

Upon recording, please return to:
Holme Roberts & Owen
Laurie K. Prestwich
50 South Main, Suite 900
Salt Lake City, UT 84144

114898

NOTICE OF OPERATING AGREEMENT

Foreland Corporation as Non-Operator and Alford Oil Corporation as Operator have entered into an operating agreement (the "Operating Agreement") governing oil and gas exploration and development operations on the lands identified on Exhibit A to this notice (the "Contract Area").

The Operator conducts and directs and has full control of all operations on behalf of the Non-Operators on the Contract Area. The number of employees used by Operator in conducting operations, their selection, and the hours of labor and the compensation for services performed, are determined by Operator, and all such employees are the employees of Operator.

The liability of the parties to the Operating Agreement is several, not joint or collective. Each party to the Operating Agreement is responsible only for its obligations, and is liable only for its proportionate share of the costs of developing and operating the Contract Area.

The Operating Agreement does not create a partnership, mining partnership, joint venture, or other association for profit among the parties to the Operating Agreement, except to the extent that the parties may (or may not) have elected to be treated as a partnership under tax laws.

The Operating Agreement contains provisions which govern the rights of Operator and Non-Operators, and which may affect their interests in the Contract Area, including their interest in oil and gas leases within the Contract Area. Those provisions may limit the ability of a party to sell, encumber, transfer or dispose of its interest in the Contract Area.

The Operating Agreement creates reciprocal liens and security interests among Operator and Non-Operators to secure every monetary obligation and liability under the Operating Agreement. Each Non-Operator has granted to the Operator, and the Operator has granted to the Non-Operators, the following liens and security interests upon the following property:

BOOK 169 PAGE 559

See Book 177, Pg. 357 Fore
Notice of Successor Operator

(a) A lien upon all of its interests described in Exhibit A;

(b) A lien upon all of its right, title and interest existing or arising in oil and gas leases and minerals within the Contract Area or lands pooled or unitized therewith in addition to those described on Exhibit A;

(c) A lien upon all amendments, corrections, modifications, confirmations, renewals, ratifications, and extensions of any of the oil and gas leases located within the Contract Area in which it now or hereafter owns an interest;

(d) A lien upon all of its right, title and interest existing or arising in all oil wells, gas wells, injection wells, disposal wells, and all other wells now or hereafter located within the Contract Area or lands pooled or unitized therewith;

(e) A lien upon all of its right, title and interest existing and arising in all other real property and improvements located within the Contract Area or lands pooled or unitized therewith;

(f) A security interest in all of its right, title and interest existing or arising in oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, and all products extracted, manufactured or refined therefrom, and all other minerals, produced from the Contract Area or lands pooled or unitized therewith;

(g) A security interest in all personal property (including, but not limited to, equipment, inventory, tools and tubular goods) now owned or hereafter acquired by it in connection with the Contract Area or lands pooled or unitized therewith;

(h) A security interest in all fixtures now owned or hereafter acquired by it which are affixed to lands, leases or improvements within the Contract Area or lands pooled or unitized therewith;

(i) A security interest in all accounts and general intangibles existing or arising in connection with the Contract Area or lands pooled or unitized therewith, or relating to production from the Contract Area or lands pooled or unitized therewith;

(j) A security interest in all contract rights existing or arising in connection with the Contract Area or lands pooled or unitized therewith or oil and gas produced therefrom;

(k) A security interest in all of the existing or arising products and proceeds of the property described in subparagraphs (a) through (j) above.

Operator grants a like lien and security interest to each Non-operator upon Operator's interests.

The term of the Operating Agreement is defined therein; this notice is effective as of the date of its acknowledgment and shall remain effective so long as any oil and gas lease now existing within the Contract Area remains in effect (unless this notice is terminated in a recorded notice from Operator).

Any party acquiring an interest in the Contract Area, and any party who may otherwise be affected by the Operating Agreement, may obtain a complete copy of the Operating Agreement by written request to the Operator.

Dated as of March 13, 1987, the effective date of the Operating Agreement.

OPERATOR:

ALFORD OIL CORPORATION

By: *W. J. Smith*

Title: VICE PRESIDENT

NON-OPERATOR:

FORELAND CORPORATION

By: *J. W. Smith*

Title: VICE PRESIDENT

STATE OF TEXAS)
COUNTY OF HARRIS : ss.

On December 1, 1987, personally appeared before me, a notary public, PHILIP K. SWYDEN, who acknowledged that he executed the above instrument.

