

on said above described lands, a suitable and adequate drilling rig and machinery equal in capacity to a No. 28 Star Rig, together with the casing, pipe, materials and the usual supplies that go with the operations for drilling for oil; and they shall diligently and continuously prosecute such drilling operations with said rig in a literal and a substantial compliance with the terms of said permit, or any extensions or renewals thereof and of the operating lease thereon, and of the rules and regulations of the Department of Interior for the production of oil and/or gas to a depth of not less than 1500 feet unless oil in paying or commercial quantities shall be discovered in such well at a lesser depth. Provided, that the continuous drilling herein provided for shall be subject to delays caused by weather and road conditions, and market conditions for the securing of necessary supplies and materials, but excepting for three winter months no suspension of drilling operations shall exceed 30 days for any cause. Fishing jobs shall not be considered as delays.

Section 2. That if oil and/or gas shall be discovered upon said premises in paying quantities, the "Contractors" shall subject to the right of surrender herein contained, continue in possession thereof and consistently with the best drilling practice and regulations of the Bureau of Mines, continuously prosecute the thorough drilling of said lands by drilling thereon not less than a total of 8 wells, provided that at least one well shall be drilled on each 40 acres of the above lands.

Section 3. The "Contractors" shall keep books containing all production data on said premises, and said books shall be open during all reasonable hours to the inspection of the "Owner"; and the "Contractors" shall furnish to the "Owner" monthly statements of all oil and/or gas produced from said lands, 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 one or more checkers or gaugers, 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 "Contractors" to check and gauge for the "Owner" the amount of production of oil and/or gas being obtained therefrom by the "Contractors".

Section 4. That upon discovery of oil or gas in paying quantities upon any of said lands, the "Owner" shall have the right to designate one-fourth of the area embraced within said area (and this provision shall also become effective if such discovery shall be made on the lands embraced in said permit which are not included in this contract), 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 renewals thereof. *subject to the approval of the Secretary of Interior. Owner agrees to select from the above lands a minimum of 40 acres of class A 5 per cent preferential lands.*

ARTICLE III

Section 1. This Agreement in each and every of its terms, provisions and conditions shall be binding upon and inure to the heirs, executors, administrators and assigns of the parties hereto.

Section 2. Nothing herein contained shall be construed as being in any manner in derogation of any of the terms, conditions or provisions of the Act of Congress under and by the virtue of which said permit is issued, nor any regulations of the Department of the Interior lawfully promulgated thereunder; but, on the contrary, this Agreement shall in all particulars be deemed amenable to reformation to conform to the provisions of said Act and/or such regulations, and shall thereupon be in full force and effect as so reformed.

Section 3. Of any taxes levied during the life of this Agreement on or against production from the lands the subject of this Agreement the "Owner" shall pay his proportionate share thereof, based upon his ownership of such production and the "Contractors" shall pay the balance of such tax.

IN WITNESS WHEREOF, The said parties hereto have hereunto set their hands the day and year herein first above written.

Signed and delivered in the presence of

C. L. Agnew

Will F. Kahl

Owner.

M. F. Whelan

C. M. Linden

A. L. Bertagnolli

V. J. Facinelli

Contractors.

THE STATE OF WYOMING)
COUNTY OF SWEETWATER) SS.

I C. L. Agnew, A Notary Public in and for said county, in the state aforesaid, do hereby certify that said Will F. Kahl, M. F. Whelan, C. M. Linden, Alex Bertagnolli and V. J. Facinelli, personally known to me as the persons whose names are subscribed to the annexed Memorandum of Agreement appeared before me this day in person and acknowledged that they signed, sealed and delivered said memorandum of agreement as their free and voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 25th day of January A. D. 1927; My commission expires July 17, 1930.

(SEAL)

C. L. Agnew

Notary Public.