

7. Organizational Expenses.

RESOLVED, that any Manager of the Company be, and hereby is, authorized and directed to pay all charges and expenses incident to and necessary for the organization of the Company and to reimburse any person who has made any disbursement therefor.

8. Fiscal Year.

RESOLVED, that the fiscal year of the Company shall end on the last day of December of each year.

9. Authorization to engage Nevada Holdings Services, Inc.

RESOLVED, that the Company is hereby authorized to enter into a Contract with Nevada Holding Services, Inc. d/b/a KeyState Corporate Management to provide corporate management services. RESOLVED FURTHER, that the Company is authorized to execute indemnification agreements with Joshua C. Miller and Monte L. Miller in the form presented at the meeting.

10. Agreement of Limited Partnership of Petra One Energy, L.P.

RESOLVED, that the Company is hereby authorized to enter into the Agreement of Limited Partnership (the "Partnership Agreement") of Petra One Energy, L.P., a Texas limited partnership (the "Partnership"), in substantially the form presented to the Managers on this date, to be entered into by and among the Company as the Limited Partner and Cap Rock Energy Corporation, a Texas corporation, as the General Partner, and that any Manager of the Company may execute and deliver for and on behalf of the Company the Partnership Agreement and, subject to such changes therein as such Manager shall approve (such approval to be conclusively evidenced by the execution thereof), the Partnership Agreement and each of the transactions contemplated thereby are hereby adopted and approved.

11. Qualification to Transact Business as a Foreign Limited Liability Company.

RESOLVED, that any two Managers of the Company are hereby severally authorized and directed to cause the Company to qualify as a foreign limited liability company in such jurisdictions as may be legally required by reason of the property owned, business conducted, or other activities effected by the Company in such jurisdictions now or at any time hereafter.

12. General Authorization.

RESOLVED, that any Manager of the Company is hereby severally authorized (a) to sign, execute, certify to, verify, acknowledge, deliver, accept, file, and record any and all instruments and documents, and (b) to take, or cause to be taken, any and all such action, in the name and on behalf of the Company, as (in such officer's judgment) shall be necessary, desirable or appropriate in order to effect the purposes of the foregoing resolutions.

RESOLVED FURTHER, that any and all action taken by any Manager of the Company prior to the date this Consent is actually executed in effecting the purposes of the foregoing resolutions is hereby ratified, approved, confirmed, and adopted in all respects.

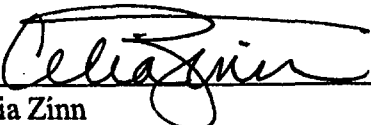
13. Counterparts and Facsimile Signatures.

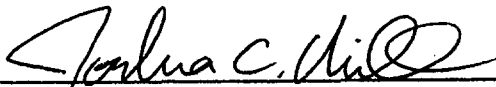
RESOLVED, that this Written Consent may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, and all of which together shall constitute one and the same instrument.

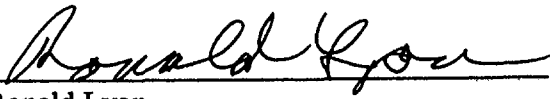
RESOLVED FURTHER, that each such multiple counterpart of this Written Consent may be transmitted via facsimile or other similar electronic means and executed by one or more of the undersigned, and a facsimile of the signature of one or more of the undersigned shall be deemed an original signature for all purposes and have the same force and effect as a manually-signed original.

IN WITNESS WHEREOF, the undersigned have executed this Consent to be effective as of the day and year first written above.

MANAGERS:


Celia Zinn


Joshua Miller

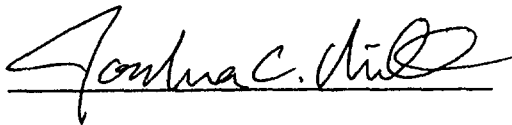

Ronald Lyon

002159

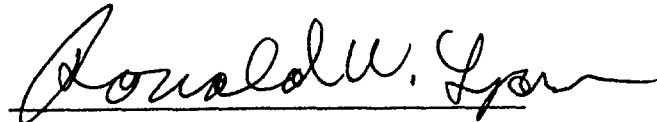
Waiver of Notice of Organization Meeting

We, the undersigned, being the managers Petra Energy LLC, DO HEREBY WAIVE all notice of the Organization Meeting of the said Corporation, and do hereby agree and consent that December 30, 2003 at 2:00 p.m. be and the same hereby is fixed as the time, and that 101 Convention Center Drive, Suite 850, Las Vegas, Nevada, be fixed as the place for holding the same; and that all such business may be transacted thereat as may lawfully come before said meeting.

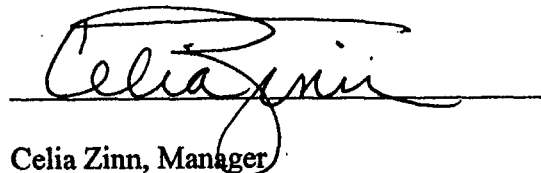
December 30, 2003



Joshua C. Miller, Manager



Ronald W. Lyon, Manager



Celia Zinn, Manager

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**SOAH DOCKET NO. 473-04-3554
PUC DOCKET NO. 28813**

**CAP ROCK ENERGY CORPORATION'S RESPONSES TO
PIONEER NATURAL RESOURCES, USA, INC.'S
FIRST REQUESTS FOR INFORMATION**

Pioneer 1-36: (Atkins, Schedule LDA-2) Describe the date of origin, creation, structure, history, purpose, and management of Petra One Energy, LP. Identify the assets, liabilities, officers, managers, and employees of Petra One Energy, LP. Provide all supporting documents.

RESPONSE:

Petra One Energy, L.P. is a Texas Limited Partnership. It was formed in December, 2003. It is managed by its General Partner, Cap Rock Energy Corporation. Petra One Energy does not have any employees. It has one limited partner, Petra Energy, LLC. Petra Energy, LLC owns a 99% interest in the limited partnership and Cap Rock Energy Corporation owns a 1% interest in the limited partnership. Petra One Energy, L.P. has a beneficial ownership in 100% of the assets of Cap Rock Energy Corporation.

Petra One Energy is a limited partnership formed in late 2003 for Texas franchise tax planning purposes only. This tax planning structure utilizes a well known structure for Texas Franchise Tax planning purposes, i.e. the utilization of a limited partnership, which is not subject to Texas franchise tax. If sustained and not eliminated by legislation, this structure involves Petra One Energy, L.P. receiving, in form, the financial beneficial interest in Cap Rock's assets and liabilities. It does not require the formal assignment of title to any property, or the formal assumption of any debt. Since Cap Rock and a limited liability company, Petra Energy, LLC, which is wholly owned by Cap Rock, are the only partners in the partnership the assignment of beneficial interest has no impact other than for Texas franchise tax purposes. Under the applicable Generally Accepted Accounting Principles and federal tax rules, the LLC and the partnership are consolidated or do not exist respectively. Therefore, this structure has no impact on Cap Rock's operations, financial statements or position, or federal tax compliance or liabilities in any way.

