%
Legal, Accounting and Printing Costs	99%	1%
Organization Costs	99%	1%
Management Fee	99%	1%
All Other Costs	99%	1%
Revenues		
Revenues from the Joaquin #5 Well	99%	1%

Joaquin #5 Well

The following table describes the percentage allocation of the Working Interest and the Net Revenue Interest in the Joaquin #5 well to be drilled on the Joaquin/Fredricksburg Prospect:

	Working Interest	Net Revenue Interest
Joaquin #5 Limited Partnership, Ltd.		
Managing General Partner	00.17%	00.1275%
Partners [1,2]	17.00%	12.7500%
Fortune Exploration of Kentucky, Inc. [3]	4.83%	03.6225%
Unaffiliated Third Party Working Interests [4]	78.00%	58.5000%
Landowners and Other Overriding Royalty Interests [5]	00.00%	25.0000%
TOTALS:	100.00%	100.0000%

[1]Each Interest represents approximately a 1.00% Working Interest in the Joaquin #5 well.
[2]Each Interest represents approximately a 0.75% Net Revenue Interest in the Joaquin #5 Well.
[3]Fortune Exploration of Kentucky, Inc., the Managing General Partner, will have a 4.83% Carried Working Interest and will pay its pro-rata share of well operating costs.
[4]A 78.00% Working Interest is held by an Unaffiliated Third Party, who will pay their pro-rata share of all well cost.
[5]A 25.00% Overriding Royalty Interest is held by the landowners and unaffiliated third parties.

COMPENSATION

The following table is provided in order to assist the prospective investor in understanding the types and amounts of compensation which the Managing General Partner and its affiliates will receive from the Limited Partnership.

Entity Receiving Compensation	Type of Estimated Compensation or Distribution	Estimated Amount
Managing General Partner	Management of Administration Fees of 4.9% of Capital Contributions	$19,771.26
Managing General Partner	Legal, Organization, Accounting and Printing Costs Associated with the Limited Partnership equal to 2.8% of Capital Contributions	$11,297.86
Managing General Partner	Estimated profit, if any, on the Turnkey Drilling Agreement.*	Indeterminate
Managing General Partner	4.83% of the Carried Working Interest from the Joaquin/Fredricksburg Prospect	Indeterminate

*Although the actual profit, if any, cannot be calculated with any degree of accuracy, the Managing General Partner anticipates a profit of $76,664.05, or 19% of the total cost of the well covered by the Turnkey Drilling Contract to the Limited Partnership.

MANAGEMENT

Fortune Exploration of Kentucky, Inc., is a Kentucky corporation organized in December, 1992, with offices at 12275 FM 1097 West, Willis, TX 77318. This is the thirtieth (30th) program organized by the corporation. The Managing General Partner intends to maintain an active role in the oil and gas industry as a sponsor of oil and gas drilling programs, a Participant in oil and gas programs, and as an independent producer of oil and gas.

Russell L. Vera

Montgomery, Texas
President
Mr. Vera is sole director and sole stockholder of the Managing General Partner since its inception. A native of Gonzales, Texas, Mr. Vera is a graduate of Ball High School, Galveston, Texas, and attended the University of Houston for four years as graphic arts major. Prior to organizing Fortune Exploration of Kentucky, Inc., he was President of Fortune Exploration, Inc., Irving, Texas, independent oil and gas producer, from 1989 until 1992, and President of Oak Ridge Exploration, Inc., Shreveport, Texas, in 1992. Between 1987 and 1989, he was a registered representative in Santa Monica, California, of West Coast Securities Corp., a registered broker dealer. From 1986 to 1987, he was associated with Falcon Energy Corp., Irving, Texas.

Between 1991 and 2002 Mr. Vera was Sr. Vice President of Operations for Blue Ridge Group, Inc., an independent oil and gas producer located in Bowling Green, Kentucky. Blue Ridge develops oil and gas properties in the Southeast United States as well as Texas, Louisiana and New Mexico. His responsibilities at Blue Ridge included drilling activities, completion activities, negotiating drilling and completion costs with contractors and vendors, daily field operations, and production marketing. In addition to the above activities, Mr. Vera was the company contact for many of the large oil and gas producers that were partners with the company on different projects. Through the years Mr. Vera has developed a good working relationship with Marathon Oil, Shamrock Diamond, Exxon Mobile, Pogo Petroleum to mention a few.

Richard Mark Collette

West Boylston, MA
President - Sales
Mr. Collette is owner of RMC International Incorporated an independent investment banking services company where he arranged and provided seed and mezzanine capital for existing and start up companies. Mr. Collette has structured Reg. D & S offerings and raised capital for private and public companies in the Energy and Oil and Gas Industry, Environmental sector and the Film industry. Other areas include Debt and Equity Capital Markets, Derivatives as well as structured Arbitrage, Investor Relations, Broker-Dealer Coordination and Retail Market support. In 1996, Mr. Collette helped form and was a partner in Deep Rock Oil Company an independent Oil and Gas Company located in Houston TX. As a partner, Mr. Collette was responsible for structuring and sales of Private placement Offerings, where he established and implemented national sales and marketing plan to broker-dealers and raised capital for acquisition and drilling of several thousand acres in Texas, Oklahoma and Louisiana.
Since the early 1935s Mr. Collette has traveled throughout North America and internationally where he provided funding for several start up and high tech companies, his responsibilities included project qualification and analysis, M&A and venture capital financing. Activities also included debt and equity financing through Reg. S and Reg. D offerings sold through boutique and large securities firms. Mr. Collette has maintained a series 22, 63, 7 and 24 general securities principal license, over the past 20 years he has been involved in the day-to-day management and supervision of registered representatives in several brokerage firms. He has raised investment capital through general securities as well as public and private placements in the oil and gas sector and was instrumental in raising drilling funds for development projects in Texas, Oklahoma, Louisiana, West Virginia, Utah and Wyoming.

Prior Activities

Fortune Exploration of Kentucky, Inc. has sponsored twenty - nine previous oil and gas programs. For further information concerning the prior activities of Fortune Exploration of Kentucky, Inc., contact the Limited Partnership Manager.

Program Name	Number of wells	Exploratory Wells	Developmental Wells				
				Pending	Dry	Oil	Gas
Gulf Crescent	7	1	-	-	5	1	-
West Kentucky	13	-	-	-	13	-	-
Northeast Kentucky	8	-	-	-	4	4	-
Hopkins County	6	-	-	-	1	3	-
Calhoun Southwest	3	-	-	-	3	-	-
O'Hara	3	-	-	-	3	-	-
Rose Creek	8	-	-	-	4	4	-
Pond River	3	-	-	-	3	-	-
Triple Texas #3	3	-	-	-	-	3	-
Triple Texas #4	5	-	-	-	-	5	-
El Leona	3	-	-	-	-	3	-
Fayette County	8	-	-	-	-	8	-
West Currie	1	-	-	-	1	-	-
Molly Jane	1	-	-	-	-	1	-
Strawn Paddock	2	-	-	-		1	-
Shamrock/Diamond #1	1	-	-	-	-	-	1
Gordon / Taylor	1	-	-	-	-	-	1
Shelby / Jones	2	-	-	-	1	-	-
Rocksprings #1	1	-	-	-			-
Cameron #1	1	-	-	-	-	-	-
Cameron #2	3	-	-	-		1	-
Zavalla 3	3	-	-	-	-	3	-
Travis Peak	1	-	-	-	-	1	-
Dillard A #1	1	1	-	-	-	-	1
Red River	1	1	-	-	-	-	1
Thomas #2	1	-	1	-	-	-	1
McCoy #1 (Re-Drill)	1	-	1	-	-	-	1
Joaquin #1	1	1	-	-	-	1	1
Joaquin #2	1	1	-	-	-	1	1
Joaquin #3	1	-	1	1	-	1	1
Joaquin #4	1	-	1	1	-	1	1

Russell L. Vera
Personal Performance

Period	Prospect	Location	Objective	Category	# Wells	Successful	Dry Holes
2004	Fortune/Allied #1H	E. TX	Fredricksburg	Wildcat	1	1	0
2004	Fortune/Heart #1H	E. TX	Fredricksburg	Wildcat	1	1	0
2004	Joaquin B #1H	E. TX	Fredricksburg	Wildcat	1	1	0
2003	Joaquin #1H	E. TX	Fredricksburg	Wildcat	1	1	0
2003	McCoy #1	LA	James Lime	Horizontal Re-Drill	1	1	0
2003	Thomas #2	LA	James Lime	Horizontal	1	1	0
2002	Red River	LA	James Lime	Horizontal	1	1	0
2000-02	Bridges	E.TX	James Lime	Horizontal	4	3	1
2001	S. Tx- CBM	S. TX	CBM	Rank Wildcat	4	0	4
2001	Savell	E. TX	James Lime	Horizontal	3	3	0
2001	Blanton	E. TX	Travis Peak	Exploratory	1	1	0
2000	Corbin	E. KY	Big Lime	Horizontal	8	5	3
1999	Panhandle	N. TX	Brown Dolomite	Horizontal	6	4	2
1999	Matchett	NC TX	Permian Sd.	Exploratory	1	0	1
1998	Molly Jane	E. TX	Paluxy	Developmental	1	1	0
1998	Edwards	SW TX	Paluxy	Developmental	1	0	1
1998	Golding	E. TX	Glen Rose	Exploratory	1	0	1
1997	Fayette	S. TX	Multiple	Rework	8	8	0
1997	Calame	E. TX	Smackover	Exploratory	1	0	1
1997	Pearsall	S. TX	Austin Chalk	Exploratory	11	11	0
1997	Homestake	SE NM	Multiple	Developmental	1	0	0

Abreviations:
S. TX - South Texas
E. TX - East Texas
E. KY - East Kentucky
N. TX - North Texas
NC TX - North Central Texas
SW TX - Southwestern Texas

CONFLICTS OF INTEREST AND TRANSACTIONS WITH THE MANAGING GENERAL PARTNER

Conflicts of Interest

1. The Managing General Partner currently manages other oil and gas drilling programs and owns oil and gas properties for its account, and in the future expects to sponsor and manage other oil and gas drilling programs similar to the Partnership and continue to purchase and own oil and gas properties for itself
2. The Managing General Partner will furnish drilling and completion services with respect to the Partnership Well. The Managing General Partner is general partner of numerous other partnerships, and owes duties of good-faith dealing to such other partnerships.
3. The Managing General Partner and Affiliates engage in significant drilling, operating and producing activities for other entities and itself.
4. The Managing General Partner is entitled to receive the management fee, reimbursements and other compensation regardless of whether the Partnership operates at a profit or loss.
5. The Partnership is subject to various conflicts of Interest arising out of its relationship with the Managing General Partner. These conflicts include, but are not limited to, the following:
   (a) Future Programs by Managing General Partner and Affiliates. The Managing General Partner has the right and expects to continue to organize and manage oil and gas drilling programs in the future similar to the subject Partnership, and to conduct operations now and in the future jointly or separately, on its own behalf or for other private or public investors. Affiliates of the Managing General Partner also intend to conduct such activities on their own behalf. Officers, directors and employees of the Managing General Partner have participated, and will participate in the future, at cost, in Working Units in well in which the Managing General Partner and its partnerships participate. To the extent Affiliates of the Managing General Partner invest in the Partnership or other partnerships sponsored by the Managing General Partner, conflicts of Interest will arise.
   (b) Fiduciary Responsibility of the Managing General Partner. The Managing General Partner is accountable to the Partnership as fiduciary and consequently has a duty to exercise good faith and to deal fairly with the Limited Partnership in handling the of the Partnership, while the Managing General Partner will endeavor to avoid conflicts of Interest to the extent possible, such conflicts nevertheless may occur and, in such event, the actions of the Managing General Partner may not be the most advantageous to the Partnership and could fall short of the full exercise of such fiduciary duty.
   (c) Independent Representation in Indemnification Proceeding. Counsel represents the Managing General Partner. However, in the event of an indemnification proceeding or lawsuit between the Managing General Partner and an Investor Partner, the Managing General Partner upon advice of legal counsel may cause the Partnership to retain separate and independent counsel to represent the Partnership in such proceeding.
   (d) Managing General Partner's Interest. Although the Managing General Partner believes that its Interest in Partnership profits, losses and cash distributions is equitable, such Interest was not determined by arm's-length negotiation.
   (e) Transactions between the Partnership and Operator. The Managing General Partner will also act as Operator. Accordingly, although the Managing General Partner believes the terms of the Drilling and Operating Agreements will be equitable, it will not be the subject of arm's length negotiation. Furthermore, the Managing General Partner may be confronted with a continuing conflict of Interest with respect to the exercise and enforcement of the rights of the Partnership under such Drilling Operating Agreements.
   (f) Conflicts with Other Programs. The Managing General Partner realizes that its conduct and the conduct of its Affiliates in connection with the other drilling programs could give rise to a conflict of Interest between the position of the Managing General Partner as the Managing General Partner and the position of the Managing General Partner or one of its Affiliates as general partner or sponsor of such additional programs. In resolving any such conflicts, each partnership will be treated equitably with such other partnerships on a basis consistent with the funds available to the partnership and the time limitations on the investment of funds. However, no provision has been made for an independent review of conflicts of Interest The Managing General Partner believes that the possibility of conflicts of Interest between the Partnership and prior programs is minimized by the fact that substantially all the funds available to prior drilling programs in which the Managing General Partner or an Affiliate serves as general partner have been committed to a specific drilling program.
   (g) Transactions with the Managing General Partner or Affiliates Thereof. The Managing General Partner will furnish drilling and completion services with respect to the Partnership Well. In addition, the Managing General Partner will act as Operator of the Partnership Well. The prices to be charged to the Partnership for such services are not the result of arm's length negotiations.

FIDUCIARY RESPONSIBILITIES AND INDEMNIFICATION OF THE MANAGING GENERAL PARTNER

1. The Managing General Partner is accountable to the Partnership as a fiduciary and must exercise good faith and integrity respecting the Partnership's affairs.
2. The Partnership Agreement includes previous indemnifying the Managing General Partner against liability for losses suffered by the Partnership resulting from actions by the Managing General Partner.
3. The Managing General Partner is accountable to the Partnership as a fiduciary and consequently must exercise good faith and integrity in handling Partnership affairs. Under Texas law, the Managing General Partner will owe the Partners a duty of good faith, fairness and loyalty. In this regard, the Managing General Partner is required to supervise and direct the activities of the Partnership prudently and with that degree of care, including acting on an informed basis, which an ordinarily prudent person in a like position would use under similar circumstances. Moreover, the Managing General Partner must act at all times in the reasonable best Units of the Partnership and the Partners. Since the law in this area is rapidly developing and changing, investors who have questions concerning the responsibilities of the Managing General Partner should consult their own counsel.
4. The Partnership Agreement provides for indemnification of the Managing General Partner against liability for losses arising from the action or direction of the Managing General Partner, if the Managing General Partner, in good faith, determined that such course of conduct was in the reasonable best Units of the Partnership and such course of conduct did not constitute gross negligence or willful misconduct of the Managing General Partner. The Managing General Partner may not be indemnified for any such liability arising out of a breach of its duty to the Partnership or the gross negligence, fraud, bad faith or willful misconduct of the Managing General Partner in the performance of its fiduciary duty. The Partnership Agreement provides for indemnification of the Managing General Partner by the Partnership for any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with the Partnership, provided that the same were not the result of gross negligence or willful misconduct on the part of the Managing General Partner. Nevertheless, the Managing General Partner shall not be indemnified

for liabilities arising under Federal and state securities laws unless (i) there has been a successful adjudication on the merits of each count involving securities law violations or (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction or (iii) a court of competent jurisdiction approves a settlement of such claims against a particular indemnities and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the Securities and Exchange Commission and of the position of any state securities regulatory authority in which securities of the Partnership were offered or sold as to indemnification for violations of securities laws; provided, however, the court need only be advised of the positions of the securities regulatory authorities of those states (i) which are specifically set forth in the Memorandum and (ii) in which plaintiffs claim they were offered or sold Partnership Units. A successful claim for indemnification would deplete Partnership assets by the amount paid. As a result of such indemnification provisions, a purchaser of Units may have a more limited right of legal action than he would have if such provision were not included in the Partnership Agreement. To the extent that the indemnification provisions purport to include indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable.

TAX ASPECTS

The following is a summary prepared by Tax Counsel of the material federal income tax considerations which may affect the Partnership and the Partners. Tax Counsel has advised that in its opinion the description of the likely outcome of each material tax issue appearing in this section is correct. Tax Counsel has also advised that in its opinion it is more likely than not that those tax benefits potentially available to the Partnership which are material in nature will, in the aggregate, be realized. Tax Counsel's opinion reflects Tax Counsel's best judgment as to probable outcomes and is not binding on the Service or on any court. Moreover, the opinions of Tax Counsel are subject to the accuracy of the underlying or inherent factual assumptions and representations, as to which no opinions are expressed by Tax Counsel. The opinion of Tax Counsel is attached to this Memorandum as Exhibit D.

This summary is intended to be general in nature and is not a substitute for careful tax planning by each General or Limited Partner. The income tax consequences resulting from an investment in the Partnership will not be the same for all Partners. Therefore, each potential investor is urged to consult with its own tax advisor to determine the tax impact of an investment in the Partnership in light of its particular tax situation. This summary is based upon the Code, applicable regulations, administrative rulings and judicial decisions, any of which could be changed at any time. Any such changes may affect the opinions given and the statements made in this section in a material and adverse manner. Even if such changes take place after the formation of the Partnership or the completion of a transaction by the Partnership, they may be retroactive in effect and may adversely affect the Partners.

It should be noted that there is uncertainty concerning various tax consequences resulting from investments in oil and gas limited partnerships, and the applicable authorities are under constant review by the Service. The Partnership has not requested, nor does it intend to request, an advance ruling from the Service with respect to any of the tax consequences discussed in this section, and no assurance can be given that a favorable ruling would be issued it if were requested.

Classification as Partnership: Tax Counsel is of the opinion that, at the time of its formation, the Partnership unless it affirmatively elects otherwise which the Managing General Partner has represented it will not do, will be treated as a partnership for federal income tax purposes, and not as an association taxable as a corporation. Certain publicly traded partnerships are treated as a corporation under the Code. There is an exception, however, for publicly traded partnerships if 90% or more of their gross income consists of certain types of income, including, among other things, income and gains derived from the exploration, development, mining or production, processing, refining, transportation or marketing of any mineral or natural resources. Based upon the representations of the Managing General Partner, Tax Counsel is of the opinion that the Partnership will not be treated as a corporation by reason of the publicly traded partnership rule.

Taxation of Partners: Under the Code, a partnership is not a taxable entity and, accordingly, incurs no federal income tax liability. Rather, a partnership is a "pass-through" entity which is required to file an information return with the Service. In general, the character of a partner's share of each item of income, gain, loss, deduction and credit is determined at the partnership level. Each partner is allocated a distributive share of such items in accordance with the partnership agreement and is required to take such items into account in determining the partner's income. Each partner includes such amounts in income for any taxable year of the partnership ending within or with the taxable year of the partner, without regard to whether the partner has received or will receive any cash distributions from the partnership.

Basis and At Risk Limitations: A Limited Partner may, subject to the at risk and passive loss provisions discussed below, deduct the Limited Partners allocable share of Partnership losses in computing the Limited Partners taxable income to the extent of the Limited Partners basis for its Interest in the Partnership. A Limited Partners basis for its Interest in the Partnership is also used to compute the Limited Partners gain or loss resulting from Partnership distributions and partial or complete sales of its Interest. A Limited Partners basis for its Interest in the Partnership will initially be equal to the amount the Limited Partner paid for the Interest. A Limited Partners basis will be reduced (but not below zero) by the amounts of any distributions made to the Limited Partnership and by the Limited Partners share of Partnership losses and expenses, and will be increased by any additional Capital Contributions made by the Limited Partner, by the Limited Partners share of Partnership Profits, and by the Limited Partners share of Partnership liabilities. A subsequent decrease in a Limited Partners share of Partnership liabilities (resulting either from a reduction in a Partnership's liabilities or from a reduction in such Limited Partners share of Profits) will be treated for tax purposes as if it were a cash distribution to the Limited Partnership with the effects described below.

For federal income tax purposes, cash distributed to a Limited Partner by the Partnership will constitute a return of capital to the extent that the amount of cash does not exceed such Limited Partners basis for its Interest in the Partnership. A return of capital does not constitute taxable income to the recipient, but it is applied to reduce the basis of the Limited Partnership's Partnership Interest. Any amounts distributed in excess of the Limited Partners tax basis will be taxable to the Limited Partner. Such amounts will be treated as if they were proceeds of the sale of the Limited Partners Interest in the Partnership.

A Limited Partners share of the Partnership's Losses will be allowed only to the extent of the aggregate amount with respect to which the taxpayer is "at risk" for such activity at the close of the taxable year. Any such Losses disallowed by the "at risk" limitation will be treated as a deduction allocable to the activity in the first succeeding taxable year.

The Code provides that a taxpayer must recognize taxable income to the extent that the taxpayer's "at risk" amount is reduced below zero. This recapture income is limited to the sum of the loss deductions previously allowed to the taxpayer, less any amounts previously recaptured. A taxpayer may be allowed a deduction for the recaptured amounts included in the taxpayer's taxable income if and when the taxpayer increases the taxpayer's amount "at risk" in a subsequent taxable year.

The Partners will purchase Units by tendering cash to the Partnership. To the extent the cash contributed constitutes the "personal funds" of the Partners, the Partners will be considered at risk with respect to those amounts. A Limited Partners amount at risk will be increased by the Limited Partners distributive share of the Partnership's Profits and reduced by its distributive share of the Partnership's Losses and any cash or other property distributed to the Limited Partner by

the Partnership. Notwithstanding the foregoing, a taxpayer is not considered at risk with respect to amounts protected against loss through non-recourse financing, guarantees, stop-loss agreements or other similar arrangements.

Passive Loss, Limitations

1. General

   The deductibility of losses generated from passive activities will be limited for certain taxpayers. The passive activity loss limitation applies to individuals, estates, trusts and personal service corporations as well as, to a lesser extent, closely held C corporations.

   The definition of a "passive activity" generally encompasses all rental activities as well as all activities with respect to which the taxpayer does not "materially participate." Notwithstanding this general rule, however, the term "passive activity" does not include "any working interest in any oil or gas property which the taxpayer holds directly or through an entity which does not limit the liability of the taxpayer with respect to such interest." A taxpayer will be considered as materially participating in a partnership only if the taxpayer is involved in the operations of the activity on a "regular, continuous and substantial" basis. In addition, a limited partner interest generally will be treated as an interest with respect to which a taxpayer does not materially participate.

   A passive activity loss is the amount by which the aggregate losses from all passive activities for the taxable year exceed the aggregate income from all passive activities for such year. Individuals and personal service corporations are entitled to deduct passive activity losses only to the extent of their passive income, whereas closely-held C corporations (other than personal service corporations) can offset passive activity losses against both passive and net active income, but not against portfolio income. In calculating passive income and loss, however, all activities of the taxpayer are aggregated. Passive activity losses disallowed as a result of the above rules will be suspended and can be carried forward indefinitely to offset future passive (or passive and active, in the case of a closely held C corporation) income.

   Upon the disposition of an entire interest in a passive activity in a fully taxable transaction not involving a related party, any passive activity loss that was suspended by the provisions of the passive activity rules is deductible from either passive or non-passive income. The deduction must be reduced, however, by the amount of income or gain realized from the activity in previous years.

2. Managing General Partner Interest

   A Managing General Partner's Interest in the Partnership will not be considered a passive activity, and losses generated while such Limited Partnership Manager's Interest is held will not be limited by the passive activity provisions, unless the Partnership has income or losses from non-Working Units.

   If a Managing General Partner converts its Managing General Partner's Interest into a Limited Partner Interest, the character of a subsequently generated tax attribute will be dependent upon, among other things, the nature of the tax attribute and whether there arose, prior to conversion, losses to which the Working Interest exception applied. Accordingly, any loss arising therefrom should be treated as a passive activity loss with the benefits thereof limited as described above. If, however, a taxpayer has any loss from any taxable year from a Working Interest in any oil or gas property that is treated as a non-passive loss, then any net income from such property for any succeeding taxable year is treated as income that is not from a passive activity. Consequently, assuming that a converting Managing General Partner has losses from Working Units which are treated as non-passive, income from that Working Interest allocable to the Managing General Partner after conversion would be treated as income that is not from a passive activity.

3. Limited Partner Units

   If a Limited Partner invests in the Partnership as a Limited Partner, such Limited Partner's distributive share of the Partnership's Losses will be treated as passive activity losses, the availability of which will be limited to the Limited Partnership's passive income. If the Limited Partnership does not have sufficient passive income to utilize the passive activity loss, the disallowed passive activity loss will be suspended and may be carried forward to be deducted against passive income arising in future years. Further, upon the total disposition of the Limited Partnership's Interest in the activity to an unrelated party in a fully taxable transaction, such suspended losses will be deductible as described above.

   Limited Partners would generally be entitled to off-set their distributive shares of passive income, but not portfolio income, from the Partnership with deductions from other passive activities.

Investment by IRAs: IRAs are generally exempt from federal income taxes. However, IRAs must pay tax on their "unrelated business taxable income." Unrelated business taxable income includes the net income derived by an IRA from any unrelated trade or business regularly carried on by a partnership of which it is a member. The Partnership, if it is successful, will produce some income in this category.

If in any year, an IRA has unrelated business taxable income from all sources of more than $1,000; such income will be subject to tax and may require the making of estimated tax payments. The tax rates would be the rates applicable to trusts. The possible receipt and taxation of any such unrelated business taxable income generally will not affect the tax-exempt status of an IRA or the exemption from tax of its other income.

In considering an investment in the Partnership of a portion of the assets of an IRA, the fiduciary should consider whether the investment will satisfy the prudence and other requirements of ERISA. See "Risk Factors-Investments by Individual Retirement Accounts."

In view of the special problems that must be considered in determining whether an IRA should invest in the Partnership, the fiduciary should consult with its tax and other advisors before investing in the Partnership.

Allocations of Profits and Losses: Under the Code, a partner's interest in the partnership's items of income, gain, loss, deduction and credit are determined in accordance with the applicable partnership agreement unless the allocation in the agreement does not have substantial economic effect. Where an allocation set forth in a partnership agreement lacks substantial economic effect, the allocation is determined by the partners' Units in the partnership, taking into account all the facts and circumstances.

