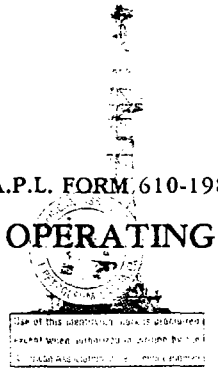
Exhibit 4

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT



OPERATING AGREEMENT

DATED

JULY 17, 19 95,

OPERATOR MERIDIAN OIL INC.

CONTRACT AREA TOWNSHIP 25 NORTH, RANGE 3 WEST, N.M.P.M.

SECTION 22: E/2

MESAVERDE FORMATION

COUNTY OR PARISH OF RIO ARRIBA STATE OF NEW MEXICO

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between MERIDIAN OIL INC. hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, ~~oil and gas leasehold interests and oil and gas interests~~ are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to this agreement,
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Percentages or fractional interests of parties to this agreement,
- ~~(4) Oil and gas leases and/or oil and gas interests subject to this agreement~~,
- (5) Addresses of parties for notice purposes.

☒ ~~B. Exhibit "B", Form of Lease~~

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

☐ ~~G. Exhibit "G", Tax Partnership~~.

If any provision of any exhibit, except Exhibits "E" ~~and "G"~~, is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreem and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner ther shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne a paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to payment of royalties to the extent of one eighth (1/8) which shall be borne as hereinafter set for

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price rece by such party, to any other party's lessor or royalty owner, and if any such other party's lessor or royalty owner should demand receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any roya overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from and all claims and demands for payment asserted by owners of such excess burden.

D. Subsequently Created Interests:

If any party should hereafter create an overriding royalty, production payment or other burden payable out of product attributable to its working interest hereunder, ~~or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", is not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged accepted obligation of all parties,~~ any such interest being hereinafter referred to as "subsequently created interest" ~~irrespective of timing of its creation~~ and the party out of whose working interest the subsequently created interest is derived being hereinafter refer to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a port of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other par or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created inter and,

2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest the burdened party.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be inclu ed, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overridi royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil a gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease stat reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator sh cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each par hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplement shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C" and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

Σ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests; and,

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. **Designation and Responsibilities of Operator:**

MERIDIAN OIL INC. shall be Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it s have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from g negligence or willful misconduct.

B. **Resignation or Removal of Operator and Selection of Successor:**

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operat If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of servin Operator. Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Oper may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remai after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or ac by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an ea date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a porate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shal be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selecte the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such succ Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority int based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes on succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. **Employees:**

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor an compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operat

D. **Drilling Contracts:**

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. I desires. Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prev rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commence such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts dependent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. **Initial Well:**

On or before the 31 day of DECEMBER, 19 95, Operator shall commence the drilling or re of a w oil and gas at the following location:

E/2 SECTION 22, T-25-N, R-03-W, N.M.P.M.

and shall thereafter continue the drilling or recompletion of the well with due diligence to

A DEPTH SUFFICIENT TO TEST THE MESAVERDE FORMATION.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling or recomp impractical countered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling or recompletion which give indication of containing gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in event Operator shall be required to test only the formation or formations to which this agreement may apply.

ARTICLE VI
continued

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon t well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provi for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective for tion and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the no within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a d ing rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shal limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply wit the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the no period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on lo tion, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all t ties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other part for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obt permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title amination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in acc dance with the provisions hereof as if no prior proposal had been made.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Op No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or par giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling r on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operato a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed op tion for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. C senting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and c ditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applic notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendatio to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) h (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit ticipation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitte such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing pa at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decis

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they h elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in s operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Par If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at t sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a p ducer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and r

ARTICLE VI
continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respecuve interests, all of such Non-Consenting Party's interest in the well and share of production thereirom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, windfall profit taxes, royalty, overriding royalty and other interests not excepted by Article III.D, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, windfall profit gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the prod therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plu back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further c the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no well be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unles well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initi after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed fo duction, ceases to produce in paying quantities.

3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice propo reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or de ing operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whic first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second matical paragraph of Article VI.B.2, shall be charged to and borne as part of the proposed operation, but if the proposal is subseq withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the propo each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consentin ties.

4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operatio also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottor location (herein called "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

(a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incur the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance wi provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may reque receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-b incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electin ty's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all oth stances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract exclusive of production which may be used in development and producing operations and in preparing and treating oil and g marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition b party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind s

ARTICLE VI
continued

required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

D. *Access to Contract Area and Information:*

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. **Abandonment of Wells:**

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not* agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhi

* Failure of any Party to respond within the said thirty (30) day period shall be deemed consent to the proposed abandonment.

ARTICLE VI
continued

"B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment interests in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. **Liability of Parties:**

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. **Liens and Payment Defaults:**

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the liens, rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. **Payments and Accounting:**

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

C-1: Cost & Expense of Dual Completion Well: See pages 9A through 9E.

D. **Limitation of Expenditures:**

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

C-1. COSTS AND EXPENSES OF DUAL COMPLETION WELL

The entire costs and expenses involved in drilling, completing, operating, and reworking said well, in the event said well is completed in more than one formation or in plugging and abandoning if said well is a dry hole or non-commercial well in either or both formations, shall be borne by the parties hereto in accordance with the following provisions:

A. Definitions

"Shallow Owners/Fruitland Coal Owners":

the working interest owners in the Unit Area, owning the working interest in and to the shallower (Fruitland Coal) formation of a well to be drilled or which is completed in two formations.

"Deep Owners/Pictured Cliffs Owners":

the working interest owners in the Unit Area, owning the working interest in and to the deeper (Pictured Cliffs) formation of a well to be drilled or which is completed in two formations.

"Salvage/Salvable Value":

the fair market value of equipment and material at the surface, after deduction of such expenses as would be necessary to remove any such equipment and material from the hole.

B. Formula for Allocation of Costs for Drilling and Completing Dual Wells

Whenever in this Agreement it is provided that costs will be borne by Shallow Owners and Deep Owners in accordance with this subsection B, the following procedures will be used:

1. At the same time Shallow and Deep Owners separately agree to the drilling of a well to be projected to dual formations, both such categories of Owners shall approve an estimate prepared by Unit Operator of the total costs of drilling and completing said well to the wellhead in both formations. The estimated total costs shall be divided into the following categories:

(a) Costs to be incurred above the base of the shallower of the two formations, except those set forth in subsection B.1.(c) hereof.

(b) Costs to be incurred below the base of the shallower of the two formations.

(c) Costs attributable to testing and completing in the shallower formation.

2. The actual costs of drilling, completing, testing and equipping the well will be accumulated among the three categories set forth hereinabove, and upon completion of the well, these actual costs will be paid by the obligated parties as follows:

(a) Costs incurred above the base of the shallower formation except those set forth in the subsection B.1.(c) hereof will be shared equally by and between Shallow Owners and Deep Owners.

