

"EXHIBIT B"

OPERATING AGREEMENT

THIS AGREEMENT made and entered into this 14th day of January, 1955, by and between WOOD RIVER OIL & REFINING CO., INC., a corporation of 321 West Douglas Avenue, Wichita, Kansas, hereinafter variously referred to as "WOOD RIVER" or "OPERATOR; EL DORADO REFINING COMPANY, a corporation of El Dorado, Kansas and NEW MEXICO WESTERN OIL AND GAS COMPANY, a corporation of Dallas, Texas, hereinafter collectively referred to as "NON-OPERATOR",

WITNESSETH THAT

WHEREAS, El Dorado and Wood River are the joint owners of a certain leasehold estate under State of New Mexico Lease B-10894 insofar as same covers the following described land in San Juan County, State of New Mexico:

Twp. 26N, Rge. 9W.,  
Sec. 16: N/2SW/4; SW/4SW/4

and,

WHEREAS New Mexico Western Oil and Gas Company is the present owner and holder of State of New Mexico Lease No. \_\_\_\_\_ insofar as same covers and includes the Pictured Cliffs formation under the following described land in San Juan County, New Mexico:

Twp. 26N, Rge. 9W.,  
Sec. 16: SE/4SW/4

and,

WHEREAS it is the desire of the parties to enter into an Operating Agreement, covering the development and operation of the leasehold acreage above described from the surface down to and including the Pictured Cliffs formation and the dry gas and associated liquid hydrocarbons producible therefrom,

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained to be kept and performed by the parties hereto, said parties do hereby agree as follows:

FIRST: Wood River is hereby designated and shall act as Operator and shall have the sole and exclusive management of the future development and operation of the leasehold premises as such. The cost and expenses of developing, reworking and operating the jointly owned premises shall be borne by the parties in the proportions that they are the owners thereof, that is:

Wood River	-	9/16
El Dorado	-	3/16
New Mexico Western-		1/4

All costs and expenses shall be paid in the first instance by Wood River and Non-Operator agrees to reimburse Wood River for its proportionate part of any expenses made or incurred under the provisions hereof or the accounting procedure hereto attached as a

SECOND: Operator is authorized to pay as operating expenses, all taxes and other lawful expenses incurred against the jointly owned acreage and the production therefrom, to settle, compromise, pay and discharge any and all damages and claims therefor which may be alleged to result from the operation of and production from the premises. The authority of Operator herein granted shall include but not be limited to the employment of counsel to prosecute, defend, compromise and settle, any and all litigation in any manner whatsoever, affecting the premises or the proceeds and revenue derived therefrom.

THIRD: Wood River shall bill Non-Operator on or before the 15th of each month for Non-Operator's proportionate share of the cost and expenses incurred during the preceding month. Itemized statement shall accompany such bills and Non-Operator shall pay its respective proportionate part thereof on or before the 1st day of the succeeding month. Payment of such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof.

FOURTH: Wood River shall have a lien on the interest of Non-Operator in such jointly owned lease, the production therefrom or the proceeds thereof and Non-Operator's interest in the material and equipment therein and thereon to secure the payment of Non-Operator's proportionate part of all operating expenses chargeable to it and the purchaser and taker of the gas and associated liquid hydrocarbons produced and sold from the jointly owned acreage is hereby authorized and directed to pay to Operator the proportion from the proceeds of the sale which would otherwise be payable to Non-Operator or either of them to satisfy any unpaid portion of such operating expenses chargeable to Non-Operator, all if and upon Operator's serving upon such pipe line taker or purchaser, demand in writing therefor. Said pipe line purchaser is hereby released of any responsibility or liability on account of compliance with the provisions of this agreement.

FIFTH: All costs, expenses, credits and related matters and the method of handling the accounting with respect thereto shall be fixed and determined in accordance with the provisions of the Accounting Procedure attached hereto as Exhibit "A" and made a part hereof for all purposes. However, should there be any conflict between the terms of this agreement and said Exhibit "A", the terms of this agreement shall prevail.

SIXTH: Non-Operator shall have the right at all reasonable times to inspect all books and accounts and all records of Operator pertaining to well or wells drilled or drilling and expenditures made as they apply to the acreage. Non-Operator shall also have access at all reasonable times to the lease premises and shall be furnished with such logs and other information pertaining thereto as it may request.

SEVENTH: Operator shall make no single expenditure in excess of \$1,000 without the consent of Non-Operator. No well shall be drilled on the acreage jointly owned unless upon the mutual consent of Non-Operator except where such well is required to be drilled by the State of New Mexico in order to protect correlative rights or preserve the leasehold acreage. The approval of the drilling of a well, however, shall include all expenditures for the drilling, completing, testing and equipping

EIGHTH: Each of the parties hereto shall own and have the right at its own expense to take in kind or separately dispose of its proportionate part of all gas and associated liquid hydrocarbons produced and saved from the acreage covered hereby, exclusive of the production which may be used by Operator in developing and continuing operations on the premises and of production unavoidably lost, provided that each of the parties hereto shall pay or secure the payment of royalty interests, overriding royalty interests, payments out of production and other similar interests, if any, from its proportionate part of said production.

NINTH: Upon the termination of this agreement, either by its terms or by the consent of the parties hereto, all machinery, fixtures, houses and other structures, pipe, equipment and other property placed on the premises under the provisions of this agreement shall be divided in the proportion of the interest of the parties therein or at Operator's option the proceeds from the sale or the reasonable salvage value shall be distributed to the parties according to their interest therein.

TENTH: The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint nor collective, it being the express purpose and intention of the parties hereto that their ownership of said acreage shall be as tenants in common; nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association or trust or as imposing upon either party hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligations as set out in this agreement. Operator shall incur no liability of any character whatsoever to Non-Operator by acting as Operator hereunder.

ELEVENTH: This agreement shall be subject to all valid and applicable state and federal laws, rules, regulations and orders and the operations conducted hereunder shall be performed in accordance with said laws, rules, regulations and orders. In event this agreement or any provision hereof is or the operations contemplated hereby are found to be inconsistent with or contrary to any such rules, law, regulation or order, the latter shall be deemed to control and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

TWELFTH: No party to this agreement shall be liable to the other party for any delay or default of performance under this agreement due to any cause beyond its control or without its fault or negligence including but not restricted to acts of God or the public enemy or acts or requests of the State or Federal government or any Federal or state officer purporting to act under duly constituted authority, floods, wars, fires, storms, strikes, interruptions of transportation, freight embargos or failures, exhaustion or unavailability, or delays in delivery of, any materials, equipment or service necessary to the performance of any provisions hereof, or the loss of holes, blowouts, or happenings of any unforeseen accident, misfortune or casualty whereby performance hereunder is delayed or prevented.

THIRTEENTH: All notices and other correspondence required and necessary by the terms of this agreement shall be deemed to have been properly served and addressed if sent by mail or telegram as follows:

WOOD RIVER OIL & REFINING CO., INC.  
321 West Douglas Avenue  
Wichita 2, Kansas

EL DORADO REFINING COMPANY  
El Dorado, Kansas

NEW MEXICO WESTERN OIL AND GAS COMPANY  
Mercantile National Bank Building  
Dallas, Texas

FOURTEENTH: All of the provisions of this agreement shall extend to and be binding upon the parties hereto, their successors and assigns and such provisions shall be deemed to be covenants running with the land covered hereby.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

ATTEST:

WOOD RIVER OIL & REFINING CO., INC.

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

"OPERATOR"

ATTEST:

EL DORADO REFINING COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

ATTEST:

NEW MEXICO WESTERN OIL AND GAS COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

"NON-OPERATOR"