

thereof by the Owner, to be by the Contractor submitted to the Secretary of the Interior; provided, however, that the provisions of this paragraph or the compliance therewith by the Owner shall not in any event be construed as a consent on the part of the Owner to any violation on the part of the Contractor of the obligations of the Contractor assumed hereunder.

Section 3. That the Contractor shall have the full and complete charge and control of all the 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 by the Owner, as well as of any extension or extensions, renewal or renewals of said permit, lease or leases, in whole or in part, subject to the provisions of Section 1 of Article I hereof.

Section 4. That of all gas or oil developed or produced upon the said lands, two percent thereof shall belong to and be the absolute property of the Owner, and after the turning over to and delivering to the United States its royalty or the value thereof, the Contractor shall have and be the absolute owner of all the remainder of the oil and gas produced and developed upon the said lands, or any part thereof. In computing total production for the purposes of this section, the Contractor shall not be charged with and for any 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 incumbent 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 him 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 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 as hereinbefore set forth, the Contractor shall, within thirty 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 operation for drilling for oil, subject to the necessary delays caused by weather, road or market conditions for the securing of necessary materials, and to immediately commence drilling operations, and diligently and continuously continue the same (subject to the aforesaid delays) in literal and substantial compliance with the terms of said permit, and of any lease or leases granted thereunder, and to the Rules and Regulations of the Department of the Interior, for the production of oil and gas, to a depth of approximately 1000 feet in the first well 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 provided for the securing of 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 for a reasonable length of time, provided, however, that the Contractor shall at all times exercise due diligence to comply with the terms of the permit, and the Owner shall be supplied with all the facts relating to the efforts of the Contractor to comply with the terms of the permit, in ample time to make application for an extension, should it be necessary.

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 conditions 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 as may be necessary for the proper development of said lands, in the opinion of the Contractor.

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 Owner, and the Contractor shall furnish to the Owner monthly statements of all oil and 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 his own expense and maintain upon said lands, at the wells thereon, one or more checkers or gaugers, who shall have access 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 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-fourth of the area embraced within said permit, and in the name of the Owner shall thereupon apply to the Secretary of