

6. That Contractor shall pay all costs and expenses of development and operation hereunder, inclusive of all rentals, and the cost of all bonds hereafter required by law or regulations from the Permittee, lessee or Contractor in performance of this agreement, and all taxes, except that any taxes levied against production from said lands, or measured thereby, shall be paid by Contractor and Permittee in proportion to their respective interests therein. Contractor shall be the owner of all material, equipment, and structures placed on said permit lands for operation and development under this contract, and subject to Departmental orders and regulations, shall have the right to remove any such material, equipment, and/or structures at any time during the term of this contract, or within a reasonable time after its termination; and Contractor, subject to the payment of royalties as hereinafter provided, shall have the right of sale or other disposition of all oil and/or gas produced hereunder, for Contractor's sole use and benefit.

7. That Contractor shall pay or deliver all royalties due the Government, and any royalties payable to any other party or parties as hereinabove recited, and shall also pay Permittee royalties on all oil and/or gas produced, saved, and marketed from said permit lands and not used for production purposes, under and pursuant to said per it, lease or leases, and subject to this contract, as follows:

- (a) On produciton from lands on which the Government royalty shall not exceed five per cent (5%) (known as "primary lands"), a royalty of Seven and one-half percent (7½%)
- (b) On production from lands on which the Government royalty is more than five per cent (5%) (known as "secondary lands"), royalty of two and one-half percent (2½%)

Said royalties shall be computed and paid on the basis of the prevailing field market price in the field where such oil and/or gas is/are produced, at the time of production, for oil and gas of like grade and gravity; provided, that no royalties shall be paid on gas produced in the absence of a market therefor; in case there is a market for gas produced, the royalties thereon shall be computed and paid on the basis of the field market price thereof in its natural state at the well, inclusive of any additional value by reason of the gasoline content of such gas extractable at a profit; said royalties shall be paid each month on account of production during the preceding calendar month at the \_\_\_\_\_ bank of \_\_\_\_\_ which is hereby constituted the agent of the Permittee and/or assigns to receive all payments hereunder, subh payment to be accompanied with a statement of production and the price thereof on the basis of which such royalties are computed; and Contractor shall be required to take cognizance of any assignment or transfer of royalty or interest there n, unless and until Contractor shall have been furnished with satisfactory evidence of such assignment or transfer.

8. That Contractor shall have the right, at any time when not in default hereunder, on appropriate notice in writing and the payment of One Dollar (\$1) to Permittee, to withdraw from and surrender this contract and all rights hereunder, and thereby be released and discharged from any further obligation or liability hereunder, except for royalties theretofore accrued and paid; provided, that in event of surrender of a lease theretofore assigned pursuant to paragraph 5, such lease shall be reassigned to Permittee, but in case Permittee shall fail to qualify to take such reassignment, such lease may be relinquished to the United States; and likewise, and with the same effect, Contractor shall have the right to surrender all rights under as to any portion of said lands, by legal sub-divisions, without affecting the rights and obligations of the parties hereto with respect to the portion of said lands as to which this contract is not surrendered.

9. That failure or default on the part of Contractor to comply with each and every provision and requirement of this contract relative to the maintenance of said permit and the development of said permit lands for the securing of lease or leases, shall constitute grounds for the forfeiture and cancellation of this contract by the Permittee, on notice in writing to Contractor specifying the facts as to such failure or default, unless Contractor shall, within thirty days from receipt of such notice, repair or correct the failure or default complained of; provided, that Contractor shall not be subject to any penalty, obligation, or liability to Permittee for any such default, save and except the forfeiture and cancellation of this contract as aforesaid; otherwise the parties hereto shall be entitled to any available remedy in law or equity for breach of this contract; and Permittee hereby agrees that the down payment by Contractor on the execution of this contract is full and adequate consideration for all the rights and privileges granted Contractor under this contract.

10. That Permittee shall have the right to examine and inspect all operations conducted on said permit lands hereunder, and all records of production from said lands, at all reasonable times.

11. That this contract shall be assignable by either of the parties hereto, as to his or its interests hereunder, in whole or in part, and shall inure to and be binding upon the heirs, successors, and assigns of the parties.

12. That the Contractor, his successors or assigns, shall within the period of time ending 100 days from date hereof, transport to some portion of the lands located within the structural limits of the "Wyoming Structure" a suitable drilling rig and equipment with tools necessary for the drilling of an oil well and shall within the time specified in this paragraph erect upon a site to be chosen by the Contractor, his successors or assigns, on some portion of the lands locate on the "Wyoming Structure", the drilling rig and equipment and spud in a well thereon. It is understood and agreed that the consideration recited above, covers not only the privilege granted to the date for spudding said well but also the Contractor's option of extending that period as aforesaid, and any and all other rights conferred herein, providing good faith is shown by the Contractor or his assigns and Acts of God do not interfere.

13. In the event of the discovery of petroleum in Commercial quantities (Commercial quantities are herein defined as an oil well of 100 barrels per day average over a thirty day test) in the test well to be drilled upon the "Wyoming Structure" whereon a part of