

After Recording, return to:
Foreland Corporation
2668 Grant Avenue
Suite 105
Ogden, Utah 84401

115536

NOTICE OF SUCCESSOR OPERATOR

Pine Valley Field
Elko and Eureka Counties, Nevada

By Notice of Operating Agreement dated effective as of March 13, 1987, filed for recording on January 19, 1988, in the office of the recorder of Elko County, Nevada, recorded in Book 603 at page 14, and filed on December 7, 1987, in the office of the recorder of Eureka County, Nevada, recorded in Book 169 at page 559, Alford Oil Corporation ("Alford") a Texas corporation, whose business address is 15919 Stuebner-Airline, Spring, Texas 77379 and Foreland Corporation ("Foreland") a Nevada corporation, whose business address is 2668 Grant Avenue, Suite 105, Ogden, Utah 84401, gave notice of that certain Operating Agreement dated March 13, 1987 (the "Operating Agreement") between the parties covering the exploration, development and operation of the lands identified in Exhibit "A" attached hereto and by reference made a part hereof (the "Contract Area"). The Operating Agreement designates Alford as the "Operator" of the Contract Area. Pursuant to the Operating Agreement, the Operator conducts, directs and has full control of all operations on behalf of the nonoperating parties in the Contract Area.

Alford and Foreland have designated Foreland as the successor Operator under the Operating Agreement effective as of April 18, 1988 and hereby give notice of such designation. All activities on the Contract Area undertaken pursuant to the Operating Agreement after April 18, 1988, shall be authorized and conducted by Foreland as the Operator pursuant to the Operating Agreement.

Except as specifically provided herein, this notice does not, nor is it intended to, amend, waive, enlarge or modify any term or provision of the Operating Agreement or any other agreement between Alford and Foreland.

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 this 11th day of May, 1988.

ALFORD OIL CORPORATION

By: W. B. Hammett
Title: President

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FORELAND CORPORATION

By: Dale W. Christensen
Title: Controller

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On MAY 11th, 1988, personally appeared before me, a notary public, W. O. DANIEL, III, who acknowledged that he executed the above instrument.

Aileen M. Vaughan
Notary Public

My Commission Expires:
10-9-91

Residing at:
Spring, Texas

STATE OF UTAH)
COUNTY OF WELLS) ss.

On May 17, 1988, personally appeared before me, a notary public, Dale W. Christensen, who acknowledged that he executed the above instrument.

Dale W. Christensen
Notary Public

My Commission Expires:
9-29-89

Residing at:
Stuyton, Ut

wbpd/ful

EXHIBIT "A"

(Attached to and forming a part of that Grant Notice of Operating Agreement between Foreland Corporation as Operator and Alford Oil Corporation)

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.

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.

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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.

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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;

inssofar 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, inssofar 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

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RECORDED AT THE REQUEST OF
Foreland Corporation
BOOK 177 PAGE 368
MAY 19 10:24
EUREKA COUNTY, NEVADA
REGISTERED
NO. 155310
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