

AR2089390



Facility ID 120019

B 1147 REC 02089390 02/24/87 09:57 \$84.00 1/025
F 0573 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

NEW RAYMER GAS PLANT AND GATHERING FACILITIES
OPERATING AGREEMENT

THIS CONTRACT, made and entered into this 28th day of February, 1985, by and between Western Equipment & Oil Income Fund 1983-1984, Ltd., hereinafter referred to as "Western" or "Non-Operator," and Schreider Operating Company, a Colorado Corporation, hereinafter referred to as "Schreider" or "Operator."

WITNESSETH THAT:

WHEREAS, Western owns and controls certain gas gathering and processing facilities in Weld County, Colorado which are more particularly described in Exhibit "A", hereinafter referred to as the "New Raymer Plant System," attached hereto and made a part hereof; and

WHEREAS, subject to the terms and conditions hereof, Western desires to engage Schreider to operate, manage, contract for gas supplies and sales of residual gas and liquids in connection with the New Raymer Plant System.

NOW THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, and other payments and covenants hereinafter specified, the parties agree as follows:

ARTICLE I
CONSIDERATION

Schreider will supply all accounting, administration, supervision and gas measurement services for a flat fee of \$3,500 per month, plus reimbursement of third party charges and out-of-pocket expenses directly related to operation of and supervision of the New Raymer Plant System.

Western and Schreider both recognize the need to contract for and process additional economic gas supplies for the New Raymer Plant System. Also, Western and Schreider recognize the need for cost control of both operation and gas purchase costs. Therefore, as incentive for Schreider (and his associates and affiliates) to contract for and administer additional gas supplies for the New Raymer Plant System, Western agrees to compensate Schreider (and his associates and affiliates) as follows:

Incentive compensation under volume incentive plan:

<u>Average Daily Through Put of Inlet Gas in MCFD</u>	<u>Compensation in \$ Per MCFD</u>
851-1600	0.03
1601-2350	0.06
2351-3100	0.09
3101 and above	0.13

Incentive compensation under profit incentive plan:

<u>Category</u>	<u>Average Daily Through Put of Inlet Gas in MCFD</u>	<u>Incentive Formulae</u>
(A)	851-1600	$\frac{\text{Monthly Plant Profits*} - 27,000}{\text{Av.MCFD} - 850 \text{ MCFD}} \times 27,000$ $\frac{750 \text{ MCFD}}{750 \text{ MCFD}}$ $\times \$0.03 \text{ MCFD} \times \text{Av.MCFD} - 850 \text{ MCFD}$ $\times 30 = \text{Incentive Compensation}$
(B)	1601-2350	$\frac{\text{Monthly Plant Profits*} - 54,000}{\text{Av.MCFD} - 1,600 \text{ MCFD}} \times 27,000$ $\frac{750 \text{ MCFD}}{750 \text{ MCFD}}$ $\times \$0.06 \text{ MCFD} \times \text{Av.MCFD} - 1,600 \text{ MCFD}$ $\times 30 = \text{Incentive Compensation}$
(C)	2351-3100	$\frac{\text{Monthly Plant Profits*} - 81,000}{\text{Av.MCFD} - 2,350 \text{ MCFD}} \times 27,000$ $\frac{750 \text{ MCFD}}{750 \text{ MCFD}}$ $\times \$0.09 \times \text{Av.MCFD} - 2,350 \text{ MCFD}$ $\times 30 = \text{Incentive Compensation}$
(D)	3101-3850	$\frac{\text{Monthly Plant Profits*} - 108,000}{\text{Av.MCFD} - 3,100 \text{ MCFD}} \times 27,000$ $\frac{750 \text{ MCFD}}{750 \text{ MCFD}}$ $\times \$0.13 \times \text{Av.MCFD} - 3,100 \text{ MCFD}$ $\times 30 = \text{Incentive Compensation}$

*Monthly plant profits are defined as gross profit from sale of residual gas and extracted liquids prepared on a monthly basis less operating costs, but before depreciation, interest expense, lease purchase rental payments and federal and state income taxes. Volume incentive payments (liabilities) are deductions from plant profits. Profit incentive payments (liabilities) are not deductions from plant profits.

