

MODEL FORM RECORDING SUPPLEMENT TO

OPERATING AGREEMENT AND FINANCING STATEMENT
THIS AGREEMENT, entered into by and between SKIPPY OIL OPERATING, Inc.

4 hereinafter referred to as "Operator", and the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator", and collectively as "Non-Operators".

5 WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land

6 identified in Exhibit "A" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in

7 which the Leases or Interests of a party are not of record, the record owner and the party here to owns the interest or

8 rights therein are reflected on Exhibit "A";

9 WHEREAS, the parties hereto have executed an Operating Agreement dated August 1, 1992

10 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands,

11 Leases and Interests for Oil and Gas; and

12 WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the

13 rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights

14 capable of perfection.

15 NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

16 1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by

17 reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.

18 2. The parties do hereby agree that:

19 A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject

20 to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do

21 hereby commit such Leases and Interests to the performance thereof.

22 B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and

23 provisions of the Operating Agreement, as supplemented by this agreement.

24 C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne

25 and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties

26 here to, as provided in the Operating Agreement.

27 D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on

28 Exhibit "A", all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the

29 Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment

30 of interests covered hereby.

31 E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the

32 Contract Area as provided in the Operating Agreement.

33 F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter

34 created, assignments of production given as security for the payment of money and those overriding royalties, production

35 payments and other burdens payable out of production hereafter created and defined as Subsequently Created Interests

36 in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to

37 suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and

38 (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share

39 of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the

40 times and manner provided by the Operating Agreement.

41 G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject here to may not be assigned or transferred

42 except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers.

43 This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto,

44 and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with

45 the leases or interests included within the lease Contract Area.

46 H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases

47 proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of non-

48 participation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.

49 I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or

50 loss of title, each party's right to propose operations, obligations with respect to participation in operations on the

51 Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties

52 regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial

53 obligations shall be as provided in the Operating Agreement.

54 J. Each party's interest under this agreement and under the Operating Agreement shall be subject to relinquishment

55 for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated

56 on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.

57 K. All other matters with respect to exploration and development of the Contract Area and the ownership and

58 transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of

59 the Operating Agreement.

60 3. The parties hereby grant reciprocal liens and security interests as follows:

61 A. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and

62 Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security

63 interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained

64 for use in connection therewith, to secure performance of all of its obligations under this agreement and the Operating

65 Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies

66 paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas

67 leases as required under this agreement and the Operating Agreement, and the proper performance of operations under

68 this agreement and the Operating Agreement. Such lien and security interest granted by each party hereto shall include

69 such party's leasehold interests, working interests, operating interests, and royalty and overriding royalty interests in the

70 Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject

71 to this agreement and the Operating Agreement, the Oil and Gas when extracted therefrom and equipment situated

72 thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular

73 goods), and accounts (including, without limitation, accounts arising from the sale of production at the wellhead),

