

D. WHEREAS, it is deemed desirable for purposes of conservation and operating economy that the entire geological structure be operated by a single operator.

NOW, THEREFORE, for and in consideration of the performance by the parties hereto of the agreements and covenants hereinafter set forth, the parties hereto agree, as follows:

1. DEFINITIONS

"Shallow Zones", as used in this agreement, are defined as all formations from the surface to 1500 feet above the top of the Frontier Formation.

2. GRANTING WORDS

Western shall have and is hereby granted the sole and exclusive right to drill for, mine, extract, remove, use, process, dispose of, and market all oil, gas and other hydrocarbon substances from the "Shallow Zones", underlying the real property, the subject of this agreement as described in Paragraph A, during the term of the leases and/or agreements here above described or any extension or renewal thereof, and during the term of any lease or leases or agreements subsequently issued to Belco under a preference right to acquire new leases based on the ownership of the aforesaid leases and/or agreements covering the above described lands or any part thereof. Western is also granted the right to possess, enter upon and occupy the lands described above for the purposes herein above set out in this Paragraph 2.

3. SUBJECT TO BURDENS

This agreement and all rights granted to Western hereunder are expressly made subject to any and all royalty interests, oil payments, assignments, operating agreements, rental agreements, restrictions, conditions, obligations or financial burdens made, executed, suffered or incurred prior to the effective date of this agreement, but only as to those specifically set forth herein. Western does hereby assume and agree to perform all of the terms, covenants and conditions as contained in the oil and gas leases, operating agreements, and other instruments of title as set forth herein, insofar as such terms, covenants and conditions relate