The Service may attempt to disregard the allocations set forth in the Partnership Agreement if it determines that the allocations set forth therein do not have substantial economic effect (i.e., if they will not actually and substantially affect the dollar amount of the Limited Partnership's shares of the total Partnership income or loss independently of tax consequences).

According to the applicable regulations, in order for an allocation to have substantial economic effect, the allocation must have economic effect and such economic effect must be substantial. In order for there to be economic effect, the regulations require that, throughout the term of the partnership, the partnership agreement must provide (i) for the determination and maintenance of the partners' capital accounts in accordance with the specific provisions of the regulations, (ii) that upon liquidation of the partnership and any partner's interest in the partnership, liquidating distributions must be made in accordance with the positive capital account balances of the partners, and (iii) that if a partner has a deficit balance in the partner's capital account following the liquidation of the partner's interest in the partnership, such partner must be unconditionally obligated to restore the amount of such deficit balance to the partnership by the end of such taxable year, or 90 days after the date of such liquidation, if later.

The Partnership Agreement meets tests (i) and (ii) referred to above, but does not meet the test referred to in (iii) above because the Partners are not obligated to restore deficit Capital Accounts.

The regulations further provide, however, that if a partnership agreement contains a "qualified income offset" provision, then to the extent a partner does not have a deficit capital account at the end of a taxable year (in excess of the amount such partner is required, or deemed required, to restore), after taking into account, insofar as here relevant, (i) distributions that as of the end of the year are reasonably expected to be made to the partner, to the extent they exceed offsetting increases to the partners' capital accounts that are reasonably expected to occur during or prior to partnership years in which such distributions reasonably are expected to be made, and (ii) adjustment for simulated depletion, then the allocations will be deemed to have economic effect. The Partnership Agreement contains a "qualified income offset" provision.

The regulations contain special provisions dealing with the allocation of deductions attributable to non-recourse debt. Under the regulations, allocations of non-recourse deductions will be deemed made in accordance with the partners Units in the partnership if four tests are met. These tests are as follows: (i) that capital accounts be maintained in accordance with the regulations and that liquidating distributions be made to the partners in accordance with their capital accounts; (ii) that the allocation of non-recourse deductions among the partners be in a manner that is reasonably consistent with allocations, which have substantial economic effect, of some other significant item attributable to the property subject to the non-recourse debt; (iii) that either the partnership agreement requires the restoration of deficit capital accounts or the partnership agreement contains a "minimum gain chargeback" provision; and (iv) all of the material allocations and capital account adjustments under the partnership agreement are recognized under the regulations. The regulations further provide that the amount of a partner's share of minimum gain is treated as an amount which such partner is obligated to restore with respect to any deficit balance in such partner's capital account. The Partnership Agreement contains such a minimum gain chargeback provision.

Based upon the foregoing, Tax Counsel is of the opinion that it is more likely than not that the allocations contained in the Partnership Agreement will be deemed to have economic effect to the extent a Limited Partnership's Capital Account, increased by such Limited Partnership's share of the Partnership's minimum gain, and decreased by contemplated distributions in excess of contemplated income and simulated depletion, is positive at the close of the taxable year.

Intangible Drilling and Development Costs:

1. Classification of Costs
   In general, IDC consists of those costs which in and of themselves have no salvage value. The Partnership's classification of a cost as IDC is not binding on the Service, which might reclassify an item characterized as IDC as a cost which must be capitalized. To the extent not deductible, such amounts will be included in the Partnership's basis in mineral property and in the Partners' basis of their Units in the Partnership.

2. Timing of Deductions
   Although the Partnership will elect to deduct IDC, each Partner will have an option of deducting IDC, or capitalizing all or a part of the IDC and amortizing it on a straight-line basis over a 60-month period beginning with the month in which the expenditure is made. Once this election is made by a taxpayer, it is binding for all IDC incurred by the taxpayer, including the current and all future tax years. In addition to the effect of this change on regular taxable income, the two methods have different treatment under the alternative minimum tax. The Managing General Partner has represented that the Partnership Well will be drilled no later than December 31, 2004, with the result that the IDC will be incurred and deductible in 2004.

3. Recapture of IDC
   IDC previously deducted that is allocable to the property (directly or through the ownership of an Interest in a Partnership) and which would have been included in the adjusted basis of the property if not currently deducted is recaptured to the extent of any gain realized upon the disposition of the property. The regulations provide that recapture is determined at the partner level (subject to certain anti-abuse provisions). Where only a portion of recapture property is disposed of, any IDC related to the entire property is recaptured to the extent of the gain realized on the portion of the property sold. In the case of a disposition of an undivided Interest in a property (as opposed to the disposition of a portion of the property), a proportionate part of the IDC with respect to the property is treated as allocable to the transferred undivided Interest to the extent of any realized gain.

Leasehold Acquisition Costs and Abandonment: The cost of acquiring oil and gas leasehold Units or other similar oil and gas property Units is a capital expenditure and may not be deducted in the year or incurred. In the case of a productive well, these costs are recovered through depletion. If a lease is proved to be worthless by drilling or abandonment, however, the cost of such lease (less any recovery thereof through the depletion deduction) constitutes an ordinary loss which may be deducted in the year in which the leasehold becomes worthless.

Depletion Deductions: The owner of an economic Interest in an oil and gas property is entitled to claim the greater of percentage depletion or cost depletion with respect to oil and gas properties which qualify for such depletion methods. In the case of partnerships, the depletion allowance must be computed separately by each partner and not by the partnership. Depletion deductions, to the extent they reduce the basis of oil and gas property, are subject to recapture upon disposition of the property.

Cost depletion for any year is determined by multiplying the number of units (e.g., barrels of oil or MCF of gas) sold during the year by a fraction, the numerator of which is the cost or other basis of the mineral Interest and the denominator of which is total reserves available at the beginning of the period. In no event can the cost depletion exceed the adjusted basis of the property to which it relates.

Percentage depletion is a statutory allowance pursuant to which a deduction currently equal to 15% of the taxpayer's gross income from each property is allowed in any taxable year, not to exceed 100% of the taxpayer's taxable income from the property (computed without the allowance for depletion) with the aggregate deduction limited to 65% of the taxpayer's taxable income for the year (computed without regard to percentage depletion and net operating loss and capital loss carry back). The percentage depletion deduction rate will vary with the price of oil, but the rate will not be less than 15% A percentage depletion deduction that is disallowed in a year due to the 65% of taxable income limitation may be carried forward and allowed as a deduction for the following year, subject to the 65% limitation in that subsequent year. Percentage depletion deductions reduce the taxpayer's adjusted basis in the property. Unlike cost depletion, however, deductions under percentage depletion are not limited to the adjusted basis of the property; the percentage depletion amount continues to be allowable as a deduction after the adjusted basis has been reduced to zero.

The availability of depletion whether cost or percentage will be determined separately by each General or Limited Partner. Each Partner must separately keep records of the Partnership's share of the adjusted basis of an oil or gas property, against such share of the adjusted basis for any depletion taken on such property, and use such adjusted basis each year in the computation of the Partnership's cost depletion or in the computation of the Partnership's gain or loss on the disposition of such property. These requirements may place an administrative burden on a Partnership.

Depreciation Deductions: The Partnership will claim depreciation, cost recovery, and amortization deductions with respect to its basis in Partnership property as permitted by the Code. For most tangible personal property, the "modified accelerated cost recovery system" ("MACRS"), must be used in calculating the cost recovery deductions. The cost of equipment such as casing, tubing, tanks and pumping units, and the cost of oil or gas pipelines cannot be deducted currently, but must be capitalized and recovered under MACRS. The cost recovery deduction for most equipment used in domestic oil and gas exploration and production, and for most tangible personal property used in gas gathering systems, is calculated using the 200% declining balance method switching to the straight-line method, a seven-year recovery period, and a half-year convention if an accelerated depreciation method is used, (such as MACRS discussed above), a portion of the depreciation will be an adjustment for alternative minimum tax purposes.

All depreciation claimed on personal property will be subject to recapture (and thereby treated as ordinary income) upon the sale or other disposition of the personal property to the extent of the gain realized. The cost recovery (depreciation) recapture rules require that sellers of property include the entire amount of recapture in income in the year of sale even in the case of an installment sale.

Interest Deductions: The Investor will acquire their Units in the Partnership by contributing cash in the amount of $23,500 per Interest to the Partnership. In no event will the Partnership accept notes in exchange for Partnership Units. Nevertheless, without any assistance from the Managing General Partner or any of its Affiliates, some Partners may chose to borrow the funds necessary to acquire an Interest and may incur interest expense in connection with those loans. The deductibility of any interest expense incurred by a Limited Partnership in purchasing Units is dependent upon whether such interest expense is attributable to a passive activity or to an activity which is not a passive activity. As indicated above, by virtue of the special rule applicable to Working Units in oil and gas properties owned indirectly through entities which do not limit a taxpayer's liability, a Limited Partner's investment as a Limited Partnership will not be considered a passive activity. Accordingly, any interest expense incurred by such a Limited Partnership in purchasing Units, except to the extent attributable to the Partnership's portfolio income, if any), will be treated as trade or business interest, not subject to any specific limitation on the deductibility of interest. To the extent any of such Interest is attributable to the Partnership's portfolio income; it will be subject to the investment interest limitation. In general, non-corporate taxpayers may only deduct investment interest in any year to the extent of their net investment income.

In the case of a Limited Partner, the interest expense incurred in purchasing a Unit will be treated as a passive expense, deductible only to the extent the Limited Partnership's passive activity losses are otherwise deductible as set forth above.

Based upon the purely factual nature of any such loans, Tax Counsel is unable to express an opinion with respect to the deductibility of any interest paid or incurred thereon.

Transaction Fees: The Partnership may classify a portion of the fees to be paid to third parties and to the Managing General Partner or to the Operator and its Affiliates as expenses which are deductible as organization expenses or otherwise. There is no assurance that the Service will allow the deductibility of such expenses and Tax Counsel expresses no opinion with respect to the allocation of the fees to deductible and nondeductible items.

Generally, expenditures made in connection with the creation of, and with sales of Units in, a partnership will fit within one of several categories. A partnership may elect to amortize and deduct its organization expenses ratably over a period of not less than 60 months commencing with the month the partnership begins business. Examples of organization expenses are legal fees for services incident to the organization of the partnership, such as negotiation and preparation of a partnership agreement, accounting fees for services incident to the organization of the partnership, and filing fees.

No deduction is allowable, however, for "syndication expenses," examples of which include brokerage fees, registration fees, legal fees of the underwriter or placement agent and the issuer for securities advice and for advice pertaining to the adequacy of tax disclosures in the prospectus or private placement memorandum for securities law purposes, printing costs and other selling or promotional material. These costs must be capitalized. Payments for services performed in connection with the acquisition of capital assets must be amortized over the useful life of such assets.

No deduction is allowable with respect to "start-up expenditures," although such expenditures may be capitalized and amortized over a period of not less than 60 months if an appropriate election is made.

The Partnership intends to make payments to the Managing General Partner, as described in greater detail elsewhere in this Memorandum. To be deductible, compensation paid to a Managing General Partner must be for services rendered by the Managing General Partner other than in the Managing General Partner's capacity as a partner, or, for compensation determined without regard to partnership income. Fees paid to a Managing General Partner which are not deductible because they fail to meet this test may be treated as special allocations of income to the recipient partner and thereby decrease the net loss, or increase the net income, among all partners. If the Service were to successfully challenge the deductibility of payments made to the Managing General Partner, the Limited Partnership's taxable income could be increased, thereby resulting in increased taxes and in liability for Interest and penalties.

Conversion of Units: In the opinion of Tax Counsel, the Partnership will not be terminated solely as a result of the conversion by Partners of their General Partner Units into Limited Partner Units. Further, no gain or loss will be recognized by such a converting Limited Partner unless the Limited Partner's share of the Partnership's liabilities is reduced, and the deemed cash distribution resulting therefrom exceeds such Limited Partner's basis for the Partnership Unit at that time.

Alternative Minimum Tax: The alternative minimum tax on non-corporate taxpayers is equal to the excess of (a)(i) 26% of the first $175,000 ($87,500 in the case of a married taxpayer filing a separate return) by which the taxpayer's alternative minimum taxable income exceeds an exemption of $33,750 ($45,000 for a joint return and $22,500 for a married individual filing a separate return), plus (ii) 28% of any additional alternative minimum taxable income, over (ii) 65% of the taxpayer's regular tax. The exemption amount is phased out by an amount equal to 25% of the taxpayer's alternative minimum taxable income in excess of $112,500 in the case of a single taxpayer and $150,000 in the case of married couples filing joint returns ($75,000 for married couples filing separate returns). Alternative minimum taxable income is generally taxable income, computed with certain modifications provided for in sections 56 and 58 of the Code, and increased by the taxpayer's items of tax preference.

While in prior years there were adjustments and items of tax preference resulting from investments in oil and gas, in the case of taxpayers which are not integrated oil companies, these adjustments and items of tax preference have largely been eliminated. The elimination of the tax preference for "excess IDC" is limited, however, to 40% of the taxpayer's alternative minimum taxable income (determined without the alternative minimum tax net operating loss deduction). "Excess IDC" generally means (i) the excess of (A) the IDC allowed for the taxable year over (B) the amount which would have been allowed had the IDC been capitalized and amortized over 10 years, over (ii) 65% of the taxpayer's net income from oil and gas for the taxable year. Thus, in the case of Partners who are not integrated oil companies, the only adjustment to taxable income under sections 56 and 58 of the Code which is likely to arise from the Partnership is that in computing depreciation, the alternative system of depreciation must be used, rather than the method used for regular tax purposes. This requires that property be depreciated using its class life (under the former asset deprecation range system), which is generally a longer useful life, and the 150% declining balance method, switching to the straight-line method to maximize the deduction.

The alternative minimum tax will not be imposed on the Partnership as such, but each Partner will be required to include in the computation of such Partner's liability for the alternative minimum tax an allocable share of the Partnership's items which require special treatment for alternative minimum tax purposes. To the extent that a taxpayer pays an alternative minimum tax in any year, such taxpayer will be entitled to a credit in future years against such taxpayer's regular tax (but not the alternative minimum tax). The minimum tax credit is only applicable to the extent the minimum tax liability is attributable to deferral preferences and adjustments (i.e., preferences and adjustments other than those that result in permanent exclusion for regular tax purposes). The minimum tax credit may be carried forward indefinitely.

The effects of the alternative minimum tax on a particular Partner are contingent upon a number of factors and vary depending upon each Partner's personal tax and financial position. If a Partner is liable for the alternative minimum tax, the net effect may be that all of the tax losses, if any, being generated by an investment in the Partnership will result in a tax reduction of at most 28% of such losses (i.e., the maximum alternative minimum tax rate), while the income generated from such investment eventually may be subject to higher marginal tax rates. Accordingly, each potential investor should consult with such potential investor's personal tax advisor on the likely effect of the alternative minimum tax on such potential investor.

Disposition of Property of the Partnership: The Partnership will realize gain from the sale or other disposition of any of its assets to the extent that the amount realized exceeds the Partnership's adjusted tax basis for such properties. The Partnership will realize a loss to the extent that its adjusted tax basis

exceeds the amount realized upon a sale. The amount realized includes any cash received, the fair market value of any property received other than cash and the face amount of any debt which the transferee assumes or to which such property is subject at the time of disposition (unless a portion of such debt creates original issue discount, in which event a portion might be treated as interest income rather than as sales proceeds).

Upon the sale of any oil and gas property of the Partnership, the Partnership will realize gain or loss equal to the difference between the Partnership's basis for such asset at the time of the disposition and the amount realized by the Partnership. A Limited Partnership's share of the gain will generally be taxed as long-term capital gain, assuming the Partnership is not a dealer with respect to the property and has held it for one year, unless the gain is attributable to recapture of IDC or recapture of depletion. Any loss will generally be treated as an ordinary loss.

Upon the sale or disposition of the Partnership's personal property, any gain attributable to depreciation deductions previously taken will be recaptured as ordinary income.

Under certain circumstances, the federal income taxes incurred by a Partnership in connection with a sale or other disposition of the Partnership's assets could exceed the net proceeds distributable to the Partnership. Such circumstances might include (i) a foreclosure or other sale of the property when the adjusted tax basis is significantly less than the outstanding indebtedness which encumbers the property, (ii) a sale at a time when it is necessary to retain all or a portion of the sales proceeds for reserves, or for ongoing Partnership operations, and (iii) a sale in connection with which the Partnership receives proceeds in the form of non-liquid assets (although the impact may be reduced if the non-liquid assets include promissory notes of the purchaser which qualify for installment reporting or gain).

Installment Sales: If the Partnership sells an asset in a transaction in which all or a portion of the purchase price is represented by an evidence of indebtedness of the purchaser, unless the Partnership elects otherwise, the sale will be required to be reported on the installment method. Generally, in the case of an installment sale, the gain recognized in any year equals the payments received multiplied by a fraction, the numerator of which is the gross profit, and the denominator of which is the contract price (selling priceless mortgages assumed or to which the transferred property is subject). This provision generally enables taxpayers to avoid paying tax on gain before they receive the cash payments. If any of the gain represents recapture of depreciation, however, such recapture is recommended in the year of sale without regard to whether any payment is received in such year. If the Partnership holds any asset for sale to customers in the ordinary course of its business, the installment method will not be available. Furthermore, if a taxpayer sells property for a sales price in excess of $150,000 and the face amount of all such installment obligations arising in any year and which are outstanding at the end of such year exceed $5,000,000, interest is then required to be paid on a portion of the deferred tax liability. In determining the $5,000,000 amount, each partner is treated as owning their pro rata share of the installment obligations of the Partnership. The interest rate is the interest rate applicable to underpayments of tax. In addition, if any such installment obligations are pledged as security for any indebtedness, the net proceeds of the secured indebtedness are treated as a payment received on the installment obligation.

Sales and Other Disposition of Units: In general, gain realized on the sale of the Units of a Partner who is not a "dealer," and who has held their Units for longer than the applicable holding period for long-term capital gain (currently one year), is treated as long-term capital gain. However, to the extent that any portion of such gain is attributable to such Limited Partnership's share of the Partnership's unrealized receivables and substantially appreciated inventory, the gain will be ordinary income. Potential depreciation recapture income, excess IDC and potential depletion recapture are treated as "unrealized receivables" for this purpose. In computing the gain or loss on a sale of an Interest, the selling Partner's share of the Partnership's liabilities, if any, is included as if the amount thereof were received by the Partnership in cash. For this reason, a Limited Partner's tax liability could exceed the cash proceeds received by the Partnership on the sale of the Partner's Units

Any partner who sells or exchanges Units in a partnership must generally notify the partnership in writing within 30 days of such transaction and must attach a statement to such partner's tax return reflecting certain facts regarding the sale and exchange. The notice must include the names, addresses and taxpayer identification numbers (if known) of the transferor and transferee and the date of the exchange. Once so notified, the Partnership will also be required to file an information return with the Service if any portion of the gain realized is treated as ordinary income by virtue of the partnership having substantially appreciated inventory or unrealized receivables. The partnership will be required to provide copies of the information it provides to the Service to the transferor and the transferee.

The tax consequences to an assignee purchaser of an Interest from a Limited Partnership are not described herein. Any assignor of an Interest should advise the assignee to consult the assignee's own tax advisor regarding the tax consequences of such assignment.

Partnership Distributions: Under the Code, any increase in a Partner's share of Partnership liabilities, or any increase in such Partner's individual liabilities by reason of an assumption by such Partner of Partnership liabilities, is considered to be a contribution of money by the Partner to the Partnership. Similarly, any decrease in a Partner's share of Partnership liabilities or any decrease in such Partner's individual liabilities by reason of the Partnership's assumption of such individual liabilities will be considered as a distribution of money to the Partner by the Partnership.

To the extent that actual or constructive distributions of cash by the Partnership are in excess of a Partner's adjusted basis for the Partner's Partnership Interest (after adjustment for the Limited Partnership's share of income of the Partnership for such year), that excess will generally be treated as gain from the sale of a capital asset. In addition, gain could be recognized to a distributee Partner upon the disproportionate distribution to a Partner of unrealized receivables or substantially appreciated investor. The Partnership Agreement generally prohibits distributions to any Partner to the extent such would create or increase a deficit in the Partner's Capital Account.

Profit Motive: Where an activity entered into by an individual is not engaged in for profit, the individual's deductions with respect to that activity are limited to the sum of (i) those not dependent upon the nature of the activity (e.g., interest and taxes), plus (ii) other deductions to the extent that gross income from the activity for the year exceeds the amount referred to in (i) above. The Code generally provides for a presumption that an activity is entered into for profit where gross income from the activity exceeds the deductions attributable to such activity for three or more of the five consecutive taxable years ending with the taxable year in question. At the taxpayer's election, such presumption can relate to three or more of the taxable years in the 5-year period beginning with the taxable year in which the taxpayer first engages in the activity.

The Service has ruled that the "not-for-profit" test is to be applied at the Partnership level, rather than at the level of each Partner. Because of the nature of the Partnership's proposed activities, the Managing General Partner believes that the Partnership will be able to satisfy the profit motive requirement. Nevertheless, because the Service may attempt to rebut the three-out-of-five year presumption (if the Partnership met this test), and because the test is based upon the facts and circumstances as they may exist in the future, no assurance can be given that the Partnership will be deemed to be engaged in an activity for profit.

Due to the inherently factual nature of the issue, Tax Counsel has not expressed an opinion as to the ultimate resolution of this issue in the event of a challenge by the Service.

Administrative Matters

1. Returns and Audits. 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, which are subject to audit by the Service. Any such audit may lead to adjustments, in which event the Partners may be required to pay additional federal income tax. Any such audit may also lead to an audit of a Partner's individual tax return and adjustments to items unrelated to an investment in Units.

   For purposes of reporting audit, and assessment of additional federal income tax, the tax treatment of "Partnership items" is determined at the

Partnership level. Partnership items include those items that are more appropriately determined at the Partnership level than the Partner level. The Service generally cannot initiate deficiency proceedings against an individual Partner with respect to Partnership items without first conducting an administrative proceeding, the Partnership level as to the correctness of the Partnership's treatment of the item. An individual Partner may not file suit for a credit or a refund arising out of a Partnership item without first filing a request for an administrative proceeding by the Service at the Partnership level. Individual Partners are entitled to notice of such administrative proceeding and decisions therein, except in the case of Partners with less than a 1% profits Interest in a Partnership having more than 100 Partners. If a group of Partners having an aggregate profits Interest of 5% or more in such a Partnership so requests, however, the Service also must mail notice to a Partner appointed by that group to receive notice. All Partners, whether or not entitled to notice, are entitled to participate in the administrative proceedings at the Partnership level, although the Partnership Agreement provides for waiver of certain of these rights by the Partners. All Partners, including those not entitled to notice, may be bound by a settlement reached by the Partnership's "tax matters Partner," which will be the Managing General Partner. If a proposed tax deficiency is contested in any court by any Partner of the Partnership or by the Managing General Partner on the tax matters portion, all Partners may be deemed parties to such litigation and bound by the result reached therein.

2. Consistency Requirements. A Limited Partnership must generally treat Partnership items on the Limited Partnership's federal income tax returns consistency with the treatment of such items on the Partnership information return unless the Limited Partnership files a statement with the Service identifying the inconsistency or otherwise satisfies the requirements for waiver of the consistency requirement. Failure to satisfy this requirement will result in an adjustment to conform the Limited Partnership'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 Limited Partnership to substantial penalties.

3. Compliance Provisions. Taxpayers are subject to several penalties and other provisions that encourage compliance with the federal income tax laws, including an accuracy-related penalty in an amount equal to 20% of the portion of an underpayment of tax caused by negligence, intentional disregard of rules, or regulations or any "substantial understatement" of income tax. A "substantial understatement" of tax is an understatement of income tax that exceeds the greater of (a) 10% of the tax required to be shown on the return (the correct tax), or (b) $5,000 ($10,000 in the case of a corporation other than an S corporation or personal holding corporation).
Except in the case of understatements attributable to "tax shelter" items, an item of understatement may 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 is a reasonable basis for the tax treatment of such item by the taxpayer. In the case of Partnerships, the disclosure is to be made on the return of the Partnership. Under the applicable regulations, however, an individual Partner may make adequate disclosure with respect to Partnership items if certain conditions are met.
In the case of understatements attributable to "tax shelter" items, the substantial understatement penalty may be avoided only if the taxpayer establishes that, in addition to having substantial authority for the taxpayer's position, the taxpayer reasonably believed the treatment claimed was more likely than not the proper treatment of the item. A "tax shelter" item is one that arises from a Partnership (or other form of investment) the principal purpose of which is the avoidance or evasion of federal income tax. A corporation is generally held to a higher standard to avoid the substantial understatement penalty.

4. Registration of Tax Shelters. The Code requires that a tax shelter organizer register any tax shelter with the IRS not later than the day of the first offering for sale of Units in the tax shelter. For registration purposes, a "tax shelter" is defined as (a) any investment with respect to which any person could infer that the tax shelter ratio (the ratio which the aggregate of the deductions [without income], and 170% of the tax credits bears to the amount of money and adjusted basis of other property contributed by the investors, as adjusted) is greater than 2-to-1 for any of the first five years ending after the offering date, and (b)(i) which is required to be registered under federal or state securities laws, (ii) is sold pursuant to an exemption from such registration or (iii) which represents aggregate investments in excess of $450,000 and is exceeded to have five or more investors. Although it is likely that the Partnership will produce tax benefits, the Managing General Partner believes that the Partnership will not meet this definition of a tax shelter and, therefore, has not registered the Partnership as a tax shelter.

Accounting Methods and Periods: The Partnership will use the accrual method of accounting and will select the calendar year as its taxable year.
Social Security Benefits; Self-employment Tax: A Managing General Partner's share of any income or loss attributable to Units will constitute "net earnings from self-employment" for both social security and self-employment tax purposes, while a Limited Partner's share of such items will not constitute "net earnings from self-employment." Thus, no quarters of coverage or increased benefits under the Social Security Act will be earned by Limited Partners. If a Limited Partnership is receiving Social Security benefits, such Limited Partnership's taxable income attributable to the investment in the Units must be taken into account in determining any reduction in benefits because of "excess earnings."
State and Local Taxes: The opinions expressed herein are limited to issues of federal income tax law and do not address issues of state or local law. Potential investors are urged to consult their own tax advisors regarding the impact of state and local laws on an investment in the Units.
Individual Tax Advice Should be Sought: The foregoing is only a summary of the material tax considerations that may affect a potential investor's decision regarding the purchase of Units. The tax considerations attendant to an investment in the Partnership are complex, vary with individual circumstances, and depend in some instances upon whether the potential investor acquires a Limited Partnership Interest or Limited Partner Interest. Each prospective investor should review such tax consequences with their own tax advisor and their own legal counsel.

