

NOW, THEREFORE, in consideration of the premises and the sum of one dollar by each of the parties to the other in hand paid, receipt whereof is hereby confessed and acknowledged, and in further consideration of the mutual promises, covenants and conditions herein-after set forth, it is agreed:

ARTICLE I.

Section 1. That the Contractor shall have and is hereby given exclusive right of possession and occupation of all lands under said permit and all leases or extensions or renewals or amendments of said permit or leases that may hereafter be granted by the United States to said Owners, for the purpose of prospecting or drilling for, developing, producing and marketing all oil and / or gas therefrom; subject, however, to the right of the Owners to enter upon said premises at any and all reasonable times for the purpose of inspecting the same and the operations of the Contractor thereon.

Section 2. That under and pursuant to the provisions of the Act of Congress, granting to the Secretary of the Interior authority to extend the time within which to begin drilling operations or to complete the same, the Owner shall, if and when requested so to do by the Contractor, apply to the Secretary of the Interior for a maximum period of time from and after the date of the granting of such extension within which to comply with the requirements of said permit, as so extended; such application for extension to be prepared by the Contractor, and after execution by the Owners, to be by the Contractor submitted to the Secretary of the Interior.

Section 3. That the Contractor shall have full and complete charge and control of all operations upon said lands and shall continue in control during the life of this agreement and during the term of said permit, and of any lease or leases which may be issued to the Owners, as well as of any extension or extensions, renewal or renewals or amendment of said permit, lease or leases in whole or in part.

Section 4. On that part of the lands embraced in said permit as to which the royalty fixed and charged by the Government shall be less than twenty (20%) per cent., eight (8%) per cent. of the amount of all oil and / or gas produced and saved therefrom shall belong to the Owners; and on that part of lands embraced in said permit as to which the royalty fixed and charged by the Government shall amount to twenty (20%) per cent or in excess of that amount, five (5%) per cent of the amount of all oil and / or gas produced and saved therefrom shall belong to the Owners, and after turning over to the United States its royalty or the value thereof, and after turning over to the Owners their royalty or the value thereof, the Contractor for its services and expenditures hereunder shall be entitled to retain the balance of the total amount of all oil and / or gas produced and saved from said lands. In computing total production for the purpose of this section, the Contractor shall not be charged for oil or gas used either in development or production operations upon any part of said lands, or unavoidably lost.

Section 5. That the Owners shall not declare the rights of the Contractor under this agreement forfeited for any cause whatever unless the Owners shall notify the Contractor in writing of the existence and exact nature of the cause of forfeiture, and unless the Contractor shall thereafter fail to remedy said cause of forfeiture within sixty (60) days from the service of such notice.

Section 6. That the Contractor may, at any time hereafter, surrender and abandon all of the above described lands and thereby be relieved of all future obligations of whatsoever kind or nature in respect thereto; provided, however, that such right to surrender shall be exercised in such manner as to allow the Owners at least sixty days prior to the expiration of any extension which may hereafter be granted within which to comply with any drilling requirements which would be incumbent upon them in order to protect their rights from forfeiture because of the surrender and abandonment by the Contractor. And in case of such surrender by the Contractor or in case of forfeiture or other termination of this agreement, the Contractor may at any time thereafter remove all equipment and other removable property placed by it on said lands.

Section 7. During the life of this agreement the Contractor agrees to purchase and the Owners agree to sell at the well or wells where produced, all the oil belonging to the Owners produced and saved from the lands the subject of this agreement, at the current market price paid in the fields of Wyoming at the time of production for the same grade and gravity of oil, which price in no event shall be less than the price paid to the United States government for its royalty oil produced and saved from the lands the subject of this agreement, said payments to be made on the 20th day of each month for all oil produced and saved during the next preceding month.

ARTICLE II.

Section 1. That subject to the reservations and right to surrender hereinabove set out, the Contractor shall within the time specified therefor, do and perform upon said premises such development work as may be required by said permit, or any extension thereof, or by said Act and the rules and regulations promulgated thereunder.

Section 2. That if oil or gas shall be discovered upon said premises in commercial quantities, the Contractor, subject to the right of surrender hereinabove contained, shall continue in possession thereof, and consistently with the then prevailing condition of the market for crude petroleum or other products of said lands, shall drill such additional wells as may be necessary for the proper development of the same, and shall drill all necessary wells fairly to offset the producing wells of others on adjoining lands; but in any event, subject to such right to surrender, said Contractor, within three months from and after bringing in on the structure on which the above described premises are located of a well producing oil in commercial quantities, shall, if it had not already done so, commence to drill a well on some part of said permitted lands which shall be of the kind required by said permit, or any extension thereof, and shall prosecute such drilling operations with reasonable diligence until a depth of two thousand five hundred feet has been reached, unless oil in commercial quantities be sooner encountered.

Section 3. That the Contractor shall keep books containing all production data on said premises and the distribution of oil and gas therefrom or proceeds thereof, and said books shall be open during all reasonable hours to the inspection of the Owners, or their duly authorized agent, or agents, and upon request of the Owners shall supply to them a copy of any record pertaining thereto.