(b) The costs incurred below the base of the shallower formation shall paid by Deep Owners.

(c) Costs attributable to testing and completing in the shallower formation shall be paid by Shallow Owners.

C. Drilling and Completing Dual Wells

Costs of drilling, testing, treating, equipping and completing wells to the wellhead which are begun with the objective of dual completion and which are completed as dual wells shall be borne bythe Shallow Owners and by the Deep Owners in accordance with the provisions of said Subsection B. The material and equipment thereof shall be owned by the party or parties paying the cost thereof pursuant to said subsection B. Shallow Owners and Deep Owners shall respectively own all oil and gas produced from their respective formations. Upon abandonment of the well if dry in both formations, costs of plugging and abandoning shall be shared equally by and between Shallow Owners and Deep Owners.

D. Completion of Well in Shallower Formation but Abandoned as to Deep Formation.

In the event that a well begun with the objective of dual completion is drilled to the deeper formation and results in discovery of oil and gas in paying quantities in the shallower formation but is dry in the deeper formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and Deep Owners in accordance with said subsection B. All costs of equipping the well shall be borne by Shallow Owners. Further, Shallow Owners shall pay to Deep Owners the salvable value of the Owners. Thereafter Shallow Owners shall own all material and equipment acquired in the drilling and completing of said well. Shallow Owners shall own all oil and gas produced from the shallow formation and shall bear all costs of plugging and abandoning of the well.

E. Completion of Well in Deeper Formation but Abandoned as to Shallower Formation

In the event that a well begun with the objective of dual completion results in discovery of oil and gas in paying quantities in the deeper formation, but dry in the shallower formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and the Deep Owners in accordance with the provisions of said subsection B. All costs of equipping the well shall be borne by Deep Owners. Further, Deep Owners shall pay to Shallow Owners the salvable value of the material and equipment or share thereof paid for or furnished by Shallow Owners. Thereafter, Deep Owners shall own all material and equipment acquired in the drilling and completion of such well. Deep Owners shall own all oil and gas produced from the deeper formation, and shall bear all costs of plugging and abandoning the well.

F. Abandonment as to One Formation After Completion of Well in Both Formations

In the event that, after completion of a dual well, the working interest owners of one formation should decide to abandon the well as to their formation, the working interest owners of the remaining producing formation shall pay to the working interest owners of the formation to be abandoned, the salvage value of equipment belonging to the owners of the formation to be abandoned. The owners of the

formation to be abandoned shall pay for the abandonment of that formation. After payment of the amount provided for above, the working interest owners of the formation from which the well continues to produce shall own all of such equipment. The working interest owners of the producing formation, shall also bear all costs of plugging and abandoning upon later abandonment of the well as to their formation.

G. Deepening a Shallow Well or Converting a Deeper Well for Dual Completion

Before any well which is completed in a single formation may be deepened, or perforated at a shallower depth for purposes of completion as a dual well, the working interest owners of both formations must approve the operation. The owners desiring to attempt dual completion of said well shall pay to the owners of the single formation completion the salvable value of the material and equipment, or share thereof, furnished by the owners of the single zone completion, and thereafter the material and equipment shall be owned proportionately pursuant to the terms of Article VII., Section C.1.B. hereof. If the operation should result in an impairment of production from, or a loss of, the existing well, the provisions of Section J. shall govern unless otherwise provided for in the approval.

H. Allocation of General Operating and Maintenance Costs in Dual Wells

After completion of a dual well, the costs of producing operations shall be borne by the working interest owners of the two formations as follows:

1. The completion of each separate formation shall be treated as a separate well for overhead and district and camp expense. Such expense shall be borne by the working interest owners of the respective formations as a separate cost allocable to their interest.

2. Each formation shall bear all costs of normal producing operations, including costs of labor, repairs, maintenance and replacement of equipment attributable to such formation. All costs of operations performed for the joint benefit of both formations shall be borne on a per well basis by the Shallow Owners to the extent of 50% of the total cost, and by the Deep Owners to the extent of 50% of total cost.

I. Allocation of Cost of Workover Operations for Both Formations

After completion of a dual well, the costs of any workover or other operations on such well involving both formations shall be borne by the working interest owners of such formations as follows:

1. The costs of any operations which is directly related to one formation, including but not limited to operations such as treatments and perforations, shall be borne by the working interest owners of the formation for which the operation is performed.

2. All costs of material, equipment, repairs, replacements and labor not directly related to one formation, including but not limited to repair and correction of leaks which may result in communication between the two formations within the wellbore shall be borne by the Shallow Owners to the extent of 50% of the total cost and by Deep Owners to the extent of 50% of the total cost.

3. Any material and equipment acquired by any such expenditures provided for in subsection I.1 and I.2 above shall be owned by the Shallow Owners and the Deep Owners so as to be consistent with the ownership of the material and equipment as set forth in said subsection C.

4. The working interest owners of each formation shall not be responsible for nor be charged with any loss of production from any other formations during any such operation.

J. Workover Operations of One Formation

After completion of a dual well, any subsequent workover, deepening, plugging back, or other operations or repair as to one formation only of such well, which requires a separation of the formations for the repair or other work on any portion of the well, shall be governed by the provisions which follow:

1. The proposed plan of operation must be approved in accordance with Article VI.B or Article VII.D.2 of this Operating Agreement.

2. The costs and expenses of any such operations will be borne by the working interest owners of such well in the formation to be worked upon.

3. The working interest owners bearing the cost of the operation shall not be liable to the working interest owners of the formation not being worked upon for cessation of production during such operations for a period of time not exceeding a total of sixty (60) days. In the event such cessation of production during operations is for a longer period of time, the working interest owners of the formation being worked upon, hereinafter referred to as Remedial Owners, shall pay to theworking interest owners of the formation not being worked upon, hereinafter referred to as Damaged Owners and Damaged Owners jointly for loss of production occurring after a sixty (60) day period.

4. If such operations disturb or remove the means of separation of the two formations in the wellbore or otherwise require a cessation of production from the other formation not being reworked, the operator shall, before and after the operation, conduct a test of the well as to such other formation for the purpose of determining whether or not the producing capacity as to said formation has been impaired, by employing the procedure as set forth as follows:

(a) For an oil well producing capacity will be measured by actual production obtained for thirty (30) producing days immediately preceding the workover and compared with the actual production for thirty (30) producing days immediately following the workover operations. If either the conditions or equipment have in any way been changed during the period of comparison, then the production figures obtained shall be corrected by calculation to account for any such change or changes.

(b) With respect to gas wells connected to a gas gathering system, the producing capacity shall be determined by the actual production before and after the workover and shall be the thirty (30) days in which there was actual production into the line immediately before or after the workover as applicable with the well producing under similar pressure differential and other conditions. If the producing conditions or equipment size are different or the well is not connected to a gathering system, an appropriate applicable method will be utilized to determine the effect on deliverabilities which the workover has caused.

