

and to prosecute the drilling of said well with due diligence until said well has reached a depth of 6,00 feet unless oil or gas in commercial quantities is encountered at a lesser depth. Lessee may defer the commencement of drilling operations upon the demised premises as provided for in this paragraph (7) for a period of not exceeding five (5) years by the payment to the State Bank of Big Piney, Big Piney, Wyoming, for the account of Lessor, yearly in advance, of the sum of Two Dollars (\$2.00) per acre per year.

(8) To commence drilling operation on a well on said demised premises each ninety (90) days after the completion of abandonment of each preceding well, and to keep one string of tools continuously at work on the demised premises until Lessee has drilled one well to each twenty (20) acres of the demised premises to be retained and held by Lessee under this lease, and to prosecute the drilling of each of said wells with due diligence until the same are completed. All lands not thus drilled will be relinquished and surrendered by Lessee after the expiration of the period allowed for the drilling of the same.

(9) To make payment to State Bank of Big Piney, Big Piney, Wyoming, for the account of Lessor, on or before the 20th day of each calendar month for all royalties accruing hereunder for the preceding month, such payments to be accompanied by a statement of production. Lessor shall have the right to change the bank or depository at which payments shall be made.

A well shall be deemed "abandoned" within the meaning hereof, when "drilling operations" have been discontinued thereon for a period of ninety (90) days. "Drilling operations" within the meaning hereof, shall include the testing of wells to ascertain production, the making of repairs, removing of obstructions from wells, shutting off water, construction and installation of roads, equipment and actual drilling.

Lessee shall have the right to use oil or gas in the operation and development of said property and in pumping products from said demised premises to the boundary line thereof, and to use water produced on said demised premises for operations thereon except water from wells of Lessor.

Lessor shall be entitled to gas produced from said demised premises free of charge for heating, domestic and culinary use.

Lessor shall have the right to the use of the surface of said land for agricultural and grazing purposes not inconsistent with the operations of Lessee thereon.

When requested by Lessor, Lessee agrees to lay all pipe lines below plow depth and to fence all sump holes or other openings to safeguard livestock on said land.

Lessee agrees not to drill any well on said land within one hundred and fifty (150) feet of the now existing buildings thereon without the written consent of Lessor.

Lessee agrees to pay all damages caused by it to livestock, crops, trees, fences, pipe lines, canals, buildings and other improvements, on the demised premises.

Lessee shall have the right at any time either during or within ninety (90) days after the term of this lease to remove all machinery and fixtures placed upon said premises, including the right to draw and remove casing, except as hereinafter provided.

Completion of a commercial well shall be the completion of a well producing on an average of not less than one hundred (100) barrels of oil per day for not less than thirty (30) days including the thirty days required for the test.

Lessee shall pay all taxes on its improvements and all taxes on its oil stored on said premises, and seven-eighths (7/8) of the increase of taxes on the demised premises or on such part thereof as may be retained by Lessee under this lease caused by the discovery of oil, gas or other substances herein mentioned thereon, and whether assessed upon said land or as mineral rights or otherwise, it being the intention of the parties hereto that any taxes levied or assessed due to the discovery and existence of any such substances shall be born by the parties hereto in the proportion of seven-eighths (7/8) by Lessee and one-eighth (1/8) by Lessor.

All labor to be performed and materials to be furnished in Lessee's operations hereunder shall be at the cost and expense of Lessee, and Lessee shall protect said land against liens of every character arising from its operations thereon. Lessor shall have the privilege at all times of posting and maintaining upon said land notices that Lessor is not responsible for any debts contracted by Lessee.

Lessor may at all reasonable times examine said land, the work done and in progress thereon, and the production therefrom, and may inspect the books and records of production kept by Lessee. Lessee agrees on written request to furnish to Lessor copies of logs of all wells drilled by Lessee on said land.

In the event of discovery of oil in commercial quantities as herein defined, in any well on adjacent premises within three hundred (300) feet of the boundary line of the demised premises, then and in that event the next well to be drilled in accordance with provisions of this lease shall be so placed as to offset said well on adjacent property, or if no well is being drilled by Lessee on the leased premises and the total well requirements hereinbefore specified have not been fulfilled, then notwithstanding anything in this lease to the contrary contained, Lessee shall within ninety (90) days thereafter commence operations for the drilling of a well on the demised premises to offset such well on the adjacent premises and drill the same diligently to the same sand or producing horizon from which the well to be offset is producing.

Performance of the obligations imposed upon Lessee may be suspended during the time Lessee's compliance is prevented by the elements, accidents, strikes, lockouts, riots or interference by State or Federal action, or other matters or conditions beyond the control of Lessee, whether similar to the matters or conditions specifically enumerated herein or not. Lessee may suspend pumping or operating said property so long as the price of oil of the quality produced on said property shall be less than seventy-five (75¢) per barrel at the well.