LEGAL PROCEEDINGS

There are, to the best knowledge of the Managing General Partner, no legal proceedings pending against the Partnership or the Managing General Partner that would have a material effect in the partnership.

REPORTS TO INVESTORS

As soon as reasonably practicable after the end of each fiscal year, each Partner shall be furnished a copy of a statement of income or loss for the Partnership and another statement showing the amounts allocated to or against such Partner pursuant to the Partnership Agreement during or in respect of such year. These statements will also show all items of income, expense or credit allocated to such Partnership for federal income tax purposes. These statements will be prepared in accordance with the accounting method adopted by the Partnership and will be reflected in the Partnership tax return. The Managing General Partner shall also deliver to each Partner by March 15th next following the close of each fiscal year of the Partnership all of the information necessary for the

completion of that portion of the Partner's federal income tax return relating to his investment in the Partnership. The Partnership will maintain its accounts on a basis deemed by the Managing General Partner to be in the best interests of the Partnership. The fiscal year of the Partnership shall begin on the first day of January and end on the seventeen-first day of December of each year. On a periodic basis as determined by the Managing General Partner and at least quarterly, the Managing General Partner will submit reports to Partners on the progress of Partnership operations. The Partnership or a Limited Partnership may request that the books and records of the Partnership be audited at the end of any fiscal year, and any such audit shall be conducted by an independent certified public accountant selected by the Limited Partnership requesting the audit. If such request is made by a Limited Partnership, the audit shall be conducted at the expense of the Partner requesting the audit. Upon the request of the Managing General Partner or by Partners who own in excess of fifty percent (50%) of the Units, such audit shall be made at the expense of the Partnership by an independent certified public accountant selected by the Managing General Partner.

SUPPLEMENTAL SALES LITERATURE

Neither the Managing General Partner nor the Partnership has prepared or authorized for distribution to potential investors in connection with this offering any supplemental sales literature. The offering of Units is made solely by this Memorandum.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners will be governed by the Partnership Agreement ("Partnership Agreement") in the form attached to this Memorandum as Exhibit A. Each prospective investor, together with their personal advisers, should carefully study the Partnership Agreement in its entirety before submitting a Subscription. The following statements concerning the Partnership Agreement are merely an outline, do not purport to be complete, and in no way amend or modify the Partnership Agreement.

Responsibility of Managing General Partner: The Managing General Partner shall have the exclusive management and control of all aspects of the business of the Partnership. No Limited Partnership shall have any voice in the day-to-day business operations of the Partnership. The Managing General Partner is authorized to delegate and subcontract its duties under the Partnership Agreement to others, including entities related to it.
Liabilities of Managing General Partner, including General Partners: The Managing General Partner, and other General Partners, will not be protected by limited liability for Partnership activities. Under the Act, the Partners will be jointly and severally liable for all obligations and liabilities to creditors and claimants, whether arising out of contract or tort, in the conduct of Partnership operations.
The Managing General Partner, as Operator, maintains general liability insurance. There can be no assurance, however, that the insurance maintained will be adequate to cover the liability of the Partnership (and, therefore, the Partners).
The Partners, by execution of the Partnership Agreement, grant to the Managing General Partner the exclusive authority to manage the Partnership business in its sole discretion and to thereby bind the Partnership and all Partners in its conduct of the Partnership business. The Partners will not be authorized to participate in the management of the Partnership business; and the Partnership Agreement prohibits the Partners from acting in a manner harmful to the assets or the business of the Partnership or to do any other act which would make it impossible to carry on the ordinary business of the Partnership. If a Limited Partnership acts in contravention of the terms of the Partnership Agreement, losses caused by such Limited Partnership's actions will be borne by such Limited Partnership alone and such Limited Partnership may be liable to other Partners for all damages resulting from such Limited Partnership's breach of the Partnership Agreement. Partners who choose to assign their Units in the future may only do so as provided in the Partnership Agreement and liability of Partners who have assigned their Units may continue after such assignment unless a formal assumption and release of liability is affected.
Liability of Limited Partners: The Partner will be governed by the Act under which a Limited Partner's liability for the obligations of the Partnership will be limited to the Limited Partners' Capital Contributions, the Limited Partners' shares of Partnership assets and for the return of any part of Partnership Capital Contributions for a period of one year after such return (or six years in the event such return is in violation of the Partnership Agreement), but only to the extent necessary to discharge the Partnership's liabilities to creditors who extended credit to the Partnership prior to such return. A Limited Partner will not otherwise be liable for the obligations of the Partnership unless, in addition to the exercise of the Limited Partners rights and powers as a Limited Partner, such person takes part in the control of the business of the Partnership. The Limited Partners, however, are obligated to make additional Capital Contributions if the Managing General Partner determines such capital is needed for the Partnership's business.
Default in Payment of Capital Contributions: If a Partner fails to make the additional Capital Contribution required to be made by that Partner, in addition to all other rights and remedies to which the Partnership is entitled at law or in equity, the Partnership may affect against any distributions to which such Limited Partner would otherwise be entitled, an amount equal to 300% of the amount which such Limited Partnership further failed to contribute.

Allocations and Distributions

General. Profits and losses are to be allocated and cash is to be distributed in the manner described in the section entitled "Participation in Costs and Revenues." See Sections 3 and 4 of the Partnership Agreement.
Time of Distributions. Distributable Cash will be distributed by the Managing General Partner not less frequently than quarterly. The Managing General Partner may, at its discretion, make distributions monthly. Notwithstanding any other provision of the Partnership Agreement to the contrary, no Partner will receive any distribution to the extent such distribution will create or increase a deficit in that Partner's Capital Account.
Liquidating Distributions. Liquidating distributions (after the payment of all Partnership debts and liabilities) will be made to the Partners in accordance with their respective Capital Accounts.

Voting Rights

Partners owning 50% or more of the then outstanding Units entitled to vote have the right to require the Managing General Partner to call a meeting of the Partners.
Partners will be entitled to vote with respect to certain Partnership matters. Each Interest is entitled to one vote on all matters; each fractional Interest is entitled to that fraction of one vote equal to the fractional Interest in the Interest. Except as otherwise provided in the Partnership Agreement, at any meeting of Partners, a vote of a majority of Units represented at such meeting, in person or by proxy, with respect to matters considered at the meeting at which a quorum is present will be required for approval of any such matters. A vote of a majority of the then outstanding Units entitled to vote will be required to approve any of the following matters.
The approval or disapproval of the Sale of all, or substantially all, of the assets of the Partnership;

1. Dissolution of the Partnership;
2. An amendment to the Partnership Agreement; or

3. The appointment of a liquidator in the event the Partnership is to be dissolved and there is no Managing General Partner.

Partners have the right to review the Partnership's books and records and list of Partners at any reasonable time and have a copy of the list of Partners mailed to the requesting Limited Partnership at the latter's expense. Partners have the right to submit proposals to the Managing General Partner for inclusion in the voting materials for the next meeting of Partners for consideration and approval by the Partners.

Retirement of the Managing General Partner

In the event that the Managing General Partner desires to withdraw from the Partnership for whatever reason, it may do so by giving written notice to the Partners.

Term and Dissolution

The Partnership will continue for a maximum period ending December 31, 2051, unless earlier dissolved upon the occurrence of any of the following:

1. the written consent of the Managing General Partner and the Partners owning a majority of the then outstanding Units;
2. the retirement, bankruptcy, adjudication of insanity or incapacity, withdrawal, removal, or death (or, in the case of a corporate Managing General Partner, the retirement, withdrawal, removal, dissolution, liquidation, or bankruptcy) of a Managing General Partner, unless a successor Managing General Partner is selected by Partners owning a majority of the then outstanding Units within 90 days after such event;
3. the sale, forfeiture, or abandonment of all, or substantially all, of the Partnership's property and the Sale and/or collection of any evidences of indebtedness received in connection therewith; or
4. the death, insanity, incapacity, dissolution or bankruptcy of a Limited Partnership if there is no other Managing General Partner.

Indemnification

If obligations incurred by the Partnership are the result of the negligence or misconduct of a Partner, or the contravention of the terms of the Partnership Agreement by the Partner, then such Limited Partnership will be liable to all other Partners for damages and obligations resulting therefrom.

The Managing General Partner will be entitled to reimbursement and indemnification for all expenditures made (including amounts paid in settlement of claims) or losses or judgments suffered by it in the ordinary and proper course of the Partnership's business, provided that the Managing General Partner has determined in good faith that the course of conduct which caused the loss or liability was in the reasonable best interest of the Partnership, that the Managing General Partner was acting on behalf of or performing services for the Partnership, and that the same were not the result of the gross negligence or willful misconduct on the part of the Managing General Partner. The Managing General Partner will have no liability to the Partnership or to any Limited Partnership for any loss suffered by the Partnership which arises out of any action or inaction of the Managing General Partner if the Managing General Partner, in good faith, determined that such course of conduct was in the reasonable best interest of the Partnership and such course of conduct did not constitute gross negligence or willful misconduct of the Managing General Partner. The Managing General Partner will be indemnified by the Partnership to the Limit of the insurance proceeds and tangible net assets of the Partnership against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with the Partnership, provided that the same were not the result of gross negligence or willful misconduct on the part of the Managing General Partner.

Reports to Partners

The Managing General Partner will furnish to the Partners certain annual reports which will contain financial statements (including a balance sheet and statements of income, Partners' equity and cash flows), which statements will include a reconciliation of such statements with information provided to the Partners for federal income tax purposes. Annual reports will be provided to the Partners within 120 days after the close of each Partnership fiscal year. All Partners will receive a report containing information necessary for the preparation of their federal income tax returns and any required state income tax returns by March 15th of each calendar year. The Managing General Partner may provide such other reports and financial statements as it deems necessary or desirable.

Power of Attorney

Each Partner will grant to the Managing General Partner a power of attorney to execute certain documents deemed by the Managing General Partner to be necessary or convenient to the Partnership's business or required in connection with the qualification and continuance of the Partnership.

Other Provisions

Other provisions of the Partnership Agreement are summarized in this Memorandum under the headings "Terms of the Offering," "Source and Application of Proceeds," "Participation in Costs and Revenues," "Management," "Fiduciary Responsibilities and Indemnification of the Managing General Partner," and "Transferability of Units." The attention of prospective investors is directed to these sections

TRANSFERABILITY OF UNITS

- The sale of Units by Partners is limited; no market for the Units will develop.
- Purchasers of Units from Partners must satisfy the suitability requirements of this offering and as imposed by law.

No Market for the Units will Develop. An investment in the Partnerships should be considered an illiquid investment. Investors may not be able to sell their Units.

While Units of the Partnership are transferable, assign ability of the Units is limited, requiring, among other things, the consent of the Managing General Partner. Transfers of fractional Units are prohibited, unless the Partner owns less than a whole Unit, in which case the Partner's entire fractional Unit must be transferred. Units may be assigned only to a person otherwise qualified to become a Partner, including the satisfaction of any relevant suitability requirements, as imposed by law or the Partnership. In no event may any assignment be made which, in the opinion of counsel to the Partnership, would result in the Partnership being considered to have been terminated for purposes of Code § 708, unless the Managing General Partner consents to such an assignment, or which, in the opinion of counsel to the Partnership, may not be effected without registration under the Securities Act of 1933, as amended, or would result in the violation of any applicable state securities laws. A Substitute Limited Partner will have the same rights and responsibilities in the Partnership as every other Limited Partner. Upon receipt of notice of a purported transfer or assignment of a Limited Partnership Interest, the Managing General Partner, after having determined that the purported transferee satisfies the suitability standards of the Partnership and other conditions established by the Partnership Agreement, will promptly notify the purported transferee of same and will include with the notice a copy of the Partnership Agreement, together with a signature page. In such notification, the Managing General Partner will advise the transferee that the transferee will have the same rights and responsibilities as every other Limited Partner and that the transferee will not become a Limited Partner of record until the transferee returns the executed signature page to the Managing General Partner. The Partnership will not be required to recognize any assignment until the instrument of assignment has been delivered to the Managing General Partner. An assignee of an Interest in the Partnership has certain rights of ownership, but may become a Substitute Limited Partner, and thus be entitled to all of the rights of a Limited Partnership or Limited Partner, as applicable, only upon meeting certain conditions, including (i) obtaining the consent of

the Managing General Partner to such substitution, (ii) paying all costs and expenses incurred in connection with such substitution, (iii) making certain representations to the Managing General Partner, and (iv) executing appropriate documents to evidence its agreement to be bound by all of the terms and provisions ions of the Partnership Agreement.

Conversion of Units by Partners. Upon written notice to the Managing General Partner, Partners will have the right to convert their Units into Limited Partner Units.

OTHER MATTERS

This Memorandum does not propose to restate all of the relevant provisions of the documents referred to or relevant to the matters discussed herein. All of these documents must be read for a thorough understanding of the terms of all matters relevant to the purchase of Units. Each prospective investor is invited to ask questions of; and receive answers from, authorized representatives of the Managing General Partner, and may inspect the books and records of the Partnership at any reasonable time, in order to obtain such information concerning the terms and conditions of the offering, to the extent the Partnership possesses the same or can obtain it without unreasonable effort or expense, as such prospective investor and/or his purchaser representative, if any, deems necessary to verify the accuracy of the information referred to in this Memorandum. The Partnership shall maintain at its office a list of the names and addresses of all Partners and their designated representatives.

Attention is directed to the Partnership Agreement and other Exhibits to this Memorandum for a full description of matters which may be described summarily in this Memorandum or which may not be included in the text of this Memorandum.

FINANCIAL STATUS OF THE PARTNERSHIP

Joaquin/Fredricksburg #5 Limited Partnership, Ltd., a Texas limited partnership, was formed as of May 26, ,2004, and as of the date of this offering is capitalized only to the extent of the $100 Initial Capital Contribution made by the Original Limited Partner.

FINANCIAL INFORMATION FOR THE MANAGING GENERAL PARTNER

The Managing General Partner was organized in December, 1992. Financial information on the Managing General Partner will be provided upon request.

EXHIBIT A

LIMITED
PARTNERSHIP AGREEMENT

FORTUNE EXPLORATION OF KENTUCKY, INC.

LIMITED PARTNERSHIP AGREEMENT
OF
JOAQUIN/FREDRICKSBURG #5 LIMITED PARTNERSHIP, LTD.

THIS LIMITED PARTNERSHIP AGREEMENT (the "Agreement") is entered into and effective as of the 23rd , day of July 2004 by and between (i) Fortune Exploration of Kentucky, Inc., a Kentucky corporation, as the Managing General Partner, (ii) Russell L. Vera, as the Initial Limited Partner, and _____, Additional General Partners or Limited Partners.

RECITALS:

1. The Managing General Partner and the initial Limited Partner formed a Texas limited partnership named Joaquin/Fredricksburg #5 Limited Partnership, Ltd. ("Partnership") pursuant to the provisions of the Act.
2. Texas Revised Uniform Limited Partnership
3. On the date hereof the Additional General Partners and Limited Partners have been admitted to the Partnership.
4. The parties desire to enter into this Agreement to set forth their mutual understandings.

AGREEMENT:

NOW, THEREFORE, the parties hereby agree as follows:

1. THE PARTNERSHIP

1.1. Definitions. Capitalized words and phrases used in this Agreement shall have the following meanings:

(a) "Act" shall mean the Texas Revised Uniform Limited Partnership Act, as amended from time to time (or any corresponding provisions of succeeding law).

(b) "Additional General Partner" shall mean an Investor Partner who purchases Units as an additional general partner, and such Additional General Partner's transferees and assigns who are admitted as a Substitute Investor Partner. The term "Additional General Partners" shall not include such Investor Partner who converts such Investor Partner's interest in the Partnership into a Limited Partner interest pursuant to Section 7.8.

(c) "Affiliate" of a specified Person shall mean (i) any Person directly or indirectly owing, controlling, or holding with power to vote ten percent (10%) or more of the outstanding voting securities of such specified Person; (ii) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such specified Person; (iii) any Person directly or indirectly controlling, controlled by, or under common control with, such specified Person; (iv) any officer, director, trustee or partner of such specified Person, and (v) if such specified Person is an officer, director, trustee or partner, any Person for which such Person acts in any such capacity.

(d) "Agreement" shall mean this Limited Partnership Agreement, as amended from time to time.

(e) "Capital Account" shall mean; with respect to any Partner, the capital account maintained for such Partner pursuant to Section 3.1.

(f) "Capital Contribution" shall mean the total contributions made by a Partner to the capital of the Partnership pursuant to Section 2.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

(h) "Depreciation" shall mean, for each fiscal year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes, Depreciation shall be 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 year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation; amortization; or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managing General Partner.

(i) "Distributable Cash" shall mean for any period the excess, if any, of (A) the sum of (i) all gross receipts from any sources (including loan proceeds) for such period, other than from Capital Contributions, plus (ii) any funds released by the Managing General Partner from previously established reserves (referred to in B(ii) below), over (B) the sum of (i) all cash expenditures of the Partnership for such period not funded by Capital Contributions or paid out of previously established reserves (referred to in (B)(ii) below), plus (ii) a reasonable reserve for future expenditures as determined by the Managing General Partner.

(j) "General Partners" shall mean the Additional General Partners and the Managing General Partner.

(k) "Gross Asset Value" shall mean, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

i. The initial Gross Asset Value of any asset contributed by a Partner to the partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the Partnership;

ii. The Gross Asset Value of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the Managing General Partner, as of the following times: (a) the acquisition of an additional interest

in the Partnership by any new or existing Partner in exchange for more than a the minimum Capital Contribution; (b) the distribution by the Partnership of property in consideration for an interest in the Partnership; and (c) the liquidation of the Partnership within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g); provided, however, that the adjustments pursuant to clauses (a) and (b) above shall be made only if the Managing General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

iii. The Gross Asset Value of any Partnership asset distributed to any Partner shall be the gross fair market value of such asset on the date of distribution; and

iv. The Gross Asset Value of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code §§ 734(b) or 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treas. Reg. § 1.704-1(b)(2)(iv)(m) and Section 3.2(g); provided, however, that Gross Asset Value shall not be adjusted pursuant to this Section 1.1(k)(4) to the extent the Managing General Partner determines that an adjustment pursuant to Section 1.1(k)(2) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Section 1.1(k)(4).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to Sections 1.l(k)(i), 1.1(k)(ii), or 1.1(k)(iv), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

(l) "Initial Limited Partner" shall mean Russell L. Vera or any successor to the Initial Limited Partner's interest in the Partnership.

(m) "Investor Partner" shall mean any Person other than the Managing General Partner and Initial Limited Partner as an Additional General Partner or as a Limited Partner, or who has been admitted as an additional or Substitute Investor Partner pursuant to the terms of this Agreement, and (ii) who is the owner of a Unit.

(n) "Lease" shall mean all or partial interests in: (i) undeveloped oil and gas leases; (ii) oil and gas mineral rights; (iii) licenses; (iv) concessions; (v) contracts; (vi) fee rights; or (vii) other rights authorizing the owner thereof to drill for, reduce to possession; and produce oil and gas.

(o) "Limited Partner" shall mean an Investor Partner who purchases Units as a Limited Partner, such Limited Partner's transferee or assignee who is admitted as a Substitute Investor Partner, and an Additional General Partner who converts their interest to a Limited Partner interest pursuant to the provisions of this Agreement.

(p) "Management and Administration Fee" shall mean that fee to which the Managing General Partner is entitled pursuant to Section 6.6.

(q) "Managing General Partner" shall mean Fortune Exploration of Kentucky, Inc., or its successors, in their capacity as the Managing General Partner.

(r) "Nonrecourse Liability" shall have the meaning set forth in Treas. Reg. §§ 1.704-2(b)(3) and l.752-l(a)(2).

(s) "Oil and Gas Interest" shall mean any oil or gas royalty or lease, or fractional interest therein, or certificate of interest or participation or investment contract relative to such royalties, leases, or fractional interests, or any other interest or right which permits the exploration of; drilling for, or production of oil and gas or other related hydrocarbons or the receipt of such production or the proceeds thereof

(t) "Operating Costs" shall mean expenditures made and costs incurred in producing and marketing oil or gas from completed well, including, in addition to labor, fuel, repairs, hauling, materials, supplies, utility charges, and other costs incident to or there from, ad valorem and severance taxes, insurance and casualty loss expense, and compensation to well operators or others for services rendered in conducting such operations.

(u) "Organization Costs" shall mean the fee to which the Managing General Partner is entitled pursuant to Section 6.7.

(v) "Participant List" shall mean an alphabetical list of the names, addresses and business telephone numbers of the Investor Partners, along with the number of Units held by each of them.

(w) "Partner Minimum Gain" shall mean partner nonrecourse debt minimum gain within the meaning of Treas. Reg. § 1.704-2(i)(3).

(x) "Partner Nonrecourse Debt" shall have the meaning set forth in Treas. Reg. § 1.704-2(b)(4).

(y) "Partner Nonrecourse Deductions" shall have the meaning set forth in Treas. Reg. § 1.704-2(i)(2).

(z) "Partners" shall mean the Managing General Partner, the Initial Limited Partner, and the Investor Partners.

(aa) "Partnership" shall mean the partnership formed by the Partners pursuant to the Act and governed by this Agreement.

(bb) "Partnership Minimum Gain" shall have the meaning set forth in Treas. Reg. § 1.704-2(b)(2).

(cc) "Permitted Transfer" shall mean any transfer of Units satisfying the provisions of Section 7.2.

(dd) "Person" shall mean any individual, partnership, corporation; limited liability company, trust, or other entity.

(ee) "'Placement Memorandum" shall mean the Private Placement Memorandum pursuant to which the Units are being offered and sold.

(ff) "Profits" and "Losses" shall mean, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Code § 703(a) (for this purpose, all items of income, gain; loss, or deduction required to be stated separately pursuant to Code § 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

i. Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.1(ff) shall be added to such taxable income or loss;

ii. Any expenditures of the Partnership described in Code § 705(a)(2))B) or treated as Code § 705(a)(2)(B) expenditures pursuant to Treas. Reg. § 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.1(ff) shall be subtracted from such taxable income or loss;

iii. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to Sections 1.1(k)(2) or 1.1(k)(4), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purpose of computing Profits or Losses;

iv. Gain or loss resulting from any disposition of Partnership 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 notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

v. 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 for such fiscal year or other period, computed in accordance with Section 1.1(h); and

vi. Notwithstanding any other provisions of this Section 1.1(ff), any items which are specially allocated pursuant to this Agreement shall not be taken into account in computing Profits or Losses.

(gg) "Prospect" shall mean a contiguous Oil and Gas Interest, upon which drilling operations may be conducted. In general, a Prospect is an area in which the Partnership owns or intends to own one or more Oil and Gas Interests which is geographically defined on the basis of geological data by the Managing General Partner and which is reasonably anticipated by the Managing General Partner to contain at least one reservoir. An area covering lands which are believed by the Managing General Partner to contain subsurface structural or stratigraphic conditions making it susceptible to the accumulations of hydrocarbons in commercially productive quantities at one or more horizons. The area, which may be different for different horizons, shall be designated by the Managing General Partner in writing prior to the conduct of operations and shall be enlarged or contracted from time to time on the basis of subsequently acquired information to define the anticipated limits of the associated hydrocarbon reserves and to include all acreage encompassed therein. A "prospect" with respect to a particular horizon may be limited to the minimum area permitted by state law or local practice, whichever is applicable, to protect against drainage from adjacent well if the well to be drilled by the Partnership is to a horizon containing proved reserves.

(hh) "Subscription Agreement" shall mean the agreement attached to the Private Placement Memorandum as Exhibit E, pursuant to which an investor subscribes to Units in the Partnership.

i. "Substitute Investor Partner" shall mean any Person admitted to the Partnership as an Investor Partner pursuant to Section 7.2(c).

(ii) "TMP" shall mean the tax matters partner of the Partnership for purposes of Code §§ 6621 through 6233.

(jj) "Unit" shall mean an interest of an Investor Partner in the Partnership, each Unit representing a commitment to make a Capital Contribution of $23,500 to the Partnership.

(kk) "Working Interest" shall mean an interest in an oil and gas leasehold which is subject to some portion of the costs of development, operation, or maintenance

1.2. Organization. The Managing General Partner and the Initial Limited Partner formed the Partnership pursuant to the provisions of the Act. The Partners hereby agree to continue the Partnership as a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement.

1.3. Partnership Name. The name of the Partnership shall be Joaquin/Fredricksburg #5 Limited Partnership, Ltd. and all business of the Partnership shall be conducted in such name. The Managing General Partner may change the name of the Partnership upon ten days notice to the Investor Partners. The Partnership shall hold all of its property in the name of the Partnership and not in the name of any Partner.

1.4. Character of Business. The principal business of the Partnership shall be to acquire Leases, drill sites, and other interests in oil and/or gas properties and to drill for oil, gas, hydrocarbons, and other minerals located in; on, or under such properties, to produce and sell oil, gas, hydrocarbons, and other minerals from such properties, and to invest and generally engage in any and all phases of the oil and gas business. Such business purpose shall include, without limitation, the purchase, sale, acquisition, disposition; exploration, development, operation, and production of oil and gas properties of any character. Without limiting the foregoing, Partnership activities may be undertaken as principal, agent, general partner, syndicate member, Investor Partner, participant, or otherwise.

1.5. Principal Place of Business. The principal place of business of the Partnership shall be at 12275 FM 1097 West, Willis, TX 77318. The Managing General Partner may change the principal place of business of the Partnership to any other place within the State of Texas upon ten days notice to the Investor Partners.

1.6. Term of Partnership. The Partnership commenced upon the filing of its Certificate of Limited Partnership, and shall continue until terminated as provided in Section 9.1.

1.7. Filings.

(a) A Certificate of Limited Partnership has been filed in the office of the Secretary of State of Texas in accordance with the provisions of the Act. The Managing General Partner shall take any and all other actions reasonably necessary to perfect and maintain the status of the Partnership as a limited partnership under the laws of Texas. The Managing General Partner shall cause amendments to the Certificate of Limited Partnership to be filed whenever required by the Act.

(b) The Managing General Partner shall execute and cause to be filed all such documents and shall take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Partnership as a limited partnership qualified to do business in any other states or jurisdictions in which the Partnership engages in business.