(c) If the producing capacity of the well as to such other formation has been reduced in excess of twenty percent (20%), damages will be deemed to have occurred. If damage has occurred, the rights and liabilities between Remedial Owners and Damaged Owners shall be adjusted in accordance with the provision set out below:

Remedial Owners may at their sole cost, risk and expense attempt to restore the well to 80% of its former capacity or may pay to Damaged Owners the cost of a replacement well completed in the damaged formation. If the attempt is unsuccessful, or if no attempt is made, and if the cost of a replacement well is not so paid, Remedial Owners shall pay damages to Damaged Owners in an amount determined by the following formula:

Damage Payment = Cost of Replacement Well

$$X\left(1 - \frac{A}{0.80B}\right)$$

A = The capacity of the well from the damaged formation after the workover or other operation or after completion of any further work to restore the well as to the damaged formation which the Remedial Owners elect to perform.

B = The capacity of the well from the damaged formation before the workover or other operation which impaired the producing capacity of such well.

In no event, however, shall the amount of damages, computed in the manner hereinabove provided, exceed the value of the remaining recoverable reserves (less cost of recovery) of the formation as to which the well was damaged which could havebeen recovered from such well if it had not been damaged. If more than one capacity test is made after completion of the election of Remedial Owners, the last capacity obtained in such testing will be used in calculating the reduction of capacity. The Remedial Owners will pay such damages within fifteen (15) days following the date the amount of damages is determined. Payment of damages will not alter the ownership of formations or equipment except if full cost of a replacement well is paid; Remedial Owners shall own all material and equipment on or used in connection with the damaged well and shall bear all costs of plugging and abandonment. If an attempt to restore the well to 80% of its former capacity is made and such attempt is successful, Remedial Owners shall have no further liability.

5. It is understood, however, that liability for loss or damages shall not accrue hereunder if: (1) in the workover of the shallow formation such loss or damage exists prior to actual commencement of the operations to be performed in said formation, or, in workover of the deep formation, loss or damage exists prior to penetration of workover equipment below the base of the shallow formation, and (2) the evidence is conclusive that the loss or damage resulted solely from the previously existing poor mechanical condition of the well.

K. Allocation of Overhead and District Expense in Dual Completion Operations

As to any well which was begun with the objective of dual completion and as to any well on which work is begun to deepen or to convert it into a dual completion, overhead charges during drilling shall be billed as though the well were a single well to be drilled to test the deepest formation, and for purposes of allocating district expense among wells, each drilling well shall be treated as one well. Upon completion of such a well, each formation in which the well is completed shall be treated as a separate well for the purposes of charging overhead and allocating field expenses.

ARTICLE VII
continued

XX Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, inclu necessary tankage and/or surface facilities.

☐ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reache authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate n to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-((48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completio tempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such wel cluding necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the pa elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plug back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well rework plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tan and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estim to require an expenditure in excess of twenty-five thousand Dollars ($ 25,000.00 except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other su emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are req to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the c parties. ~~If Operator elects to authorize any expenditure in excess of the amount stated above, Operator shall furnish any Non-Operator so desires an information copy thereof for any single project costing in excess of Dollars ($), and will allow the amount set forth above in this paragraph.~~

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have tributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for an behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the eve failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such ment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the visions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to produc of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitte circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so n Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payr shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all prop subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such N Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, o riding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owne owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such re tion. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanc anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payment the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manr prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final de mination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint count, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respec the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII
continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation la the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said pensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compens law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval o parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipmen

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in or in partunless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its intere such lease or portion thereof, and any well, material and equipment which may be located thereon and any rights in produ thereafter secured, to the parties not consenting to such surrender. ~~If the interest of the assigning party is of interest in oil and g terest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease con ing all the gas interest for a term of one year and so long thereafter as gas is produced from the leased premises in lease to be in the form attached hereto as Exhibit "F".~~ Upon such assignment or lease, the assigning party shall be relieved fro obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and duction other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay t party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or ed acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated co salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the int shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrende party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acr assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership o renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper portionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the pa who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract A to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal le Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest the by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring le or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taker contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or c tracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subjec the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any ou operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the co tribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportic

ARTICLE VIII
continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributic it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, su consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Maintenance of Uniform Interest:

~~For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in we equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all leases and equipment and production; or~~

~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreem and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, r require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of s party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to er into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Cont Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivi interest therein.

~~F. Preferential Right to Purchase~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Cont Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other ter of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purch on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purcl ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing p ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent co party or to a subsidiary of a parent company or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an associat for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are seve and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be exclu from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as p mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statemer and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give furt evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any oth action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contr Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is p mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing el tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without t computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expendit
does not exceed ten thousand and no/100 Dol
$ 10,000.00 and if the payment is in complete settlement of such claim or suit. If the amount required for settlement
exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authorit
delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint
pense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any part
sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights gi
Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other cl
r suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other t
the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure w
reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the fo
majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reason
diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of str
lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entir
within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, ac
the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restr
or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, whic
not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherw
specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addresse
the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision her
shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice
response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed gi
when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each pa
shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other partie

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for
period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to
lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any p
of the Contract Area, whether by production, extension, renewal or otherwise.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of t
agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such wel
wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provid
however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deep
ing, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such ope
tions have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event
well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capa
of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or rewo
ing operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which
accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rule regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, o dinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breac remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in whi the Contract Area is located. ~~If the Contract Area is in two or more states, the law of the state of shall govern.~~

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any righ privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulga under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts off ting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, cla and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of ru rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or plication was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such N Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or applicat

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purch of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treas Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other informa which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.
OTHER PROVISIONS

A. Failure of any party to execute this agreement shall not render it ineffective as to any party which does execute the same. If counte this agreement are executed, the signatures and acknowledgments of the parties, as affixed thereto, may be combined by Operator in, a treated and given effect for all purposes as a single instrument. This agreement also may be ratified by separate instrument referring h each of which shall have the effect of the original agreement and of adopting by reference all of the provisions herein contained.

B. Notwithstanding anything to the contrary in Article VI.B.2. or VII.D.2., the share of production from a well which non-consenting shall be deemed to have relinquished to consenting parties in any reworking, deepening, plugging back or completing of a well; (as suc are defined and used in Article VI.B.2. and Article VII.D.2.) shall be the non-consenting parties' share of production only from the inte intervals of the formation or formations from which production is obtained or increased as a result of the operations in which the non- consenting parties did not participate. In the event a subsequent operation is proposed for such well by one or more consenting parties recovery of all costs and penalties recoverable from the relinquished interest of non-consenting party in said interval or formation, non- consenting party shall be entitled to participate therein to the extent of its interest prior to relinquishment.

C. Notwithstanding anything contained hereinabove to the contrary, non-operators may elect to be carried as a non-consenting party, initial well to be drilled or recompleted hereunder. The non-consenting penalty provisions of Article VI.B.2a. and b. shall be applicab that for purposes of calculating payout on the initial well, if it is a New Mexico Fruitland Coal well, and only if, the "300%" figure on and 22 of Article VI.B.2b. shall be replaced with the figures "256%". The penalty figure shall read "200%" if it is a Colorado Fruitlan well. All other wells in both suites remain at "300%".