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The above amounts will be due and payable ten (10) days after receipt of revenues from sales of residual gas. The payment of these monies as they pertain to contracts secured during Schreider's term as Operator are not dependent upon Schreider (and his associates and affiliates) being the Operator of the New Raymer Plant System.

Western and Schreider agree that Western may, but does not have to, accept any contract for the purchase or processing of gas where Western's share of net revenues are less than the finder's fee paid to Schreider (and his associates and affiliates).

Western and Schreider recognize that there may be instances where additional gathering and/or compression facilities may be needed to connect new supplies to the existing facilities making up the New Raymer Plant System. Where Schreider is instrumental in the contracting for gas supplies and construction of the gathering and related additional facilities to be owned by Western, then Schreider will negotiate with Western an appropriate administrative and finder's fee.

Where Western elects not to expend its facilities to gather additional gas supplies but agrees that it would be economic to process the additional supplies and Schreider and/or his associates and affiliates desire to own and install the necessary additional facilities at their sole cost and obligation, Western will contract with Schreider for the processing of these gas supplies at the higher of seventy (70) percent of the residual gas and extracted liquids sales value or the highest price being offered in the area by other third party gas gathering companies as demonstrated by written gas purchase contract proposals from the competing gathering company.

ARTICLE II TERM

This Operating Agreement shall be effective as of the date and year first above written and shall remain in full force and effect for a period of ten (10) years and thereafter until either party gives the other thirty (30) days prior written notice of intent to cancel. See Article III, Additional Provisions of this Operating Agreement for other provisions regarding replacement of Operator by Non-Operator.

ARTICLE III ADDITIONAL PROVISIONS

Additional provisions as to the operations and contractual obligations of Schreider, Western and other Non-Operators as parties to this Operating Agreement are set forth in the Form 610-1982 Model Operating Agreement attached hereto and made a part hereof.

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IN WITNESS WHEREOF, the parties have hereto subscribed
their names.

ATTEST:

WESTERN EQUIPMENT & OIL INCOME
FUND 1983-1984 LTD:

By: 

ATTEST:

SCHREIDER OPERATING COMPANY

By: 



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FORM 610 - 1982
MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

February 28, 19 85,

OPERATOR SCHREIDER OPERATING COMPANY

CONTRACT AREA SW/4 of SW/4 of Section 11, Township
7N, Range 58W

COUNTY OR PARISH OF WELD STATE OF COLORADO

EXHIBIT "A"

The New Raymer Plant System includes the existing gas plant and gathering facilities purchased on August 23, 1984 by Western Equipment & Oil Income Fund 1983-1984 Ltd. from Industrial Gas Services, Inc., and its affiliates, and any subsequent additions thereto, at the following location:

SW/4 of SW/4 of Section 11, Township 7N, Range
58 W, Weld County, Colorado

<u>OWNER NAME AND ADDRESS</u>	<u>OWNERSHIP INTEREST</u>	
	<u>Before</u> <u>Payout*</u>	<u>After</u> <u>Payout*</u>
Western Equipment & Oil Income Fund 1983-1984 Ltd. 5675 South DTC Boulevard Suite 165 Englewood, Colorado 80111 Attn: Mr. Herbert R. Miller, Managing Partner	100%	88%
Schreider Operating Company 1180 Lawrence Street Suite 300 Denver, Colorado 80204 Attn: Mr. Rudy C. Schreider, Jr., President	-0-	5%
Energy Equipment Sales and Leasing (a Colorado Partnership) 4175 Harlan Street Suite 201 Wheat Ridge, Colorado 80033	-0-	5%
Mr. Mike Bock 950 South Cherry Suite 1000 Denver, Colorado 80222	-0-	2%
	<u>100%</u>	<u>100%</u>

*Payout - the point in time that the purchasing party (Western Equipment & Oil Income Fund 1983-1984 Ltd.) recovers the initial investment of \$475,000 from net operating revenues of the New Raymer Plant System or proceeds from the sale of the New Raymer Plant System.

The initial investment of \$475,000 will be increased by capital expenditures prior to payout. These capital expenditures will be separately classified and charged against monthly operations at the rate of 1/60th per month.

Net operating revenues of the New Raymer Plant System will include overriding royalty income, if applicable, from certain leases acquired as part of the purchase