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1 contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of
2 the foregoing.
3 B. Each party represents and warrants to the other parties hereto that the lien and security interest granted by such
4 party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien
5 and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this
6 agreement and the Operating Agreement by, through or under such party. All parties acquiring an interest in Oil and
7 Gas Leases and Oil and Gas Interests covered by this agreement and the Operating Agreement, whether by assignment,
8 merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest
9 granted by the Operating Agreement and this instrument as to all obligations attributable to such interest under this
10 agreement and the Operating Agreement whether or not such obligations arise before or after such interest is acquired.
11 C. To the extent that the parties have a security interest under the Uniform Commercial Code of the state in which
12 the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code.
13 The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an
14 election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In
15 addition, upon default by any party in the payment of its share of expenses, interest or fees, or upon the improper use of
16 funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect
17 from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by
18 such party, plus interest, has been received, and shall have the right to offset the amount owed against the proceeds from
19 the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default
20 from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any
21 recourse available against purchasers for releasing production proceeds as provided in this paragraph.
22 D. If any party fails to pay its share of expense within one hundred-twenty (120) days after rendition of a statement
23 therefor by Operator the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid
24 amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid
25 by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this
26 paragraph 3 and in the Operating Agreement, and each paying party may independently pursue any remedy available
27 under the Operating Agreement or otherwise.
28 E. If any party does not perform all of its obligations under this agreement or the Operating Agreement, and the
29 failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this
30 agreement or the Operating Agreement, to the extent allowed by governing law, the defaulting party waives any
31 available right of redemption from and after the date of judgment, any required valuation or appraisal of the
32 mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets
33 and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each
34 party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights
35 granted hereunder or under the Operating Agreement, such power to be exercised in the manner provided by applicable
36 law or otherwise in a commercially reasonable manner and upon reasonable notice.
37 F. The lien and security interest granted by this paragraph 3 supplements identical rights granted under the
38 Operating Agreement.
39 G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the
40 mechanics or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment
41 to Operator of any sum due under this agreement and the Operating Agreement for services performed or materials
42 supplied by Operator.
43 H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and
44 this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is
45 located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other
46 applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation
47 statement as necessary under the Uniform Commercial Code, or other state laws.
48 I. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of
49 this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file
50 of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of
51 termination as to Operator's interest, upon the request of Operator, if Operator has complied with all of its financial
52 obligations.
53 J. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties
54 hereto and their respective heirs, devisees, legal representatives, successors and assigns. No sale, encumbrance, transfer or
55 other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly
56 permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the
57 Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an
58 ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to
59 the interest assigned from and after the effective date of the transfer of ownership, provided, however, that the other parties
60 shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until
61 thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing
62 from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of
63 obligations previously incurred by such party under this agreement or the Operating Agreement with respect to the interest
64 transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under
65 this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment,
66 and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden
67 the interest transferred to secure payment of any such obligations.
68 K. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the
69 Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.
70 L. This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been
71 executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of
72 the parties to which it is rendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which
73 own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the
74 remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.

8. Other provisions.

IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of August 19 92

ATTEST OR WITNESS:

OPERATOR

Skippy Oil Operators, Inc.

Howard L. Ross

By: Howard L. Ross

Type or Print Name

Title: President

Date: August 28, 1992

Address: P.O. Box 10007

Ketchum, ID 83340

NON-OPERATORS

Atlantic Richfield Company

J.O. Smushbury

By: J.O. Smushbury

Type or Print Name

Title: Attorney-in-Fact

Date: September 9, 1992

Address: P.O. Box 600

Dallas, TX 75221

Skippy Oil Limited Partnership

Howard L. Ross

By: Howard L. Ross

Type or Print Name

Title: General Partner

Date: August 28, 1992

Address: P.O. Box 10007

Ketchum, ID 83340

ATTEST OR WITNESS:

ATTEST OR WITNESS:

ATTEST OR WITNESS:

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Type or Print Name
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8. Other provisions.

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IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of August 19 92

OPERATOR

Skippy Oil Operating, Inc.

By: Howard L. Ross

Title: President

Date: August 28, 1992

Address: P.O. Box 10007

Ketchum, ID 83340

NON-OPERATORS

Atlantic Richfield Company

D.O. Bonning

By: D.O. Bonning

Title: Attorney-in-Fact

Date: September 9, 1992

Address: P.O. Box 600

Dallas, TX 75221

ATTEST OR WITNESS:

Skippy Oil Limited Partnership

By: Howard L. Ross

Title: General Partner

Date: August 28, 1992

Address: P.O. Box 10007

Ketchum, ID 83340

ATTEST OR WITNESS:

Singair Oil Corporation

By: *Kenneth T. Smith*

Title: Vice President

Date: September 18, 1982

Address: 1625 Broadway, Suite 800

Denver, CO 80202

ATTEST OR WITNESS:

By: _____
Type or Print Name

Title: _____

Date: _____

Address: _____

ACKNOWLEDGMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The

validity and effect of these forms in any state will depend upon the statutes of that state.

Individual Acknowledgment

13 STATE OF _____ \$

15 \$ ss.

17 COUNTY OF _____ \$

19 This instrument was acknowledged before me on _____

21 by _____

25 (Seal, if any)

27 Title (and Rank)

29 My Commission Expires:

33 Acknowledgment in Representative Capacity

35 STATE OF Iowa \$

37 \$ ss.

