

3. Protection against Drainage, and Fair Market Provisions. Belco and Bintliff are the owners of or control all of the oil and gas leases adjoining and surrounding the subject lease, and, on behalf of themselves and their successors in interest with respect to all such adjoining or surrounding acreage, including all of which could constitute offset acreage for oil and gas purposes, Belco and Bintliff covenant and agree as follows:

(a) ~~That if the test well drilled on the subject lands is a commercial gas well the same, and any and all other gas wells subsequently drilled upon the subject lease shall be so operated and the production therefrom so marketed that said lease will have obtained its fair share of the available market for gas on the basis of the proven recoverable reserves underlying same taking into account the various zones, sections or horizons.~~

4. In the event that any party who is a non-operator fails or refuses to take his proportionate share of the production in kind, Operator shall dispose of such non-operator's proportionate share of the production or shall purchase the same for Operator's own account, and shall account for and pay to such non-operator the value thereof upon the same basis and upon the same terms and conditions as are then prevailing in respect to the sale and disposition by Operator of his proportionate share of the gas or other production from said lands.

5. In the event that any party hereto creates any overriding royalty or other burden upon the production, the same shall be applicable only to such party's share of production and shall be subject to expiration, termination, and cancellation in the event of the subsequent assignment by such party of his interest in said lease to any other party to this agreement, in accordance with the terms and conditions hereof.

6. Each of the parties hereto hereby elects to have the Secretary of the Treasury of the United States, or his delegate, exclude all of the operations provided for in this agreement from the application of any of the provisions of sub-title A, Chapter 1, Sub-chapter K, of the Internal Revenue Code of 1954; and, further, each of such parties authorizes the Operator hereunder to file with the Internal Revenue Service such documents, including qualified partnership returns, statements, and copies of this Operating Agreement, as may be necessary or desirable to effect such an exclusion from said provisions of the Internal Revenue Code of 1954.

Attached and made a part of the agreement to which the same is attached prior to execution of the principal agreement, and signed or initialled for identification as follows:

BELCO PETROLEUM CORPORATION

By Arthur B. Belfer  
Arthur B. Belfer

David C. Bintliff  
David C. Bintliff

Bruce Anderson  
BRUCE ANDERSON

Richard L. Peterson  
RICHARD L. PETERSON