

Explanation of Lease and Override Categories

Category	
1.	Royalty clause contains “gross proceeds” (without any qualifying language) or contains other language expressly prohibiting deduction of expenses incurred off the leased premises
2.	Royalty clause contains “proceeds” or equivalent language, without any qualifying language
3.	Royalty clause contains “proceeds at the well” or “gross proceeds at the well” or similar language
4.	Royalty clause contains “market value” or value “at the well” language
5.	Leases or overrides to Jack M. Overstreet or containing similar language limiting deductions to compression to enable gas to enter a major pipeline
6.	Royalty clause provides for royalty based on proceeds if sold at the well and market value at the well if sold off the leased premises
7.	Royalty clause refers only to sale at the wellhead and is silent as to payment when gas is sold off the leased premises
8.	Royalty clause contains language that expressly limits the amount of deduction
9.	Royalty clause contains language expressly authorizing deduction of expenses incurred off the leased premises, without specific limitation

NOTE: With regard to overriding royalty instruments that are silent regarding deduction of expenses downstream from the leased premises, or where no overriding royalty instrument was recorded, the category of the underlying oil and gas lease has been applied.

The explanations above and below are provided for informational purposes. In the event of any conflict or inconsistency, the categorization contained in the Preliminary Distribution Schedule and the terms of the Settlement Agreement shall control.

Payment of Royalties in the Future

Under leases and overriding royalty instruments in Categories 1, 2, 4, & 6, PostRock will pay royalties based on 100 percent of the sales price received by PostRock, with no deductions other than applicable taxes.

Under leases and overriding royalty instruments in Category 3, PostRock will pay royalties based on 90 percent of the sales price received by PostRock (10% deduction), provided that the maximum deduction (other than applicable taxes) shall not exceed \$1.00 per mmbtu.

Under leases and overriding royalty instruments in Category 5, PostRock will pay royalties based on 100 percent of the sales price received by PostRock, less 45 cents (\$0.45) per mmbtu, with an annual inflation adjustment based on the Consumer Price Index, not to exceed two percent (2%) per year. There will be no further deductions other than applicable taxes.

Under leases and overriding royalty instruments in Category 7, PostRock will pay royalties based on 80 percent of the sales price received by PostRock, provided that the maximum deduction (other than applicable taxes) shall not exceed \$1.25 per mmbtu.

Under leases and overriding royalty instruments in Category 8, PostRock will pay royalties in accordance with the express limitations on deductions set forth in the applicable lease or overriding royalty instrument.

Under leases and overriding royalty instruments in Category 9, PostRock will pay royalties based on 70 percent of the sales price received by PostRock, provided that the maximum deduction (other than applicable taxes) shall not exceed \$2.00 per mmbtu.

For all categories of leases and overriding royalty instruments, PostRock will pay royalties on the basis of the sales volumes, provided that the difference between wellhead volumes and sales volumes (*i.e.*, due to fuel usage and line loss) shall not exceed nine percent (9%).