39 COUNTY OF Barrre \$

41 This instrument was acknowledged before me on August 28, 1992

43 by Howard L. Reed

43 as General Partner

45 Superior Limited Partnership

51 John M.

51 Title (and Rank)

51 Secretary

53 My Commission Expires: 01/20/96

53 My Commission Expires:

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ACKNOWLEDGMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual Acknowledgment

STATE OF _____ §

§ ss.

COUNTY OF _____ §

This instrument was acknowledged before me on _____

by _____

(Seal, if any)

Title (and Rank)

My Commission Expires:

Acknowledgment in Representative Capacity

STATE OF _____ §

§ ss.

COUNTY OF _____ §

This instrument was acknowledged before me on August 28, 1992

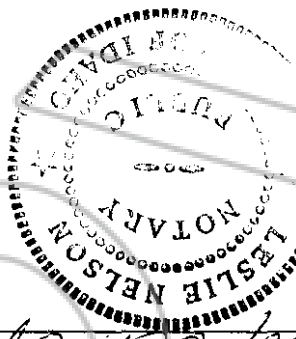
by Howard L. Reed as President of Supply & Operating Inc

of _____

Handwritten signature: Howard L. Reed

Title (and Rank) Secretary

My Commission Expires: 8/20/98



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ACKNOWLEDGMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual Acknowledgment

STATE OF _____ §

§ ss.

COUNTY OF _____ §

This instrument was acknowledged before me on _____

by _____

(Seal, if any)

Title (and Rank) _____

My Commission Expires: _____

Acknowledgment in Representative Capacity

STATE OF Texas §

§ ss.

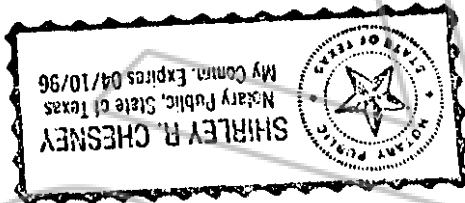
COUNTY OF Dallas §

This instrument was acknowledged before me on September 9, 1992

by J. A. Sansbury as Attorney-in-Fact of

Atlantic Richfield Company

(Seal, if any)



Title (and Rank) _____
Notary Public
My Commission Expires: April 10, 1996

Shirley R. Chesney

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ACKNOWLEDGMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual Acknowledgment

STATE OF _____ §

§ ss.

COUNTY OF _____ §

This instrument was acknowledged before me on _____

by _____

(Seal, if any)

Title (and Rank) _____

My Commission Expires: _____

Acknowledgment in Representative Capacity

STATE OF Colorado §

§ ss.

COUNTY OF Denver §

This instrument was acknowledged before me on September 18, 1992

by Kenneth T. Smith

as Vice President

SINCLAIR OIL CORPORATION

(Seal, if any)

Title (and Rank) Notary Public _____

My Commission Expires: August 13, 1996

SEAL
Affixed

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EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN MODEL FORM RECORDING SUPPLEMENT TO OPERATING AGREEMENT AND FINANCING STATEMENT DATED EFFECTIVE AUGUST 1, 1992 BY AND BETWEEN SKIPPY OIL OPERATING, INC., AS OPERATOR AND SKIPPY OIL LIMITED PARTNERSHIP, ATLANTIC RICHFIELD COMPANY AND SINCLAIR OIL CORPORATION, AS NON-OPERATORS

1) Oil and Gas Lease Subject To This Agreement

Lessee: Exxon Corporation
Lessor: USA- Serial # N-52565
Dated: March 1, 1992
Lands: Insofar as it contains:
Section 12-T28N-R50E

Recording Data:

2) Percentage Interest Of Parties To This Agreement

Atlantic Richfield Company 55%
Skippy Oil Limited Partnership 25%
Sinclair Oil Corporation 20%

BOOK 240 PAGE 499
OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Skippy Oil
92 OCT 16 P2:20
EUREKA COUNTY, NEVADA
M.N. REBAL. RECORDED
FILE NO. FEES /300

142840

Revised 10/12/92