

WHEREAS, said owner desires to contract with said contractor for the operation and further development of the above described land and the production of oil and gas thereon in full compliance with said Act of Congress, and said rules and regulations of the Department of the Interior and of the terms and conditions hereinafter set forth, and said contractor is desirous of obtaining the exclusive right to enter upon the lands described in order to develop, produce, market and handle oil and/or gas found therein.

NOW, THEREFORE, for and in consideration of the premises, and of the full and faithful performance by the contractor of said covenants and agreements hereinafter set forth and contained, and the payment to the owner by the contractor of the sum of TEN DOLLARS (\$10.00), the receipt whereof is hereby confessed and acknowledged, the owner covenants and agrees with said contractor as follows:-

ARTICLE I

Section 1. That so long, and only so long as the contractor shall duly 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 the premises hereinabove described, 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 successors or assigns, for the purpose of drilling for and developing, producing and marketing all oil and/or gas therefrom; and the operations upon said lands, and shall continue in control thereof during the life of this agreement.

Section 2. That the contractor shall have charge and control of the operations to be conducted upon said land and shall continue in control during the life of this agreement; subject, however, to the conditions imposed herein and in said permit or any lease or leases into which said permit may be transmuted, and the rules and regulations of the Department of the Interior.

Section 3. That for his services and expenditures herein the contractor shall be required and is hereby obligated to make payment of royalties, in the manner hereinafter set forth, from all oil and/or gas or other mineral products produced, saved and sold from said land, as follows:-

(a) That on that part of the lands embraced in said permit which shall be leased by the United States Government to the owner of the minimum royalty of five per cent (5%), the contractor for his services and expenditures hereunder shall be entitled to retain eighty-six and one-half per cent (86½%) of the total amount of all oil and/or gas produced and saved therefrom. Of the remaining thirteen and one-half per cent (13½%) of said total amount that may be produced on said five per cent (5%) land, five percent (5%) thereof shall by the contractor be turned over or its value paid to the United States as its royalty, and the balance of eight and one-half per cent (8½%) shall belong to and be paid to the following, as and when saved and sold:-

D. O. Willey of Salt Lake City, Utah, or his heirs, successors or assigns--7½%
A. L. Hawkins of Denver, Colorado, or his heirs, successors or assigns-----1%

On that part of the lands embraced in said permit as to which the royalty fixed and charged by the United States Government shall be twelve and one-half per cent (12½%) or in excess of that amount, five percent (5%) of all oil and/or gas produced and one percent (1%) to said A. L. Hawkins, and after said payments as aforesaid on said class of lands last hereinabove described (as twelve and one-half per cent (12½%) or in excess of twelve and one-half per cent (12½%)), the contractor for his services and expenditures shall be entitled to retain the balance of the total amount of all oil and/or gas produced and saved therefrom.

In computing the total production for the purpose of this Section the contractor shall not be charged for oil and/or gas used either in development or production operations upon any part of the lands covered by this drilling contract, or any production unavoidably lost.

Section 4. 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 and exact nature of the cause of forfeiture, and unless the contractor shall fail to remedy or remove the cause within sixty (60) days from the service of such notice.

Section 5. That the contractor may at any time hereafter surrender or abandon all or any part of the above described land and thereby be relieved of any future obligation or requirement of any kind in respect thereto; provided, however, that such surrender shall become effective only after sixty (60) days prior notice in writing to the owner, unless the owner waives time of such notice. And in case of such surrender by the contractor or in case of forfeiture or other termination of this agreement the contractor may at any time remove all equipment or other removable property placed by it on said lands; all such acts of surrender and removal of property or casing from the ground, however, shall be done in compliance with the rules and regulations of the Department of the Interior relating thereto.

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, saved and sold from the lands subject to this agreement, and to pay therefor the current market price paid in the fields of the State of Wyoming at the time of production from the same grade and gravity of oil, which price shall at no time 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 or before the 20th day of each month for all royalties accruing to the owner on account of production of the next preceding month.

/ saved and sold therefrom shall belong to and be paid to the owner