(c) Upon the dissolution of the Partnership, the Managing General Partner shall promptly execute and cause to be filed a Certificate of Cancellation in accordance with the Act and all such other documents as may be necessary for the Partnership to withdraw from any other states or jurisdictions in which the Partnership has qualified to do business

1.8 Independent Activities. Each General Partner and each Limited Partner may, notwithstanding this Agreement, engage in whatever activities they choose, whether the same are competitive with the Partnership or otherwise, without having or incurring any obligation to offer any interest in such activities to the Partnership or any Partner. Except as otherwise provided herein; however, the Managing General Partner and its Affiliates may pursue business opportunities that are consistent with the Partnership's investment objectives for their own account only after they have determined that such opportunity either cannot be pursued by the Partnership because of insufficient funds or because it is not appropriate for the Partnership under the existing circumstances. Neither this Agreement, nor any activity undertaken pursuant hereto, shall prevent the Managing General Partner from engaging in such activities, or require the Managing General Partner to permit the Partnership or any Partner to participate in any such activities, and as a material part of the consideration for the execution of this Agreement by the Managing General Partner and the admission of each Investor Partner, each Investor Partner hereby waives, relinquishes, and renounces any such right or claim of participation. Notwithstanding the foregoing, the Managing General Partner still has a fiduciary obligation to the Investor Partners.

2. CAPITALIZATION

2.1 Capital Contributions of the Managing General Partner and Initial Limited Partner.

(a) On or before the date hereof, the Managing General Partner shall make a Capital Contribution in cash to the Partnership of an amount equal to one percent (1%) of the aggregate Capital Contributions of the Investor Partners. In consideration of making such Capital Contribution, becoming a General Partner, subjecting its assets to the liabilities of the Partnership, and undertaking other obligations as herein set forth, the Managing General Partner shall receive the interest in the Partnership provided herein.

(b) On or before the date hereof, the Initial Limited Partner shall contribute $100 in cash to the capital of the Partnership. Upon the earlier to occur of (i) the conversion of an Additional General Partner's interest into a Limited Partner interest, or (ii) the admission of another Limited Partner to the Partnership, the Partnership shall redeem in full, without interest or deduction, the Initial Limited Partner's Capital Contribution, and the Initial Limited Partner shall cease to be a Partner.

2.2 Capital Contributions of the Investor Partners.

(a) The interests of the investor Partners have been divided into seventeen (17) units ("Units"), each of which is for Twenty-Three Thousand, Five Hundred Dollars ($23,500.00). Upon execution of this Agreement, each initial Investor Partner shall contribute to the capital of the Partnership the sum of $23,500.00 for each Unit purchased.

(b) Except as provided in Section 4.3, any proceeds of the offering of Units for sale pursuant to the Placement Memorandum not used, committed for use, or reserved as operating capital in the Partnership's operations within one year after the closing of such offering shall be distributed pro rata to the investor Partners as a return of capital.

(c) Until proceeds from the offering of Units are invested in the Partnership's operations, such proceeds may be temporarily invested in income producing short-term, highly liquid investments where there is appropriate safety of principal, such as U.S. Treasury obligations, certificate of deposits or money market accounts. Any such income shall be allocated pro rata to the investor Partners providing such Capital Contributions.

2.3 Additional Capital Contributions. After all Capital Contributions made pursuant to Sections 2.1 and 2.2 have been expended, if the Managing General Partner determines that additional capital is required for the Partnership's business, the Managing General Partner shall give notice thereof to each of the Partners, and each of the Partners shall be obligated to make an additional Capital Contribution pro rata in accordance with the Capital Contributions previously made by each of them; provided, however, that the total additional Capital Contributions required to be made by the Partners pursuant to this Section 2.3 shall not exceed the amount required to be contributed by the Partners pursuant to Sections 2.1 and 2.2. Payment of any such additional Capital Contribution shall be due within seven days of the mailing of the notice by the Managing General Partner. If any Investor Partner shall fail to pay an additional Capital Contribution required to be made by such Investor Partner within seven (7) days after the date due, such Investor Partner shall be in default, and, in addition to all rights and remedies available to the Partnership at law, in equity or otherwise, the Managing General Partner shall have the right to set off against any distributions otherwise due to such Investor Partner an amount equal to 300% of the amount which the investor Partner failed to contribute.

2.4 No Interest on Capital Contributions, No Withdrawals. No interest shall be paid on any Capital Contributions and, except as otherwise provided herein, no Partner, other than the Initial Limited Partner as authorized herein, may withdraw the Partner's Capital Contribution.

3. CAPITAL ACCOUNTS AND ALLOCATIONS

3.1 Capital Accounts.

(a) A separate Capital Account shall be established and maintained for each Partner on the books and records of the Partnership. A Partner shall have a single Capital Account even though the Partner may be both a General Partner and a Limited Partner. Capital Accounts shall be maintained in accordance with Treas. Reg. § 1.704-1(b) and any inconsistency between the provisions of this Section 3.1 and such regulation shall be resolved in favor of such regulation in the event the Managing General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts are computed in order to comply with such regulation, the Managing General Partner may make such modification provided that it is not likely to have a material effect on the amounts distributable to any Partner pursuant to Section 9.3 upon the dissolution of the Partnership. The Managing General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Treas. Reg. § 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treas. Reg. § 1.704-1(b).

(b) Each Partner's Capital Account shall be credited with (i) the amount of money contributed by such Partner to the Partnership; (ii) the amount of any Partnership liabilities that are assumed by such Partner (within the meaning of Treas. Reg. § 1.704-1(b)(2)(iv)(c)); (iii) the Gross Asset Value of property contributed by such Partner to the Partnership (net of liabilities secured by such contributed property that the Partnership is considered to assume or take subject to under Code § 752); and (iv) allocations to such Partner of Profits (or items thereof), including income and gain exempt from tax and income and gain described in Treas. Reg. § 1.704-1(b)(2)(iv)(g) (relating to adjustments to reflect book value).

(c) Each Partner's Capital Account shall be debited with (i) the amount of money distributed to such Partner by the Partnership; (ii) the amount of such Partner's individual liabilities that are assumed by the Partnership (other than liabilities described in Treas. Reg. § 1.704-1(b)(2)(iv)(b)(2) that are assumed by the Partnership); (ii) the Gross Asset Value of property distributed to such Partner by the Partnership (net of liabilities secured by such distributed property that such Partner is considered to assume or take subject to under Code § 752); (iv) allocations to such Partner of expenditures of the Partnership not deductible in computing Partnership taxable income and not properly chargeable to capital account (as described in Code § 705(a)(2)(B), and (v) allocations to such Partner of Losses (or item thereof), including Losses and deductions described in Treas. Reg. § 1.704-1(b)(2)(iv)(g) (relating to adjustments to reflect book value), but excluding items described in (iv) above and excluding Losses or deductions described in Treas. Reg. § 1.704-1(b)(4)(iii) (relating to excess percentage depletion).

(d) Solely for purposes of maintaining the Capital Accounts

i. Each year the Partnership shall compute (in accordance with Treas. Reg. § 1.704-1(b)(2)(iv)(k)) a simulated depletion allowance for each Oil and Gas Interest using that method, as between the cost depletion method and the percentage depletion method (without regard to the limitations of Code § 613A(c)(3) which theoretically could apply to any Partner), which results in the greatest simulated depletion allowance. The simulated depletion allowance with respect to each Oil and Gas Interest shall reduce the Partners' Capital Accounts in the same proportion as the Partners were allocated adjusted basis with respect to such Oil and Gas Interest under Section 3.3(a). In no event shall the Partnership's aggregate simulated depletion allowance with respect to an Oil and Gas Interest exceed the Partnership's adjusted basis in the Oil and Gas Interest (maintained solely for Capital Account purposes).

ii. Upon the taxable disposition of an Oil and Gas Interest by the Partnership, the Partnership shall determine the simulated (hypothetical) gain or loss with respect to such Oil and Gas Interest (solely for Capital Account purposes) by subtracting the Partnership's simulated adjusted basis for the Oil and Gas Interest sold (maintained solely for Capital Account purposes) from the amount realized by the Partnership upon such disposition. Simulated adjusted basis shall be determined by reducing the adjusted basis by the aggregate simulated depletion charged to the Capital Accounts of all Partners in accordance with Section 3.1(d)(1). The Capital Accounts of the Partners shall be adjusted upward by the amount of any simulated gain on such disposition in proportion to such Partners' allocable share of the portion of total amount realized from the disposition of such Oil and Gas Interest that exceeds the Partnership's simulated adjusted basis in such Oil and Gas Interest. The Capital Accounts of the Partners shall be adjusted downward by the amount of any simulated loss in proportion to such Partners' allocable shares of the total amount realized from the disposition of such Oil and Gas Interest that represents recovery of the Partnership's simulated adjusted basis in such Oil and Gas Interest.

(e) Except as otherwise provided in this Agreement, neither an Investor Partner nor the Initial Limited Partner shall be obligated to the Partnership or to any other Partner to restore any negative balance in their Capital Accounts. Upon liquidation of the Partnership, or the liquidation of the interest of the Managing General Partner (in each case determined as provided in Treas. Reg. § 1.704-(b)(2)(ii)(g)), if the Managing General Partner has a deficit balance in its Capital Account after crediting all Profit upon the sale of the Partnership's assets which have been sold, and after making all allocations provided for herein, then the Managing General Partner shall be obligated to contribute to the Partnership, on or before the later to occur of (i) the close of the Partnership's taxable year, or (ii) ninety (90) days following such liquidation, an amount equal to such deficit balance for distribution in accordance with the terms of this Agreement.

3.2 Allocation of Profits and Losses.

(a) Except as provided in this Section 3.2 or in Section 3.3, the following shall apply:

i. Profits and Losses of the Partnership (computed without regard to the items referred to in Sections 3.2(a)(2) and 3.2(a)(3)) shall be allocated 99% to the Investor Partners and 1% to the Managing General Partner.

ii. Operating Costs shall be allocated 99% to the Investor Partners and 1% to the Managing General Partner.

iii. All items of revenue or income attributable to an Oil and Gas Interest shall be allocated 99% to the Investor Partners and 1% to the Managing General Partner.

(b) Notwithstanding anything to the contrary in Section 3.2(a), no Investor Partner shall be allocated any item to the extent that such allocation would create or increase a deficit in such Investor Partner's Capital Account. For purposes of this Section 3.2(b), in determining whether an allocation would create or increase a deficit in an Investor Partner's Capital Account, such Capital Account shall be reduced for those items described in Treas. Reg. §§ 1.704-1(b)(2)(ii)(d)(4), (5), and (6), and shall be increased by any amounts which such Partner is obligated to restore in accordance with Treas. Reg. § 1.704(b)(2)(ii)(c), or is deemed obligated to restore pursuant to Treas. Reg. §§ 1.704-2(g)(1) and 1.704-2(i)(5). Any item, the allocation of which to any Investor Partner is prohibited by this Section 3.2(b), shall be reallocated to those Investor Partners not having a deficit in their Capital Accounts (as adjusted as provided in this Section 3.2(b)) in the proportion that the positive balance of each such Investor Partner's adjusted Capital Account bears to the aggregate balance of all such Investor Partners' adjusted Capital Accounts, with any remaining losses or deductions being allocated to the Managing General Partner. Notwithstanding the provisions of Section 3.2(a), to the extent items are allocated to the Partners by virtue of the preceding provisions of this Section 3.2(b), the Profits thereafter recognized shall be allocated to such Partners (in proportion to the items previously allocated to them pursuant to this Section 3.2(b)) until such time as the Profits allocated to them pursuant to this sentence equals the items allocated to them pursuant to the preceding provisions of this Section 3.2(b).

(c) In the event any Investor Partner unexpectedly receives any adjustments, allocations, or distributions described in Treas. Reg. § 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of Partnership income and gain shall be specifically allocated to such Investor Partner in an amount and manner sufficient to eliminate (to the extent required by the regulations) the deficit balance in such Investor Partner's Capital Account (as adjusted in accordance with the provisions of Section 3.2(b) as quickly as possible; provided, however, that an allocation pursuant to this Section 3.2(c) shall be made if and only to the extent that such Investor Partner would have a deficit Capital Account (as adjusted in

Section 3.2(b)) after all other allocations provided for in Section 3 have been tentatively made as if this Section 3.2(c) were not in this Agreement. It is the intention of the Partners that the provisions of this Section 3.2(c) constitute a "qualified income offset" within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(d), and such provisions shall be so construed.

(d) Notwithstanding any other provision of this Section 3.2, if there is a net decrease in Partnership Minimum Gain during any taxable year, all Partners shall be allocated items of Partnership income and gain for that year equal to that Partner's share (within the meaning of Treas. Reg. § 1.704-2(g)(2)) of the net decrease in Partnership Minimum Gain. Notwithstanding the preceding sentence, no such chargeback shall be made to the extent one or more of the exceptions and/or waivers provided for in Treas. Reg. § 1.704-2(f) applies. This Section 3.2(d) is intended to comply with the minimum gain chargeback requirement of Treas. Reg. § 1.704-2(f) and shall be interpreted consistently therewith.

(e) Notwithstanding any other provision of this Section 3.2, other than Section 3.2(d), if there is a net decrease in Partner Minimum Gain attributable to Partner Nonrecourse Debt during any Partnership fiscal year, rules similar to those contained in Section 3.2(d) shall apply in a manner consistent with Treas. Reg. § 1.704-2(i)(4). This Section 3.2(e) is intended to comply with the minimum gain chargeback requirement of Treas. Reg. § 1.704-2(i)(4) and shall be interpreted consistently therewith.

(f) Any Partner Nonrecourse Deductions for any fiscal year or other period shall be specially allocated to the Partner 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 Treas. Reg. § 1.704-2(i)(l).

(g) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code §§ 734(b) or 743(b) is required, pursuant to Treas. Reg. § 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 Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such regulation.

(h) Notwithstanding anything in this Section 3.2, if as a result of the regulatory allocations provided for in Sections 3.2(c) through 3.2(f) the Managing General Partner determines that the Capital Accounts of the Partners do not reflect the economic agreement among the parties, the Managing General Partner, in its discretion, may adjust the allocations provided for in Section 3.2(a) so that the Capital Accounts of the Partners will be equal to the amount they would have been equal to had such regulatory allocations not been a part of this Agreement.

(i) The Partners are aware of the income tax consequences of the allocations made by this Section 3.2 and hereby agree to be bound by the provisions of this Section 3.2 in reporting their shares of Partnership income and loss for income tax purposes.

(j) For purposes of Code § 752 and the regulations there under, the excess nonrecourse liabilities of the Partnership (within the meaning of Treas. Reg. § 1.752-3(a)(3)), if any, shall be allocated 99% to the Investor Partners and 1% to the Managing General Partner.

3.3 Depletion.

(a) The depletion deduction with respect to each Oil and Gas Interest of the Partnership shall be computed separately by each Partner in accordance with Code § 613A(c)(7)(1) for federal income tax purposes. For purposes of such computation, the adjusted basis of each Oil and Gas Interest shall be allocated in accordance with the Partners' interests in the capital of the Partnership.

(b) Upon the taxable disposition of an Oil or Gas Interest by the Partnership, the amount realized there from shall be allocated among the Partners (for purposes of calculating their individual gain or loss on such disposition for federal income tax purposes) as follows:

i. The portion of the total amount realized upon the taxable disposition of such property that represents recovery of its simulated adjusted tax basis therein (as calculated pursuant to Section 3.1(d)) shall be allocated to the Partners in the same proportion as the aggregate adjusted basis of such property was allocated to such Partners (or their predecessors in interest) pursuant to Section 3.3(a); and

ii. The portion of the total amount realized upon the taxable disposition of such property that represents the excess over the simulated adjusted tax basis therein shall be allocated in accordance with the provisions of Section 3.1(d) as if such gain constituted an item of Profit.

3.4 Apportionment Among Partners.

(a) Except as otherwise provided in this Agreement, all allocations and distributions to the Investor Partners shall be apportioned among them pro rata based upon the number of Units held by each of the Investor Partners.

(b) For purposes of Section 3.4(a), an Investor Partner's pro rata share in Units shall be calculated as of the end of the taxable year for which such allocation has been made; provided, however, that if a transferee of a Unit is admitted as an Investor Partner during the course of the taxable year, the apportionment of allocations and distributions between the transferor and transferee of such Unit shall be made in the manner provided in Section 3.4(c).

(c) If, during any taxable year of the Partnership, there is a change in any Partner's interest in the Partnership, each Partner's allocation of any item of income, gain, loss, deduction, or credit of the Partnership for such taxable year shall be determined by taking into account the varying interests of the Partners pursuant to such method as is permitted by Code § 706(d) and the regulations there under.

4. DISTRIBUTIONS

4.1 Time of Distribution. The Managing General Partner shall distribute the Partnership's Distributable Cash at such time as it shall determine, but such distributions shall be made not less frequently than quarterly.

4.2 Distributions. Except as provided in Section 4.3, all distributions (other than those made in connection with the liquidation of the Partnership, which distributions shall be made in accordance with Section 9.3) shall be made in accordance with Section 3.2(a). In no event shall funds be advanced or borrowed for purposes of distributions if the amount of such distributions would exceed the Partnership's accrued and received revenues for the previous four quarters, less paid and accrued operating costs with respect to such revenues. The determination of such revenues and costs shall be made in accordance with generally accepted accounting principles, consistently applied.

4.3 Capital Account Deficits. No distributions shall be made to any Investor Partner to the extent such distribution would create or increase a deficit in such Investor Partner's Capital Account (as adjusted in Section 3.29(b)). If a distribution is not made to an Investor Partner by reason of the preceding sentence, then the amount which would have been distributed to such Investor Partner shall be distributed to the other Partners in the proportion that the positive Capital Account balance of each Partner bears to the aggregate positive Capital Account balances of all of the Partners. Any such amount remaining after reduction of all Capital Accounts to zero shall be distributed to the Managing General Partner.

5. ACTIVITIES

5.1 Management. The Managing General Partner shall conduct, direct, and exercise full and exclusive control over all activities of the Partnership. Investor Partners shall have no power over the conduct of the affairs of the Partnership or otherwise commit or bind the Partnership in any manner. The Managing General Partner shall manage the affairs of the Partnership in a prudent and businesslike fashion and shall use its best efforts to carry out the purposes and character of the business of the Partnership.

5.2 Conduct of Operations.

(a) The Investor Partners agree to participate in the Partnership's program of operations as established by the Managing General Partner; provided, however, that no well drilled to the point of setting casing need be completed if, in the Managing General Partner's opinion, such well is unlikely to be productive of oil or gas in quantities sufficient to justify the expenditures required for well completion. The Partnership may participate with others in the drilling of well and it may enter into joint ventures, partnerships, or other such arrangements.

(b) The Partnership shall not participate in any joint operations on any co-owned Lease unless there has been acquired or reserved on behalf of the Partnership the right to take in kind or separately dispose of its proportionate share of the oil and gas produced from such Lease, exclusive of production which may be used in development and production operations on the Lease and production unavoidably lost, and, if the Managing General Partner is the operator of such Lease, the Managing General Partner shall enter into written agreements with every other person or entity owning any working or operating interest reserving to such person or entity a similar right to take in-kind so as not to result in the Partnership being treated as a member of an association taxable as a corporation for federal income tax purposes.

(c) The relationship of the Partnership and the Managing General Partner (or an Affiliate retaining or acquiring an interest) as co-owners in Leases, except to the extent superseded by an operating agreement consistent with the provisions of Section 5.2(c), and except to the extent inconsistent with this Agreement, shall be governed by the AAPL Form 610 Model Operating Agreement 1982, with a provision reserving the right to take production in-kind, naming the Managing General Partner as operator and the Partnership as a non-operator, and with the accounting procedure to govern as the accounting procedures under such operating agreements.

(d) The Managing General Partner is expected to act as the operator of all Partnership well, and the Managing General Partner may designate such other persons as it deems appropriate to conduct the actual drilling and producing operations of the Partnership.

(e) As operator of Partnership well, the Managing General Partner or its Affiliates shall receive per-well charges for each producing well based on the Working Interest acquired by the Partnership. These per-well charges shall be subject to annual adjustment beginning January 1, 2004 as provided in the accounting procedures of the operating agreements.

(f) The Partnership shall enter into a turnkey drilling contract with the Managing General Partner or its Affiliates as described in the Placement Memorandum.

(g) The funds of the Partnership shall not be commingled with the funds of any other Person.

(h) The Managing General Partner shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not in the Managing General Partner's possession or control, and shall not employ or permit another to employ such funds or assets in any manner except for the exclusive benefit of the Partnership.

5.3 Acquisition and Sale of Leases.

(a) To the extent the Partnership does not acquire a full interest in a Lease from the Managing General Partner or its Affiliate, the remainder of the interest in such Lease may be held by the Managing General Partner or such Affiliate, as applicable, which may retain and exploit it for its own account or sell or otherwise dispose of all or a part of such remaining interest. Profits from such exploitation and/or disposition shall be for the benefit of the Managing General Partner or its Affiliate to the exclusion of the Partnership. Any Leases acquired by the Partnership from the Managing General Partner or its Affiliate shall be acquired at the fair market value of such property.

(b) The Partnership shall acquire only Leases reasonably expected to meet the stated purposes of the Partnership. No Leases shall be acquired for the purpose of a subsequent sale or farm out unless the acquisition is made after a well has been drilled to a depth sufficient to indicate that such an acquisition would be in the Partnership's best interest.

5.4 Title to Leases.

(a) Record title to each Lease acquired by the Partnership may be temporarily held in the name of the Managing General Partner, or in the name of any nominee designated by the Managing General Partner, as agent for the Partnership until a productive well is completed on a Lease. Thereafter, record title to Leases shall be assigned to and placed in the name of the Partnership.

(b) The Managing General Partner shall take the necessary steps in its best judgment to render title to the Leases to be assigned to the Partnership acceptable for the purposes of the Partnership. No operation shall be commenced on any Prospect acquired by the Partnership unless the Managing General Partner is satisfied that the undertaking of such operation would be in the best interest of Investor Partners and the Partnership. The Managing General Partner shall be free, however, to use its own best judgment in waiving title requirements and shall not be liable to the Partnership or Investor Partners for any mistakes of judgment unless such mistakes were made in a manner not in accordance with general industry standards in the geographic area. Neither the Managing General Partner nor its Affiliates shall be deemed to be making any warranties or representations, express or implied, as to the validity or merchantability of the title to any Lease assigned to the Partnership or the extent of the interest covered thereby.

5.5 Release, Abandonment, and Sale or Exchange of Properties. Except as provided elsewhere in Section 5 and in Section 6.3, the Managing General Partner shall have full power to dispose of the production and other assets of the Partnership, including the power to determine which Leases shall be released or permitted to terminate, those well to be abandoned, whether any Lease or well shall be sold or exchanged, and the terms therefore.

5.6 Certain Transactions With Managing General Partner or Affiliates. Any services, equipment, or supplies which the Managing General Partner or an Affiliate furnishes to the Partnership which is not specifically referred to herein shall be furnished at a competitive rate which could be obtained in the geographical area of operations. Any such services for which the Managing General Partner or an Affiliate is to receive compensation shall be embodied in a written contract which precisely describes the services to be rendered and all compensation to be paid.

6. MANAGING GENERAL PARTNER

6.1 Managing General Partner. The Managing General Partner shall have the sole and exclusive right and power to manage and control the affairs of and to operate the Partnership, to do all things necessary to carry on the business of the Partnership for the purposes described in Section 1.4 and to conduct the activities of the Partnership as set forth in Section 5. No financial institution or any other person, firm, or corporation dealing with the Managing General Partner shall be required to ascertain whether the Managing General Partner is acting in accordance with this Agreement, but such financial institution or such other person, firm or corporation shall be protected in relying solely upon the deed, transfer, or assurance of, and the execution of such instrument or instruments by, the Managing General Partner. The Managing General Partner shall devote so much of its time to the business of the Partnership as in its judgment the conduct of the Partnership's business shall reasonably require and shall not be obligated to do or perform any act or thing in connection with the business of the Partnership not expressly set forth herein. The Managing General Partner may engage in business ventures of any nature and description independently or with others and neither the Partnership nor any of the Investor Partners shall have any rights in and to such independent ventures nor the income or profits derived there from.

6.2 Authority of Managing General Partner. The Managing General Partner is specifically authorized and empowered, on behalf of the Partnership, and by consent of the Investor Partners herein given, to do any act, execute any document or enter into any contract or any agreement of any nature necessary or desirable, in the opinion of the Managing General Partner, in pursuance of the purposes of the Partnership. Without limiting the generality of the foregoing, in addition to any and all other powers conferred upon the Managing General Partner pursuant to this Agreement and the Act, and except as otherwise prohibited by law or hereunder, the Managing General Partner shall have the power and authority to:

(a) Acquire leases and other Oil and Gas Interests in furtherance of the Partnership's business;

(b) Enter into and execute pooling agreements, farm out agreements, operating agreements, unitization agreements, dry and bottom hole and acreage contribution letters, construction contracts, and any and all documents or instruments customarily employed in the oil and gas industry in connection with the acquisition, sale, exploration, development, or operation of Oil and Gas Interests, and all other instruments deemed by the Managing General Partner to be necessary or appropriate to the proper operation of Oil or Gas Interests or to effectively and properly perform its duties or exercise its powers hereunder;

(c) Make expenditures and incur any obligations it deems necessary to implement the purposes of the Partnership, employ and retain such personnel as it deems desirable for the conduct of the Partnership's activities, including employees, consultants, and attorneys and exercise on behalf of the Partnership, in such manner as the Managing General Partner, in its sole judgment, deems best, all rights, elections, and obligations granted to or imposed upon the Partnership;

(d) Manage, operate, and develop any Partnership property, and enter into operating agreements with respect to properties acquired by the Partnership, including an operating agreement with the Managing General Partner as described in the Placement Memorandum, which agreements may contain such terms, provisions, and conditions as are usual and customary within the industry and as the Managing General Partner shall approve;

(e) Compromise, sue, or defend any and all claims in favor of or against the Partnership;

(f) Subject to the provisions of Section 8.4, make or revoke any election permitted the Partnership by any taxing authority;

(g) Perform any and all acts it deems necessary or appropriate for the protection and preservation of Partnership assets;

(h) Maintain, at the expense of the Partnership, such insurance coverage for public liability, fire and casualty, and any and all other insurance necessary or appropriate to the business of the Partnership in such amounts and of such types as it shall determine from time to time;

(i) Buy, sell, or lease property or assets on behalf of the Partnership; Enter into agreements to hire services of any kind or nature;

(j) Enter into agreements to hire services of any kind or nature;

(k) Assign interests in properties to the Partnership;

(l) Borrow money on behalf of the Partnership from third parties or the Managing General Partner or its Affiliates.

