

diligence by the Owner and the Contractor to procure the issuance of said permits, such efforts shall not be successful, then as to that part of said E $\frac{1}{2}$  of Section 12 as to which the Owner's rights shall fail and as to which the Owner shall be denied a permit, the rights and obligations of the Owner and the Contractor hereunder shall terminate, but as to that part of said E $\frac{1}{2}$  of Section 12 as to which the Owner's rights shall not fail, all of the terms and provisions of this agreement applicable thereto shall remain in full force and effect; PROVIDED, HOWEVER, and it is expressly understood and agreed that, although elsewhere in this agreement it is recited that the Owner has pending applications for permits covering the SE $\frac{1}{4}$  of said Section 12, no application therefor has actually yet been prepared or filed, but that an application therefor is in course of preparation and will be filed as soon as may be, AND FURTHER, that none of the representations, covenants and/or warranties in this paragraph or elsewhere in this agreement appearing does or shall apply to said SE $\frac{1}{4}$  of said Section 12.

11. It is understood that Charles P. Budd, Grace MacGlashan, L. F. Fletcher and L. B. Maupin are the owners of a Government permit Serial No. Evanston 08047, covering the NE $\frac{1}{4}$  of Section 2, Township 28 North, Range 114 West, Sixth Principal Meridian, and that L. F. Fletcher and L. B. Maupin are the owners of a Government Permit Serial No. 08035, covering the N $\frac{1}{4}$  of the N $\frac{1}{4}$  of the NW $\frac{1}{4}$  of Section 12, Township 28 North, Range 114 West of the Sixth P. M., Sublette County, Wyoming, and that the Contractor is desirous of obtaining the right to develop the E $\frac{1}{2}$  of the NE $\frac{1}{4}$  of said Section 2, and all of the N $\frac{1}{2}$  of the N $\frac{1}{4}$  of the NW $\frac{1}{4}$  of the said Section 12, and the parties of the first part hereto agree to use their best efforts in an endeavor to induce said permittees to enter into an agreement with the Contractor for the development thereof upon terms as to royalties the same as those provided in this agreement, the other terms thereof to be as near like those herein contained as the difference in the situation and status of the parties and the lands included will permit; PROVIDED, HOWEVER, that all expense incident thereto shall be borne by the Contractor.

12. That with a view to enlarging the acreage as to which the Government will charge the minimum royalty, the Owner, if requested, shall use its best endeavors to have included in its present permit above referred to all of the E $\frac{1}{2}$  of Section 12 of the lands above described, now embraced in its pending applications for permits, all expense incident thereto to be borne by the Contractor.

13. On that part of the lands the subject of this agreement as to which the royalty fixed and charged by the Government shall be less than Twenty per cent (20%), Eight per cent (8%) of the amount of all oil and/or gas produced and saved therefrom shall belong to the Owner; and on that part of the land the subject of this agreement as to which the royalty fixed and charged by the Government shall amount to Twenty per cent (20%) or in excess of that amount, Five per cent (5%) of all oil and/or gas produced and saved therefrom shall belong to the Owner, and after turning over to the United States its royalty or the value thereof, and to the Owner its royalty oils as herein stipulated, 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; PROVIDED, HOWEVER, that as to the NE $\frac{1}{4}$  of Section 12, and the NW $\frac{1}{4}$  of Section 7 of said lands, when the royalty fixed and charged by the Government shall amount to Twenty per cent (20%), or in excess of that amount, six per cent (6%), instead of five per cent (5%), of the amount of all oil and/or gas produced and saved therefrom shall belong to the Owner; and PROVIDED FURTHER that of and from the Owner's royalties hereunder the Contractor may pay to said Lincoln-Idaho Oil Company and to said Thomas Clinton the royalties on production from the NE $\frac{1}{4}$  of Section 12, and to said Thomas Clinton the royalties on production from the NW $\frac{1}{4}$  of Section 7 of the lands above described, as in paragraphs 4, 5 and 6 of Articles I of this agreement provided. In computing total production for the purposes of this section, the Contractor shall not be charged for oil and/or gas necessarily used either in development or production operations upon any part of the lands the subject of this agreement, or unavoidably lost.

14. During the life of this agreement the Contractor agrees to purchase, and the Owner agrees to sell, at the well or wells where produced, all the oil belonging to the Owner produced and saved from the lands the subject of this agreement, and to pay therefor the current market price paid in the fields in the State 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 land 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; PROVIDED that the Owner and third parties hereto, and its or their successors and assignees, shall have the right to purchase from the Contractor at the price stipulated in this paragraph all oil and gas it or they may require for development purposes on all lands now owned or controlled by them and/or for which the Owner and third parties hereto, or any of them now have permit applications pending, located in the vicinity of the lands the subject of this agreement.

15. That subject to the performance by the Contractor of all obligations by it hereunder assumed, as hereinafter more particularly set forth, the Contractor may at any time hereafter (but not until it shall have drilled a test well in the manner and to the depth hereinafter provided for), surrender and abandon all or any part of the lands the subject of this agreement and thereby be relieved of all future obligations of whatsoever kind or nature, in respect to the lands so surrendered and abandoned, and as to the lands so abandoned and surrendered, all of its rights shall thereby be terminated and surrendered; PROVIDED, HOWEVER, that such right of surrender shall not be exercised until sixty (60) days after a written notice of its intention to so surrender shall have been delivered to the president of the Owner. 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 or other removable property placed by it on said lands, and all other material, equipment or other property belonging to it and located on said lands, subject nevertheless, to the right of the Owner within thirty (30) days after such surrender or other termination of this agreement to purchase said equipment and other property or any part thereof, at the fair cash market value thereof at that time. In the event of the exercise of the right of purchase by the Owner, if the Owner and the Contractor cannot agree as to the value thereof, they shall each name an arbitrator and said arbitrators shall select another, and the decision of any two of said arbitrators duly arrived at as to the value of same shall be final and binding upon the parties hereto. And in the event the Owner does not exercise its right to purchase said property last mentioned, it shall have the right to rent from the Contractor for a period not in excess of four months from the date of abandonment by the Contractor, the said personal property