Please see attached documentation.

Prepared by: Ronald W. Lyon

Sponsored by: Lee D. Atkins

002161

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Geoffrey S. Connor
Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING OF

Petra One Energy, L.P.
Filing Number: 800283408

The undersigned, as Secretary of State of Texas, hereby certifies that a certificate of limited partnership for the above named limited partnership has been received in this office and filed as provided by law on the date shown below.

Accordingly, the undersigned, as Secretary of State hereby issues this Certificate evidencing the filing in this office.

Dated: 12/23/2003

Effective: 12/23/2003



A handwritten signature in black ink, appearing to read "G. Connor".

Geoffrey S. Connor
Secretary of State

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ASSIGNMENT OF BENEFICIAL INTEREST

This Assignment of Beneficial Interest is made to be effective as the 30th day of December, 2003, by and between Cap Rock Energy Corporation, a Texas corporation ("Assignor") and Petra One Energy, L.P., a Texas limited partnership ("Assignee").

RECITALS

WHEREAS, Assignor is the owner of property, including, without limitation, the property described as the assets shown on Exhibit A attached or any other assets hereafter acquired (collectively, the "Property"); and

WHEREAS, Assignor has agreed to assign to Petra Energy, LLC, a Nevada limited liability company ("LLC"), 99% of Assignor's rights, obligations, liabilities and benefits in, and rights incident to the Property and risks of ownership of the Property, including the right to operate, rent, sell and otherwise transfer and dispose of the Property, as part of its capital contribution to LLC; and

WHEREAS, pursuant to the limited partnership agreement of Assignee dated to be effective as of December 30, 2003 (the "Partnership Agreement"), Assignor has agreed to assign to Assignee 1% of Assignor's rights, obligations, liabilities and benefits in, and rights incident to the Property and risks of ownership of the Property, including the right to operate, rent, sell and otherwise transfer and dispose of the Property, as part of its capital contribution to Assignee in exchange for a 1% general partnership interest in Assignee; and

WHEREAS, pursuant to the Partnership Agreement, Assignor has agreed to assign to Assignee, on behalf of LLC, all of LLC's rights, obligations, liabilities and benefits in, and rights incident to 99% of the Property and risks of ownership of 99% of the Property, including the right to operate, rent, sell and otherwise transfer and dispose of the Property, as part of the capital contribution by LLC to Assignee in exchange for the receipt by LLC of a 99% limited partnership interest in Assignee;

WHEREAS, Assignor wishes to continue to hold and manage legal title to the Property and continue to operate the property as the nominee owner of the Property and to serve as Assignee's agent in such capacity but have no direct or indirect ownership or other interest except such rights and obligations as required by Assignee's appointment of Assignor as nominee owner and operator of the Property; and

WHEREAS, Assignor has also agreed, as part of its capital contribution to Assignee, to cause Assignee the right to vest legal title in the Property to itself at any time.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. The foregoing recitals are hereby incorporated by this reference as if fully set forth herein.

2. Assignor hereby transfers, assigns and conveys to Assignee all of its rights, obligations, liabilities and benefits in, and rights incident to, the Property and all payments and proceeds therefrom (the "Assignment").
3. Notwithstanding the foregoing to the contrary, Assignor shall continue to hold and manage legal title and continue to operate the Property.
4. Assignee hereby accepts the Assignment from Assignor, and in connection with the assignment, assumes all of the rights, obligations, liabilities and benefits in, and rights incident to, the Property.
5. Assignee hereby appoints Assignor as nominee owner and operator of the Property and Assignor hereby agrees to serve as Assignee's designated agent in such capacity.
6. Notwithstanding the fact that legal title to the Property will remain in the name of Assignor on and after the date hereof, Assignor and Assignee hereby acknowledge that, on and after the date hereof:
 - (a) except as set forth in subsection (b) below, Assignee is entitled to all incidents, benefits and risks of ownership of the Property, including, without limitation, the sole right to operate, rent, sell and otherwise transfer and dispose of the Property; and
 - (b) Assignor has no direct or indirect ownership or other interest in the Property, except such rights and obligations with respect to the Property as are required by Assignee's appointment of Assignor as nominee owner and operator of the Property.
7. At any time and from time to time, Assignor, upon thirty (30) days' prior written notice by Assignee to Assignor, shall transfer legal title in the Property to Assignee (the "Transfer Right").
8. Assignor agrees and confirms that damages at law will be an inadequate remedy for a breach or threatened breach of the Transfer Right and agrees that, in the event of a breach or threatened breach of the Transfer Right by Assignor, the Transfer Right shall be enforceable by specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall limit or affect any rights at law or by statute or otherwise of Assignee as against Assignor for a breach or threatened breach of the Transfer Right, it being the intention of this section to make clear the agreement of Assignor and Assignee that the respective rights and obligations of the parties hereunder shall be enforceable in equity as at law or otherwise.
9. Assignee may, without the consent of Assignor, assign the Assignment, the Transfer Right and any other rights or obligations created under this Assignment of Beneficial Interest. This Assignment of Beneficial Interest will be binding upon and inure to the benefit of Assignor, Assignee and their respective successors and permitted assigns.

10. Except as otherwise set forth herein, Assignee will be responsible for any and all transfer fees, taxes, license fees, registration fees or other similar governmental fees and taxes, and all other fees, costs and expenses in connection with the transfers contemplated herein, including, without limitation, the Transfer Right and all property taxes owed on the property.
11. Indemnification.
 - (a) Assignee hereby agrees to indemnify and hold harmless Assignor from and against any damage, loss, liability, expense and tax (including, without limitation, reasonable costs of investigation and attorneys' fees and expenses) (collectively, "Losses"), other than any expense incurred by Assignor pursuant to Section 11(b), arising out of or related to the Property from and after the date hereof, whether due to Assignor's holding legal title to any Property or Assignor's performance under this Assignment of Beneficial Interest, including, without limitation, Losses arising out of or related to: (i) Assignee's failure to pay all costs pursuant to Section 10, (ii) claims for personal injury or property damage involving the Property from and after the date hereof, (iii) any personal property taxes payable with respect to the Property subsequent to the date hereof and (iv) Assignor's transfer of legal title pursuant to the Transfer Right.
 - (b) Assignor hereby agrees to indemnify and hold harmless Assignee from and against any Losses arising out of or relating to any claim made on the Property or any proceeds thereof by a creditor of or purchaser from Assignor as a result of Assignor's retention of legal title to any of the Property on or after the date hereof or Assignor's performance under this Assignment of Beneficial Interest, whether direct or indirect.
12. Each of Assignor and Assignee will, from time to time, execute and deliver such further instruments and render such further assistance as the other party may reasonably request in order to carry out the transactions contemplated herein; provided, however, that such instruments will be prepared by Assignee, and all costs and expenses in connection with such execution and delivery or other assistance will be allocated in accordance with Section 10.
13. In the event that Assignor receives, in a capacity other than its role as nominee owner of the Property, any (a) proceeds from the sale of the Property, (b) insurance proceeds in respect of the Property not used to restore the Property, or (c) other payments or proceeds in respect of the Property, it shall, promptly upon receipt, but in no event later than the fiscal quarter-end of receipt, deposit such payments or proceeds with Assignee.
14. This Assignment shall not constitute an agreement to assign any interest in any instrument, contract, lease, permit or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom, if an attempted assignment thereof without the consent required or necessary of a third party would constitute a breach or violation thereof or affect adversely the rights of Assignor or Assignee

thereunder, unless such breach or violation has been waived by the third party (either prospectively or retroactively).