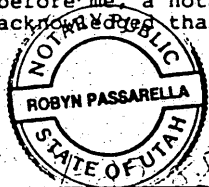
Aaron M. Vaughan
Notary Public

10-6-1991
My Commission Expires

Houston, Texas
Residing in

STATE OF Utah)
COUNTY OF Salt Lake : ss.

On November 23, 1987, personally appeared before me, a notary public, Tam Steele, who acknowledged that he executed the above instrument.



My Commission Expires

Robyn Passarella
Notary Public
Salt Lake City, Utah
Residing in

wbpd/BM3

EXHIBIT "A"

(Attached to and forming a part of that Notice of Operating Agreement dated as of March 13, 1987 between Foreland Corporation as Non-Operator and Alford Oil Corporation as Operator)

Leases and Lands

(Eureka and Elko Counties, Nevada)

PART A: TEST WELL OUTSIDE ACREAGE

Foreland Property.

1. Offer to Lease and Lease for Oil and Gas N-44077, dated effective October 1, 1986, recorded in Book _____ at page _____, from the United States of America, Lessor, to Donald E. Krohn, Lessee, insofar as said lease covers the following described lands:

Township 27 North, Range 52 East, MDM

Section 3: Lots 5 through 12, inclusive, SE/4;

Containing 488.72 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Donald E. Krohn.

2. Offer to Lease and Lease for Oil and Gas N-43780, dated effective August 1, 1986, recorded in Book _____ at page _____, from the United States of America, Lessor, to W. A. Besser, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 1: S/2;

Section 11: Lot 7, 8, N/2SW/4;

Section 12: E/2;

Section 25: Lots 1 through 4, inclusive, S/2N/2, S/2;

Section 26: Lots 1 through 4, inclusive, S/2N/2, S/2.

Containing 2101.45 acres, more or less.

BOOK | 69 PAGE 563

Subject to:

- (a) Landowner's royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of W. A. Besser; and
- (c) Drilling commitment within two years of Besser Assignment.

3. Offer to Lease and Lease for Oil and Gas N-43112, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 296, Eureka County, Nevada, from the United States of America, Lessor, to A. E. Milner, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 2: Lots 1 through 10, inclusive, SW/4NE/4, SE/4NW/4, W/2SE/4, E/2SW/4;
Section 10: N/2NE/4, SW/4NE/4, E/2SE/4, SW/4SE/4;
Section 11: Lot 6, 9, 10, NW/4SE/4;
Section 12: W/2;
Section 34: E/2;
Section 35: All;
Section 36: W/2.

Containing 2650.75 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of A. E. Milner;
- (c) Drilling commitment within two years of Milner assignment.

4. Offer to Lease and Lease for Oil and Gas N-42869, dated effective March 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 302, Eureka County, Nevada, from the United States of America, Lessor, to Paul F. Sawyer, Lessee, insofar as said lease covers the following described lands:

Township 29 North, Range 52 East, MDM

Section 16: E/2;
Section 28: All;
Section 34: W/2.

Containing 1280 acres, more or less.

Subject to:

- (a) Landowners' royalty of 12.5 percent; and
- (b) Overriding royalty of 6 percent in favor of Paul F. Sawyer.

5. Offer to Lease and Lease for Oil and Gas N-43114, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 315, Eureka County, Nevada, from the United States of America, Lessor, to HNG Oil Company, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 4: Lots 1 through 4, inclusive, S/2N/2, S/2;
Section 10: All;
Section 16: E/2, NE/4NW/4;
Section 22: All;
Section 28: N/2, N/2SE/4, NE/4SW/4;
Section 32: W/2NW/4, SE/4NW/4, SW/4, NE/4NE/4.

Containing 3042.46 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Enron Oil & Gas Company (formerly HNG Oil Company).

6. Offer to Lease and Lease for Oil and Gas N-43782, dated effective August 1, 1986, recorded in Book _____ at page _____, from the United States of America, Lessor, to W. G. Lasrich, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 2: Lots 1 through 4, inclusive, S/2N/2, S/2;
Section 12: All;
Section 14: All;
Section 24: All;
Section 26: All;
Section 34: All.

Containing 3841.36 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of W. G. Lasrich.

7. Offer to Lease and Lease for Oil and Gas N-43115, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 in page 309, Eureka County, Nevada, from the United States of America, Lessor, to Lane Lasrich, Lessee, insofar as said lease covers the following described lands:

Township 31 North, Range 52 East, MDM

Section 18: Lots 1 through 4, inclusive, E/2W/2, SW/4NE/4, W/2SE/4, SE/4SE/4;
Section 20: NW/4NE/4, E/2E/2;
Section 28: All;
Section 30: Lots 1 through 4, inclusive, E/2W/2, E/2;
Section 34: All.

