

representatives, do covenant with said Assignee, its successors and assigns, that Assignors are the lawful owners of said oil and gas lease and the rights and interest thereunder; that Assignors have good right and lawful authority to sell and convey the same, and that said rights, interest and property are free and clear from all liens and incumbrances, and that Assignors will warrant and defend the same against the lawful claims and demands of all persons whomsoever.

As a further consideration for the execution and delivery of this assignment, Assignee hereby agrees to pay unto J. Gordon Morgan, his heirs, personal representatives or assigns, a net overriding royalty of two and one-half per cent (2 1/2) of the proceeds received from the sale of all oil and gas produced, saved and marketed (except such as is used for operating purposes and unavoidable lost) from the above described lands; all of said payments to be made in accordance with the prevailing market price of said oil and gas at the wells when produced and said payments to be made to J. Gordon Morgan or for the credit of J. Gordon Morgan in the Rawlins National Bank at Rawlins, Wyoming or its successors, which bank and its successors are hereby constituted the agent of J. Gordon Morgan, his heirs, personal representatives and assigns, to receive all payments hereunder, on or before the 20th day of the month following that month in which the said oil and gas is produced, saved and marketed; provided however, that said royalty payments unto J. Gordon Morgan shall be made from the proceeds of the oil and gas remaining after the payment of the landowner's royalty provided in the above described oil and gas lease. Assignee shall not be required to take cognizance of any assignment or transfer of royalty or interest therein, unless and until Assignee shall have been furnished with satisfactory evidence of such assignment or transfer. The overriding royalty payable hereunder shall be in lieu of all royalty payable by Assignee to Assignors under any and all other agreements.

It is further understood and agreed that before computing the amount of any overriding royalty payable to J. Gordon Morgan hereunder, Assignee shall have the right to deduct from the value of the oil and gas or the proceeds thereof on which such overriding royalty is computed, the full amount of any taxes required to be paid on such oil and gas or for or on account of the production thereof.

Assignee shall operate the lands embraced herein as one lease, and should royalties accruing hereunder be owned in severalty or in separate tracts, such royalties shall be treated as an entirety and shall be divided among and paid to the separate owners thereof at the applicable royalty rate in the proportion that the acreage covered by the royalty of each separate owner bears to the entire acreage embraced herein; provided, however, that if the lands covered by said lease or any part thereof shall hereafter be operated under a cooperative or unit plan of development or operation, or other plan for conservation of oil and gas in a single pool or area whereby the production therefrom is allocated to different portions of the lands covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of the royalty payments hereinabove provided for, be regarded as having been produced from the particular land to which it is allocated and not from any other tract of land and the royalty payments herein provided to be made shall be based on the production only as so allocated.

It is hereby agreed that said royalty interest herein reserved shall be subject to and controlled by any cooperative or unit operating agreement pursuant to which the above described lands may hereafter be operated, and that the royalties herein provided to be paid to J. Gordon Morgan shall be paid on the oil and gas allocated to the lands herein described under such unit operating agreement.

Assignee shall have the right at any time hereafter upon the payment of One (\$1.00) Dollar to Assignors to surrender all rights under said oil and gas lease as to all or any part of the lands hereinabove described, and Assignee shall thereupon be relieved of all obligations and liability hereunder as to the lands covered by such surrender.

All of the covenants and agreements herein contained shall extend to and be binding upon all heirs, devisees, representatives, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the said Assignors have executed this instrument this 20th day of December, 1938.

WITNESSES: Nellie Frizzell

J. Gordon Morgan

Mary R. Morgan

STATE OF WYOMING )  
)SS.  
County of Lincoln)

On this 20th day of December, 1938, before me, Nellie Frizzell, a Notary Public in the state and county aforesaid, personally appeared J. Gordon Morgan and Mary R. Morgan his wife, to me known to be the persons described in and who executed the foregoing instrument, and whose names are subscribed thereto, and acknowledged to me that they executed, signed, sealed and delivered said instrument as their free and voluntary act and deed for the uses and purposes therein set forth, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and the effect of signing and acknowledging the said instrument.

My Commission expires  
Oct. 14, 1941.

Nellie Frizzell, Notary Public.

(NOTARIAL SEAL)

\$1.00 U. S. DOCUMENTARY STAMPS cancelled 5/13/39 O.O.C.