D. Notwithstanding anything to the contrary contained within Article VIII.B., each party (contributing party) contributing a lease or (original lease) to this agreement shall have the option, but not the obligation, at any time prior to and for sixty (60) days after the exp the original lease to renew such lease and to alone bear the cost and expense thereof and thereby maintain its right, title and interest in or tracts included in the original lease and the renewal thereof. If more than one party owns an interest in the original lease, the option herein shall inure to the benefit of such parties jointly and severally. If any party hereto other than the contributing party (renewing p renews the lease at any time, the renewing party shall furnish the contributing party an itemized statement of the total cost and expens incurred in acquiring such renewal lease. The contributing party shall have sixty (60) days after the receipt of such itemized statement reimburse the renewing party in full. If the contributing party makes such reimbursement, it shall received from the renewing party a assignment, subject to this agreement, of all right, title and interest in and to the renewal lease. If the contributing party either renews lease at its expense, or fully reimburses the renewing party, the parties' interests hereunder in the Contract Area shall remain unchang contributing party exercises neither of the options provided above it shall thereby forfeit its right under this Article XV.D., as to such lease and the renewal lease shall thereafter be subject to all the terms and conditions of Article VII.B. hereof. This Article XV.D. sha in like manner to extensions of leases.

E. This Operating Agreement shall supersede and replace any previous Operating Agreements governing the depths covered in the C Area shown on the Exhibit "A".

F. ~~The Fruitland and Pictured Cliffs Formations will be treated as a dual well until such time the formations are commingled. If the formations are commingled, all future costs and expenses will be adjusted pursuant to the Allocations Formula approved by compliance with State of New Mexico Regulations.~~

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devise legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purpo

IN WITNESS WHEREOF, this agreement shall be effective as of 17 day of JULY 19 95

OPERATOR

MERIDIAN OIL INC.

_____ _____

ROBERT T. KENNEDY, ATTORNEY-IN-FA(

NON-OPERATORS

MERIDIAN OIL PRODUCTION INC.

_____

ROBERT T. KENNEDY, ATTORNEY-IN-FACT

RAMCO-NYL 1987 LIMITED PARTNERSHIP

BY: _____

RB OPERATING COMPANY

BY: _____

HOOPER, KIMBALL & WILLIAMS, INC.

BY: _____

IBEX PARTNERSHIP

BY: _____

PC,LTD.

BY: _____

MABEL REED, TRUSTEE OF THE WARREN CLARK TRUST

BY: _____

CAROLYN CLARK OATMAN

BY: _____

MABEL REED AND W.W. OATMAN, CO-TRUSTEE OF THE WARREN CLARK TETAMENTARY TRUST

BY: _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated July 17, 1995 between Meridian Oil Inc., as Operator, and Non-Operators.

I. LANDS SUBJECT TO OPERATING AGREEMENT:

Township 25 North, Range 3 West

Section 22: E/2
Containing 320.00 acres more or less, located in Rio Arriba County, New Mexico

II. RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS:

Limited in depth as to the Mesaverde formation only.

III. ADDRESSES AND PERCENTAGES OR FRACTIONAL INTERESTS OF PARTIES TO THIS AGREEMENT:

Meridian Oil Inc. — **OPERATOR**
c/o Land Department
P.O. Box 4289
Farmington, New Mexico 87499-4289

WORKING INTEREST OWNERS

Meridian Oil Production Inc. PO Box 4289 Farmington, NM 87499-4289	50.000000%
RB Operating Company Two Warren Place, Suite 1700, 6120 South Yale Tulsa, OK 74136	0.16666%
Hooper, Kimball & Williams, Inc. P.O. Box 620970 Tulsa, OK 74152	16.66666%
IBEX Partnership, Ltd. P.O. Box 911 Breckenridge, TX 76424-0911	7.80437%
PC, Ltd. P.O. Box 911 Breckenridge, TX 76424	7.80437%
Warren Clark c/o Mabel Reed, Trustee P.O. Box 1846 Austin, TX 78767	0.40690%
Warren Clark c/o Mabel Reed & W. W. Oatman, Co-Trustees P.O. Box 1846 Austin, TX 78767	0.21362%
Carolyn Clark Oatman P.O. Box 1846 Austin, TX 78767	0.43742%
Ramco-NYL 1987 Limited Partnership 5100 Skelly Dr., Suite 650 Tulsa, OK 74135-6549	16.500000% Total 100.00000%

601, BOX 800 TULSA OK 74101

EXHIBIT " C "

Attached to and made a part of that certain Operating Agreement dated July 17, 1995 between Meridian Oil Inc. as Operator, and Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.
"Operator" shall mean the party designated to conduct the Joint Operations.
"Non-Operators" shall mean the Parties to this agreement other than the Operator.
"Parties" shall mean Operator and Non-Operators.
"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.
"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.
"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Texas Commerce Bank, Houston, TX on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, which is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall be conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit C tor's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) r period following the end of such calendar year; provided, however, the making of an audit shall not extend the for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this S i. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to con joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear n tion of the Non-Operators audit cost incurred under this paragraph unless agreed to by the Operator. The shall not be conducted more than once each year without prior approval of Operator, except upon the resignat removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary pro in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or appr a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Ecological and Environmental**

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy e mental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archae nature and pollution control procedures as required by applicable laws and regulations.

2. **Rentals and Royalties**

Lease rentals and royalties paid by Operator for the Joint Operations.

3. **Labor**

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are e from the overhead rates.

(4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly e in the operation of the Joint Property if such charges are excluded from the overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to em whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such cos this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the ar salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage ass is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are a to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Pa 3A of this Section II.

4. **Employee Benefits**

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retireme purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent mo ly recommended by the Council of Petroleum Accountants Societies.

5. **Material**

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. **Transportation**

Transportation of employees and Material necessary for the Joint Operations but subject to the following limit:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Jo
count for a distance greater than the distance to the nearest reliable supply store where like material is no
available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge s
made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to
Parties.

In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is av
when the actual charge is $400 or less excluding accessorial charges. The $400 will be adjusted to the amou
recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Pa
10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contr
vices of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhea
The cost of professional consultant services or contract services of technical personnel not directly engaged on t
Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates comm
with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating
insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed
twelve percent (12 %) per annum. Such rates shall not exceed average commercial rates curre
vailing in the immediate area of the Joint Property.