Containing 2599.76 acres, more or less.

Subject to:

- (a) Landowner's royalty of 12.5 percent; and
- (b) Overriding royalty of 5 percent in favor of Lane Lasrich.

8. Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 287, Eureka County, Nevada, from Ballard Merrick, a/k/a Raymond Ballard Merrick, and Elsie Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 290, Eureka County, Nevada, from Jerry Merrick (aka Jerry Allen Merrick) and Anita G. Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 28 North, Range 52 East, MDM

Section 9: S/2SW/4, SE/4SE/4, SW/4SE/4;
Section 10: SE/4NW/4, SE/4NE/4, NE/4SW/4, SW/4SW/4, NW/4SE/4.

Containing 360 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

9. Oil and Gas Lease dated December 9, 1986, recorded in Book 156 at page 93, Eureka County, Nevada from Julian Tomera Ranches, Inc., Stonehouse Division, Lessor, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 30 North, Range 52 East, MDM

Section 5: SE/4;
Section 8: NE/4.

Township 31 North, Range 52 East, MDM

Section 32: W/2, W/2SE/4, SE/4SE/4.

Containing 760 acres, more or less.

Subject to:

(a) Landowner's royalty of 12.5 percent.

10. Oil and Gas Lease dated December 17, 1986, recorded in Book 155 at page 51, Eureka County, Nevada from Charles L. Bispo and Lois A. Bispo, Lessors, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 31 North, Range 52 East, MDM

Section 32: NE/4, NE/4SE/4.

Containing 200 acres, more or less.

Subject to:

(a) Landowner's royalty of 12.5 percent.

11. Oil and Gas Lease dated January 12, 1987, recorded in Book 155 at page 48, Eureka County, Nevada, and in Book _____ at page _____, Elko County, Nevada, from Franklin B. Cook, Lessor, to Foreland Corporation, Lessee;

Oil and Gas Lease dated January 14, 1987, recorded in Book 156 at page 382, Eureka County, Nevada, and in Book 559 at page 317, Elko County, Nevada, from Charles F. Cook, Jr., Lessor, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated January 22, 1987, recorded in Book 156 at page 385, Eureka County, Nevada, and in Book 559 at page 320, Elko County, Nevada, from Chestine Cook and Don E. Cook, as co-conservators for Daniel W. Cook, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 31 North, Range 52 East, MDM

Section 33: All.

Containing 640 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

Anadarko Property.

Federal Oil and Gas Lease N-43781, dated effective August 1, 1986, recorded in Book 147 at page 364, Eureka County, Nevada, from the United States of America, Lessor, to _____, Lessee, insofar as said lease covers the following described lands:

Township 29 North, Range 52 East, MDM

Section 26: W/2.

Section 34: E/2;

containing 640 acres, more or less.

Subject to:

(a) Acreage Contribution Agreement dated August 7, 1987, by and between Anadarko Petroleum Corporation and Foreland Corporation; and

(b) Landowner's royalty.

Sun Property.

Oil and Gas Lease No. 724488 dated December 1, 1982, recorded in Book 422 at page 130, Elko County, Nevada, and in Book 111 at page 68, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

Oil and Gas Lease No. 724489 dated December 1, 1982, recorded in Book 422 at page 137, Elko County, Nevada, and in

Book 111 at page 82, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

Oil and Gas Lease No. 724490 dated December 1, 1982, recorded in Book 435 at page 626, Elko County, Nevada, and in Book 115 at page 188, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees; and

Oil and Gas Lease No. 724491 dated December 1, 1982, recorded in Book 422 at page 145, Elko County, Nevada, and in Book 111 at page 83, Eureka County, Nevada, from Southern Pacific Land Company, Lessor, to Reading & Bates Petroleum Co. and Sun Exploration and Production Company, Lessees;

insofar as said leases cover the following described lands:

(Farmout Lands)

Township 29 North, Range 52 East, MDM

Lease 724489 Section 3: All;
Section 9: NE/4;
Section 11: W/2;
Section 15: Lots 1-4, W/2E/2, W/2.

Township 30 North, Range 52 East, MDM

Lease 724489 Section 33: NE/4;
Section 35: All;

Lease 724490 Section 3: Lots 1, 2, S/2NE/4;
Section 5: Lots 1, 2, S/2NE/4;
Section 9: NE/4;
Section 11: All;

Lease 724491 Section 15: NE/4;
Section 21: NE/4;
Section 23: All;
Section 25: All;
Section 27: NE/4.

Containing 5305.27 acres, more or less.

