

covenants and agreements hereinafter contained on the part of the lessee to be kept and performed, does hereby grant, demise, lease and let unto the lessee for the purpose of drilling, operating for and producing oil and gas thereon, together with rights-of-way and servitudes for pipe lines, telephone and telegraph lines, tanks, power-houses, stations and fixtures of every kind and nature, for producing and caring for such products, and all other rights and privileges necessary or convenient for the development of said land, for oil and gas with the right to use free oil and gas, for such purposes for and during the term of five years and as long thereafter as oil or gas is produced in paying quantities, all that certain tract of land situated in the County of Sublette, state of Wyoming, and described as follows, to-wit:

SOUTHWEST QUARTER OF THE NORTHEAST QUARTER (SW<sub>1</sub>NE<sub>4</sub>), SOUTH HALF OF NORTHWEST QUARTER (S<sub>1</sub>NW<sub>4</sub>) OF SECTION TWENTY-EIGHT (28), TOWNSHIP TWENTY-SEVEN (27) NORTH, RANGE ONE HUNDRED THIRTEEN (113) WEST OF THE SIXTH PRINCIPAL MERIDIAN, Containing 120 acres more or less.

In consideration of the premises the lessee further covenants and agrees:

FIRST, To deliver to the credit of the lessor in the pipe line to which the lessee may connect its wells, as rent or royalty, fifteen percent (15%) of all oil and gas produced and saved from the leased premises, or to pay to lessor's credit in the State Bank of Big Piney, Big Piney, Wyoming, the value of fifteen percent (15%) of all oil and gas produced, saved and marketed from leased premises, basis of payment to be at highest currant market field price for a like product at the time of production of equal quality and gravity. But under no consideration shall lessor change royalty payments from kind to value, or vice-versa, without giving lessee six months written notice of such contemplated change of payments. When royalties are to be paid on the value of product marketed, then such payments shall be made to lessor's credit in the above named depository, on or before the twentieth (20th) day of each calendar month covering marketing proceeds for the previous calendar month, same to be accompanied by necessary marketing statements. No change in the depository for royalty payments shall be binding upon lessee nor shall lessee be bound by any change of ownership of said royalties or any part thereof, until written proof of such change in satisfactory form, is furnished the latter.

SECOND, Lessor shall have the right to inspect all operations conducted on said premises by lessee at all reasonable times and shall have the right during business hours to check production and marketing books and records of lessee as and when required to check the interest of lessor hereunder. Lessee shall keep on accurate and detailed log of each well drilled hereunder, same to be accessible during working hours to lessor.

THIRD, Lessee shall commence all required offset wells and complete same with all diligence.

FOURTH, The lessee, his assigns or any company or associates with whom it is now or hereafter may be interested, shall drill a test well on some portion of the lands heretofore described. The lessor expressly declares that such commencement and drilling of test well, on the above described lands, shall be on or before the first day of June, A. D. 1927, and carried to a depth of twenty-five hundred (2,500) feet unless oil or gas are encountered in commercial quantities at a lesser depth. Continuous drilling of such test well by lessee (barring an Act of Providence) shall be carried on to completion.

If the test well is a paying well, lessee agrees within one hundred and twenty (120) days from the completion of said well, market and field conditions warranting, to commence two separate wells on the said land herein described, and to continue to drill and develop such lands as long as this lease shall be in force and effect, or until such a time as the land herein described shall be fully and completely developed (barring an Act of Providence) such as unavoidable breakage in machinery or severe weather conditions where it would make it unprofitable to continue for a certain period of time, then the lessee shall not be obligated to continue until a reasonable length of time until conditions are more favorable, but in no event whatsoever shall the lessee fail to continue steady drilling operations for a period of more than six months at one time without the written consent of the lessor.

If the test well at its completion of twenty-five hundred (2,500) feet has proven to be non-productive as to oil or gas, lessee shall have six (6) months time from such date of completion, within which to elect to decide to carry on said test well to a depth of thirty-five hundred (3,500) feet, unless oil or gas are encountered in commercial quantities at a lesser depth, or commence a new well or surrender the lease.

FIFTH, Lessee shall fully comply with state regulations and statutes pertaining to the carrying on of drilling operations for oil or gas on patented lands; and properly cement all water sands along the most approved methods of procedure.

SIXTH, No well shall be drilled nearer than one-hundred and fifty (150) feet to any building now on said land without the written consent of the lessor. Lessee shall pay damage to growing crops on said land. When requested by the lessor, the lessee shall bury its pipe lines below plow depth. Lessee shall have the right at any time to remove all pipe, machinery and fixtures placed on said premises, within one year from the annulment of this lease.

SEVENTH, It is agreed that the lessor shall have the right to use free of charge, gas produced from said well or wells, for his own purposes. The lessor shall pay for the installation of gas lines which lines are to be used for his own purposes.

EIGHT, The lessor further agrees that the lessee may pay any overdue encumbrance on said premises or any part thereof, the foreclosure of which might interfere with the rights granted by this indenture, and apply so much of the royalties then due or thereafter to become due under this lease to the repayment of the moneys so advanced, with interest thereon at the rate of seven per cent (7%) per annum. If the said lessor owns