(m) Enter into soliciting dealer agreements and perform all of the Partnership's obligations there under, to issue and sell Units pursuant to the terms and conditions of this Agreement, the Subscription Agreements, and the Placement Memorandum, to accept and execute on behalf of the Partnership Subscription Agreements, and to admit Investor Partners and Substitute Investor Partners; and

(n) Perform any and all acts, and execute any and all documents, it deems necessary or appropriate to carry out the purposes of the Partnership.

6.3 Certain Restrictions on Managing General Partner's Power and Authority. Notwithstanding any other provisions of this Agreement to the contrary, neither the Managing General Partner nor any of its Affiliates shall have the power or authority to, and shall not, do, perform, or authorize any of the following:

(a) Without having first received the prior consent of the holders of a majority of the then outstanding Units entitled to vote,

i. sell all, or substantially all, of the assets of the Partnership (except upon liquidation of the Partnership pursuant to Section 9), unless cash bonds of the Partnership are insufficient to pay the obligations and other liabilities of the Partnership;

ii. dispose of the good will of the Partnership; or

iii. do any other act which would make it impossible to carry on the ordinary business of the Partnership.

(b) Bind or obligate the Partnership with respect to any matter outside the scope of the Partnership business;

(c) Use the Partnership name, credit, or property for other than Partnership purposes;

(d) Utilize Partnership funds to invest in the securities of another Person except in the following instances:

i. investments in Working Interests or undivided Lease interests made in the ordinary course of the Partnership's business;

ii. temporary investments made in compliance with Section 2.2(c);

iii. investments which are a necessary and incidental part of a property acquisition transaction; and

iv. investments in entities established solely to limit the Partnership's liabilities associated with the ownership or operation of property or equipment; provided, however, that in such instances duplicative fees and expenses shall be prohibited.

(e) Sell, transfer, or assign its interest (except for a collateral assignment which may be granted to a bank or other financial institution) in the Partnership, or any part thereof, or otherwise withdraw as Managing General Partner without written notice to the Investor Partners.

6.4 Indemnification of Managing General Partner. The Managing General Partner shall have no liability to the Partnership or to any Investor Partner for any loss suffered by the Partnership which arises out of any action or inaction of the Managing General Partner if the Managing General Partner, in good faith, determined that such course of conduct was in the best interest of the Partnership, that the Managing General Partner was acting on behalf of or performing services for the Partnership, and that such course of conduct did not constitute gross negligence or willful misconduct of the Managing General Partner. The Managing General Partner shall be indemnified by the Partnership against any losses, judgments, liabilities, expenses, and amounts paid in settlement of any claims sustained by it in connection with the Partnership, provided that the Managing General Partner has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the Partnership, that the Managing General Partner was acting on behalf of or performing services for the Partnership, and that the same were not the result of gross negligence or willful misconduct on the part of the Managing General Partner. Indemnification of the Managing General Partner is recoverable only from the tangible net assets of the Partnership, including the insurance proceeds from the Partnership's insurance policies and the insurance and indemnification of the Partnership's subcontractors, and is not recoverable from the Investor Partners.

6.5 Withdrawal.

(a) Notwithstanding the limitations contained in Section 6.3(e), the Managing General Partner shall have the right, by giving written notice to the Investor Partners, to substitute in its stead as managing general partner any successor entity or any entity controlled by the Managing General Partner, and the Investor Partners, by execution of this Agreement, hereby expressly consent to such a transfer unless it would adversely affect the status of the Partnership as a partnership for federal income tax purposes.

(b) The Managing General Partner may voluntarily withdraw from the Partnership after written notice to the Investor Partners.

(c) In the event a Managing General Partner withdraws and the Investor Partners elect to continue the Partnership, the withdrawing Managing General Partner's interest in the assets of the Partnership shall be determined by independent appraisal by a qualified independent petroleum engineering consultant who shall be selected by mutual agreement of the Managing General Partner and the successor Managing General Partner. Such appraisal will take into account an appropriate discount to reflect the risk of recovery of oil and gas reserves. The withdrawn Managing General Partner shall be paid for its interest within ten days of the determination of the value of such interest.

6.6 Management and Administration Fee. The Partnership shall pay the Managing General Partner, on the date hereof, a one-time management and administration fee equal to 4.9% of the total Capital Contributions required to be made by the Investor Partners pursuant to Section 2.2(a).

6.7 Organization and Offering Fee. The Partnership shall pay the Managing General Partner, on the date hereof a one-time organization and offering fee equal to 2.8% of the Capital Contributions required to be made by the Investor Partners pursuant to Section 2.2(a), to reimburse the Managing General Partner for paying all costs of organizing and selling the Units including, but not limited to, total underwriting and brokerage discounts and commissions (including fees of the underwriters' attorneys), expenses for printing, engraving, mailing, salaries of employees while engaged in sales activity, charges of transfer agents' registrars, trustees, escrow holders, depositories, engineers and other experts, expenses of qualification of the sale of the securities under Federal and state law, including taxes and fees, accountants' and attorneys' fees and other front-end fees.

6.8 Tax Matters Partner. The Managing General Partner shall serve as the Tax Matters Partner for purposes of Code §§ 6221 through 6233. The Partnership may engage its accountants and/or attorneys to assist the Tax Matters Partner in discharging its duties hereunder.

7. INVESTOR PARTNERS

7.1 Management. No Investor Partner shall take part in the control or management of the business or transact any business for the Partnership, and no Investor Partner shall have the power to sign for or bind the Partnership, all of such authority having been given to the Managing General Partner in Section 6. Any action or conduct of Investor Partners on behalf of the Partnership is hereby expressly prohibited. Any Investor Partner who violates the provisions of this Section 7.1 shall be liable to the remaining Investor Partners, the Managing General Partner, and the Partnership for any damages, costs, or expenses any of them may incur as a result of such violation. Investor Partners shall have the right to vote only with respect to those matters specifically provided for in these Sections.

7.2 Assignment of Units.

(a) An Investor Partner may transfer all or any portion of the Investor Partner's Units, subject to the following conditions:

i. Except in the case of a transfer of Units at death, as a result of adjudication of incompetence or insanity, or involuntarily by operation of law, the transferor and transferee shall execute and deliver to the Partnership such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the Partnership to effect such transfer;

ii. The transferor and transferee shall furnish the Partnership with the transferee's taxpayer identification number and sufficient information to determine the transferee's initial tax basis in the Units transferred; and

iii. The Partnership is reimbursed by the transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such transfer.

iv. If the transferor is an Additional General Partner, the Managing General Partner has consented to the transfer, which shall be in the sole discretion of the Managing General Partner.

(b) A Person who acquires one or more Units but who is not admitted as a Substitute Investor Partner, shall only be entitled to allocations and distributions with respect to such Units in accordance with this Agreement, but shall have no right to any information or accounting of the affairs of the Partnership, shall not be entitled to inspect the books or records of the Partnership, and shall not have any of the rights of an Additional General Partner or a Limited Partner under the Act or this Agreement.

(c) Subject to the other provisions of Section 7, a transferee of Units may be admitted to the Partnership as a Substitute Investor Partner only upon satisfaction of the following conditions:

i. The Managing General Partner consents to such admission, which consent can be withheld in its absolute discretion;

ii. The Units with respect to which the transferee is being admitted were acquired by means of a Permitted Transfer;

iii. The transferee becomes a party to this Agreement as a Partner and executes such documents and instruments as the Managing General Partner may reasonably request as may be necessary or appropriate to confirm such transferee as a Partner of the Partnership and such transferee's agreement to be bound by the terms and conditions hereof, and

iv. If the transferee is not an individual of legal majority, the transferee provides the Partnership with evidence satisfactory to counsel for the Partnership of the authority of the transferee to become a Partner and to be bound by the terms and conditions of this Agreement.

(d) In any calendar quarter in which a transfer of a Unit occurs, the Partnership shall recognize the assignment not later than the last day of the calendar month following receipt of notice of assignment and required documentation.

(e) Each Investor Partner hereby covenants and agrees with the Partnership, for the benefit of the Partnership and all Partners, that (i) the Investor Partner is not currently making a market in Units and (ii) the Investor Partner will not transfer any Unit on an established securities market or a secondary market (or the substantial equivalent thereof) within the meaning of Code § 7704) (and any regulations, proposed regulations, revenue rulings, or other official pronouncements of the Internal Revenue Service that may be promulgated or published there under). Each Investor Partner further agrees that the Investor Partner will not transfer any Unit to any Person unless such Person agrees to be bound by the provisions of this Section 7.2 and to transfer such Units only to Persons who agree to be similarly bound.

7.3 Prohibited Transfers.

(a) Any purported Transfer of Units that is not a Permitted Transfer shall be null and void and of no effect whatever. If, however, the Partnership is required by a court of competent jurisdiction to recognize a transfer that is not a Permitted Transfer (or if the Managing General Partner, in its sole discretion, elects to recognize a transfer that is not a Permitted Transfer), the Partnership shall have the right (without limiting any other legal or equitable rights of the Partnership) to withhold distributions to which such transferee would otherwise be entitled and apply such distributions to satisfy the debts, obligations, or liabilities for damages that the transferor or transferee of such Units may have to the Partnership.

(b) In the case of a transfer or attempted transfer of Units that is not a Permitted Transfer, the parties engaging or attempting to engage in such transfer shall be liable to indemnity and hold harmless the Partnership and the other Partners from all cost, liability, and damage that any of such indemnified Persons may incur (including, without limitation, incremental tax liability and lawyers fees and expenses) as a result of such transfer or attempted transfer and efforts to enforce the indemnity granted hereby.

7.4 Withdrawal by Investor Partners. An Investor Partner may not withdraw from the Partnership, except as otherwise provided in this Agreement.

7.5 Calling of Meetings. Investor Partners owning 20% or more of the then outstanding Units entitled to vote shall have the right to request that the Managing General Partner call a meeting of the Partners. The Managing General Partner shall call such a meeting and shall deposit in the United States mails within 15 days after receipt of such request written notice to all Investor Partners of the meeting and the purpose of the meeting, which shall be held on a date not less than 30, nor more than 60, days after the date of the mailing of such notice, at a reasonable time and place. Investor Partners shall have the right to submit proposals to the Managing General Partner for inclusion in the voting materials for the next meeting of Investor Partners for consideration and approval by the Investor Partners. Investor Partners shall have the right to vote in person or by proxy.

7.6 Voting Rights. Investor Partners shall be entitled to all voting rights granted to them under this Agreement and as specified by the Act. Each Unit is entitled to one vote on all matters; each fractional Unit is entitled to that fraction of one vote equal to the fractional interest in the Unit. Except as otherwise provided herein, at any meeting of Investor Partners, a vote of a majority of Units represented at such meeting, in person or by proxy, with respect to matters considered at the meeting at which a quorum is present shall be required for approval of any such matters.

7.7 Voting by Proxy. The Investor Partners may vote either in person or by proxy.

7.8 Conversion of Additional General Partner Interests into Limited Partner Interests.

(a) As provided herein, Additional General Partners may elect to convert, transfer, and exchange their Additional General Partner interests for Limited Partner interests upon receipt by the Managing General Partner of written notice of such election. An Additional General Partner may request conversion of all, but not less than all, of such Additional General Partner's interest for a Limited Partner interest at any time.

(b) The Managing General Partner shall notify all Additional General Partners at least 30 days prior to any material change in the amount of the Partnership's insurance coverage.

(c) The Managing General Partner shall cause the conversion of Additional General Partner interests into Limited Partner interests to be effected as promptly as possible as prudent business judgment dictates. Conversion of an Additional General Partner interest to a Limited Partner interest shall be conditioned upon a finding by the Managing General Partner that such conversion will not cause a termination of the Partnership for federal income tax purposes, and will be effective upon the Managing General Partner's filing an amendment to the Partnership's Certificate of Limited Partnership reflecting such conversion. The Managing General Partner is obligated to file an amendment to the Partnership's Certificate of Limited Partnership during the full calendar month after receipt of the required notice from the Additional General Partner and a determination by the Managing General Partner that the conversion will not constitute a termination of the Partnership for federal income tax purposes. The effecting of the conversion is subject to the satisfaction of the condition that the electing Additional General Partner provide written notice to the Managing General Partner of such intent to convert. Upon such conversion, such Additional General Partner shall become a Limited Partner, but such Additional General Partner shall remain liable to the Partnership for an additional Capital Contribution, or any additional Capital Contributions, required and such Additional General Partner's proportionate share of any Partnership obligation or liability arising prior to the conversion.

(d) Limited Partners may not convert and/or exchange their interests for Additional General Partner interests.

7.9 Liability of Partners. Except as otherwise provided in this Agreement or the Act, each General Partner shall be jointly and severally liable for the debts and obligations of the Partnership. In addition, each Additional General Partner shall be jointly and severally liable for any wrongful acts or omissions of the Managing General Partner and/or the misapplication of money or property of a third party by the Managing General Partner acting within the scope of its apparent authority to the extent such acts or omissions are chargeable to the Partnership.

8. BOOKS AND RECORDS

8.1 Books and Records.

(a) For accounting and income tax purposes, the Partnership shall operate on a calendar year.

(b) The Managing General Partner shall keep just and true records and books of account with respect to the operations of the Partnership and shall maintain and preserve during the term of the Partnership and for four years thereafter all such records, books of account, and other relevant Partnership documents. The Managing General Partner shall maintain for at least six years all records necessary to substantiate the fact that Units were sold only to purchasers for whom such Units were suitable. Such books shall be maintained at the principal place of business of the Partnership and shall be kept on the accrual method of accounting.

(c) The Managing General Partner shall keep or cause to be kept complete and accurate books and records with respect to the Partnership's business, which books and records shall at all times be kept at the principal office of the Partnership. Any records maintained by the Partnership in the regular course of its business, including the names and addresses of Investor Partners, books of account, and records of Partnership proceedings, may be kept on or be in the form of RAM disks, magnetic tape, photographs, micrographics, or any other information storage device; provided, however, that the records so kept are convertible into clearly legible written form within a reasonable period of time. The books and records of the Partnership shall be made available for review by any Investor Partner or the Investor Partner's representative at any reasonable time.

(d) The Participant List shall be maintained as a part of the books and records of the Partnership, shall be available for the inspection by any Investor Partner or such Investor Partner's designated agent at the principal office of the Partnership upon the request of any Investor Partner and shall be updated at least quarterly to reflect changes in the information contained therein.

8.2 Reports. The Managing General Partner shall deliver to each Investor Partner the following financial statements and reports at the times indicated below:

(a) Within 120 days after the end of each fiscal year, financial statements, including a balance sheet and statements of income, Partners' equity, and cash flows, all of which shall be prepared in accordance with generally accepted accounting principles, and a reconciliation of such financial statements with the information furnished to the Investor Partners for federal income tax reporting purposes.

(b) By March 15th of each year, a report containing such information as to enable each Investor Partner to prepare and file such Investor Partner's federal income tax return and any required state income tax return.

(c) Such other reports and financial statements as the Managing General Partner shall determine from time to time.

8.3 Bank Accounts. All funds of the Partnership shall be deposited in such separate bank account or accounts, short term obligations of the U.S. Government or its agencies, or other interest-bearing investments and money market or liquid asset mutual funds as shall be determined by the Managing General Partner. All withdrawals there from shall be made upon checks signed by the Managing General Partner or any person authorized to do so by the Managing General Partner.

8.4 Federal Income Tax Elections.

(a) Except as otherwise provided in this Section 8.4, all elections required or permitted to be made by the Partnership under the Code shall be made by the Managing General Partner in its sole discretion. Each Partner agrees to provide the Partnership with all information necessary to give effect to any election to be made by the Partnership.

(b) The Partnership shall elect to currently deduct intangible drilling and development costs as an expense for income tax purposes and shall require any partnership, joint venture, or other arrangement in which it is a party to make such an election.

9. DISSOLUTION; WINDING-UP

9.1 Dissolution.

(a) Except as otherwise provided herein, the retirement, withdrawal, removal, death, insanity, incapacity, dissolution, or bankruptcy of any Investor Partner shall not dissolve the Partnership. The successor to the rights of such Investor Partner shall have all the rights of an Investor Partner for the purpose of settling or administering the estate or affairs of such Investor Partner; provided, however, that no successor shall become a

Substitute Investor Partner except in accordance with Section 7; and provided further that upon the occurrence of any of the events referred to in the first sentence of this Section 9.1(a) with respect to an Additional General Partner, the Partnership shall be dissolved and wound up unless at that time there is at least one other General Partner, in which event the business of the Partnership shall continue to be carried on. Neither the expulsion of any Investor Partner, nor the admission or substitution of an Investor Partner, shall work a dissolution of the Partnership. The estate of a deceased, insane, incompetent, or bankrupt Investor Partner shall be liable for all his liabilities as an Investor Partner.

(b) Notwithstanding anything in the Act to the contrary, the Partnership shall be dissolved upon, but not before, the earliest to occur of (i) the written consent of the Managing General Partner and Investor Partners owning a majority of the then outstanding Units to dissolve and wind up the affairs of the Partnership; (ii) subject to the provisions of Section 9.1(c), the retirement, withdrawal, removal, death, adjudication of insanity or incapacity, or bankruptcy (or, in the case of a corporate Managing General Partner, the withdrawal, removal, filing of a certificate of dissolution, liquidation, or bankruptcy) of the Managing General Partner; (iii) the sale, forfeiture, or abandonment of all, or substantially all, of the Partnership's property and the sale and/or collection of any evidences of indebtedness received in connection therewith; (iv) December 31, 2052 or (v) a dissolution event described in Section 9.1(a).

(c) In the case of any event described in Section 9.1(b)(ii), if a successor Managing General Partner is selected by Investor Partners owning a majority of the then outstanding Units within 90 days after such event, and if such Investor Partners agree within such 90 day period to continue the business of the Partnership, then the Partnership shall not be dissolved.

(d) If, notwithstanding the provisions of this Agreement, the retirement, withdrawal, removal, death, insanity, incapacity, dissolution, liquidation, or bankruptcy of any Partner, or the assignment of a Partner's interest in the Partnership, or the substitution or admission of a new Partner, shall be deemed under the Act to cause a dissolution of the Partnership, then, except as provided in Section 9.1(c), the remaining Partners may, in accordance with the Act, continue the Partnership business as a new partnership and all such remaining Partners agree to be bound by the provisions of this Agreement.

9.2 Liquidation. Upon a dissolution of the Partnership, the Managing General Partner, or in the event there is no Managing General Partner, any other Person selected by the Investor Partners to act as the liquidator, shall cause the affairs of the Partnership to be wound up and shall take account of the Partnership's assets (including Capital Contributions, if any, of the Managing General Partner pursuant to Section 3.1(e)) and, subject to the provisions of Section 9.3(b) shall be liquidated as promptly as is consistent with obtaining the fair market value thereof (which dissolution and liquidation may be accomplished over a period spanning one or more tax years in the sole discretion of the Managing General Partner or the liquidator), and the proceeds there from, to the extent sufficient therefore, shall be applied and distributed in accordance with Section 9.3.

9.3 Winding-Up.

(a) Upon the dissolution of the Partnership and winding up of its affairs, the assets of the Partnership shall be distributed as follows:

i. all of the Partnership's debts and liabilities to Persons other than to Partners shall be paid and discharged;

ii. to the establishment of any cash reserves which the Managing General Partner or liquidator determines to create in their sole discretion for unmatured and/or contingent liabilities or obligations of the Partnership; and

iii. to the Partners, in accordance with their respective Capital Accounts; provided, however, that if the Managing General Partner or liquidator establishes any reserves in accordance with the provisions of Section 9.3(a)(2), then the distributions pursuant to this Section 9.3(a)(3) (including distribution of any released reserves) shall be pro rata in accordance with the balances of the Partners' Capital Accounts.

(b) Distributions pursuant to Section 9.3 shall be made in cash or in kind to the Partners, at the election of the Managing General Partner. Notwithstanding the provision of this Section 9.3(b), in no event shall the Partners reserve the right to take in kind and separately dispose of their share of production.

(c) Any in kind property distributions to the Investor Partners shall be made to a liquidating trust or similar entity for the benefit of the Investor Partners, unless at the time of the distribution:

i. the Managing General Partner shall offer the individual Investor Partners the election of receiving in kind property distributions and the Investor Partners accept such offer after being advised of the risks associated with such direct ownership; or

ii. there are alternative arrangements in place which assure the Investor Partners that they will not, at any time, be responsible for the operation or disposition of Partnership properties.

10. POWER OF ATTORNEY

10.1 Managing General Partner as Attorney-In-Fact. Each Investor Partner makes, constitutes, and appoints the Managing General Partner their true and lawful attorney-in-fact, with full power of substitution, in the name, place, and stead of the Investor Partner, from time to time to make, execute, sign, acknowledge, and file.

(a) Any notices or certificates as may be required under the Act and under the laws of any other state or jurisdiction in which the Partnership shall engage, or seek to engage, to do business and to do such other acts as are required to constitute the Partnership as a limited partnership under such laws.

(b) Any amendment to the Agreement pursuant to and which complies with Section 11.9.

(c) Such certificates, instruments, and documents as may be required by, or may be appropriate under the laws of any state or other jurisdiction in which the Partnership is doing or intends to do business.

(d) Such certificates, instruments, and documents as may be required by, or as may be appropriate for the Investor Partner to comply with, the laws of any state or other jurisdiction to reflect a change of name or address of the Investor Partner.

(e) Such certificates, instruments, and documents as may be required to be filed with the Department of Interior (including any bureau, office or other unit thereof whether in Washington, D.C. or in the field, or any officer or employee thereof), as well as with any other federal or state

agencies, departments, bureaus, offices, or authorities and pertaining to (i) any and all offers to lease, Leases (including amendments, modifications, supplements, renewals, and exchanges thereof) of or with respect to, any lands under the jurisdiction of the United States or any state including, without limitation, lands within the public domain, and acquired lands, and provides for the leasing thereof (ii) all statements of interest and holdings on behalf of the Partnership or the Investor Partner; (iii) any other statements, notices, or communications required or permitted to be filed or which may hereafter be required or permitted to be filed under any law, rule, or regulation of the United States, or any state relating to the leasing of lands for oil or gas exploration or development, (iv) any request for approval of assignments or transfers of oil and gas Leases, any unitization or pooling agreements and any other documents relating to lands under the jurisdiction of the United States or any state; and (v) any other documents or instruments which said attorney-in-fact, in its sole discretion, shall determine should be field.

(f) Any further document, including furnishing verified copies of this Agreement and/or excerpts there from, which said attorney-in-fact shall consider necessary or convenient in connection with any of the foregoing, hereby giving said attorney-in-fact full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the foregoing as fully as the undersigned might and could do if personally present, and hereby ratifying and confirming all that said attorney-in-fact shall lawfully do to cause to be done by virtue hereof

10.2 Nature as Special Power. The foregoing grant of authority:

(a) is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death or incompetence of the Investor Partner granting it;

(b) shall survive the delivery of any assignment by the Investor Partner of the whole or any portion of the Investor Partner's Units; except that where the assignee thereof has been approved by the Managing General Partner for admission to the Partnership as a Substitute Investor Partner, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling said attorney-in-fact to execute, acknowledge, and file any instrument necessary to effect such substitution; and

(c) may be exercised by said attorney-in-fact by a listing of all of the Partners executing any instrument with a single signature of said attorney-in-fact.

11. MISCELLANEOUS PROVISIONS

11.1 Liability of Parties. Liability of Parties by entering into this Agreement, no party shall become liable for any other parry's obligations relating to any activities beyond the scope of this Agreement, except as provided by the Act. If any parry suffers, or is held liable for, any loss or liability of the Partnership which is in excess of that agreed upon herein, such party shall be indemnified by the other parties, to the extent of their respective interests in the Partnership, as provided herein.

11.2 Notices. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an officer of the party to whom the same is directed or sent by registered or certified mail, postage and charges prepaid, addressed as follows (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section):

(a) If to the Managing General Partner, 12275 FM 1097 West, Willis, TX 77318.

(b) If to an Investor Partner, at such Investor Partner's address for purposes of notice. Unless otherwise expressly set forth in this Agreement to the contrary, any such notice shall be deemed to be given on the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

11.3 Paragraph Headings, Section References. The headings in the Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof All references herein to Sections shall refer to Sections of this Agreement unless the context clearly requires otherwise.

11.4 Severability. Every portion of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

11.5 Sole Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and no amendment, modification, or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly approved and executed by the Managing General Partner and such percentage of Investor Partners as provided in Section 11.9.

11.6 Applicable Law. This Agreement, shall be governed by, and construed in accordance with, the laws of Texas without regard to its conflict of law rules.

11.7 Execution in Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

11.8 Waiver of Action for Partition. Each Partner irrevocably waives, during the term of the Partnership, any right that such Partner may have to maintain any action for partition with respect to the Partnership and the property of the Partnership.

11.9 Amendments.

(a) Unless otherwise specifically herein provided, this Agreement shall not be amended without the consent of Investor Partners owning a majority of the then outstanding Units entitled to vote.

(b) The Managing General Partner may, without notice to or consent of, any Investor Partner, amend any provisions of this Agreement, or consent to and execute any amendment to this Agreement, to reflect:

i. A change in the name or location of the principal place of business of the Partnership;
ii. The admission of Substitute Investor Partners or additional Investor Partners in accordance with this Agreement;
iii. A reduction in, return of; or withdrawal of; all or a portion of any Investor Partner's Capital Contribution;
iv. A correction of any typographical error or omission;

v. A change which is necessary in order to quality the Partnership as a limited partnership under the laws of any other state or which is necessary or advisable, in the opinion of the Managing General Partner, to ensure that the Partnership will be treated as a partnership and not as an association taxable as a corporation for federal income tax purposes;

vi. A change in the allocation provisions, in accordance with the provisions of Section 3.2(a), in a manner that, in the sole opinion of the Managing General Partner (which opinion shall be determinative), would result in the most favorable aggregate consequences to the Investor Partners as nearly as possible consistent with the allocations contained herein, for such allocations to be recognized for federal income tax purposes due to developments in the federal income tax laws or otherwise; or

vii. Any other amendment similar to the foregoing; provided however, that the Managing General Partner shall have no authority, right, or power under this Section 11.9(b) to amend the voting rights of the Investor Partners.

