

WHEREAS, the parties hereto believe the lands described in said permit to contain valuable deposits of oil and gas; and,

WHEREAS, the owner desires to contract for the exploitation, development and operation of said lands, and the production of the oil and gas thereon in compliance with the said Act of Congress and the regulations thereunder; and,

WHEREAS, the said Contractor is desirous of obtaining the exclusive right to enter upon the lands above described, and to prospect thereon, and to develop, produce, market and handle any oil and/or gas therein; and,

WHEREAS, there is expressly omitted from this agreement, and reserved to the owner from the operation hereon, the  $SE\frac{1}{4}$  and the  $E\frac{1}{4}$  of  $SW\frac{1}{4}$  of Section 31, Twp. 29 North, Range 113 West, 6th P.M., Wyoming, containing 240 acres, more or less, which last described lands are included in said permit, Serial No. 011941;

NOW, THEREFORE, In consideration of the premises, the full and faithful performances by the Contractor of the 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 as long, as the Contractor shall fully comply with all the terms, conditions, provisions and covenants of this agreement, the said Contractor shall have, and is herein given exclusive possession and occupation of said described premises, as herein provided, under said permit and all leases or extensions or renewals or amendments of said permit or permits or leases that may hereafter be granted by the United States to said owner, his heirs, executors, successors or assigns, for the purpose of prospecting or drilling for and developing, producing and marketing all oil and/or gas and/or casing head gasoline 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, subject, however, to the right of the owner, personally or by agent, to enter upon said premises at any and all reasonable times for the purpose of inspecting the same and the operations of the Contractor thereon.

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 so to do 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 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 his 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 1 hereof.

Section 4. That on the part of the lands embraced in said permit, and covered by this agreement, which shall be leased to the Owner at the minimum royalty to the United States of five per cent (5%), seven and one half ( $7\frac{1}{2}\%$ ) per cent of the total amount of all oil and/or gas, and/or casing head gasoline, 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 all oil and/or gas and/or casing head gasoline produced and saved therefrom. On that part of the lands embraced in said permit as above described as to which the royalty fixed and charged by the Government shall be twelve and one-half ( $12\frac{1}{2}\%$ ) per cent or in excess of that amount, two and one-half ( $2\frac{1}{2}\%$ ) per cent of the amount of all oil and/or gas and/or casing head gasoline 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 and/or casing head gasoline 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 of production operations upon any part of said lands, or unavoidably lost.

Section 5. At any time after, but not before the Contractor shall have drilled one well on said premises, to a depth of at least 2000 feet, or to production of oil or gas at a lesser depth in commercial quantities, and provided all Government requirements up to that time have been fully complied with, the Contractor may 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 and all future requirements which may be incumbent upon him in order to protect his rights from forfeiture or other termination of this agreement. The contractor may, at any time after, but not before, said well shall have been drilled to the aforesaid depth, remove all equipment and other movable property placed on said premises by him.

Section 6. 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 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; provided, that the Contractor shall pay for such royalty oil at the highest bona fide price offered for such oil in the field during the month in which it is produced; such payments to be made on the 20th of each succeeding month by depositing the same to the credit of the owner of the Utah Savings & Trust Company in Salt Lake City, Utah, or at such other bank at Salt Lake City, Utah, as