15. This Assignment of Beneficial Interest and the other agreements specifically referenced herein constitute the entire agreement between Assignor and Assignee and supersede any prior understandings, agreements or representations by or among Assignor and Assignee, written or oral, to the extent they related in any way to the subject matter hereof.
16. This Assignment of Beneficial Interest may be executed in separate counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.
17. The section headings contained in this Assignment of Beneficial Interest are inserted for convenience only and will not affect in any way the meaning or interpretation of this Assignment of Beneficial Interest.
18. All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder will be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Assignor:

Cap Rock Energy Corporation
500 West Wall Street, Suite 400
Midland, Texas 79701
Attn: General Counsel

If to Assignee:

Petra One Energy, L.P.
Attn: General Partner
c/o Cap Rock Energy.
500 West Wall Street, Suite 400
Midland, Texas 79701
Attn: Celia Zinn


Any party hereto may give notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice, request, demand, claim, or other communication will be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party hereto may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

19. No amendment of any provision of this Assignment of Beneficial Interest will be valid unless the same will be in writing and signed by each of Assignor and Assignee. No waiver by either Assignor or Assignee of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.
20. Any term of provision of this Assignment of Beneficial Interest that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.
21. The language used in this Assignment of Beneficial Interest will be deemed to be the language chosen by Assignor and Assignee to express their mutual intent, and no rule of strict construction will be applied against either Assignor or Assignee.
22. This Assignment of Beneficial Interest shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have duly executed this Assignment to be effective as of the date set forth above.

ASSIGNOR:

Cap Rock Energy Corporation
a Texas corporation

By: 
Name: Ronald Lyon
Title: Vice-President, General Counsel and Secretary

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ASSIGNEE:

**Petra One Energy LP,
a Texas limited partnership**

**By: Cap Rock Energy Corporation
its General Partner**

By: 

Name: Celia Zinn

Title: Vice President/Controller

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EXHIBIT A

PROPERTY

**September 30, 2003 Balance Sheet of
Cap Rock Energy Corporation, a Texas corporation**

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CAP ROCK ENERGY CORPORATION - Schedule A
Unconsolidated Balance Sheet
(In thousands)

	September 30, 2003 (unaudited)
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 8,367
Accounts receivable:	
Electric sales, net	7,682
Other	256
Current portion of notes receivable	-
Purchased power subject to recovery	1,468
Other current assets	609
Total current assets	18,382
Investments and notes receivable	9,449
Utility plant, net	133,600
Nonutility property, net	-
Other assets	5,153
Equity in sub	15,832
Intercompany Balances	4,554
Total Assets	\$ 186,970
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
Current liabilities:	
Current portion of long-term debt	\$ 3,427
Accounts payable:	
Purchased power	652
Other	4,496
Equity redemption credits	63
Purchased power cost subject to refund	46
Accrued and other current liabilities	3,170
Current income tax payable	921
Total current liabilities	12,775
Long-term debt, net of current portion:	
Mortgage notes	141,351
Note payable and other capital leases	339
Total long-term debt	141,690
Deferred credits	3,781
Stockholders' equity:	
Preferred stock, par value \$1 per share, 50,000,000 shares authorized, no shares issued or outstanding	-
Common stock, par value \$.01 per share, 50,000,000 shares authorized, 1,302,355 shares issued and outstanding at December 31, 2002, and _____ issued and _____ shares outstanding at September 30, 2003	17
Paid in capital	12,213
Retained earnings	17,327
Less: Treasury stock of 82,670 shares	(833)
Total stockholders' equity	28,724
Total Liabilities and Stockholders' Equity	\$ 186,970

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AGREEMENT OF LIMITED PARTNERSHIP

of

PETRA ONE ENERGY, L.P.

A TEXAS LIMITED PARTNERSHIP

002172

**AGREEMENT OF LIMITED PARTNERSHIP
OF
PETRA ONE ENERGY, L.P.,
A TEXAS LIMITED PARTNERSHIP**

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**AGREEMENT OF LIMITED PARTNERSHIP
OF
PETRA ONE ENERGY, LP,
A TEXAS LIMITED PARTNERSHIP**

This AGREEMENT OF LIMITED PARTNERSHIP is entered into to be effective as of 30th day of December, 2003 (the "Effective Date"), by and between Cap Rock Energy Corporation, a Texas corporation, as the General Partner, and Petra Energy, LLC, a Nevada limited liability company, as the Limited Partner, pursuant to the provisions of the Texas Revised Limited Partnership Act, on the following terms and conditions:

WHEREAS, the Partners desire to establish a separate entity in order to, among other things, more effectively manage the contract procurement, accounting, cash flow and business activities relating to certain assets held by the Partners; and

WHEREAS, after consultation with and advice from legal counsel for the Partners, the Partners determined that future operations are protected from catastrophic liability more effectively through the segregation of these assets into separate legal entities.

NOW, THEREFORE, in consideration of the mutual covenants, rights, and obligations set forth in this Agreement, the benefits to be derived therefrom, and other good and valuable consideration, the receipt and the sufficiency of which each Partner acknowledges and confesses, the Partners, agree as follows:

**Section I.
THE PARTNERSHIP**

1.1 Organization. The Partners hereby organize the Partnership as a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement.

1.2 Partnership Name. The name of the Partnership shall be Petra One Energy, LP, a Texas limited partnership and all business of the Partnership shall be conducted in such name. The General Partner may change the name of the Partnership upon 10 days notice to the Limited Partner. The Partnership shall hold all of its property in the name of the Partnership and not in the name of any Partner.

1.3 Purpose. The purpose of the Partnership is to provide management and administrative services and to engage in any other business or activity that now or hereafter may be necessary, incidental, proper, advisable, or convenient to accomplish the foregoing purposes (including, without limitation, obtaining financing therefor) and to conduct any other business that is not forbidden by the law of the jurisdiction in which the Partnership engages in such activities.

1.4 Principal Place of Business. The principal place of business of the Partnership shall be 500 West Wall, Suite 400, Midland, Texas 79701. The General Partner shall notify the Limited Partner of any change in the principal office of the partnership.

1.5 Term. This Partnership shall continue until terminated as provided. The Partnership may be terminated and dissolved at any time when the winding up and liquidation of the Partnership and its business is completed following a Liquidating Event, as provided in Section XI hereof. Prior to the time that the certificate of limited partnership (the "Certificate") is filed in the Office of the Secretary of State of Texas, no Person shall represent to third parties the existence of the Partnership or hold himself out as a Partner.