11.10 Substitution of Signature Pages. This Agreement has been executed in duplicate by the Investor Partners and one executed copy of the signature page is attached to the Investor Partner's copy of this Agreement. It is agreed that the other executed copy of such signature page may be attached to an identical copy of this Agreement together with the signature pages from counterpart Agreements which may be executed by other Investor Partners.

11.11 Incorporation by Reference. Every exhibit, schedule, and other appendix attached to this Agreement and referred to herein is hereby incorporated in this Agreement by reference.

JOAQUIN/FREDRICKSBURG #5 LIMITED PARTNERSHIP, LTD.
PARTNERSHIP AGREEMENT SIGNATURE PAGE

_____ Number of Units

_____ Cash Payment - $23,500.00 per Unit to be paid as follows:

$23,500.00 payable upon subscription for the partnership well, the Joaquin #5
(Payable to "Whitney Bank, Escrow Agent for Joaquin/Fredricksburg #5 Limited Partnership, Ltd.")

☐ **General Partner**

☐ **Limited Partner**

TYPE OF OWNERSHIP:
Please Check One

☐ Individual ☐ IRA
☐ JTRWOS ☐ Keogh
☐ TIC ☐ Corporation
☐ Partnership ☐ Trust Created on _____
☐ Community Property

Please Check One:

☐ Non-Accredited Investor
☐ Accredited Investor

_____
Name

_____
Joint Owner

_____
Account Name

_____
Address

_____
City

_____
State

_____
Zip

_____
SSN # or Tax ID

_____
Home Telephone No.

_____
Work Telephone No.

_____
Email

Partnership Acceptance

Fortune Exploration of Kentucky, Inc., as Managing General Partner, herewith accepts the foregoing subscription in the Joaquin / Fredricksburg #5 Limited Partnership, LTD.

_____
Russell L. Vera
President

_____
Date

EXHIBIT B

GEOLOGICAL INFORMATION

FORTUNE EXPLORATION OF KENTUCKY, INC.

Fredricksburg "Joaquin" Prospect

Table of Contents

Section 1

Approval of New Oil/Gas Field Designation

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

04/26/04

FORTUNE OPERATING COMPANY
ATTN: BRIAN MILLER
12275 FM 1097W
WILLIS TX 77318

RE: Approval of New Oil/Gas Field Designation
Joaquin -B- Lease; Well # 1H; API# 42-419-30908
FIELD NAME: FORTUNE OPERATING (FRDKSBG); FIELD # 32270-200
Shelby County, Texas, District 6

Dear Operator:

The Commission has approved discovery allowable and new oil field designation for the referenced well. This new field designation shall be considered to be the interval 2,730 to 2,830 as shown on the log section of the discovery well. **The assigned new field name and eight digit field number as shown above are to be used on all future reports and correspondence with the Commission where required.** The assigned field number is 32270-200.

THE RAILROAD COMMISSION OF TEXAS IN NO WAY MAKES ANY CLAIM THAT THERE WILL BE OTHER WELLS COMPLETED IN THIS FIELD, OR THAT THIS WELL OR ANY OTHER WELL COMPLETED IN THIS FIELD WILL BE COMMERICAL SUCCESS.

If a protest is received, your application will be set for a public hearing or the well will be placed into the nearest reasonable existing field.

Sincerely,

Jim Melear

Jim Melear, Geologist
Permitting/Production Services

cc: RRC District 6

DIRECT INQUIRIES TO: Cathy Garrison 512-463-6701

Independent Oil Flow Potential

STUART PETROLEUM TESTERS, INC.
P.O. Box 3473
Victoria, Texas 77903
Phone: (361) 575-0249
Fax: (361) 578-3148
stuartpt@sbcglobal.net

March 3, 2004

Oil Flow Potential

AOF FOR OIL BASED ON 1338 GAS TO OIL RATIO AND ASSUMING 525 AOF GAS POTENTIAL:

525000/1338 = 392 BBLS/DAY

Section 3

Oil Well Potential Test

Completion or Re-completion Report and Log

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

Type or print only

Form W-2
Rev. 4/1/83
483-046

API No. 42- 419-30908

7. RRC District No. 06

8. RRC Lease No.

Oil Well Potential Test, Completion or Recompletion Report, and Log

1. FIELD NAME (as per RRC Records or Wildcat): WILDCAT
2. LEASE NAME: JOAQUIN -B-
9. Well No.: 1H
3. OPERATOR'S NAME (Exactly as shown on Form P-5, Organization Report): FORTUNE OPERATING COMPANY
RRC Operator No.: 278766
10. County of well site: SHELBY
4. ADDRESS: 12275 FM 1097 W. WILLIS, TX 77318
11. Purpose of filing:
- Initial Potential ☐
- Retest ☐
- Recluss ☐
- Well record only (explain in Remarks) ☐

5. If Operator has changed within last 60 days, name former operator:
6a. Location (Section, Block, and Survey): JR Irish Survey A-1172
6b. Distance and direction to nearest town in this county: 4.5 MI SE From LOGANSPORT
12. If workover or reclass, give former field (with reservoir) & gas ID or oil lease no.
FIELD & RESERVOIR | GAS ID or OIL LEASE # | Oil - O Gas - G | WELL NO.
0
13. Type of electric or other log run: NONE
14. Completion or recompletion date: 02/23/04

SECTION I: POTENTIAL TEST DATA IMPORTANT: Test should be for 24 hours unless otherwise specified in field rules.

15. Date of test	16. No. of hours tested	17. Production method (Flowing, Gas Lift, Jetting, Pumping—Size & Type of pump)			18. Choke size
2/24/04	24	FLOWING			14/64
19. Production during Test Period ▶ Oil - BBLS	Gas — MCF	Water - BBLS	Gas - Oil Ratio	Flowing Tubing Pressure	
240	321	0	1338	390 PSI	
20. Calculated 24-Hour Rate ▶ Oil - BBLS	Gas — MCF	Water — BBLS	Oil Gravity—API—60°	Casing Pressure	
240	321	0	37.0	0 PSI	

21. Was swab used during this test? Yes ☐ No ☒
22. Oil produced prior to test (New & Reworked wells): 0
23. Injection Gas—Oil Ratio: N/A

REMARKS:

INSTRUCTIONS: File an original and one copy of the completed Form W-2 in the appropriate RRC District Office within 30 days after completing a well and within 10 days after a potential test. If an operator does not properly report the results of a potential test within the 10-day period, the effective date of the allowable assigned to the well will not extend back more than 10 days before the W-2 was received in the District Office. (Statewide Rules 16 and 51) To report a completion or recompletion, fill in both sides of this form. To report a retest, fill in only the front side.

WELL TESTER'S CERTIFICATION
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I conducted or supervised this test by observation of (a) meter readings or (b) the top and bottom gauges of each tank into which production was run during the test. I further certify that the potential test data shown above is true, correct, and complete, to the best of my knowledge.

STUART PETROLEUM TESTERS
Signature: Well Tester | Name of Company | RRC Representative

OPERATOR'S CERTIFICATION
I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.

Carrie Sleeper — Land Dept.
Typed or printed name of operator's representative | Title of Person
(800)925-5853 — 03/02/04
Telephone: Area Code Number | Date: mo. day year
Carrie Sleeper
Signature

Sidewall Core Analysis Results
Joaquin No. 1-H

Company : FORTUNE OPERATING COMPANY
Well : Joaquin No. 1-H
Field : Wildcat
Co.State : Shelby County, Texas

GEOCORE
LABORATORIES, INC

File No. : FJS7152
Date : 12-09-03
Formation : Reeves
Analyst : Allen-Sellers

SIDEWALL CORE ANALYSIS RESULTS

SAMPLE NUMBER	DEPTH	PERMEABILITY (ENPIRICAL)	POROSITY (FLUIDS)	SATURATION (PORE VOLUME)		PROBABLE PRODUCTION CODE	SATURATION (BULK VOLUME)		GAS DETECTOR UNITS	CRITICAL WATER	GRAVITY API	DESCRIPTION
				OIL	WATER		OIL	GAS				
in	ft	md	%	%	%		%	%		%		
	2744.0								0			Shale no analysis
	2746.0								0			Shale no analysis
0.6	2746.5	10.	27.9	25.3	47.2	Oil	7.0	7.7	42	74	0	Ls lt tan-gry vf/xln chlky gld flu
0.5	2747.5	9.3	25.3	12.6	42.7	Oil	3.2	11.3	68	72	0	Ls lt tan-gry vf/xln chlky gld flu
	2748.0								0			Mudshot no analysis
0.8	2748.5	18.	30.4	12.8	51.4	Oil	3.9	10.9	42	71	0	Ls lt tan-gry vf/xln chlky gld flu
0.5	2749.5	13.	26.8	20.2	49.7	Oil	5.4	8.1	84	71	0	Ls lt tan-gry vf/xln chlky gld flu
0.7	2750.0	17.	28.8	27.1	56.0	Oil	7.8	4.9	22	70	0	Ls lt tan-gry vf/xln chlky gld flu
0.8	2750.5	7.2	22.9	19.2	59.3	Oil	4.4	4.9	57	71	0	Ls lt tan-gry vf/xln chlky gld flu
1.0	2751.0	15.	28.0	13.6	46.9	Oil	3.8	11.0	185	69	0	Ls lt tan-gry vf/xln chlky gld flu
0.7	2751.5	14.	26.2	13.1	47.4	Oil	3.4	10.3	97	70	0	Ls lt tan-gry vf/xln chlky gld flu
0.6	2752.0	21.	29.7	23.9	43.4	Oil	7.1	9.7	79	68	0	Ls lt tan-gry vf/xln chlky gld flu
0.8	2752.5	16.	26.0	12.3	44.8	Oil	3.2	11.2	55	67	0	Ls lt tan-gry vf/xln chlky gld flu
1.0	2753.0	20.	30.3	13.3	49.6	Oil	4.0	11.3	41	71	0	Ls lt tan-gry vf/xln chlky gld flu
0.9	2753.5	17.	26.6	10.5	50.0	Oil	2.8	10.5	64	68	0	Ls lt tan-gry vf/xln chlky gld flu
0.7	2754.0	0.3	15.9	0.0	70.6	Low Perm	0.0	4.7	0	70	0	Ls gry vf/xln chlky s/shy no flu
1.0	2754.5	23.	28.9	16.1	56.7	Oil	4.7	7.9	40	67	38	Ls lt tan-gry vf/xln chlky gld flu
0.6	2755.0	9.8	24.6	13.3	55.8	Oil	3.3	7.6	22	72	0	Ls lt tan-gry vf/xln chlky gld flu
1.0	2756.0	26.	30.0	22.5	48.6	Oil	6.7	8.7	100	67	0	Ls lt tan-gry vf/xln chlky gld flu
0.6	2768.0	24.	29.5	18.2	52.4	Oil	5.4	8.7	5	68	0	Ls lt tan-gry vf/xln chlky gld flu
0.6	2768.5	9.4	25.0	20.4	43.4	Oil	5.1	9.1	5	72	0	Ls lt tan-gry vf/xln chlky gld flu
0.7	2769.0	9.9	25.1	22.2	44.4	Oil	5.6	8.4	7	72	0	Ls lt tan-gry vf/xln chlky gld flu
0.8	2769.5	11.	26.9	18.7	49.2	Oil	5.0	8.6	35	72	0	Ls lt tan-gry vf/xln chlky gld flu
0.9	2770.0	5.6	17.6	19.9	57.4	Oil	3.5	4.0	7	65	0	Ls lt tan-gry vf/xln chlky gld flu
1.0	2775.0	8.6	23.4	13.7	55.6	Oil	3.2	7.2	3	71	0	Ls lt tan-gry vf/xln chlky gld flu

FJS7152

PRODUCTIVE COLOR CODE : Red=Gas/Cond Green=Oil Blue=Water Black=Low/No Permeability

SIDEWALL FINAL REPORT 1-2

Sidewall Core Analysis Results
Joaquin No. 1-H

Company : FORTUNE OPERATING COMPANY
Well : Joaquin No. 1-H
Field : Wildcat
Co,State : Shelby County, Texas

GEOCORE
LABORATORIES, INC

File No. : FJS7152
Date : 12-09-03
Formation : Reeves
Analyst : Allen-Sellers

SIDEWALL CORE ANALYSIS RESULTS

SAMPLE NUMBER	DEPTH	PERMEABILITY (EMPIRICAL)	POROSITY (FLUIDS)	SATURATION (PORE VOLUME)		PROBABLE PRODUCTION CODE	SATURATION (BULK VOLUME)		GAS DETECTOR UNITS	CRITICAL WATER	GRAVITY API	DESCRIPTION
				OIL	WATER		OIL	GAS				
in	ft	md	%	%	%		%	%		%		
	2780.0								0			Mudshot no analysis
	2785.0								0			Mudshot no analysis
0.6	2786.0	4.5	16.7	13.4	45.2	Oil Low Perm	2.1	6.5	3	62.	0	Ls lt tan-gry vf/xln shy(lam) stk gld flu
1.0	2787.0	5.1	18.1	17.9	47.3	Oil	3.2	6.3	2	65	0	Ls lt tan-gry vf/xln shy(lam) stk gld flu
1.0	2788.5	18.	25.0	21.7	48.2	Oil	5.4	7.5	8	66	0	Ls lt tan-gry vf/xln chlky gld flu
0.8	2789.0	23.	27.5	21.1	48.9	Oil	5.8	8.2	25	66	0	Ls lt tan-gry vf/xln chlky gld flu
1.0	2789.5	11.	20.4	16.3	45.4	Oil	3.3	7.8	40	64	0	Ls lt tan-gry vf/xln chlky gld flu
	2790.5								0			Mudshot no analysis
1.0	2791.0	26.	27.5	15.4	58.5	Oil	4.2	7.2	3	65	0	Ls lt tan-gry vf/xln chlky gld flu
	2792.0								0			Mudshot no analysis
0.7	2792.5	18.	27.0	14.6	53.6	Oil	3.9	8.6	60	68	38	Ls lt tan-gry vf/xln chlky gld flu
1.0	2793.0	28.	29.7	20.7	51.9	Oil	6.1	8.1	43	67	0	Ls lt tan-gry vf/xln chlky gld flu
	2793.5								0			Mudshot no analysis
1.0	2794.0	29.	29.5	12.1	54.1	Oil	3.6	10.0	8	67	0	Ls lt tan-gry vf/xln chlky no flu
1.0	2794.5	31.	30.9	15.6	54.9	Oil	4.8	9.1	37	66	0	Ls lt tan-gry vf/xln chlky no flu
	2795.0								0			Mudshot no analysis
	2798.5								0			Mudshot no analysis

FJS7152

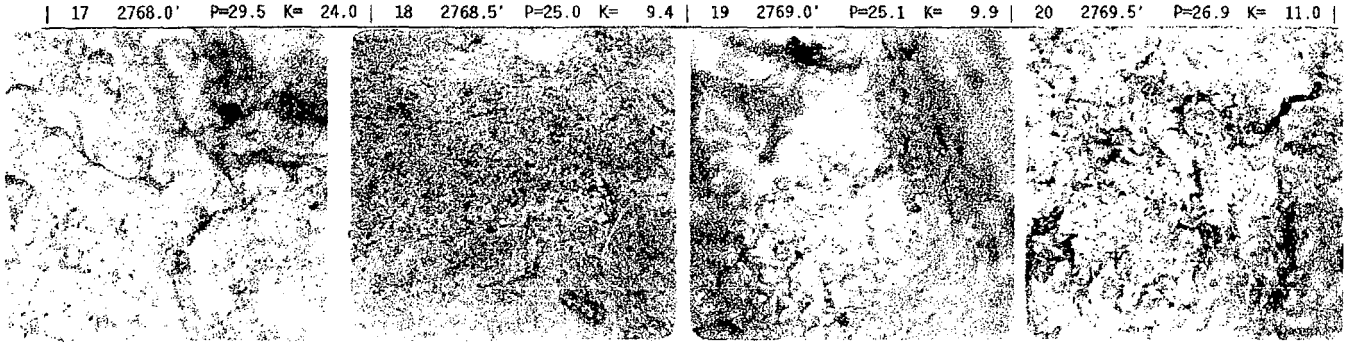
PRODUCTIVE COLOR CODE : Red=Gas/Conc Green=Oil Blue=Water Black=Low/No Permeability

SIDEWALL FINAL REPORT 2-2

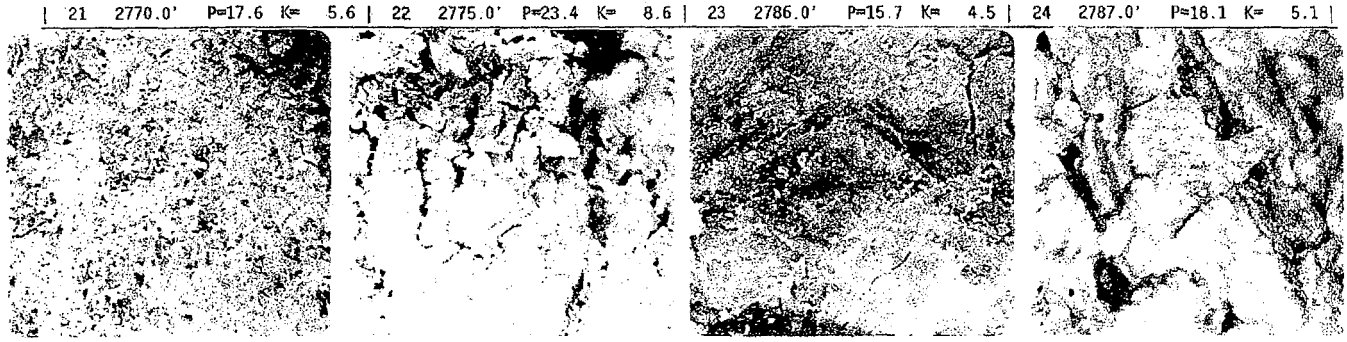
SIDEWALL PHOTOMICROGRAPHS (10x)

FORTUNE OPERATING COMPANY - JOAQUIN NO. 1-H - SHELBY COUNTY, TEXAS
GEOCORE Laboratories, Inc.

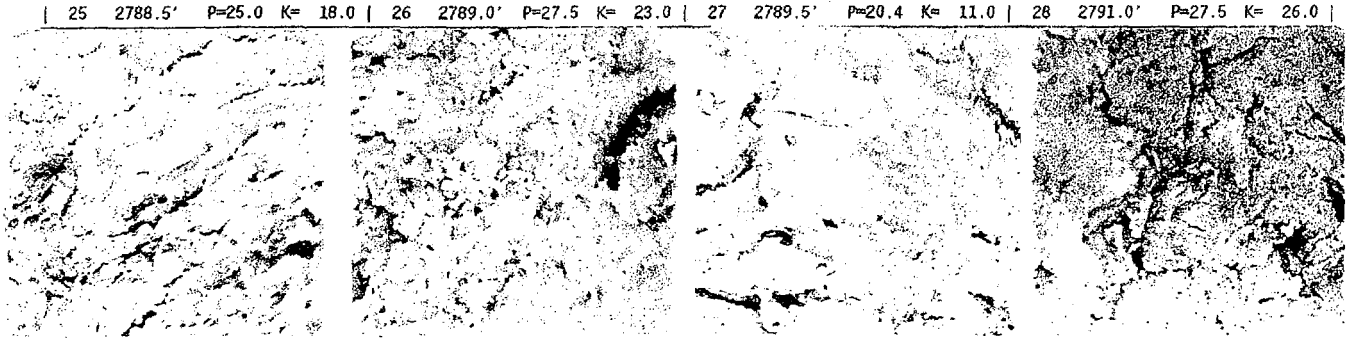
| 17 2768.0' P=29.5 K= 24.0 | 18 2768.5' P=25.0 K= 9.4 | 19 2769.0' P=25.1 K= 9.9 | 20 2769.5' P=26.9 K= 11.0 |



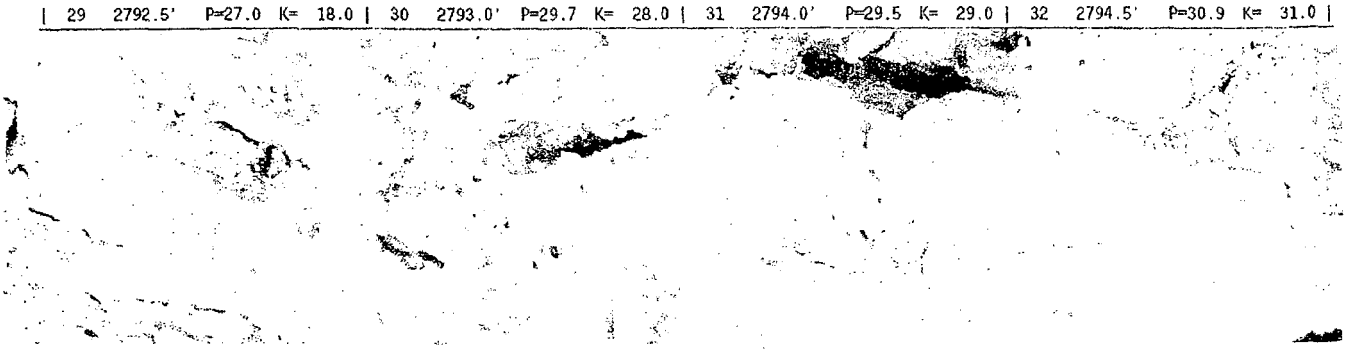
| 21 2770.0' P=17.6 K= 5.6 | 22 2775.0' P=23.4 K= 8.6 | 23 2786.0' P=15.7 K= 4.5 | 24 2787.0' P=18.1 K= 5.1 |



| 25 2788.5' P=25.0 K= 18.0 | 26 2789.0' P=27.5 K= 23.0 | 27 2789.5' P=20.4 K= 11.0 | 28 2791.0' P=27.5 K= 26.0 |



| 29 2792.5' P=27.0 K= 18.0 | 30 2793.0' P=29.7 K= 28.0 | 31 2794.0' P=29.5 K= 29.0 | 32 2794.5' P=30.9 K= 31.0 |



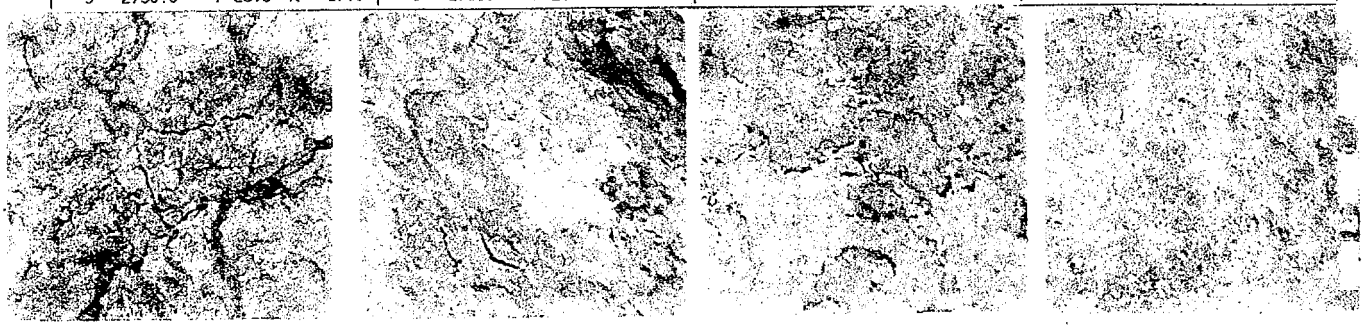
SIDEWALL PHOTOMICROGRAPHS (10x)

FORTUNE OPERATING COMPANY - JOAQUIN NO. 1-H - SHELBY COUNTY, TEXAS

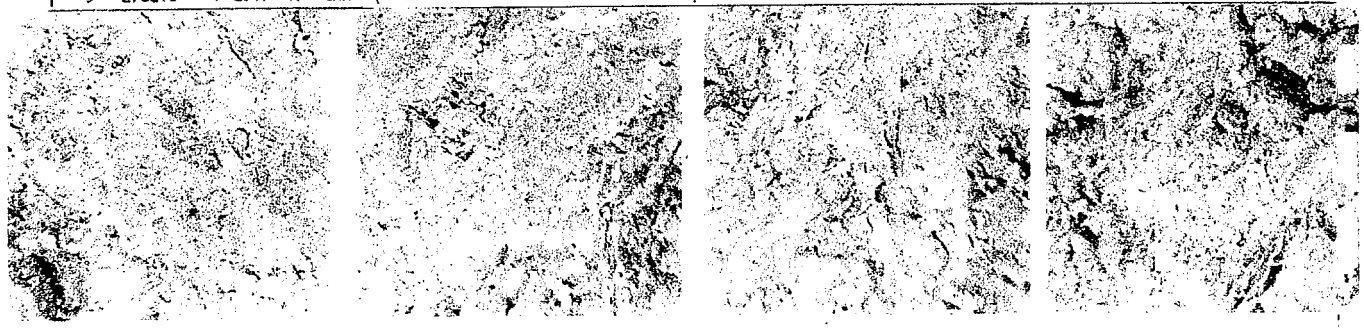
GEOCORE Laboratories, Inc.

| 1 2746.5' P=27.9 K= 10.0 | 2 2747.5' P=25.3 K= 9.3 | 3 2748.5' P=30.4 K= 18.0 | 4 2749.5' P=26.8 K= 13.0 |

| 5 2750.0' P=28.8 K= 17.0 | 6 2750.5' P=22.9 K= 7.2 | 7 2751.0' P=28.0 K= 15.2 | 8 2751.5' P=26.2 K= 14.0 |



| 9 2752.0' P=29.7 K= 21.0 | 10 2752.5' P=26.0 K= 16.0 | 11 2753.0' P=30.3 K= 20.0 | 12 2753.5' P=26.6 K= 17.0 |



| 13 2754.0' P=15.9 K= 0.3 | 14 2754.5' P=28.9 K= 23.0 | 15 2755.0' P=24.6 K= 9.8 | 16 2756.0' P=30.0 K= 26.0 |

Stratigraphic Identification
Sabine Uplift Geologic Province
Shelby Co., TX & Sabine Parish, LA

The Fredricksburg is that limestone group found immediately below the Eagleford Shale and above the Paluxy sand-shale formation in far Eastern Texas along the Western flank of the Sabine Uplift {Stratigraphic Column}. This rock section is also known as the Washita/Fredricksburg or Wash/Fred. Along the Southern flank of the Sabine Uplift in Sabine Parish, Louisiana, the formation has been locally subdivided into the Fredricksburg "A", "B" and "C" members. Based on regional stratigraphic correlations, this upper most member of the Fredricksburg is equivalent to the Goodland-Edwards formation. For purposes of this report and local nomenclature within the project area, this upper most member of the Fredricksburg group will be hereinafter referred to as the Fredricksburg "A".