B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the
ate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates publishe
Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages
incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negl
willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as pr
after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgem
amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary
or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outs
neys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be cover
overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I. P
3.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operatio
or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If th
rem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwit
anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in a
with the tax value generated by each party's working interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Part
event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compens
or Employers Liability under the respective state's laws. Operator may, at its election, include the risk und
insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manua

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other
authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including
microwave facilities directly serving the Joint Property. In the event communication facilities/systems servin
Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III
is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct o
Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

   i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drillin and producing operations on either:

   (XX) Fixed Rate Basis, Paragraph 1A, or
   ( ) Percentage Basis, Paragraph 1B

   Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salari or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragrap 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffi accounting or matters before or involving governmental agencies shall be considered as included in the overhead rat provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by th Parties as a direct charge to the Joint Account.

   ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant servic and contract services of technical personnel directly employed on the Joint Property:

   ( ) shall be covered by the overhead rates, or
   (XX) shall not be covered by the overhead rates.

   iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant servic and contract services of technical personnel either temporarily or permanently assigned to and directly employed the operation of the Joint Property:

   ( ) shall be covered by the overhead rates, or
   (XX) shall not be covered by the overhead rates.

   A. Overhead - Fixed Rate Basis

      (1) Operator shall charge the Joint Account at the following rates per well per month:

      Drilling Well Rate $ 4,176.00
      (Prorated for less than a full month)
      Producing Well Rate $ 452.41

      (2) Application of Overhead - Fixed Rate Basis shall be as follows:

      (a) Drilling Well Rate

      (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the dr ing rig, completion rig, or other units used in completion of the well is released, whichever is later, exc that no charge shall be made during suspension of drilling or completion operations for fifteen (15) more consecutive calendar days.

      (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecut work days or more shall be made at the drilling well rate. Such charges shall be applied for the per from date workover operations, with rig or other units used in workover, commence through date of or other unit release, except that no charge shall be made during suspension of operations for fift (15) or more consecutive calendar days.

      (b) Producing Well Rates

      (1) An active well either produced or injected into for any portion of the month shall be considered as a (well charge for the entire month.

      (2) Each active completion in a multi-completed well in which production is not commingled down hole s be considered as a one-well charge providing each completion is considered a separate well by the gov ing regulatory authority.

      (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production s be considered as a one-well charge providing the gas well is directly connected to a permanent s outlet.

      (4) A one-well charge shall be made for the month in which plugging and abandonment operations are c pleted on any well. This one-well charge shall be made whether or not the well has produced except w drilling well rate applies.

      (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease al able, transferred allowable, etc.) shall not qualify for an overhead charge.

      (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreer to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate rently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Production Workers for the last calendar year compared to the calendar year preceding as shown by the ir of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United St Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statis Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed justment.

   B. Overhead - Percentage Basis

      (1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (____ %) of the cost of development of the Joint Property exclusive of costs pr under Paragraph 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (____ %) of the cost of operating the Joint Property exclusive of costs provided Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for sec recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, devel shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on an wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Join erty; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in aba when the well is not completed as a producer, and original cost of construction or installation of fixed ass expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Constru defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expa fixed assets, and any other project clearly discernible as a fixed asset required for the development and operatic Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge t. Account for overhead based on the following rates for any Major Construction project in excess of $ 25,000

A. 5 % of first $100,000 or total cost if less, plus

B. 3 % of costs in excess of $100,000 but less than $1,000,000, plus

C. 2 % of costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurr to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are r to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead the following rates:

A. 5 % of total costs through $100,000; plus

B. 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhe sions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreemen the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIOI

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Mate. ments affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at (option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/c Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus conditi Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Pa

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Join when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

(a) Tubular goods, sized 2⅜ inches OD and larger, except line pipe, shall be priced at Eastern mill publish carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carlo weight basis to the railway receiving point nearest the Joint Property for which published rail rates tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail r may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngsto Ohio.

(b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus tra portation cost from that mill to the railway receiving point nearest the Joint Property as provided above Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil F Haulers Association interstate truck rate shall be used.

(c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houst Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate the railway receiving point nearest the Joint Property.

(d) Macaroni tubing (size less than 2⅜ inch OD) shall be priced at the lowest published out-of-stock prices f. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per we of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

(a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or m shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Fre charges shall be calculated from Lorain, Ohio.

(b) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) less than 30,000 pou shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 perc plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in P graph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufac at current new published prices plus transportation cost to the railway receiving point nearest the J Property.

(d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists sha priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at p. agreed to by the Parties.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable su store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the rai receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or poi manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Prop Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was origi charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was origi charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after r ditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The c reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditi does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose sh priced on a basis commensurate with its use. Operator may dispose of Condition D Material under proce normally used by Operator without prior approval of Non-Operators.

(a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at use pipe prices.

(b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedure normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Materia equivalent to that which would justify a price as provided above may be specially priced as agreed to by the P Such price should result in the Joint Account being charged with the value of the service rendered by such M

E. Pricing Conditions

(1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per h weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the s point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by th percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each ye rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of Apr year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down new Material.

3. **Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior t Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable and acceptable to Operator.

4. **Warranty of Material Furnished By Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to t Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Writt of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begi Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at tory shall bind Non-Operators to accept the inventory taken by Operator.

2. **Reconciliation and Adjustment of Inventories**

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made w months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Ac overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable dil

3. **Special Inventories**

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of inter place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving of Operator, all Parties shall be governed by such inventory.

4. **Expense of Conducting Inventories**

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories. ventories required due to change of Operator shall be charged to the Joint Account.

"ONSHORE"

EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated July 17, 1995, between Meridian Oil Inc., as Operator, and Non-Operators.

INSURANCE

To protect against liability, loss or expense arising from damage to property, injury or death of any person or persons, incurred out of, in connection with, or resulting from the operations provided hereunder, Operator shall maintain in force during the entire period of this agreement the following Schedule A insurance coverage for the benefit of the joint account. Schedule B coverages are the minimum limits and type of insurances required to be maintained by Operator and each Non-Operator as to their respective working interest. All Schedule A and Schedule B insurance shall be obtained from financially sound, Best rate B+ Class VI or above reliable insurance companies authorized to do business in the state in which the operations are to be performed. Each policy shall provide for a waiver of subrogation rights against the other signatory parties.

SCHEDULE A - OPERATOR FOR THE JOINT ACCOUNT

	COVERAGES	LIMITS OF LIABILITY
a.	Workers' Compensation	Statutory
b.	Employers' Liability	Combined Single Limit Per occurrence of $1,000,000.

SCHEDULE B - OPERATOR AND EACH NON-OPERATOR AS TO ITS WORKING INTEREST

Each working interest owner's insurance is intended to cover such owner's working interest in the Joint Account and its coverages respond to such owner's pro-rata share of any Joint Account loss.