1.6 Filings; Agent for Service of Process.

(a) The General Partner shall cause the Certificate to be filed in the office of the Secretary of State of Texas in accordance with the provisions of the Act. The 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 General Partner shall cause amendments to the Certificate to be filed whenever required by the Act. The General Partner shall cause a certified copy of the Certificate and any amendments thereto to be recorded in the office of the county recorder in every county in Texas in which the Partnership owns real property.

(b) The General Partner shall execute and cause to be filed original or amended Certificates 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 or similar type of entity under the laws of any other states or jurisdictions in which the Partnership engages in business.

(c) The agent for service of process on the Partnership shall be Ronnie Lyon, an individual, having a place of business at 115 S. Travis Street, Sherman Texas 75090 or any such other person or corporation as may be designated by the General Partner and appropriately qualified to serve.

(d) Upon the dissolution of the Partnership, the General Partner, (or, in the event there is no remaining General Partner, any Person elected pursuant to Section 11.1 hereof) shall promptly execute and cause to be filed certificates of dissolution in accordance with the Act and the laws of any other states or jurisdictions in which the Partnership has filed certificates.

1.7 Independent Activities. The General Partner and each Limited Partner may, notwithstanding this Agreement, engage in whatever activities they choose, whether the same or 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. Neither the Partnership nor its Partners has by virtue of this Agreement any right in any independent venture or its income.

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

(a) "Act" means the Texas Revised Limited Partnership Act, as set forth in Article 6132a-1 of Vernon's Civil Statutes, as amended from time to time (or any corresponding provisions of succeeding law).

(b) **"Agreement" or "Partnership Agreement"** means this Agreement of Limited Partnership, as amended from time to time.

(c) **"Capital Contributions"** means, with respect to any Partner, the amount of money and the fair market value of any property (other than money) contributed to the Partnership with respect to the Interest in the Partnership held by such Partner.

(d) **"General Partner"** means the person who (i) is referred to as such in the first paragraph of this Agreement or has become a General Partner pursuant to the terms of this Agreement and (ii) has not ceased to be a General Partner pursuant to the terms of this Agreement.

(e) **"Interest" or "Partnership Interest"** means an ownership interest in the Partnership of the General Partner or a Limited Partner representing a percentage of the total partnership interests held by the General Partner or a Limited Partner pursuant to Sections 2.1 and 2.2, including any and all benefits to which the holder of such an Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

(f) **"Limited Partner"** means (i) Petra Energy, LLC, a Nevada limited liability company, or any Limited Partner who becomes a Limited Partner pursuant to the terms of this Agreement, and (ii) any Limited Partner who holds an Interest. "Limited Partner" means all such Persons.

(g) **"Partners"** means all General Partners and all Limited Partners, where no distinction is required by the context in which the term is used herein. **"Partner"** means any one of the Partners.

(h) **"Partnership"** means the partnership formed pursuant to this Agreement and the partnership continuing the business of this Partnership in the event of dissolution as herein provided.

(i) **"Person"** means any individual, partnership, corporation, trust, or other entity.

(j) **"Property"** means all real and personal property acquired by the Partnership and any improvements thereto. The Property is also referred to herein as the Partnership Property.

(k) **"Transfer"** means, as a noun, any voluntary or involuntary transfer, sale, pledge, hypothecation, or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, pledge, hypothecate, or otherwise dispose of.

Section II.

PARTNERS' CAPITAL CONTRIBUTIONS

2.1 General Partner. Contemporaneously with the execution of this Agreement, the General Partner will contribute to the Partnership \$10.00.

2.2 Limited Partners. Contemporaneously with the execution of this Agreement, the Limited Partner will transfer to the Partnership \$990.00 in exchange for a 99.0% Partnership Interest.

2.3 Additional Capital Contributions. No Partner is required to make additional Capital Contributions without the unanimous consent of the Partners.

2.4 Creation of Additional Partnership Interests. Additional Limited Partnership Interests may be created and issued to existing Partners or to other Persons, and such other Persons may be admitted to the Partnership as Limited Partners, at the direction of the General Partner on such terms and conditions, and with such Interests, as the General Partner may determine at the time of admission. The terms and conditions of such an offering of a new class of limited partner interest will be determined solely by the General Partner. The Partners hereby authorize the General Partner to exercise the power of attorney set forth in Section XII to make all necessary amendments to this Agreement to reflect such an offering of a new class of limited partner interest.

2.5 Other Matters.

(a) Except as otherwise provided in this Agreement, no Partner shall demand or receive a return of his Capital Contributions or withdraw from the Partnership without the consent of all Partners. Under circumstances requiring a return of any Capital Contributions, no Partner shall have the right to receive property other than cash except as may be specifically provided herein.

(b) No Partner shall receive any interest, salary or drawing with respect to his Capital Contributions or for services rendered on behalf of the Partnership or otherwise in his capacity as a Partner, except as otherwise provided in this Agreement.

(c) Except as otherwise provided by this Agreement or by an assumption agreement, no Limited Partner shall be liable for the debts, liabilities, contracts or any other obligations of the Partnership. Except as otherwise provided by this Agreement, any other agreements among the Partners, or applicable state law, a Limited Partner shall be liable only to make his Capital Contributions and shall not be required to lend any funds to the Partnership or, after his Capital Contributions have been paid, to make any additional contributions to the Partnership. No General Partner shall have any personal liability for the repayment of any Capital Contributions of any Limited Partner.

**Section III.
ALLOCATIONS**

3.1 Profits and Losses. All items of income, gain, loss and deduction shall be allocated to the Partners in accordance with their Interests.

Section IV.
DISTRIBUTIONS

4.1 Distributions. Distributions may be declared and paid from time to time by the General Partner. Distributions shall be made to the General Partner and the Limited Partners in accordance with their Interests.