The Fredricksburg "A" has been eroded off parts of the Sabine Uplift creating an angular unconformity surface. This erosional boundary is commonly referred to as the Lower Cretaceous Unconformity (TLK). Regional stratigraphic correlations indicate the formation thickens rapidly basin ward perpendicular from its truncation line {see Cross-section} in a general southwesterly direction. Where fully preserved the formation attains a thickness in excess of several hundred feet. This massive limestone formation contains multiple layers of highly porous and permeable zones each of varying thickness separated by non-permeable massive limes (porous/non-permeable and nonporous). In the general region of eastern Shelby County, the lower-most permeable layer is developed approximately 40-45 feet from the base of the formation. This is best illustrated in the Beard Oil Co., McKee-1 located in the Duncan Cemetery (James Lime) Field located just west and midway between Huxley and Bridges, TX {E-Log Section}.

Wells drilled basin ward (±100 Ft. thick) from the truncation line commonly indicate shows of gas in the top several feet of the formation. Some wells in the Patroon area have reported mud weights up to 11 lbs./gal. to control gas flow. Closer to the truncation line, several wells recorded drill stem tests (DST) recovering gas to surface with fluid recoveries of slightly oil cut mud. Accompanying micro-log sections in some of these same wells (<40Ft. thick) record little to no permeability within the entire preserved Fredricksburg "A" section.

Bridges Field
Fredricksburg "A"
Shelby County, Texas

During the late 1950's oil was discover in the Fredricksburg "A" in the Bridges Field located in southeastern most Shelby County by Milam Production Co. Four vertical wells were completed for commercial oil with an associated high water percentage from a depth of approximately 3,600 feet. These wells were drilled within a mile radius from one another. They were drilled predominantly along a stratigraphic strike within a structural column of eighty-feet. During the mid-eighties, Josey Exploration drilled and completed the O.H. Polley-1 as an east offset to the previously drilled Fredricksburg "A" producers at the highest structural point in the field. The Polley-1 demonstrated similar low rate oil production with uneconomical recoveries. Total cumulative oil production for these five "vertical" wells is approximately 46,000 Bbls.

In 2001, SDG Operating drilled and completed the last vertical test of this formation at Bridges with their Trinidad-Bridges-1 {Type E-Log Section}. As with all previous wells completed in the Fredricksburg "A", the operator reported a moderate initial potential producing oil and gas with an appreciable water cut immediately followed by rapid depletion and a stabilized low daily yield of 8.5 BOPD (see Production History). During March of 2002 the well was re-entered by Trinidad Operating from which an 800-foot horizontal lateral was drilled. The well was successfully completed and recorded its first month's of oil production at 2,847 BO. According to reliable field scouts, a down hole mechanical problem shortly arose and the well was junked in its second month of production. An offset horizontal test was completed at the Polley #2H in August 2002. Information obtained from a working interest owner and contractor reported stable flow after fifty days of production @ 120 BO and 90 BW with flared gas estimated @ 300 MCF per day. According to these same sources, the initial oil to water ratio changed from 50:50 to its current stable oil percentage of 60:40. The Bridges-1H replacement horizontal well, the Trinidad-Bridges-2H reached total depth during mid-October 2002 with field reports of twenty foot gas flares and abundant oil on pits.

Lacking payments made to service providers associated with these two operations, the wells were curtailed and eventually shut-in during January 2003. The wells were sold and the new operator, "Cornerstone" has resized the surface facilities and connected both wells to a gas gathering system. After being reactivated and stabilized during late March, the Polley-2H was reported flowing @ 85-90 BO + 55 BW and 225 MCF per day at 345# FTP. The Bridges-2H was activated several weeks later and reported to flow 300 BO + 300 BW + 270 MCF per day during its first week of production.

Geology

The trapping mechanism at Bridges Field has been interpreted as an angular unconformity in an up-thrown fault block. Localized faulting at Bridges is coincidental to the hydrocarbon entrapment. Hydrocarbons migrated from the basin into the structurally higher pinch out area where formation's truncation created the effective stratigraphic seal. During the time of truncation, an area of Sabine Parish, LA east of Bridges, TX was the highest structural position and represents the reservoir's "gas" cap. The reservoir rock is predominantly composed of porous non-permeable but highly "vertically" fractured limestone with a reworked unconformity surface of a few feet in thickness {Milam Prod. Co. Core Description}.

Electric log examination reveals a resistivity (Rt) and porosity increase found associated only with the top seven to eight feet of the reservoir. This phenomenon is observed in most wells regardless of their structural relationships. The Rosbottom, Bailey-1 a one-well Fredricksburg "A" Field at Huxley, TX located north

approximately twelve miles and structurally 400 feet higher than wells at Bridges contains this same E-log response {Rosbottom #1 E-log}. This feature is best exemplified by the RWA curve in those wells that contain this calculated profile. This interval may reflect a porous reworked deposition of detritus lime (sands) and or may represent that thickness affected by leaching.

At Bridges, a relatively flat base line Rt value of 2 ohms is commonly found throughout the remaining thickness of the Fredricksburg "A" towards its baes. Although this does not represent a water contact in the textbook sense of an oil-water contact level, it probably reflects a mixture zone with higher water saturations from where most of the water is being produced. This "low" Rt nature of the reservoir may indicate volcanic ash laminae which are described in outcrops in western Texas. Reported from a limited number of cores taken, the basal Fredricksburg "A" is commonly described as being highly "vertically" fractured, very fine grained, chalky limestone containing strong oil/gas odor exhibiting a yellow fluorescence with a slight decrease in hydrocarbon shows towards its base. DST reports commonly record an unreported volume of gas to surface and the recovery of slightly oil cut mud and possibly some saltwater. Flow pressures commonly decrease throughout the test periods which are characteristic of a low permeable reservoir. Accompanying micro-logs across this same twenty to thirty foot of basal section also suggests a relatively tight reservoir {Cross-Section Data}.

Ebarb School Field
Fredricksburg "A"
Sabine Parish, LA

Across Toledo Bend Reservoir approximately six miles to the northeast, the Ebarb School Field produces gas from the Fredricksburg "A" from the same style of trap as identified at Bridges Field. Approximately sixteen wells had been vertically drilled and completed by Perkins Oil Properties at depths of approximately 3,350 feet during the mid-eighties. These wells were drilled within a structural column of approximately sixty-five feet and exposed a Fredricksburg "A" section between 0 and 30 feet in thickness. Type log for the field is the Perkins Oil Co., IPC #30-1.

The 400-acre, 8-well vertical Ebarb School Field has accumulated 2.4 BCF gas with current daily rates from both Converse and Ebarb School Fields @ 370 MCF/day (SunCoast Technical Services, Inc.). Estimated ultimate recoverable reserves for the field is 3.125 BCF gas. The surface area covered by the field is approximately one mile with a large portion inaccessible due to an arm of the lake. Based on reserve projections, a square mile or section could contain 4+ BCF of recoverable gas. Based on years of technical engineering data in support of increased reserves from the efficiency of horizontal drainage especially in fractured reservoirs, ultimate gas recoveries may improve between 4 and 6 BCF per section from this type of application.

Whole and sidewall core, DST data and electric log signatures and characteristics at Ebarb School Field are analogous to those observed and described above at Bridges Field. With exception to the trapping mechanism described at these two fields, the Fredricksburg "A" does produce gas within the Zwolle Field. This is the only know area where the Fredricksburg "A" produces from a thicker section (max. 55 Ft.) of Fredricksburg "A" and is probably due in part to structural fault closures in this highly faulted shallow field. However, many of the same electric log signatures and characteristics are shared in common with the other two fields. Based on operators' field reports, production from those wells containing a Fredricksburg "A" section thicker than forty feet initially yield a high water cut producing in excess of 300 BWPD. After a few short months of continual production, the water volumes diminish to less than seventy-five barrels per day while the initial low gas volumes dramatically increase.

Ashton Field Prospects
Shelby County, TX
Geology

Geologic basis for the extension of Fredricksburg "A" oil production north of the Huxley and Bridges Fields is based on several "KEY" wells drilled, tested and completed within the Ashton and Mike Chandler Fields in northeastern Shelby County just south of Joaquin Field.

The C.E. O'Neal & Company, Pickering Lumber Co.-1 was drilled as a wildcat during 1955 to a total depth of 6,567 feet (Pettet Lime). The well was cored and drill stem tested (DST) with the results shown in Ashton Field Cross-section C-C'. The whole core was started slightly above the top of the Fredricksburg "A" and continued into the "B" member. A twelve-foot section of tan chalky lime describing a strong oil odor and yellow fluorescence decreasing in brilliance towards its base was recorded in the "A" member. The rock was also described as tite. In much the same way the "B" member was also described with the addition of stylolites at the top and numerous thin shale veins. The basal fifteen feet of the "B" member appeared to contain a brighter fluorescence with friable more broken lime and calcite inclusions. Interpretation of both cored sections suggest an oil saturated formation.

The other "key" well is the RLM Energy, Bailey-1 formerly drilled and completed by Mike Chandler, M.C. Drilling Co. The Bailey-1 was completed as an oil well from a two-foot (2') section in the very lower most Fredricksburg "C" member. The correlative "A" zone to the C.E. O'Neal, Pickering-1 is well developed with fifteen (15) of section containing "high" resistivity (Rt) values, a strong RWA response with an average porosity of 21%. The "B" section is also well developed and exhibits a good RWA response over an eight-foot (8') interval containing Rt's between 5 and 4.5 ohms with an average porosity equal to 18.5%. Although these log characteristics are indicative of probable production given the immediate offset core data in the C.E. O'Neal, none were tested. The operator elected to test a lower two-foot (2') zone at the base of the Fredricksburg "C". This interval exhibits some neutron cross-over gas effect as in the "A" zone with a very strong RWA response. Rt's and porosity approximate those also measured in the "A" zone. Neither of the three intervals demonstrate much of any micro-log permeability. This thin interval, Fredricksburg "C", produced nearly 400 BO having the importance of demonstrating a totally saturated hydrocarbon Fredricksburg formation, "A", "B" and "C" zones.

Consistent with the electric log readings of the Bailey-1 is the southeast offset Daw-1 drilled by Long Oil & Gas Exploration, Ltd. in 1986. Its electric log profile illustrates a well developed "A" member with "high" Rt measurements with corresponding porosity values of 23% analogous to those measured in the Bridges Field. In addition is the development of porosity with "high" Rt measurements in the Fredricksburg "B" member. Based on industry standard calculations for hydrocarbon saturation, this interval also indicates productive. Both the "A" and "B" members reflect pronounced RWA responses which are indicative of productive intervals (see E-Log Section).

These three wells and the offsetting Marshall Exploration, Daw-1 all in the Aaron Castleberry A-97 Survey share common "high" resistivity (Rt) values within the entire Fredricksburg "A" & "B" sections. As noted in the previously discussed fields, the top six feet contains the highest Rt values. These wells are located west of the truncation line and have an average thickness of twelve (12') feet. Initial plans are to drill a horizontal lateral in a South to North general direction (up-dip) terminating close to the C.E. O'Neal location. This preferential direction serves two primary purposes; 1) it is perpendicular to the maximum stress plane being the optimum direction for crossing and the exposure of a fracture system(s), and 2) it will allow the traverse of the lateral across a varying thickness of Fredricksburg "A".

The Prospect acreage incorporates these three particular "key" wells and several others of slightly greater zonal thickness. Each of all these wells exhibits a productive e-log profile analogous to the SDG, Operating Co., Trinidad-Bridges-1 @ Bridges Field {E-Log Sections}. Based on analogous stratigraphic setting and trap as other Fredricksburg "A" fields to the south, it is anticipated that a horizontal test drilled within the prospect acreage should encounter commercial oil production. The attached electric log comparison between the SDG Operating Co., Trinidad-Bridges-1H and the Long Oil & Gas, Exploration, Ltd., Daw-1 reflects slightly "better" reservoir saturations at Ashton Field, with an increase in porosity qualities within the "A" member and the potential of a productive reservoir in the Fredricksburg "B" member {see Comparison Table}.

Joaquin Prospects
Shelby CO., TX
Geology

The Joaquin Prospect is located structurally up-dip approximately 900 feet to the Bridges Field, along stratigraphic strike to the one-well Huxley "Fredricksburg" Field and north of the above captioned Ashton Field. The prospect leasehold is within the corridor of Fredricksburg "A" thickness with analogous e-log profiles to those new horizontal discoveries at Bridges Field. Since the Joaquin Prospect is structurally higher (900') than that at Bridges Field, water saturations derived from prospect well's electric logs calculate significantly greater "hydrocarbon" saturation. This significant e-log difference suggests the Joaquin Prospect should exhibit less water production and may thereby increase reserve potentials. It must be noted that the Bridges Field represents the lowest structural production of the Fredricksburg formation along the truncation line. In comparison, the Joaquin Prospect represents one of the highest structural positions remaining to be tested horizontally.

The prospect is along the southwestern flank of the prolific Joaquin gas field which has established production from the shallow Navarro oil sands at 1,200 feet through the deepest producing Travis Peak formation at 7,000 feet. The Joaquin Field is located in the northeastern corner of Shelby Co., TX and represents the northern extent to the productive Fredricksburg electric log profiles. Sparse well density coupled with late vintage 1940 drilled wells, the potential for bypassed production is great within the acreage block. Based on careful examination of more recent detailed electric logs in offsetting tracts, limestone units belonging to the Glen Rose formation may be commercially productive over parts of this project area by conventional and or horizontal methods.

Several "KEY" wells define the prospect. Furthest west and representing the most basinward well in the leasehold is the Pewitt, Pickering Lbr. E-2. Although a thick Fredricksburg "A" section is preserved, the basal unit composed of 20'-25' illustrates a fractured productive interval. This section correlates to the producing unit at Bridges Field. Its e-log profile is analogous to the "A" porous and productive section in an east offsetting lease. It should be noted that the operator, Pewitt, drilled during the late 1940's prior to the availability of density and other diagnostic logs. Pewitt drilled most of well's contained in or offsetting the prospect's acreage.

The W & W Oil Company, McNeeley #1 located approximately two miles due east of the Pewitt, Pickering Lbr. E-2 exhibits a modern log suite containing a resistivity profile indicative of Fredricksburg "A" production. The density log measures consistent "high" porosity as that recorded at Bridges and Huxley Fields. The calculated RWA curve demonstrates a strong "positive" response indicative of hydrocarbon saturation. It should be noted that this same RWA response is observed in all other productive Fredricksburg "A" wells, vertical or horizontal. Because this well is closer to the truncation line, it contains only eighteen feet of "A" reservoir. The McNeeley #1 also indicates a productive log profile and positive RWA response in the Fredricksburg "B" reservoir. The "B" is separated from the "A" by approximately thirty feet of shale and dense limestone. The trapping mechanism responsible for its hydrocarbon collection is currently under study. The McNeeley #1 produced gas (.678 BCF) from the Pettet limestone at 6,000 feet previously produced by offsetting Pewitt wells during the late 1940-50's.

The Vanco Production Company, Anderson #1 in the R.M. Robertson A-1000 Survey located north 7,500 feet indicates a similar productive "A" profile. The importance of this well is the substantially higher water saturation in the Fredricksburg "B". In support of a non-hydrocarbon bearing interval, there is little to no RWA response across the "B" zone. Based on this dramatic difference, it is possible that the Joaquin Prospect represents the northern limits on the Fredricksburg "B" reservoir.

Reserves

Reserves are highly speculative at this point in the early life of the horizontal Fredricksburg "A" exploration. Fredricksburg "A" horizontal wells at Bridges Field have been given recoverable reserves of up to 184,000 - 200,000 BO and 220,000 MCF of gas per well. A Petroleum Geologist and Registered Professional Petroleum Engineer who are involved with the development at the Bridges Field arrived at the estimates after careful examination of the Engineering and Geological data along with the horizontal drilling and production results. This estimate is based upon each well draining 160 acres and having a horizontal lateral displacement of 2,000 feet.

With the Joaquin Prospect having slightly better Fredricksburg "A" reservoir qualities to those at Bridges Field (increased porosity & higher Rt values), recoverable reserve projections are also expected to be greater with less associated water production. Volumetric reserve projections from the drainage of a 160-acre unit using 12.5 feet of net pay and a conservative recovery factor of 100 barrels of oil per net acre-foot, results in an oil recovery equal to 200,000 barrels and 500-750 MMCF of gas per well. Gas content is significantly increased due to the structural height (900') within the hydrocarbon column above Bridges Field which represents the structurally lowest position of Fredricksburg "A" production.

Since there has yet to be any production established from the "B" member of the Fredricksburg formation, recovery projections are not available based on performance models. However, because of the similarity in reservoir qualities and characteristics with even slightly greater porosities observed in the "B" member, volumetric recovery projections are anticipated to be the same for the "B" as stated above for the "A" member.

EXHIBIT C

TURNKEY DRILLING CONTRACT

FORTUNE EXPLORATION OF KENTUCKY, INC.

TURNKEY DRILLING CONTRACT

THIS AGREEMENT is made and entered into as of 23rd day of July, 2004, by and between the parties herein designated as "WIP" and "Contractor."

Working Interest Partner:	Joaquin / Fredericksburg #5 Limited Partnership, Ltd. 12275 FM 1097 West Willis, TX 77318
Contractor: Address:	Fortune Exploration of Kentucky, Inc. 12275 FM 1097 West Willis, TX 77318

IN CONSIDERATION of the mutual promises, conditions and agreements herein contained, Working Interest Partner engages Contractor as an Independent Contractor to furnish the equipment, labor and services to drill, test, and complete its portion of the Well to be located in Shelby County, Texas, (referred to herein as "Well") in search of oil and/or gas.

The Working Interest Partner will make the specified payments to Contractor in order (i) to obtain a price from Contractor for the drilling and completion of the Well to a specified depth, (ii) to assure that Contractor will be available to drill, test and complete the subject Well for the Working Interest Partner, (iii) to assure that Contractor will make available on a preferential basis sufficient drilling and completion apparatus needed to drill, test and complete the Well at the earliest possible time, (iv) to obtain a preferential use of Contractor's services, and (v) to assure competent supervisory personnel are available in the drilling and completion of the subject Well.

Contractor agrees to furnish all equipment, labor and services necessary for the drilling to the depth indicated herein and the completion of such Well. Contractor agrees that the work to be conducted under the terms of this Agreement will be done with diligence and care in a good and workmanlike manner and agrees to provide competent supervision of the work performed hereunder. Unless specifically otherwise provided for herein, all the required equipment, services and labor are furnished for the price set forth herein.

1. **LOCATION OF WELL:** See Exhibit 1, attached hereto and made a part hereof.

2. **TERMINATION DATE:** Contractor agrees to use its best efforts to complete operations for the acquisition, drilling, testing, completion, and equipping of the Well by December 31, 2004, and Contractor and the WIP agree that time is of the essence under this Agreement.

3. **BASIS OF DETERMINING AMOUNTS PAYABLE TO CONTRACTOR:** Contractor shall be paid at the following rate for the work performed hereunder: Drilling, Testing, Completion and Equipping Price: $403,495.00.

4. **DEPTH:** Subject to the right of the WIP to direct the stoppage of work at any time (as provided in paragraph 7), the Well shall be drilled to the depth as specified in Exhibit 1 or to the depth at which the production casing (oil string) is set, whichever depth is first reached, which depth is hereinafter referred to as the "Contract Depth."

5. **TIME OF PAYMENT:**
   - 5.1 Basis: Payment by the WIP to the Contractor of the Drilling Price becomes due and payable upon the receipt by the WIP of an invoice from the Contractor. Neither commencement nor completion of Contractor's performance shall be a condition precedent to this obligation to pay.
   - 5.2 Attorneys' Fees: If this Agreement is placed in the hands of an attorney for collection of any sums due hereunder, or suit is brought on same, or sums due hereunder are collected through bankruptcy or probate proceedings, then the WIP agrees that there shall be added to the amount due reasonable attorneys' fees and costs.

6. **COMPLETION PROGRAM:** The Partnership shall determine whether Contractor shall set an oil string. In the event the WIP directs that drilling operations cease and to abandon the Well, Contractor shall plug the Well, remove all drilling apparatus from the well site and the obligations of the parties hereunder shall cease. In the event the WIP directs Contractor to set an oil string and makes timely payment to the Contractor of the completion price, Contractor shall commence the operations necessary to complete the Well for commercial production, including the setting of an oil string and the acquisition, delivery and installation of a pump jack, holding tank and all other necessary equipment needed to extract and contain oil from the Well. If Contractor should enter into an assignment with another entity to undertake the Completion Program, Contractor may bill WIP, and WIP will pay for any completion costs over and above the Completion Price set forth herein.

7. **STOPPAGE OF WORK BY WIP:** Notwithstanding the provisions of paragraph 3 with respect to the depth to be drilled, the WIP shall have the right to direct the stoppage of the work to he performed by the Contractor hereunder at any time prior to reaching the Contract Depth and even though Contractor has made no default hereunder. If WIP exercises its right to discontinue drilling a well, the WIP will not receive a refund for any unused portion of the Drilling Price allocable to the discontinued well hut the WIP may direct Contractor to apply the unused portion of the Drilling Price to the intangible cost of another well that the WIP shall specify. The unused portions of the Drilling Price will he determined as follows:

   Contractor shall determine a sum equal to all the actual expenses reasonably and necessarily incurred up to the date the WIP notified Contractor to discontinue drilling plus such additional expenses reasonably and necessarily incurred in order for Contractor to cease operations, including plugging and

abandoning the hole, and dismantling the rig plus the sum of 15% of such total actual expenses. This sum shall be deducted from the Drilling Price of the Well. The resulting difference shall he the unused portion of the price.

8. **REPORTS TO BE FURNISHED BY CONTRACTOR:**

8.1 Contractor shall furnish to the WIP an accurate record of the work performed and formations drilled on the IADC-API Daily Drilling Report torn' or other form acceptable to the WIP. A legible copy of said form signed by Contractor's representative shall be furnished by Contractor to the WIP.

8.2 Delivery tickets, if requested by the WIP, covering any material or supplies furnished by the WIP shall be turned in each day with the daily drilling report. The quantity, description and condition of materials and supplies so furnished shall be checked by Contractor and such tickets shall be properly certified by Contractor.

9. **RESPONSIBILITY FOR A SOUND LOCATION:** Contractor shall prepare a sound location, adequate in size and capable of properly supporting the drilling rig. Contractor shall he responsible for a conductor pipe program adequate to prevent soil and subsoil washout. In the event subsurface conditions cause a catering or shifting of the location surface, and loss or damage to the rig or its associated equipment results there from, the WIP shall not be responsible for reimbursing Contractor for any such loss or damage including payment of work stoppage rate during repair and/or demobilization if applicable.

10. **RESPONSIBILITY FOR ROAD AND LOCATIONS:** Contractor agrees at all times to maintain roads to locations and each location in such a condition that will allow free access and movement to and from the drilling site in an ordinarily equipped highway type vehicle.

11. **PAYMENT OF CLAIMS:** Contractor agrees to pay all claims for labor, material, services and supplies to he furnished by Contractor hereunder, and agrees to allow no lien or charge to be fixed upon the lease, the Well or other property of the WIP or the land upon which said Well is located.

12. **RESPONSIBILITY FOR LOSS OR DAMAGE:**

12.1 Contractor's Surface Equipment: Contractor shall assume liability at all times for damage to or destruction of Contractor's surface equipment, including but not limited to all drilling tools, machinery and appliances, for use above the surface, regardless of when or how such damage or destruction occurs.

12.2 Contractor's In-Hole Equipment Basis: Contractor shall assume liability at all times for damage to or destruction of Contractor's in-hole equipment, including but not limited to drill pipe, drill collars and tool joints, and the WIP shall he under no liability to reimburse Contractor for any such loss.

12.3 WIP's Equipment: The WIP shall assume liability at all times for any defective equipment owned by it, including but not limited to casing, tubing, well head equipment, and Contractor shall be under no liability to reimburse the WIP for any such loss or damage.

12.4 Fire or Blow-Out: Should a fire or blowout occur or should the hole for any cause attributable to Contractor's operators be lost or damaged while Contractor is engaged in the performance of work hereunder, all such loss of or damage to the hole including cost of regaining control of a fire or blowout, shall be borne by Contractor; and if the hole is not in condition to be carried to the Contract Depth as herein provided, Contractor shall, if requested by the WIP, commence a new hole without delay at Contractor's cost; and the drilling of the new hole shall be conducted under 'be terms and conditions of this Agreement in the same manner as though it were the first hole and Contractor shall be responsible for replacement of any casing lost in a junked and abandoned hole as well as the cost of preparing a new drill site for the new hole and the road thereto. In such case, Contractor shall not be entitled to any payment or compensation for expenditures made or incurred by Contractor on or in connection with the abandoned hole.

13. **NO WAIVER EXCEPT IN WRITING:** It is fully understood and agreed that none of the requirements of this Agreement shall be considered as waived by either party unless the same is done in writing, and then only by the persons executing this Agreement or other duly authorized agent or representative of the party.

14. **FORCE MAJEURE:** If either party hereto is rendered unable, wholly or in part (or its performance hereunder is not rendered merely commercially impracticable) by force majeure to carry out its obligation under this Agreement, it shall give the other party prompt written notice of the force majeure with reasonably full particulars. Thereupon, the obligations of the notifying party, so far as they are affected by the force majeure, shall be suspended during, but not longer than, the continuance of the force majeure, and the notifying party agrees to use reasonable diligence to remove the force majeure as quickly as possible. This paragraph shall not relieve either party hereto for its obligations to expend sums of money to indemnify the other party hereto, as provided elsewhere in this Agreement. The term "force majeure" as herein employed shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, extreme weather conditions, or governmental restraint.

15. **INFORMATION CONFIDENTIAL:** Upon written request by the WIP, information obtained by Contractor in the conduct of drilling operation on the Well, including, but not limited to depth, formations penetrated, the results of coring, testing and surveying, shall be considered confidential and shall

not be divulged by Contractor or its employees, to any person, firm or any corporation other than the WIP's designated representative.

16. **ASSIGNMENT:** Neither party may assign this Agreement without the prior written consent of the other and prompt notice of any such intent to assign shall be given to the other party. If any assignment is made that materially alters Contractor's financial burden, Contractor's compensation shall be adjusted to give effect to any increase or decrease in Contractor's operating costs.