(Option Farmout Lands)

Township 29 North, Range 52 East, MDM

Lease 724489 Section 19: NE/4;
Section 21: NE/4;

Lease 724488 Section 23: W/2;
Section 27: All;
Section 29: NE/4;
Section 31: NE/4;
Section 33: NE/4;
Section 35: All.

Township 28 North, Range 52 East, MDM, Eureka County, Nevada

Lease 724488 Section 1: N/2;
Section 3: NE/4;
Section 5: NE/4;
Section 7: NE/4;
Section 9: NE/4;
Section 11: NE/4.

Containing 3,520 acres, more or less.

Subject to:

(a) Farmout and Option Farmout Agreement dated _____, among Sun Operating Limited Partnership, acting through Sun Exploration and Production Company, Reading & Bates Petroleum Co. and Foreland Corporation; and

(b) Landowner's royalty.

PART B: OPTION WELL OUTSIDE PROPERTY

Slagowski Property.

Oil and Gas Lease dated March 16, 1987, recorded in Book 156 at page 278, Eureka County, Nevada, from Slagowski Ranches, Inc., Lessor, to Foreland Corporation, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 8: W/2, S/2SE/4;
Section 16: W/2, SW/4SE/4;
Section 17: E/2, NW/4, NE/4SW/4;
Section 20: NE/4NE/4;
Section 21: NW/4, SE/4NE/4, W/2NE/4, N/2SE/4;
Section 22: N/2SW/4, SE/4;
Section 23: Lots 6, 7, 8, N/2SW/4, SE/4SW/4, W/2SE/4;
Section 24: Lots 7, 8, N/2SW/4.

Containing 2401.32 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

Foreland Property

1. Offer to Lease and Lease for Oil and Gas N-43112, dated effective May 1, 1986, recorded (as an attachment to an assignment) in Book 161 at page 296, Eureka County, Nevada, from the United States of America, Lessor, to A. E. Milner, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 13: W/2, W/2NE/4, SE/4;
Section 14: Lots 1 through 10, inclusive, SW/4NE/4, NW/4SE/4, N/2SW/4.

Containing 1195.80 acres, more or less.

Subject to:

- (a) Landowners' royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of A. E. Milner; and
- (c) Drilling commitment within two years of Milner assignment.

2. Offer to Lease and Lease for Oil and Gas N-43780, dated effective August 1, 1986, recorded in Book _____ at page _____, from the United States of America, Lessor, to W. A. Besser, Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 23: Lots 1 through 5, inclusive, SW/4NE/4, S/2NW/4;
Section 24: Lots 1 through 6, inclusive, and 9, 10, S/2NW/4, SW/4NE/4, NW/4SE/4.

Containing 724.29 acres, more or less.

Subject to:

- (a) Landowners' royalty of 12.5 percent;
- (b) Overriding royalty of 5 percent in favor of W. A. Besser; and
- (c) Drilling commitment within two years of Besser assignment.

3. Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 287, Eureka County, Nevada, from Ballard Merrick, a/k/a Raymond Ballard Merrick and L. C. Elsie Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee; and

Oil and Gas Lease dated February 10, 1986, recorded in Book 156 at page 290, Eureka County, Nevada, from Jerry Merrick (aka Jerry Allen Merrick) and Anita G. Merrick, husband and wife, Lessors, to Foreland Corporation, Lessee;

insofar as said leases cover the following described lands:

Township 28 North, Range 52 East, MDM

Section 14: S/2NW/4;
Section 15: N/2NW/4, SE/4NW/4, S/2NE/4.

Containing 280 acres, more or less.

Subject to:

(a) Landowners' royalty of 12.5 percent.

Amoco Property.

Offer to Lease and Lease for Oil and Gas N-42868, dated effective March 1, 1986, recorded in Book 156 at page 452, Eureka County, Nevada, from the United States of America, Lessor, to Hobe, Inc., Lessee, insofar as said lease covers the following described lands:

Township 28 North, Range 52 East, MDM

Section 15: N/2NE/4, SW/4NW/4, S/2;
Section 22: N/2, S/2SW/4;
Section 27: All;
Section 34: W/2.

Containing 1800 acres, more or less.

Subject to:

(a) Farmout Agreement dated _____, by and between Amoco Production Company and Foreland Corporation; and

(b) Landowner's royalty.

BM2/wbpd

A-10

BOOK 169 PAGE 572

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.M. REBELEAU, RECORDER
FILE NO. 7881898
FEE \$ 7.00

87 DEC -7 1986

RECORDED AT THE REQUEST OF
Hobe, Inc.
BOOK 169 PAGE 559