	COVERAGES	LIMITS OF LIABILITY
a.	Comprehensive General Liability including Personal Injury, Premises/ Operations coverage, Pollution Coverage, Owners and Contractors Protective Liability, Contractual Liability, Products and Completed Operation Liability	
	Bodily Injury Liability/ Property Damage Liability	Combined Single Limit Per occurrence of $1,000,000
b.	Comprehensive Automobile Liability including coverage of Owned and Non-Owned Automobiles and Hired Car coverage	
	Bodily Injury Liability/ Property Damage Liability	Combined Single Limit Per occurrence of $1,000,000

c.	Control of Well including Clean-Up, Containment, Seepage, Pollution, Contamination, and Redrilling Expense (This coverage is maintained for the term of the agreement.)	Per occurrence of each working interest owner's share of $5,000,000, but not less than $1,000,000

EXAMPLE: A Non-Operator owning a 30% working interest in the Joint Account properties is required to carry a minimum of 30% x $5,000,000 or $1,500,000 Control of Well coverage, but a 4% Working Interest Owner is required to carry a minimum of $1,000,000 coverage.

Note: If a Non-Operator elects not to purchase Control of Well coverage direct to protect his working interest, he may elect to participate in Operator's coverage at a premium rate heretofore determined by Operator and available to all Non-Operators upon request.

d.	If Aircraft, including helicopters, are used in operations, include Aircraft Liability, Passenger Liability and Property Damage Liability Insurance, covering Owned, Non-Owned Aircraft and Hired Aircraft	Combined Single Limit Per occurrence of $5,000,000
e.	If Watercraft are used in any inland operations:	
	(a) Protection and Indemnity Insurance on the SP23 form or equivalent, (or, in the alternative, deletion of the watercraft exclusion from the Comprehensive General Liability Policy)	Combined Single Limit Per occurrence of $10,000,000
	(b) Hull and Machinery Insurance to the market value of the vessel or $1,000,000, whichever is greater, on the American Institute Hull Clause (June 2, 1977) form or its equivalent	

f.	Property (excluding Business Interruption)	Blanket limit

Operator may include the Schedule A coverage for the joint account under its self insurance program provided Operator complies with applicable laws, and in such an event Operator shall charge to the Joint Account manual rate premiums.

Operator, as a working interest owner, shall also obtain for his own account the minimum insurances and limits required by Schedule B. These insurances obtained by Operator and Non-Operators will respond to a loss on a pro-rata working interest basis, and not as primary, to any other valid and collectible insurances. Non-Operators will not be additional insurers on Operator's policy unless specifically agreed to by Operator and the appropriate premium charged Non-Operator. Failure of the Operator to maintain its required Schedule A and Schedule B insurance coverages shall be deemed cause for removal of Operator as the operator of the joint properties at the option of a majority in interests of the Non-Operators as provided in the Joint Operating Agreement to which this Exhibit "D" is attached.

Operator shall not be obligated to obtain or carry on behalf of the Joint Account any insurance additional to Schedule A but may, at its discretion, provide additional coverage to a Non-Operator(s) for the operations to be conducted hereunder. Each Non-Operator shall acquire at its own expense the Schedule B coverage and such excess insurance as it deems proper to protect itself against claims, losses, or damages arising out of the joint operations. Such insurance shall include a waiver of subrogation against the other Parties in respect of their interest hereunder. Joint Account deductibles and uninsured losses shall be borne by the Parties in proportion to their respective working interests.

Deductibles and/or limits established by Operator's Schedule A coverages shall apply to all Non-Operators on a working interest share basis and premiums for Schedule A coverage, losses falling within the deductible, or which exceed insurable limits, or which are otherwise not covered by insurance will be expenses of the Joint Account.

Each Non-Operator shall furnish Operator with Certificates of Insurance evidencing satisfactory Schedule B coverages are in force, and Operator shall furnish each Non-Operator, upon request, with Certificates of Insurance evidencing Schedule A coverage and all Schedule B coverages that are in force.

The Certificates of Insurance specifying Schedule B coverage must be provided by each Non-Operator to Operator within 10 working days from execution hereof or commencement of operations hereunder, whichever is earlier. Non-Operators shall supply Operator "Certificate of Insurance" annually, during the term of this agreement. Failure of a Non-Operator to provide Certificates of Insurance within the required time period will authorize Operator to either (i) purchase the required insurance for such Non-Operator and bill the Non-Operator for the cost thereof, (ii) add the Non-Operator as an additional insured to the Operator's policy and automatically allocate, without refund, the first year's insurance premium to the Non-Operator, or (iii) notify the other Non-Operators that the Non-Operator's working interest is uninsured or underinsured.

Operator shall promptly notify Non-Operators in writing of all losses involving damage to a Joint Account property in excess of $250,000.

Operator shall require all contractors engaged in operations under this Agreement to comply with the applicable Worker's Compensation laws and to maintain such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated JULY 17, 1995, between MERIDIAN OIL INC., as Operator and, Non-Operators.

GAS BALANCING AGREEMENT

ARTICLE I
Definitions

1.01 For the purposes of this Agreement, the terms set forth below shall have the meanings herein ascribed to them.

(a) "Balance" is the condition existing when a Party has disposed of a cumulative volume of Gas from a Well which is equal to such Party's Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. For purposes of Balancing, references herein to price, value and volume shall be adjusted or calculated on a Btu basis.

(b) "Btu" is one British thermal unit, which is the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit from 58.5° Fahrenheit to 59.5° Fahrenheit, at 14.73 pounds per square inch absolute. The term "MMBtu" refers to one million (1,000,000) Btu's.

(c) "FERC" refers to the Federal Energy Regulatory Commission, or any similar or successor agency, state or federal.

(d) "Gas" includes all hydrocarbons produced or producible from a Well, whether a Well classified as an oil Well or gas Well by the regulatory agency having jurisdiction in such matters, which are or may be made available at the Measurement Point for sale or separate disposition by the Parties, excluding oil, condensate and other liquids separated upstream from the Measurement Point. "Gas" does not include gas used for joint operations, or gas which is vented or lost, prior to delivery at the Measurement Point. Reference herein to the right to "dispose of" Gas or Gas "disposed of" includes all methods of disposition of Gas, including taking in kind, delivering in kind to a Lessor, sales to a Party or third party or an affiliate, or gas used by a Party for purposes other than joint operations.

(e) "Imbalance" refers to either the Overproduction of an Overproduced Party or the Underproduction of an Underproduced Party, as applicable.

(f) "Make-up Gas" refers to that incremental volume of Gas, up to but not exceeding forty percent (40%) of the Percentage Ownership of an Overproduced Party in the Gas which can be produced from a Well which an Underproduced Party is entitled to dispose of in accordance with this Agreement in order to make up its Imbalance.

(g) "Mcf" means the quantity of Gas occupying a volume of one thousand (1,000) cubic feet at a temperature of sixty degrees Fahrenheit (60°F) and a pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia).

(h) "Measurement Point" refers to the outlet side of the jointly owned production facilities, or such other point mutually agreeable where Gas from a Well is measured after the separation of oil, condensate or other liquids.

(i) "Operator" refers to the Operator under the terms of the Operating Agreement.

(j) "Overproduced" is the condition existing when a Party has disposed of a greater cumulative volume of Gas from a Well than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well.

(k) "Party" means any party subject to the Operating Agreement. "Parties" means all parties subject to the Operating Agreement.