17. **NOTICES AND PLACE OF PAYMENT:** All notices to be given with respect to this Agreement unless otherwise provided for shall be given to Contractor and 10 the WIP respectively at the addresses hereinabove shown. All sums payable hereunder to Contractor shall be payable at the address hereinabove shown unless otherwise specified herein.

FORTUNE EXPLORATION OF KENTUCKY, INC.

By: _____
Russell L. Vera, President

Joaquin / Fredericksburg #5 Limited Partnership, Ltd.

By: _____
Russell L. Vera, Managing General Partner

EXHIBIT 1
TO
EXHIBIT C

July 23, 2004

The primary objective of the well, are the Joaquin #5 well on the Joaquin / Fredericksburg Prospect and the production and sale of oil and/or gas therefrom. The Joaquin/Fredricksburg #5 well consists of 160 acre oil and gas lease in Shelby County, Texas (the "Well"). The Well will be drilled to a depth sufficient to test the Fredericksburg "A" and "B" Limestone.

EXHIBIT D

TAX OPINION

FORTUNE EXPLORATION OF KENTUCKY, INC.

DANNY W. LOONEY, P.C.
CERTIFIED PUBLIC ACCOUNTANT
3838 OAK LAWN AVENUE - SUITE 910
DALLAS, TX 75219

Danny W. Looney, CPA
Teresa L. Pullin, Admin. Assistant

Phone: 214-526-6644
Fax: 214-522-7014

August 6, 2004

Fortune Exploration of Kentucky, Inc.
12275 FM 1097 West
Willis, TX 77318

Re: Joaquin / Fredricksburg #5 Limited Partnership, LTD.

To Whom It May Concern:

You have requested our opinion with regard to the material federal income tax consequences incident to the formation and proposed operation of Joaquin / Fredricksburg #4 Limited Partnership, Ltd.. (hereinafter referred to as the Partnership). To form our opinion, we have reviewed: (a) the proposed Limited Partnership Agreement (the "Limited Partnership Agreement"); (b) the Private Placement Memorandum, dated July 23, 2004 (the "Memorandum") pursuant to which General Partnership and Limited partnership Interests in the Limited Partnership (the "Interest") are offered; and (c) such other records and documents as we have deemed appropriate. We have also relied upon certain facts stated by you and representations you have made to us. Capitalized terms not defined herein shall have the meanings given to them in the Limited Partnership Agreement.

You should note the following concerning the conclusions expressed herein:

1. We have relied upon facts stated by you and representations made by you, and upon the related documentation provided by you, as Managing General Partner of the Limited Partnership ("General Partner").

2. Our conclusions are based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Regulations promulgated thereunder ("Regulations" or "Reg.") and administrative pronouncements and judicial rulings relating thereto, as they exist as of the date of this opinion. Such regulations, laws, pronouncements, and decisions are subject to change, and changes could be retroactive.

In rendering our opinion, we have relied upon the following statements and representations made by you:

1. The Limited Partnership will be operated in accordance with the terms of the Limited Partnership

Agreement and the laws of the State of Texas.

2. There will be no agreement limiting losses of the Limited Partnership with respect to activities of the Limited Partnership.

3. No election will be made by the Managing General Partner to be excluded from the application of Subchapter K of the Code.

4. The Limited Partnership will properly elect under the Code and Regulations to report for federal income tax purposes on a calendar year basis.

5. The categorization of costs as organization expense will be done in accordance with Code Sec. 709 and Reg. Sec. 1.709.

6. The amounts which will be spent by the Partnership for drilling, completing and equipping its portion of the Partnership Well will not exceed the approximate fair market value of the materials supplied and the services provided in connection therewith.

7. The allocation of costs between tangible and intangible drilling costs, completion costs, and lease acquisition costs, with respect to the Partnership's portion of the Partnership Well, will be properly allocated in accordance with the actual expenditures which are made therefore; and

8. The amount paid by the Partnership for its interest in the Partnership Prospect is no more than the fair market value of such interest in such Partnership Prospect.

Our opinion is limited specifically to those matters expressly set forth herein, and no opinions should be inferred as to any other matters. We are not expressing any opinion with respect to the amount of allowable losses that may be generated by the Limited Partnership, or the timing for deduction of such losses. We also call your attention to the fact that we do not, express our opinion on certain factual matters, such as the appropriate valuation of fees and other costs incurred in connection with the organization, operation, and liquidation of the Limited Partnership, and the syndication of the Interests. We are not able to render an opinion as to the reasonableness of the amounts of deductions or the timing of deductions for any of the fees to be paid to the Managing General Partner, because such a determination is based upon factual matters, including the appropriate valuation of such fees. The service could prevail in an attempt to prove that such fees are excessive or represent amounts paid for services, which are not deductible. If the service were to successfully challenge the valuation of the services rendered for the fees and other costs incurred by the Limited Partnership, the projected tax benefits of an investment in the Limited Partnership may not be entirely realized.

Based on our review of the Tax Aspects section of the Memorandum, our examination of all relevant facts, and such questions of law as we have deemed necessary or relevant, it is our opinion that the discussion therein: (i) considers all material federal tax issues of the Limited Partnership, and (ii) fully and fairly addresses those issues which involve the reasonable possibility of challenge by the Internal Revenue Service. Assuming the Limited Partnership activities are conducted in accordance with the Limited Partnership, and as set forth in the Memorandum, it is our further opinion that it is more likely than not that the material tax benefits associated with an investment in the Limited Partnership will, in the aggregate, be realized by the Limited Partnership, although the timing of deductions from Limited Partnership activities cannot be predicted. Among the considerations we have

taken into evaluating the material tax issues and in rendering this opinion are that the outcome on the merits as to some issues will depend on a large extent upon future operations of the Limited Partnership, and that many tax controversies are ultimately resolved on a basis other than complete allowance or complete disallowance of an item as characterized by the Limited Partnership's federal income tax return.

Please note that a number of the issues discussed in the Memorandum, including some of the material tax issues, have not been definitively answered by statutes, regulations, rulings or court decisions. Moreover, with respect to some of such matters, existing precedents provide very little guidance. While the opinions and views expressed herein are based upon our best interpretations of existing sources of law, and express what we believe a court could properly conclude if presented with these issues, no assurance can be given that such interpretations would be followed if they became the subject of judicial or administrative proceedings.

This opinion does not consider the effect that any pending or future legislation would have on the tax consequences of an investment in the Limited Partnership and thus no assurance can be given that the interpretations and opinions set forth herein would be followed in the event that new legislation is enacted.

Sincerely,

Danny W. Looney
Certified Public Accountant

EXHIBIT E

SUBSCRIPTION AGREEMENT

FORTUNE EXPLORATION OF KENTUCKY, INC.

Subscription Agreement
Table of Contents

Instructions

This Subscription Agreement contains the documentation required by the Managing General Partner to allow it to properly consider whether the tendered subscription for the Units offered hereby may be accepted. This part of the offering is comprised of two separate sections: Section 1, Investor Questionnaire; and Section 2, Subscription Agreement.

Section 1 (Investor Questionnaire) is the Investor's written response to specific questions which request information which is necessary to allow the Managing General Partner to determine if each Investor qualifies as a "suitable investor" in compliance with certain United States Securities and Exchange Commission requirements and applicable state law guidelines. A "suitable investor", in general terms, is either an Accredited Investor or a Non-Accredited Investor who meets guidelines regarding the individual's net worth and/or income, and who evidences an ability to evaluate the relative merits and risks of such an investment.

Section 2 (Subscription Agreement) sets forth the terms and conditions agreed to by the Investor in subscribing for Units. According to a portion of the terms of the Agreement, the Investor acknowledges the terms and restrictions of the Offering, including the arbitration clause, makes certain representations and warranties to the Partnership, and appoints the Managing General Partner as his attorney-in-fact for execution of Partnership documents. The Investor is asked to sign a copy of the Partnership Signature Page.

1.	Pages E-1 and E-2 (Section 1)	Complete the Investor Questionnaire by providing all requested information.
2.	Pages E-3 through E-6 (Section 2)	Investor should read and understand the terms, conditions and provisions.
3.	Pages E-7 and E-8	Complete appropriate blanks and sign where indicated on Pages E-7 and E-8.
4.	Payment to Partnership in amount as set forth on Page E-8	Investor shall provide to Joaquin #5 Limited Partnership, LTD. A check payable to the order of "Whitney Bank, Escrow Agent for Joaquin / Fredricksburg #5 Limited Partnership, LTD." In the amount of $23,500.00 per unit upon subscription for the Joaquin/Fredricksburg #5 Limited Partnership.
5.	Return all documents properly signed and completed.	Return the entire Subscription Agreement, an extra copy of which is enclosed, along with the check to Fortune Exploration of Kentucky, Inc., 12275 FM 1097 West, Willis, Texas 77318.

INVESTOR QUESTIONNAIRE

THE FOLLOWING INVESTOR QUESTIONNAIRE IS ESSENTIAL TO INSURE THAT THIS PRIVATE OFFERING IS CONDUCTED IN FULL COMPLIANCE WITH RULE 506 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE QUESTIONNAIRE WILL REMAIN ON FILE IN ABSOLUTE CONFIDENCE IN THE OFFICE OF THE MANAGING GENERAL PARTNER.

YOUR COOPERATION IN THE FULL COMPLETION OF THE INVESTOR QUESTIONNAIRE IS GREATLY APPRECIATED.

Name and Address of Partnership:

Joaquin/Fredricksburg #5 Limited
Partnership, Ltd.
12275 FM 1097 West
Willis, TX 77318

Gentlemen: I understand that the Units of Limited and General Partnership interest (the "Units") heretofore offered to me in Joaquin/Fredricksburg #5 Limited Partnership, Ltd. (the "Partnership") will not be registered under the Securities Act of 1933, as amended (the "Act"), and applicable state securities law (the "State Acts"). I also understand that in order to insure that the offering and sale of the Units (the "Offering") are exempt from registration under the Act and the State Acts, you are required to have reasonable grounds to believe, and must actually believe, after making reasonable inquiry and prior to making any sale, that all purchasers are able to evaluate the merits and risks of an investment in the Units.

In order to induce you to permit the undersigned to purchase the Units, I hereby warrant and represent to you as follows:

NOTE: The information provided herein will be relied upon in connection with the determination as to whether you meet the standards imposed by Rule 506 promulgated under the Act, since the Units offered hereby have not been and will not be registered under the Act and are being sold in reliance upon the exemption provided by Section 4(2) of the Act. All information supplied will be treated in confidence; except that this Questionnaire may be presented to such parties as deemed appropriate or necessary to establish that the sale of the Units to you will not result in violation of the exemption from registration under the Act which is

New Account Information

Personal Information

Name:

Address

City, State, Zip

( ) Phone ( ) Fax

Email: SS #

DOB:

Business Information

Employer:

Address:

City, State, Zip

( ) Phone

Email ( ) Fax

Education Information

College or University:

Degree Obtained or Specialized Education:

PART A:

ACCREDITED INVESTOR ONLY

A. NATURAL Persons

Check one of the following representations if applicable. If not applicable, proceed to Part B,

☐ My individual income was in excess of $200,000 (or $300,000 with my spouse) in each of the two most recent years and I reasonably expect an income of $200,000 (or $300,000 with my spouse) in the current year.

☐ I am a director or executive officer of the Managing General Partner

☐ My net worth, or joint net worth with my spouse, is at least $1,000,000.

B. Entities

The undersigned is an entity qualifying as an Accredited Investor as: (Check those that apply).

☐ A bank as defined in Section 3(a)(2) of the Securities and Exchange Act of 1933; (__) an insurance company as defined in Section 2(13) of the Securities and Exchange Act; (__) an investment company registered under the Investment Company Act of 1940; or (__) a business development company as defined in Section 2(a)(48) of that act; (__) 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; (__) an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 if the investment decision is made by the undersigned as a plan fiduciary, as defined in Section 3(21) of such Act, or is (__) an employee benefit plan with total assets in excess of $5,000,000;

☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

☐ An organization described in Section 501(c)(3) of the Internal Revenue Code, Corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Units, with total assets in excess of $5,000,000;

☐ An entity in which all of the equity owners are Accredited Investors as defined in Regulation D.

☐ A trust with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Units and whose purchase of the Units is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the Act.

PART B:

NON-ACCREDITED INVESTOR ONLY

A. NATURAL Persons

My net worth, excluding home, furnishings, automobiles, and other assets which are not readily marketable is in excess of (check one):

☐	$175,000	☐	$700,000
☐	$200,000	☐	$350,000
☐	$300,000	☐	$900,000
☐	$400,000	☐	$1,000,000
☐	$500.000		

Tax Data

A. Last Year Income:$

B. Current Year Income (Est.) $

Types of investments in which you have previously participated:

(indicate all applicable)

☐ Real Estate ☐ Commodities ☐ Stocks

☐ Agriculture ☐ Bonds

☐ Equipment Leasing

☐ Oil & gas drilling &/or Lease Acquisition

Have you previously participated in other private placement investments?

Yes: _____ No: _____

State your investment objectives by checking the following where applicable:

(__)Income

(__)Tax Shelter

(__)Other: _____

Note: SEC Rule 506 of Regulation D requires that each purchaser who is not an Accredited Investor have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Partnership.

____I represent and warrant that I have such knowledge and experience in financial and business matters, and that I am capable of evaluating the merits and risks of an investment decision.

Investors Which Are NOT Natural Persons

Name of Entity: _____

Address of Principal Office: _____

Type of Organization: _____

Date & Place of Organization: _____

Net Worth: _____

SUBSCRIPTION AGREEMENT

Fortune Exploration of Kentucky, Inc.
12275 FM 1097 West
Willis, Texas 77318

Gentlemen:

The undersigned hereby tenders this subscription to you as Managing General Partner (herein so called) of Joaquin/Fredricksburg #5 Limited Partnership, Ltd. (the "Partnership") and applies for the purchase of Units of Limited and General Partnership interest ("Units") in the Partnership as shown on Page E-8 hereof, and herewith encloses a check as payment for the Units. The undersigned hereby acknowledges:

(i) that the undersigned has received, read and understood a copy of a Private Placement Memorandum (the "Memorandum"), as well as the form of Limited Partnership Agreement (the "Partnership Agreement") included with the Memorandum;

(ii) that upon the signing hereof by the undersigned, payment by the undersigned of the initial capital contribution for the Units subscribed for hereby shall be due and payable and shall accompany the return of this Subscription Agreement by the undersigned, which payment shall be made in cash;

(iii) that in the event this Subscription Agreement is rejected by the Managing General Partner, the initial payment by the undersigned shall be returned to the undersigned with the notice of such rejection;

(iv) that any cash payment for the Units (in a form payable to the Escrow Agent for the Partnership) will be deposited in an Escrow Account at Whitney Bank, Lafayette, Louisiana, in the name of the Partnership;

(v) that in the event this subscription has not been accepted within 30 days after the date of the signing by the undersigned of this Subscription Agreement, payment made by the undersigned and documents provided will promptly be returned by the Managing General Partner to the undersigned without further obligation;

(vi) that the undersigned understands and acknowledges that an investment in the Partnership is not liquid, not easily transferable or disposed of, and that he has no need for liquidity of this investment; and

(vii) that the undersigned is personally liable for the total amount of the subscription price, except that, in the case of a dry hole, the undersigned will not be liable for completion and equipping funds.

The undersigned hereby represents and warrants as follows:

1. The undersigned has read and is familiar with the Memorandum, the Partnership Agreement and all other Exhibits to the Memorandum.

2. The principal residence of the undersigned, if an individual, is in the state shown on Page E-1 hereof; if the undersigned is a corporation, trust or other entity (except a partnership), it was incorporated or organized and is existing under the laws of the state shown on Page E-2 hereof; if the undersigned is a partnership, the principal residence of all of its general partners are in the states shown on Page E-2 hereof; and if the undersigned is a corporation, trust, partnership or other entity, it was not organized for the specific purpose of acquiring the Units. The undersigned has no present intention of becoming a resident of (or moving it principal place of business to) any other state or jurisdiction.

3. The Units for which the undersigned hereby subscribes will be acquired solely for the account of the undersigned (or if the undersigned is a trust, solely for the beneficiaries thereof) for investment and not with a view to or for resale, distribution or other disposition. The undersigned has no present plans to enter into any contract, undertaking, agreement or arrangement for any such resale, distribution or other disposition.

4. The Managing General Partner has made all documents pertaining to this investment available to the undersigned and, if the undersigned so requested, to his attorney or accountant.

5. The undersigned has had the opportunity to ask questions of, and receive answers from, the Managing General Partner concerning the terms and conditions of the offering and to obtain such information, to the extent such persons possess the same

or could acquire it without unreasonable effort or expense, as the undersigned deemed necessary to verify the accuracy of the information referred to hereinabove. The undersigned has relied solely upon the Memorandum presented by the Managing General Partner, the Partnership Agreement, the Exhibits to the Memorandum, and such independent investigations as are made by the undersigned or representatives of the undersigned in making a decision to purchase the Units subscribed for herein.

6. The undersigned is investing in his own name or in the capacity indicated on Page E-2 hereof; and was not solicited by any form of general solicitation or general advertising.

7. The undersigned, if an individual, is a least 21 years of age and a bona fide resident of the United States and the state indicated on Page E-2 hereof.

The undersigned is one of the following:

(a) a natural person who has an individual net worth, or joint net worth with that person's spouse, of more than $1,000,000;

(b) a natural person who had an individual income in excess of $200,000 (or $300,000 with that person's spouse) in each of the two most recent years and who reasonably expects to reach the same income level in the current year;

(c) a director or executive officer of the Investor Partner; or

(d) a person who has knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of an investment in the Partnership and of making an informed decision, and does not require a Purchaser Representative.

8. If the undersigned warrants eligibility for participation in accordance with Paragraph 8(d) above, then the undersigned hereby represents and warrants that he or she together with his or her spouse, (1) has an individual net worth (or joint net worth with that person's spouse) at the time of subscription of at least $200,000 (exclusive of home, home furnishings and personal automobiles), or (2) has an individual net worth (or joint net worth with that person's spouse) of at least $175,000 (exclusive of home, home furnishings and personal automobiles) and had during the last tax year, and estimates that he will have during the current year, "taxable income" as defined in the Code, of at least $50,000 (if married, filing jointly) without taking into account the effect of an investment in the Units, or is a corporation with a net worth in excess of $1,000,000.

9. The undersigned understands that the Units may only be sold, transferred, pledged or otherwise disposed of if they are subsequently registered under the Act and, where required, under the laws of other jurisdictions or an exemption from registration is available and the Partnership is in receipt of an opinion of counsel satisfactory to the Partnership to such effect.

10. The undersigned acknowledges and is aware of the following:

11. This subscription may be accepted or rejected, in whole or in part, by the Managing General Partner in its sole and absolute discretion acting in the capacity as Managing General Partner.

12. The Partnership was organized on July 23, 2004 and has a limited financial history. Further, the Units are a speculative investment which involves a high degree of risk of loss by the undersigned of the entire investment of the undersigned, and that there is no assurance of any income from such investment.

13. The undersigned has carefully reviewed and understands the risks of a purchase of the Units, including the risks set forth under the section in the Memorandum captioned "Risk Factors," and elsewhere in the Memorandum.

14. No federal or state agency has made any finding or determination as to the fairness of the offering, or any recommendation or endorsement of the Units.

15. There are substantial restrictions on the transferability of the Units. There will be no public market for Units, and, accordingly, the undersigned will need to bear the economic risk of his investment for an indefinite period of time and will not be readily able to liquidate this investment in case of an emergency.

16. Any federal and/or state income tax benefits which may be available to the undersigned may be lost through changes to, or in the interpretation of, existing laws and regulations. In making this investment, the undersigned is relying, if at all, solely upon the advice of his personal tax adviser with respect to the tax aspects of an investment in the Partnership.

17. The undersigned agrees that the Units may be resold only through an effective registration statement covering the Units under the Act or an opinion of counsel satisfactory to the Managing General Partner that registration is not required under the Act or under applicable securities laws of any other jurisdiction.

18. This Agreement and all of its provisions are made to be performed in Willis, Montgomery County, Texas, where jurisdiction and venue shall lie for all purposes, including, but not limited to, any arbitration or litigation involving the validity or enforceability of the requirement of arbitration hereof, or any dispute arising thereunder.

The undersigned recognizes that the offer and sale of the Units to the undersigned were based upon the representations and warranties of the undersigned contained in Paragraphs 1 through 10 above and hereby agrees to indemnify the Partnership and the Managing General Partner thereof and to hold each of such entities and persons harmless against all liabilities, costs or expenses (including reasonable attorney's fees) arising by reason of or in connection with any misrepresentation or any breach of such warranties by the undersigned, or arising as a result of the sale or distribution of the Units by the undersigned in violation of the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, or any other applicable federal or state statute.

The undersigned hereby indemnifies the Partnership and the Managing General Partner thereof, and holds each of such persons and entities harmless from and against any and all loss, damages, liability or expense, including costs and reasonable attorney's fees, to which they may be put or which they may incur by reason of or in connection with any misrepresentation made by the undersigned, any breach of any of his warranties, or his failure to fulfill any of his covenants or agreements set forth herein. The undersigned agrees that all of the representations and warranties of the undersigned set forth in this Subscription Agreement and any other documents submitted herewith shall survive the purchase of the Units. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

Special Power of Attorney

The undersigned hereby constitutes and appoints the Managing General Partner of the Partnership with full power of substitution and resubstitution, the true and lawful attorney of the undersigned, for the use and benefit of the undersigned; (i) to sign, execute, certify, swear to, acknowledge, file and record a Partnership agreement substantially in the form of the Partnership Agreement; (ii) to sign, execute, certify, swear to, acknowledge, file and record any other certificate, instruments and documents or amendments thereto, which may be required of the Partnership or of the Investor Partners of the Partnership under the laws of any state or by any governmental agency, or which the Managing General Partner deems necessary or advisable to file, record or deliver; and (iii) to execute, swear to, acknowledge and record all certificates and other documents relating to the dissolution and liquidation of the Partnership. The undersigned also constitutes and appoints the Managing General Partner with full power of substitution and resubstitution to act on its behalf as Tax Matters Partner for the Partnership. The foregoing grants of authority may be exercised by each of such attorneys-in-fact by listing the name of the undersigned along with the names of all other persons for whom certificates, instruments and documents are prepared, with the single signature of such attorney-in-fact acting for all of the persons whose names are so listed.

Upon acceptance by the Managing General Partner of the subscription of the undersigned, the undersigned agrees (a) to become an Investor Partner of the Partnership, (b) to make the capital contribution to the Partnership required by the Partnership Agreement, and (c) otherwise to be bound by the terms of the Partnership Agreement. The undersigned acknowledges and agrees that the undersigned is not entitled to cancel, terminate or revoke this subscription, any agreements of the undersigned hereunder, or the power of attorney granted hereby and that such subscription, agreements and power of attorney shall survive (a) changes in the transactions, documents and instrument described in the Memorandum which in the aggregate are not material or which are contemplated by the Memorandum, and (b) the death or disability of the undersigned; provided, however, that if the Managing General Partner shall not have accepted this subscription by the date 30 days after the date of signing by the undersigned of this Subscription Agreement, either by personally delivering to the undersigned an executed copy hereof reflecting such acceptance or by depositing in the United States Mail, postage prepaid, a written notice of acceptance addressed to the undersigned hereunder, at the address set forth below, this subscription, all agreements of the undersigned hereunder, and the power of attorney granted hereby shall automatically be canceled, terminated and revoked.

WHEREFORE, IN CONSIDERATION, of the foregoing covenants and representations, I hereby submit the following subscription for the number of Units specified on Page E-8 for the Managing General Partner's consideration in Joaquin/Fredricksburg #5 Limited Partnership, Ltd.

INVESTOR QUESTIONNAIRE SIGNATURE
(To Be Completed By All Investors)

The undersigned has received a copy of the Private Placement Memorandum dated July 23, 2004, of the Joaquin/Fredricksburg #5 Limited Partnership, Ltd. (the "Partnership"), and all exhibits thereto setting forth information relating to the Partnership and the terms and conditions of an investment in the Units, as well as any other information the undersigned deemed necessary or appropriate to evaluate the merits and risks of an investment in the Units. The undersigned further acknowledges that the undersigned has had the opportunity to ask questions of, and to receive answers from, representatives of the Partnership concerning the terms and conditions of the Partnership Agreement and the information contained in the Private Placement Memorandum.

Under penalties of perjury, the undersigned certifies that (i) the information contained in the Investor Questionnaire is true, correct and complete, (ii) the number shown on the Investor Questionnaire is the undersigned's correct taxpayer identification number and (iii) that the undersigned is not subject to backup withholding because (A) the undersigned has not been notified that the undersigned is subject to backup withholding as a result of a failure to report all interest or dividends or (B) the Internal Revenue Service has notified the undersigned that the undersigned is no longer subject to backup withholding, (iv) set forth below is the undersigned's correct name and address, (v) the undersigned is not a foreign person within the meaning of sections 1445 and 1446 of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations promulgated thereunder and (vi) the undersigned will notify the Partnership if the undersigned becomes a foreign person within the meaning of sections 1445 or 1446 of the Code within 60 days of such change of status.

IN WITNESS WHEREOF, this Signature Page has been executed by the undersigned this _____ day of _____, 2004.

_____

Signature of Prospective Investor

_____

Printed Name of Prospective Investor

JOAQUIN/FREDRICKSBURG #5 LIMITED PARTNERSHIP, LTD.
PARTNERSHIP AGREEMENT SIGNATURE PAGE

Number of Units

Cash Payment - $23,500.00 per Unit to be paid as follows:

$23,500.00 payable upon subscription for the partnership well, the Joaquin #5
(Payable to "Whitney Bank, Escrow Agent for Joaquin/Fredricksburg #5 Limited Partnership, Ltd.")

☐ **General Partner**

☐ **Limited Partner**

Name

Joint Owner

Account Name

Address

City

State

Zip

SSN # or Tax ID

Home Telephone No.

Work Telephone No.

Email

TYPE OF OWNERSHIP:
Please Check One

☐ Individual	☐ IRA
☐ JTRWOS	☐ Keogh
☐ TIC	☐ Corporation
☐ Partnership	☐ Trust Created on
☐ Community Property	_____

Please Check One:

☐ Non-Accredited Investor

☐ Accredited Investor

Partnership Acceptance

Fortune Exploration of Kentucky, Inc., as Managing General Partner, herewith accepts the foregoing subscription in the Joaquin / Fredricksburg #5 Limited Partnership, LTD.

Russell L. Vera
President

Date