

the same. The "salvage value" shall be the fair market value at the well site of the salvageable material located therein and thereon less the estimated reasonable cost of salvaging the same. If Assignee does not elect to take over such well and pay said salvage value, then Assignor shall salvage the same and plug and abandon the well. If Assignee elects to take over the well, Assignee shall pay the said salvage value upon tender of the above described assignment.

6. Ad Valorem Taxes: Ad valorem taxes, if any, on the above described shallow zone shall be apportioned as of date of first runs for the year. For all years subsequent thereto, each party shall render or assess its zone on all material and equipment appurtenant thereto and shall pay the ad valorem taxes, if any, thereon.

7. Notices: Notices given under this Agreement shall be by telegraph, certified mail or telephone; written confirmation of which will follow the latter method. Notices shall be sent to the addresses given in the preamble of this Agreement; provided, that if the notice to OWNER is of a geological nature, it shall be directed to the attention of Mr. John B. Dunnewald, office telephone number (212) 867-6300, home telephone number (914) RO 1-9045, with carbon copies to Belco Petroleum Corporation, Post Office Box 250, Big Piney, Wyoming 83113, Attention: Mr. Stuart McKinley.

For the purpose of this paragraph, the address of either party may be changed by giving written notice to the other party. If the interest of either party is now or is ever owned by more than two persons, then the other party may require that such co-owners designate in writing a common agent to whom all notices may be given in their behalf and upon failure to designate such common agent, then the other party may designate any of said co-owners as such agent with the same force and effect as if such common agent had been designated by the co-owners as above outlined.

8. No Warranty: This Agreement is made without warranty of title, either expressed or implied. The terms hereof shall be covenants running with the ownership of said above described oil and gas lease, and the interest conveyed hereby and shall bind and benefit the undersigned and their respective assigns, successors and personal representatives.

9. Term: Unless surrendered or reassigned as hereinabove provided, this agreement shall remain in full force and effect during the life of said oil and gas lease and any and all extensions and renewals thereof.

10. Approval: Either party may, if it so elects, file this operating agreement for approval with the appropriate office representing the lessor. Each party agrees to furnish to the other all future documents and things reasonably requested in order to obtain such approval.

11. Federal Lands Provision: The undersigned agree that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of Seventeen and One Half (17½) percent, shall be suspended when the average production of oil per well per day average on the monthly basis is Fifteen (15) barrels or less.