Section V.
MANAGEMENT

5.1 Authority of the General Partner. Except to the extent otherwise provided herein, the General Partner shall have the sole and exclusive right to manage the business of the Partnership and shall have all of the rights and powers which may be possessed by general partners under the Act including, without limitation the right and power to:

(a) acquire by purchase, lease, or otherwise any real or personal property which may be necessary, convenient, or incidental to the accomplishment of the purposes of the Partnership including the authority to acquire real and personal property from the General Partner or any Limited Partner;

(b) operate, maintain, improve, construct and lease any real estate and any personal property necessary, convenient, or incidental to the accomplishment of the purposes of the Partnership;

(c) execute any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the management, maintenance, and operation of Property, or in connection with managing the affairs of the Partnership, including executing amendments to the Agreement and the Certificate in accordance with the terms of the Agreement, pursuant to any power of attorney granted by the Limited Partners to the General Partner;

(d) register or take title to Partnership assets in the Partnership's name or as trustee, with or without disclosing the identity of his or her principal; or permit the securities to be registered in "street name" under a custodial arrangement with an established securities brokerage firm, trust department, or other custodian;

(e) prepay in whole or in part, refinance, recast, increase, modify, or extend any liabilities affecting the Property and in connection therewith execute any extensions or renewals of encumbrances on any or all of the Property;

(f) guarantee the financial transactions of others, with or without charging a fee;

(g) open and maintain bank and investment accounts and arrangements, drawing checks and other orders for the payment of money, and designating individuals with authority to sign or give instructions with respect to those accounts and arrangements;

(h) borrow and lend money; and, in accordance with Section 5.6, allow a Partner to lend money to and transact other business with the Partnership or Partners;

(i) borrow or raise money by issuing, accepting, endorsing or executing notes, drafts, bills of exchange, warrants, bonds, debentures, instruments or evidences of indebtedness; securing the indebtedness by mortgage, pledge, transfer, or assignment in trust of all or any part of the Property; and selling, pledging, or disposing of the Partnership's obligations;

(j) care for and distribute funds to the Partners by way of cash, income, return of capital, or otherwise, all in accordance with the provisions of this Agreement, and perform all matters in furtherance of the objectives of the Partnership or this Agreement;

(k) contract on behalf of the Partnership for the employment and services of employees and/or independent contractors, such as lawyers and accountants, and delegate to such Persons the duty to manage or supervise any of the assets or operations of the Partnership;

(l) engage in any kind of activity, including any other trade, business, or investment activity, and perform and carry out contracts of any kind (including contracts of insurance covering risks to the Property and General Partner liability) necessary or incidental to, or in connection with, the accomplishment of the purposes of the Partnership, as may be lawfully carried on or performed by a partnership under the laws of each state in which the Partnership is then formed or qualified;

(m) take, or refrain from taking, all actions, not expressly proscribed or limited by this Agreement, as may be necessary or appropriate to accomplish the purposes of the Partnership;

(n) institute, prosecute, defend, settle, compromise, and dismiss lawsuits or other judicial or administrative proceedings brought on or in behalf of, or against, the Partnership or the Partners in connection with activities arising out of, connected with, or incidental to this Agreement, and to engage counsel or others in connection therewith; and

(o) withhold any funds due to a Limited Partner who is a foreign Person as may be required by the Code and its promulgated regulations.

In the event of replacement of Cap Rock Energy, Inc. as the General Partner pursuant to Section 11.1 hereof and the Partners appoint more than one Person as the General Partners, the rights and powers of the General Partner hereunder shall be exercised by them in such manner as they may agree. In the absence of an agreement among the General Partners, no General Partner shall exercise any of such rights and powers without the unanimous consent of all General Partners.

5.2 Right to Rely on General Partner. Any Person dealing with the Partnership may rely (without duty of further inquiry) upon a certificate signed by the General Partner as to:

(a) the identity of the General Partner and the Limited Partner;

(b) the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by a General Partner or which are in any other manner germane to the affairs of the Partnership;

(c) the Persons who are authorized to execute and deliver any instrument or document of the Partnership; or

(d) any act or failure to act by the Partnership or any other matter whatsoever involving the Partnership or any Partner.

5.3 Restrictions on Authority of General Partner.

(a) Without the consent of the Partners voting more than 50% of the Interests, no General Partner shall have the authority to:

(i) do any act in contravention of this Agreement;

(ii) do any act which would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement; or

(iii) knowingly perform any act that would subject any Limited Partner to liability as a general partner in any jurisdiction.

(b) Except as otherwise provided by this Agreement, no Limited Partner shall have any right to participate in the management or control of the Partnership or its business and affairs or to act for or bind the Partnership in any way. Any Partner who acts beyond the scope of the authority granted by this Agreement shall, in addition to any other remedy available to the Partnership or the other Partners, be liable in damages to the Partnership and each other Partner for any loss or damages that they may incur or suffer as a consequence of such act.

5.4 Duties and Obligations of General Partner.

(a) The General Partner shall take all actions which may be necessary or appropriate (i) for the continuation of the Partnership's valid existence as a limited partnership under the laws of the State of Texas (and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Limited Partners or to enable the Partnership to conduct the business in which it is engaged) and (ii) for the accomplishment of the Partnership's purposes, including the acquisition, development, maintenance, preservation, and operation of Property in accordance with the provisions of this Agreement and applicable laws and regulations.

(b) The General Partner shall devote to the Partnership such time as may be necessary for the proper performance of all duties hereunder, but the General Partner shall not be required to devote full time to the performance of such duties.

(c) The General Partner shall be under a fiduciary duty to conduct the affairs of the Partnership in the best interests of the Partnership and of the Limited Partners, including the safekeeping and use of all of the Property and the use thereof for the exclusive benefit of the Partnership.

5.5 Indemnification of General Partner.

(a) The Partnership, its receiver, or its trustee shall indemnify, save harmless, and pay all judgments and claims against the General Partner relating to any liability or damage incurred by reason of any act performed or omitted to be performed by such General Partner in connection with the business of the Partnership, including attorneys' fees incurred by such General Partner in connection with the defense of any action based on any such act or omission, which attorneys' fees may be paid as incurred, including all such liabilities under federal and state securities laws (including the Securities Act of 1933, as amended) as permitted by law.

(b) In the event of any action by a Limited Partner against the General Partner, including a Partnership derivative suit, the Partnership shall indemnify, save harmless, and pay all expenses of such General Partner, including attorneys' fees, incurred in the defense of such action, if such General Partner is successful in such action.

(c) The Partnership shall indemnify, save harmless, and pay all expenses, costs, or liabilities of any General Partner who for the benefit of the Partnership makes any deposit, acquires any option, or makes any other similar payment or assumes any obligation in connection with any property proposed to be acquired by the Partnership and who suffers any financial loss as the result of such action.

(d) Notwithstanding the provisions of Sections 5.5(a), 5.5(b), and 5.5(c) above, no General Partner shall be indemnified from any liability for fraud, bad faith or willful misconduct.

5.6 Compensation and Loans.

(a) Compensation and Reimbursement. Except as otherwise provided in this Section 5.6, no Partner shall receive any salary, fee, or draw for services rendered to or on behalf of the Partnership, nor shall any Partner be reimbursed for any expenses incurred by such Partner on behalf of the Partnership.

(b) Expenses. The General Partner may charge the Partnership for any direct expenses reasonably incurred in connection with the Partnership's business.

(c) Loans. Any Person may, with the consent of the General Partner, lend or advance money to the Partnership. If any Partner shall make any loan or loans to the Partnership or advance money on its behalf, the amount of any such loan or advance shall not be treated as a Capital Contribution but shall be a debt due from the Partnership. The amount of any such loan or advance by a lending Partner shall be repayable out of the Partnership's cash and shall bear interest at such rate as the General Partner and the lending Partner shall agree. If the General Partner is the lending Partner, the rate of interest shall be determined by the General Partner taking into consideration, without limitation, prevailing interest rates and the interest rates such General Partner is required to pay in the event such General Partner has itself borrowed funds to loan or advance to the Partnership. None of the Partners shall be obligated to make any loan or advance to the Partnership.

