

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, the contractor, for his services and expenditures hereunder shall be entitled to retain the balance of the total amount of all oil and/or gas produced and saved therefrom. 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 owner shall not declare the rights of the contractor under this agreement forfeited for any cause whatever unless the owner shall notify the contractor in writing of the existence and exact nature of the cause of forfeiture, and unless the contractor shall fail to remedy or remove said cause within sixty days from the service of such notice.

Section 6. That the contractor may, at any time hereafter, surrender and abandon all or any part 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 owner 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 encumbent upon him in order to protect his 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 remove all equipment and other removable property placed by it on said lands.

Section 7. That 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 subject to 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 shall in no event be less than the price paid to the United States Government for its royalty oil produced and saved from the same lands; such payments to be made on the 20th day of each month for all royalties accruing to the owner on account of production of the next preceding month.

IN CONSIDERATION WHEREOF, the contractor covenants and agrees with the owner, as follows:

ARTICLE II.

Section 1. That, subject to the reservations and right to surrender hereinbefore set out, the contractor shall, within ninety days from the date hereof, place and erect upon some point on said lands an adequate and suitable drilling rig and machinery, together with casing, pipe and the usual supplies that go with the operations for drilling for oil, subject to necessary delays caused by weather, road or market conditions for the securing of necessary materials (which delays shall not subject the contractor to the delay payments hereinafter mentioned), and to immediately commence drilling operations, and diligently and continuously continue the same (subject to the aforesaid delays) in literal and substantial compliance to the terms of said permit, and of the operating lease thereon, and to the rules and regulations of the Department of the Interior, for the production of oil and/or gas, to a depth of approximately 1,000 feet in the first two wells drilled, unless oil or gas in commercial quantities shall be discovered at a lesser depth. The contractor shall have the right to drill any well with diamond drill, and the owner shall request permission from the Secretary of the Interior for the use of diamond drills in the same manner as provided for securing extensions of time as set out in Section 2 of Article I hereof. Time for the commencement of drilling operations may be extended from month to month, not exceeding four months, upon payment by the contractor to the owner of the sum of one hundred fifty dollars per month, payable each month in advance, such extensions to be at the option of the contractor.

Section 2. That if oil or gas shall be discovered upon said premises in paying quantities, the contractor, subject to the right of surrender herein 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, but within the time of the term of the lease thereon, shall drill such additional wells, and to such depths not exceeding the depth of 3,000 feet, as may, in the mutual opinion of the parties hereto, be necessary for the proper development of said lands, in the opinion of the contractor.

Section 3. 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 owner; and in case diamond drills shall be operated, the acres shall be subject to like inspection by the owner. And the contractor shall furnish to the president of the owner company monthly statements of all oil and/or gas produced from the lands the subject of this agreement and upon request of the owner shall supply to the owner a copy of any and all records pertaining thereto; Provided, that the owner shall have the right to employ at its own expense and maintain upon said lands, and at the wells thereon, one or more checkers or guagers, who shall have access to the property and to the wells where production is obtained, at any and all reasonable times, and shall be permitted by the contractor to check and gauge for the owner the amount of production of oil and/or gas being obtained therefrom by the contractor.

Section 4. That upon discovery of oil or gas in paying quantities upon any of said lands, the contractor shall have the right to designate One Hundred Twenty acres of the area embraced within said permit, and in the name of the owner shall thereupon apply to the Secretary of the Interior for a lease thereon at a royalty of five per cent. (5%); and shall at the same time and in like manner apply for a lease upon the entire balance of said above described lands upon such royalty as the Secretary may fix, and shall thereafter take all necessary steps to obtain the granting of such lease and any necessary renewals thereof.

ARTICLE III.

Section 1. This agreement and each and every of its terms, provisions and condi-