(l) The "Percentage Ownership" of each Party is equal to that Party's percentage or fractional interest in a Well, as determined under the terms of the Operating Agreement.

(m) "Underproduced" is the condition existing when a Party has disposed of a lesser cumulative volume of Gas from a Well than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well.

(n) The terms "Underproduction" and "Overproduction" refer to that lesser or greater incremental volume of Gas which a Party would have disposed of from a Well, on a monthly or cumulative basis, if it had disposed of its Percentage Ownership of Gas from that Well.

(o) "Well" means a well drilled on the Contract Area covered by the Operating Agreement and capable of producing Gas.

1.02 Unless the context clearly indicates to the contrary, words used in the singular include plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II
Scope and Term of Agreement

2.01 This Agreement establishes a separate gas balancing agreement for each Well covered by the Operating Agreement to the same extent as if a separate Gas Balancing Agreement had been executed for each such Well.

2.02 The Agreement shall terminate, separately as to each Well, the earlier of (a) when the oil and gas lease(s) covering the Well terminate, or (b) when production from such Well permanently ceases and the Gas accounts for such Well are brought into Balance pursuant to this Agreement.

ARTICLE III
Right to Produce and Ownership of Gas

3.01 Subject to the rights of an Underproduced Party to produce and dispose of Make-up Gas pursuant to this Agreement, each Party shall own and be entitled to produce and dispose of its Percentage Ownership of Gas which can be produced from a Well. During any month when a Party does not dispose of its entire Percentage Ownership of such Gas, the other Parties shall be entitled to produce and dispose of all or any portion of such Gas; provided, that to the extent such Parties desire to dispose of more Gas than is available, they shall share in such Gas in the proportion that each such Party's Percentage Ownership bears to the combined Percentage Ownership of all Parties desiring to dispose of such Gas.

3.02 As between the Parties hereto, each Party shall own and be entitled to the Gas disposed of by such Party for its sole account, and the proceeds thereof, including constituents contained therein that are recovered downstream from the Measurement Point. If at any time, and from time to time, a Party is Underproduced with respect to a Well, its Underproduction shall be deemed to be in storage in the Well, subject to the right of such Party to produce and dispose of such Gas at a later time.

ARTICLE IV
Make-Up Gas

4.01 In order to make up an Imbalance, each Underproduced Party in a Well shall have the right, after twenty (20) days written notice to all parties, to produce and dispose of Make-Up Gas, subject to the following rules:

(a) An Overproduced Party shall not be required to furnish Make-Up Gas unless an Underproduced Party is first taking or disposing of its full Percentage Ownership of Gas from a Well; and

(b) An Overproduced Party shall not be required under any circumstances to reduce its takes to less than its Percentage Ownership of Gas which can be produced from a Well during the months of January, February, and December of a calendar year; and

(c) An Overproduced Party shall not be required under any circumstances to reduce its takes to less than sixty percent (60%) of such Overproduced Party's Percentage Ownership of Gas which can be produced from a Well; and

(d) If there is more than one Overproduced Party, the Make-Up Gas will be taken from the Overproduced Parties in the proportion that each Overproduced Party's Percentage Ownership in a Well bears to the total Percentage Ownership of all Overproduced Parties in that Well; and

(e) If there is more than one Underproduced Party who desires and is able to dispose of Make-Up Gas in a month, each Underproduced Party will share in the Make-Up Gas in the proportion which its Percentage Ownership in a Well bears to the total Percentage Ownership of all Underproduced Parties in that Well disposing of Make-Up Gas that month.

4.02 The provisions of this Article IV shall constitute an Underproduced Party's exclusive rights and an Overproduced Party's exclusive obligations with regard to the right of an Underproduced Party to require an Overproduced Party to furnish Make-Up Gas.

4.03 Nothing herein shall be construed to deny any Party the right from time to time to produce and deliver its full Percentage Ownership of Gas in a Well for the purpose of conducting deliverability tests pursuant to its gas purchase contracts.

ARTICLE V
Balancing of Gas Accounts

5.01 The Operator shall have the right of controlling production and deliveries of Gas and administering the provisions of this Agreement. The Operator shall use its best efforts to cause Gas to be delivered at the Measurement Point in such a manner and at such rates as may be required, from time to time, to give effect to the intent that any Imbalances shall be brought into Balance in accordance with the provisions hereof. The Operator shall only be liable for its failure to make deliveries of Gas in accordance with the terms of this Agreement if such failure is due to its gross negligence or willful misconduct.

5.02 The Operator will maintain a separate Gas account for each Party and Well. The Operator will furnish each party quarterly a report showing the total Mcf of gas produced from each Well, the Mcf used in joint operations, or which was vented or lost, the Mcf of Gas disposed by each Party, each Party's Overproduction or Underproduction for each month during the preceding calendar quarter, and the cumulative Imbalance of all Parties in each Well at the end of each month during such quarter. In the event that production from each Well is not separately measured, then the Operator will allocate production to each Well on the basis of periodic test or such other methods as are commonly used and accepted in the industry. The Imbalance of an Underproduced Party shall be made up on a month-to-month basis and in the order of accrual; i.e., any Gas taken by an Underproduced Party over and above the monthly amount attributable to its Percentage Ownership shall be credited against and offset its first Underproduction from time-to-time.

5.03 Each Party shall retain all data, information and records pertaining to the Gas taken and disposed of by such Party in a Well during periods of Imbalance hereunder, including, but not limited to, records pertaining to the volumes of Gas disposed of, the gross and net proceeds received from the disposition of such Gas, and the information utilized to adjust volumes and prices on a Btu basis, for a period expiring two (2) years after the termination of this Agreement as to such Well.

5.04 During the term of this agreement, each Parth shall have the right to request information from and to audit the records of the Operator and any other Party as to all matters concerning volumes, Btu adjustments, prices and disposition of Gas from a Well. These rights for each Well shall extend until two (2) years after the expiration of this Agreement as to that Well. Any audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. If more than one Party desires to audit the records of another Party, then all such Parties shall cooperate with each other in order that only one audit shall be conducted in any twelve (12) month period.

ARTICLE VI
Cash Settlement of Imbalance

6.01 "Upon (i) approval of all parties owning a working interest in the well to plug and abandon the well or (ii) when production from a well permanently ceases, the Operator shall render its final account of the cumulative imbalance of all Parties for that well within sixty (60) days after receiving the information requested as hereafter provided." Within thirty (30) days of Operator's request, each Overproduced Party shall provide information to Operator sufficient for the preparation of such statements including, but not limited to the net price received for its Overproduction and each Underproduced Party shall submit to Operator such data and information evidencing its payment of all royalties, overriding royalties, production burdens and taxes on its Underproduction which it was obligated to pay. Each Overproduced Party shall account to and pay each Underproduced Party within sixty (60) days of Operator's final account a sum of money equal to the net price on the Underproduction which an Underproduced Party was entitled to receive from an Overproduced Party. All past due payments due Underproduced Parties shall bear interest at the prime rate of interest in effect from time to time of Chemical Bank, N.Y., from date due until date paid. Net price for cash settlements herein shall be determined in accordance with Paragraph 6.02.