5.7 Operating Restrictions.

(a) All Property in the form of cash not otherwise invested shall be deposited in one or more accounts maintained in such financial institutions as the General Partner shall determine or shall be invested in short-term liquid securities or shall be left in escrow and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the General Partner may determine from time to time.

(b) The signature of an officer of the General Partner shall be necessary and sufficient to convey title to any real property owned by the Partnership or to execute any promissory notes, trust deeds, mortgages, or other instruments of hypothecation, and all of the Partners agree that a copy of this Agreement may be shown to the appropriate parties in order to confirm the same, and further agree that the signature of an officer of the General Partner shall be sufficient to execute any "statement of partnership" or other documents necessary to effectuate this or any other provision of this Agreement. All of the Partners do hereby appoint the General Partner as their attorney-in-fact for the execution of any or all of the documents described herein.

Section VI. ROLE OF LIMITED PARTNERS

6.1 Rights or Powers. Except as otherwise set forth in Section 6.2 hereof, no Limited Partner shall have any right or power to take part in the management or control of the Partnership or its business and affairs or to act for or bind the Partnership in any way.

6.2 Voting Rights. The Limited Partners shall have the right to vote only on the matters explicitly set forth in this Agreement.

Section VII. BOOKS AND RECORDS AND TAX STATUS

7.1 Books and Records. The Partnership shall keep adequate books and records at its principal place of business, setting forth a true and accurate account of all business transactions arising out of and in connection with the conduct of the Partnership. Any Partner or his designated representative shall have the right, at any reasonable time, to have access to and inspect and copy the contents of such books or records.

7.2 Annual Reports. Within a reasonable period after the end of each Partnership fiscal year, each Partner shall be furnished with pertinent information regarding the Partnership and its activities during such period.

7.3 Tax Status. The Limited Partner of the Partnership is a single-member limited liability companies owned by the General Partner, and thus is treated as a disregarded entity for purposes of federal income tax laws. Thus, the Partners hereby state their intent that the Partnership shall be treated as a disregarded entity for purposes of federal tax laws and further state that they will not take any position or make any election in a tax return or otherwise inconsistent herewith. In furtherance of the foregoing, the Partnership will include its results of operations as part of the federal corporate income tax return of the General Partner.

Section VIII.
AMENDMENTS: MEETINGS

8.1 Amendments. Except as otherwise expressly provided in this Agreement, amendments to this Agreement may be proposed by the General Partner or any Limited Partner. Following such proposal, the General Partner shall submit to the Limited Partners a verbatim statement of any proposed amendment, providing that counsel for the Partnership shall have approved of the same in writing as to form, and the General Partner shall include in any such submission a recommendation as to the proposed amendment. The General Partner shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require response within a reasonable specified time, but not less than 15 days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal. Except as otherwise expressly provided in this Agreement, a proposed amendment shall be adopted and be effective as an amendment hereto if it receives the vote of the General Partner and a simple majority of the Interests of the Limited Partners.

8.2 Meetings of the Partners.

(a) Meetings of the Partners may be called by the General Partner. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or consent of Partners is permitted or required under this Agreement, such vote or consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 8.1 hereof. Except as otherwise expressly provided in this Agreement, the vote of majority in Interest of the Partners shall control.

(b) At least once a year, as soon as possible after the financial statements are completed, a meeting may be held for all Partners. The General Partner will review and discuss the financial statements at the meeting and report to the Limited Partners the Partnership's financial condition. All partners must receive prior notice of the meeting date, time, and place. Failure to have an annual meeting, however, is not a breach of this Agreement.

(c) For the purpose of determining the Partners entitled to vote on, or to vote at, any meeting of the Partners or any adjournment thereof, the General Partner or the Limited Partners requesting such meeting may fix, in advance, a date as the record date for any such determination. Such date shall not be more than 30 days nor less than 10 days before any such meeting.

(d) Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

(e) Each meeting of Partners shall be conducted by such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

Section IX.

TRANSFERS OF INTERESTS

9.1 Transfers. Except as otherwise provided in this Section IX, any Limited Partner may sell, assign, transfer, encumber, or otherwise dispose of all or a portion of his Interest in the Partnership without the prior written consent of any other Partner. An assignee of a Limited Partnership Interest shall be entitled to those rights set forth in the Act and may be admitted as a Limited Partner with the written consent of the General Partner and a majority in Interests of the Limited Partners.

9.2 Involuntary Withdrawal. In the event that any of the following events occur with respect to a Partner, such Partner shall be deemed to be a withdrawing Partner hereunder. The non-withdrawing Partners shall have the option to purchase the Partnership Interest of such withdrawing Partner for the purchase price provided in Section 9.3. The events are as follows:

- (a) A Partner files a voluntary petition in bankruptcy or shall be adjudicated to be bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy law or any present or future applicable state, federal or other law relative to bankruptcy, insolvency or other relief for debts;
- (b) Any Partner shall seek or consent to or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such Partner, or of all or any substantial part of its properties or its Partnership Interest;
- (c) If a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against a Partner seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any present or future applicable state, federal or other law relating to bankruptcy, insolvency or other relief of debtors and such Partner shall acquiesce in the entry thereof;
- (d) Any trustee, receiver, conservator or liquidator of such Partner or of all or any substantial part of its properties or its Partnership Interest shall be appointed without the consent or acquiescence of such Partner and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive);
- (e) If a Partner makes an assignment for the benefit of creditors or takes any similar action for the protection or benefit of creditors; and
- (f) Any Partner shall admit in writing its inability to pay its debts as they mature or give notice to any governmental body of its insolvency or suspension of operations or initiate proceedings to dissolve or liquidate.

For the purpose hereof, a Partner shall be considered to acquiesce in an order, judgment or decree if such Partner does not file a petition or motion to vacate or discharge the same within twenty-one (21) days after its entry.

9.3 Purchase Price. In the event of a sale between Partners pursuant to Section 9.2 hereof, the purchase price which shall be paid by the acquiring Partner to the withdrawing Partner shall be an amount equal to the sum of the withdrawing Partner's Capital Contributions, reduced by any distributions made pursuant to Section 4.1.

9.4 Condition to Transfer. The initial Partners are those Partners who executed this Agreement as General and Limited Partners on the Effective Date. After the Effective Date, no Person may be admitted as a Partner except as provided in this Agreement and the Act. Once the Person is admitted as a Partner, the Person has the rights and obligations of a Limited Partner or General Partner, as applicable. Any new Partner will be required to accept and assume, in writing, this Agreement's terms and conditions. With respect to any transfer of a Partnership Interest, including, without limitation, any Permitted Transfer, each transferee to whom a Partnership Interest is transferred shall upon the written request of the General Partner, as a condition to such transfer, deliver to the General Partner (i) an opinion of counsel addressed to the Partnership and in form and substance satisfactory to the Partnership and its counsel to the effect that (a) the transfer of such Partnership Interest does not require registration under the Securities Act of 1933, as amended, or under applicable state securities or blue sky laws, (b) after giving effect to such transfer, the Partnership will not be subject to registration under the Investment Company Act of 1940, as amended.

