

NOW, THEREFORE, in consideration of the premises, the full and faithful performance by the contractor of his covenants hereinafter set forth, and the payment to the owner by the contractor of the sum of One Dollar, receipt whereof is hereby confessed and acknowledged, the owner covenants and agrees to and with the contractor as follows:

ARTICLE I.

Section 1. That so long, and only so long, as the contractor shall fully comply with all the terms, conditions, provisions and covenants of this agreement, he, the said contractor, shall have and is hereby given exclusive possession and occupation of said described premises, as herein provided, under said permit and all leases of extensions or renewals or amendments of said permit or permits or leases that may hereafter be granted by the United States to said owners, their heirs, executors, successors or assigns, for the purpose of prospecting or drilling for and developing, producing and marketing all oil and/or gas therefrom; and the contractor shall have full and complete charge and control of all operations upon said lands, and shall continue in control thereof during the life of this agreement.

Section 2. That under and pursuant to the provisions of the Act of Congress, granting to the Secretary of the Interior authority to extend the time within which to begin drilling operations or to complete the same, the owner shall, if and when requested to do so by the contractor, apply to the Secretary of the Interior for a maximum period of time from and after the date of the granting of such extension within which to comply with the requirements of said permit, as so extended; such application for extension to be prepared by the contractor, and, after execution by the owner, to be by the contractor submitted to the Secretary of the Interior. Provided, however, that the provisions of this paragraph and/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 its obligations hereunder assumed.

Section 3. That the contractor shall have 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 to 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 for his services and expenditures hereunder, the contractor shall be entitled to retain eighty-five per cent, (85%) of all oil and/or gas produced and saved from said lands. Of the remaining fifteen per cent, (15%) of said total amount, five per cent (5%) shall by the contractor be turned over or its value paid to the United States as its royalty, and the balance of ten per cent, (10%) shall belong to the owners. In computing the 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 of 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 whatever kind of 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 its 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 of 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 owners produced and saved from the said lands, 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 owners on account of production of the next preceeding month.

IN CONSIDERATION WHEREOF, the contractor covenants and agrees with the owners, 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 provided), and to immediately commence drilling operations, and diligently and continuously prosecute the same (subject to the aforesaid delays) in literal and substantial conformance to the terms of said permits, and of the operation lease or leases 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 1,500 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 owners shall request permission from the Secretary of the Interior, in the same manner as provided for securing extensions of time as set out in Section 2 of Article I hereof, for the use of such diamond drill or drills. Time for the commencement of drilling operations may, at the option of the contractor, 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.