6.02 The net price for cash settlements (without interest) under this Article VI shall be the price actually received by the Overproduced Party for the sale of the Overproduction at the time the Overproduction accrued less production, severance and other similar taxes, fees or levies thereon and less royalties actually paid by an Overproduced Party attributable to the Underproduction of an Underproduced Party.

6.03 If any portion of the price which is to be paid to an Underproduced Party is subject to refund under order, rule or regulation of the FERC, then the Overproduced Party shall withhold the increment of price subject to refund until the price is fully approved, unless the Underproduced Party furnishes a corporate undertaking satisfactory to the Overproduced Party guaranteeing the return of the increment in price attributable to such refund, including interest, if any, which is required to be paid with such refund. In addition, if FERC or any other governmental agency having jurisdiction requires that an Overproduced Party make a refund with respect to any portion of a price used to make payment under this Article VI, then the Underproduced Party(ies) shall reimburse the Overproduced Party(ies) for such refund, including any interest required to be paid with respect thereto. This Paragraph 6.03 shall survive the termination of this Agreement until the period has passed for which a refund may be required.

6.04 In the event an over-produced party sells, assigns, or otherwise transfers any of its interest in the leases to which this agreement applies, it shall promptly notify the other parties and upon written request from Underproduced parties proceed to make a cash settlement with Underproduced parties as provided hereunder, provided that a cash settlement may not be demanded by such Underproduced party solely because an Overproduced party has mortgaged its interests, or disposed of its interest by merger, reorganization, consolidation, or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE VII
Costs and Ownership of Liquids

All operating risks, expenses and liabilities shall be borne and paid by the Parties in accordance with the provisions of the Operating Agreement, or other agreement, rule or order if there is not an Operating Agreement, regardless of whether the Gas is being taken or disposed of from a Well at any given time in proportion to the Percentage Ownership of the Parties in the Well. Liquid hydrocarbons of a Well separated from the Gas prior to delivery at the Measurement Point shall be owned by all Parties in accordance with their Percentage Ownership in the Well, and each of the Parties shall be entitled to own and market their liquid hydrocarbons separated prior to the Measurement Point in accordance with the Percentage Ownership in the Well, irrespective of the fact that one or more of the Parties may not be disposing of Gas from the Well.

ARTICLE VIII
Indemnity

Each Party hereby indemnifies and agrees to hold the other Parties harmless from all claims which may be asserted by any third party arising out of the operation of this Agreement and the performance of the indemnifying Party of its obligations hereunder. Such indemnity shall extend to and include all costs of investigation and defense (including reasonable attorneys fees), and all judgments and damages incurred or sustained, as a result of any such claim.

ARTICLE IX
Payment of Lease Burden

Unless otherwise required by provisions of a lease, agreement or statute, rule, regulation or order of any governmental authority having jurisdiction, and regardless of who is actually taking or disposing of Gas from a Well, each Party shall be responsible for and shall pay or cause to be paid any and all royalties, overriding royalties, production payments and similar encumbrances on production due to its full Percentage Ownership of Gas production from a Well and shall hold the other Parties free from any liability therefor. The Party or Parties actually taking and disposing of Gas from a Well shall be responsible for and shall pay all production severance or similar taxes, fees or levies on such production.

ARTICLE X
Notice

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the Party to whom the same is directed at the addresses and in the manner then provided under the Operating Agreement.

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated JULY 17, 1995, between MERIDIAN OIL INC,. as Operator, and Non-Operators.

I. EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator agrees as follows:

(1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, or sex. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin, or sex. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places available to employees and applicants for employment notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, or sex.

(3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice to be provided by the agency contracting officer advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice on conspicuous places available to employees and applicants for employment.

(4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

(5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of

the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however, thatin the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission, and Plans for Progress with Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended, and Rules and Regulations adopted hereunder.

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

II. CERTIFICATION OF NON-SEGREGATED FACILITIES

(1) Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion, or national origin because of habit, local custom, or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 of September 24, 1965.

(2) Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.

(3) Whoever knowingly and willfully makes any false, fictitious, or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. Sec. 1001.

III. OCCUPATIONAL SAFETY AND HEALTH ACT

Operator will observe and comply with all safety and health standards promulgated by the Secretary of Labor under Section 107 of the Contract Work Hours and Standards Act, published in 29 CFR Part 1518 and adopted by the Secretary of Labor as occupational safety and health standards under the Williams-Steiger Occupational Safety and Health Act of 1970. Such safety and health standards shall apply to all subcontractors and their employees as well as to the prime contractor and its employees.

IV. VETERAN'S PREFERENCE

Operator agrees to comply with the following insofar as contracts it lets for an amount of $10,000 or more or which will generate 400 or more man-days of employment (each man-day consisting of any day in which an employee performs more than one hour of work) and further agrees to include the following provision in contracts with Contractors and Subcontractors:

"CONTRACTOR AND SUBCONTRACTOR LISTING REQUIREMENT

(1) As provided by 41 CFR 50-250, the contractor agrees that all employment openings of the contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by the contract and including those occurring at an establishment of the contractor other than the one wherein the contract is being performed, but excluding those of independently operated corporate affiliates, shall, to the maximum extent feasible, be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs and to provide such periodic reports to such local office regarding employment openings and hires as may be required: Provided, that this provision shall not apply to openings which the contractor fills from within the contractor's organization or are filled pursuant to a customary and traditional employer-unionhiring arrangement and that the listing of employment openings shall involve only the normal obligations which attach to the placing of job orders.

(2) The contractor agrees to place the above provision in any subcontract directly under this contract."

V. CERTIFICATION OF COMPLIANCE WITH ENVIRONMENTAL LAWS

Operator agrees to comply with the Clean Air Act (42 U.S.C. Sec. 1857) and the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251) when conducting operations involving nonexempt contracts. In all nonexempt contracts with subcontractors, Operator shall require:

(1) No facility is to be utilized by Subcontractor in the performance of this contract with Operator which is listed on the Environmental Protection Agency (EPA) List of Violating Facilities. See Executive Order 11738 of September 12, 1973, and 40 CFR Sec. 15.20.

(2) Prompt written notification shall be given by Subcontractor to Operator of any communication indicating that any such facility is under consideration to be included on the EPA List of Violating Facilities.

(3) Subcontractor shall comply with all requirements of Section 114 of the Clean Air Act (42 U.S.C. Sec. 1857) and Section 308 of the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251), relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in these Sections, and all regulations and guidelines issued thereunder.

(4) The foregoing criteria and requirements shall be included in all of Subcontractor's non-exempt subcontracts, and Subcontractor shall take such action as the Government may direct as a means of enforcing such provisions. See 40 CFR Sec. 15.4 & 5.