Section X. **GENERAL PARTNERS**

10.1 Additional General Partners. Except as provided in this Section X and Section 11.1 hereof, no Person shall be admitted to the Partnership as a General Partner without the unanimous consent of the Partners.

10.2 Covenant Not to Withdraw, Transfer or Dissolve. Except as otherwise permitted by this Agreement, the General Partner hereby covenants and agrees not to (a) withdraw or attempt to withdraw from the Partnership, (b) exercise any power under this Act to dissolve the Partnership, or (c) Transfer all or any portion of his Interest in the Partnership as a General Partner. Further, the General Partner hereby covenants and agrees to continue to carry out the duties of a General Partner hereunder until the Partnership is dissolved and liquidated pursuant to Section XI hereof. A General Partner will, however, be removed upon at least a majority of the Interests of the Limited Partners agreeing if:

(a) A General Partner materially breaches the General Partner's obligations and does not cure, or commence and diligently prosecute curing, the breach within 90 days after notice of the breach by any Limited Partner; or

(b) The General Partner commits any act or omission of fraud or malfeasance to the Partnership's injury.

10.3 General Partner's Withdrawal Constitutes a Breach of this Agreement. If a General Partner withdraws in violation of this Section X, the withdrawal will be treated as breaching this Agreement. The Partnership may recover damages from the withdrawing Partner, including the reasonable cost of replacing the services the withdrawing Partner was obligated to perform. The Partnership may, in addition to pursuing any remedies otherwise available under applicable law, recover from the withdrawing Partner by offsetting any damages against any amount otherwise distributable to the withdrawing Partner.

10.4 Election of New General Partners. Any Partner may nominate one or more Persons for election as additional General Partners. The election of an additional General Partner shall require an affirmative vote of all of the Partners.

Section XI.

DISSOLUTION AND WINDING UP

11.1 Liquidating Events. The Partnership shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

- (a) December 31 of the year following the expiration of 75 years from the Effective Date;
- (b) The sale of all or substantially all of the Property;
- (c) The unanimous written consent of all the Partners to dissolve, wind up, and liquidate the Partnership;
- (d) the bankruptcy, dissolution, liquidation or withdrawal of any Partner;
- (e) The happening of any other event that makes it unlawful, impossible, or impractical to carry on the business of the Partnership; or
- (f) Any event which causes there to be no General Partner.

The Partners hereby agree that, notwithstanding any provision of the Act or the Texas Uniform Partnership Act, the Partnership shall not dissolve prior to the occurrence of a Liquidating Event. Furthermore, if an event specified in Section 11.1(f) hereof occurs, the Limited Partners may, within 90 days of the date such event occurs, unanimously vote to elect a successor General Partner and continue the Partnership business, in which case the Partnership shall not dissolve. If it is determined, by a court of competent jurisdiction, that the Partnership has dissolved (i) prior to the occurrence of a Liquidating Event, or (ii) upon the occurrence of an event specified in Section 11.1(f) hereof following which the Limited Partners elect a successor General Partner pursuant to the previous sentence, the Partners hereby agree to continue the business of the Partnership without a winding up or liquidation.

11.2 Winding Up. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a majority in interest of the Limited Partners) (the

"Liquidator") shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and Property. The Liquidator may sell any or all Partnership Property, including to Partners, and any resulting gain or loss from each sale shall be computed and allocated to the Partners in accordance with the provisions of Section III and make final distributions as provided herein and in the Act. With respect to all Partnership Property that has not been sold, the fair market value of that Property shall be determined and the unrealized income, gain, loss, and deduction inherent in Property shall be allocated among the Partners as if there were a taxable disposition of that Property for the fair market value of that Property on the date of distribution. Partnership Property shall be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the General Partner;

(b) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the Partners; and

(c) Thereafter, any remaining distributions shall be made to the General Partner and the Limited Partners in accordance with their Interests.

No General Partner shall receive any additional compensation for any services performed pursuant to this Section XI.

11.3 Rights of Limited Partners. Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of his Capital Contribution and shall have no right or power to demand or receive property other than cash from the Partnership. No Limited Partner shall have priority over any other Limited Partner as to the return of his Capital Contributions, distributions, or allocations. Except as provided in this section, no Limited Partner may cause the Partnership's dissolution and winding up by court decree or otherwise.

11.4 Notice of Dissolution. In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 11.1, result in a dissolution of the Partnership, the General Partner shall, within 30 days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

11.5 Liability for Indebtedness Secured by Assets Distributed in Kind. If the Partnership makes distributions in kind of Property that secures indebtedness, each Partner receiving the distribution of Property subject to the indebtedness will be severally liable for a share of the indebtedness proportionate to the share of the Property distributed to each Partner. The several liability will be among each Partner but not for the benefit of others. No Partner will, however, be deemed to have assumed any personal liability on any indebtedness secured by Property distributed to any Partner for which the Partner is not liable under the terms of the instrument creating the indebtedness beyond the value of the Property that secures such liability. Additionally, each Partner's liability to other Partners for indebtedness secured by Property distributed to the Partner will be limited to the value of the Partner's interest in the Property.

Indebtedness secured by Property distributed to Partners in kind need not be discharged from the Partnership's liquidation proceeds.

Section XII.
POWER OF ATTORNEY

12.1 General Partner as Attorney-In-Fact. Each Limited Partner hereby makes, constitutes, and appoints the General Partner and any successor General Partner, with full power of substitution and resubstitution, his true and lawful attorney-in-fact for him and in his name, place, and stead and for his use and benefit, to sign, execute, certify, acknowledge, swear to, file, and record (a) this Agreement and all agreements, certificates, instruments, and other documents amending or changing this Agreement as now or hereafter amended which the General Partner may deem necessary, desirable, or appropriate including, without limitation, amendments or changes to reflect (i) the exercise by any General Partner of any power granted to him under this Agreement; (ii) any amendments adopted by the Partners in accordance with the terms of this Agreement; (iii) the admission of any substituted Partner; and (iv) the disposition by any Partners of his Interest in the Partnership; and (b) any certificates, instruments, and documents as may be required by, or may be appropriate under, the laws of the State of Texas or any other state or jurisdiction in which the Partnership is doing or intends to do business. Each Limited Partner authorizes each such attorney-in-fact to take any further action which such attorney-in-fact shall consider necessary or advisable in connection with any of the foregoing, hereby giving each such attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever requisite or advisable to be done in connection with the foregoing as fully as such Limited Partner might or could do personally, and hereby ratifying and confirming all that any such attorney-in-fact shall lawfully do or cause to be done by virtue thereof or hereof.

