

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C.

Evanston 022209

OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 26th day of September, 1952, by and between WESTERN OIL REFINING COMPANY, a Wyoming corporation, hereinafter called "Western," the party of the first part, and PFAFF-QUEALY CORPORATION, a Wyoming corporation, herein-after called "Pfaff-Quealy," the party of the second part, in consideration of the mutual promises and agreements between them, WITNESSETH as follows:

1. LAND DESCRIPTIONS:

The lands the subject of this agreement, are as follows:

K. Assignment of Oil and Gas Lease, Evanston 022209, from PATRICK J. QUEALY to WESTERN OIL REFINING COMPANY, bearing date August 29, 1947, covering the following described lands:

Township 28 North, Range 113 West 6th Principal Meridian
Sec: 33: E 1/2 and SW 1/4
34: W 1/2 W 1/2

containing 671.61 acres, more or less,

all of said lands being subject to the following royalties heretofore, or hereby, reserved:

None

Governmental agency having jurisdiction over operations of the above described lands, and all other oil and gas leases of and over adjacent lands, shall have no claim or interest with respect to or growing out of said operations. In this regard Pfaff-Quealy shall pay all royalties reserved by the United States over all lands owned by Pfaff-Quealy heretofore which royalty payments shall be made directly to the United States, and shall pay all royalties reserved to other persons and parties heretofore reserved, the royalties to be paid by Pfaff-Quealy directly to the

2. DEFINITIONS

"Shallow Zones", as used in this agreement, shall mean oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations underlying the real property the subject of this agreement above the depth of a stratigraphic zone 1500 feet above the top of the Frontier formation.

3. GRANTING WORDS

Pfaff-Quealy shall have and is hereby granted the sole and exclusive right to drill for and produce oil, gas, natural gas and associated fluid hydrocarbons from the "Shallow Zones" during the term of the lease and/or agreement hereinabove described, or any extension or renewal thereof, and during the term of any lease, or leases, or agreements subsequently issued to Western under a preference right to acquire new leases based on the ownership of the aforesaid lease and/or agreement covering the above described lands or any part thereof. Pfaff-Quealy shall have no right, title or interest in or to any oil, gas, natural gasoline or associated fluid hydrocarbons substances that may be found in structures or measures other than those existing in the "Shallow Zone," as herein defined.

4. RESERVATION

It is understood and agreed that Western, and/or its Assigns, is the owner and holder of the oil and gas rights underlying said "Shallow Zones," including the sole and exclusive