12.2 Nature of Special Power. The power of attorney granted pursuant to this Section XII:

- (a) is a special power of attorney coupled with an interest and is irrevocable;
- (b) may be exercised by any such attorney-in-fact by listing the Limited Partners executing any agreement, certificate, instrument, or other document with the single signature of any such attorney-in-fact acting as attorney-in-fact for such Limited Partners; and
- (c) shall survive the death, disability, legal incapacity, bankruptcy, insolvency, dissolution, or cessation of existence of a Limited Partner and shall survive the delivery of an assignment by a Limited Partner of the whole or a portion of his Interest in the Partnership, except that where the assignment is of such Limited Partner's entire Interest in the Partnership and the assignee, with the consent of the General Partner, is admitted as a substituted Limited Partner, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling any such attorney-in-fact to effect such substitution.

Section XIII.
MISCELLANEOUS

13.1 Notices. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the Person or to an officer of the Person to whom the same is directed, or sent by regular, registered, or certified mail, addressed as follows, or to such other address as such Person may from time to time specify by notice to the Partners:

- (a) If to the Partnership, at the address set forth in Section 1.4 hereof;
- (b) If to the General Partner, to the following address:

Cap Rock Energy Corporation
500 West Wall, Suite 400
Midland, TX 70701

If to the Limited Partner, to the following address:
Petra Energy, LLC
C/o Joshua Miller
KeyState Corporate Management
P.O. Box 50401
Henderson, Nevada 89016

Any such notice shall be deemed to be delivered, given, and received for all purposes as of the date so delivered, if delivered personally or if sent by regular mail, or as of the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, if sent by registered or certified mail, postage and charges prepaid. Any Person may from time to time specify a different address by notice to the Partnership and the Partners.

13.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, legatees, legal representatives, successors, transferees, and assigns.

13.3 Construction. Every covenant, term, and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Partner.

13.4 Time. Time is of the essence with respect to this Agreement.

13.5 Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof.

13.6 Severability. If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be severed from the remainder of this Agreement, and the remainder of this Agreement shall be enforced. In addition, the invalid, illegal or unenforceable provision shall be deemed to be automatically modified, and, as so modified, to be included in

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this Agreement, such modification being made to the minimum extent necessary to render the provision valid, legal and enforceable. Notwithstanding the foregoing, however, if the severed or modified provision concerns all or a portion of the essential consideration to be delivered under this Agreement by one party to the other, the remaining provisions of this Agreement shall also be modified to the extent necessary to equitably adjust the parties' respective rights and obligations hereunder.

13.7 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.

13.8 Further Action. Each Partner, upon the request of the General Partner, agrees to perform all further acts and execute, acknowledge, and delivery any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

13.9 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

13.10 Governing Law. The laws of the State of Texas shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Partners.

13.11 Waiver of Action for Partition. Each of the Partners irrevocably waives any right that he may have to maintain any action for partition with respect to any of the Partnership Property.

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

13.13 Sole and Absolute Discretion. Except as otherwise provided in this Agreement, all actions which the General Partner may take and all determinations which the General Partner may make pursuant to this Agreement may be taken and made at the sole and absolute discretion of such General Partner.

13.14 Creditors. No provision of this Agreement will be for the benefit of or enforceable by any creditors of the Partnership or other third parties.

13.15 Waiver. No failure by any Partner to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach of this Agreement constitutes waiver of any breach or any other covenant, duty, agreement, or condition.

13.16 Offset. Whenever the Partnership is to pay any sum to any Partner, any amounts that Partner owes the Partnership may be deducted from that sum before payment.

13.17 Disclosure. Each Partner acknowledges that he, she, or it:

(a) was urged in advance by the attorney who prepared this Agreement to secure separate independent legal counsel in connection with signing and making this Agreement and its effect upon each of them and their marital Property;

(b) has carefully read and understood this Agreement;

(c) is signing and making this Agreement voluntarily; and

(d) has been provided a fair and reasonable disclosure of the property and financial obligations of the other parties and voluntarily and expressly waives in this writing any right to disclosure of the Property and the other Partner's financial obligations beyond the disclosure provided.

IN WITNESS WHEREOF, the parties have entered into this Agreement of Limited Partnership as of the day first above set forth.

GENERAL PARTNER:

Cap Rock Energy Corporation
A Texas Corporation

By: 

Name: Ronald Lyon

Title: VP/General Counsel and Secretary

LIMITED PARTNER:

Petra Energy, LLC,
a Nevada limited liability company

By: 

Name: Joshua Miller

Title: Manager

**SOAH DOCKET NO. 473-04-3554
PUC DOCKET NO. 28813**

**CAP ROCK ENERGY CORPORATION'S RESPONSES TO
PIONEER NATURAL RESOURCES, USA, INC.'S
FIRST REQUESTS FOR INFORMATION**

Pioneer 1-37: (Atkins, Schedule LDA-2) Explain the 100%, LP 99%, and GP 1% percentages shown in Schedule LDA-2 for Cap Rock Energy Corporation, Petra Energy, LLC and Petra One Energy, LP. Describe the date of origin, creation, history, purpose, management, structure, source, and reason for such percentages. Provide the legal or accounting basis for such percentages. Provide the calculations producing such percentages. Identify and describe any legal, regulatory, accounting, tax, audit, financial, or management basis for such percentages. Provide supporting documents.

RESPONSE:

The 100% means that Cap Rock Energy Corporation is the sole member of Petra Energy, LLC and therefore owns 100% of the Company. The 99% means that Petra Energy, LLC owns 99% of Petra One Energy, L.P. The GP 1% means that Cap Rock Energy Corporation owns a 1% interest and is the General Partner of Petra One Energy, L.P. See responses to Pioneer RFI Nos. 1-35 and 1-36 above. There is no legal or accounting basis for such percentages and calculations. Further, there is no legal, regulatory, accounting, tax, audit, financial, or management basis for such percentages. Such percentages were established through the tax planning process with the assistance of experts retained by Cap Rock Energy Corporation.

Prepared by: Ronald W. Lyon

Sponsored by: Lee D. Atkins

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**SOAH DOCKET NO. 473-04-3554
PUC DOCKET NO. 28813**

**CAP ROCK ENERGY CORPORATION'S RESPONSES TO
PIONEER NATURAL RESOURCES, USA, INC.'S
FIRST REQUESTS FOR INFORMATION**

Pioneer 1-38: (Atkins, Schedule LDA-2) Explain the "Beneficial Interest" in Petra One Energy, LP shown in Schedule LDA-2. Describe the date of origin, creation, history, purpose, management, structure, source, and reason for such interest. Identify and describe any legal, regulatory, accounting, tax, audit, financial, or management basis for such percentages. Provide supporting documents.

RESPONSE:

The beneficial interest that was shown in Schedule LDA-2 refers to Petra One Energy, L.P.'s beneficial interest in 100% of the assets of Cap Rock Energy Corporation. See responses to Pioneer RFI Nos. 1-35, 1-36 and 1-37 above.

Prepared by: Ronald W. Lyon

Sponsored by: Lee D. Atkins