

surface of the above described lands as shall be necessary to successfully carry on the operations and fulfill the purposes of this lease.

The lessor agrees that this lease shall remain in force for a term of ten (10) years from this date and as long thereafter as oil or gas is or can be produced from said lands by the lessee as hereinafter provided, and that the consideration above stated is a good and sufficient consideration for each and every agreement contained herein and for the rights and privileges granted to the lessee herein, its successors or assigns.

In consideration of the premises, it is agreed that:

(1) The lessee shall pay to the lessor the proceeds from one-tenth (10) of all the oil and gas produced and sold from the leased premises at the prevailing market price therefor at the wells.

(2) If operations for the drilling of a well for oil or gas are not commenced on said lands on or before one year from the date hereof this lease shall terminate as to both parties, unless the lessee shall on or before one year from the date hereof pay or tender to the lessor or for the lessor's credit in the State Bank of Big Piney at Big Piney, Wyoming, or its successors, which bank, or its successors, shall be the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said lands or in the oil and gas, or in the rentals to accrue thereunder, the sum of twenty-five cents (25¢) per acre which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for the further period of one (1) year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check of lessee, or any assignee thereof, mailed to the post office address of the lessor as hereinabove set forth or delivered on or before the rental paying period. Provided, however, the lessee shall be granted a thirty (30) day grace period within which to make such payments and this lease shall not be forfeited if such payments are made within said thirty (30) day grace period after the time for payment as provided in this paragraph. If at any time more than six persons shall be entitled to participate in the rentals or royalties hereunder, lessee at his election may pay all rentals and royalties thereafter accruing to the credit of this lease in the depository bank last designated by lessor as herein provided, or lessee may withhold payment unless and until all parties shall designate, in a recordable instrument to be filed with the lessee, a common agent or trustee to receive all payments hereunder, and to execute and deliver rental receipts, division orders and/or transfer orders on behalf of said parties and their respective successors in title.

(3) If during the fixed term of this lease prior to obtaining production lessee shall drill a dry hole, or if production shall cease, this lease shall not terminate provided lessee, on or before the next ensuing rental date, shall commence operations for the drilling of another well, or begin or resume payment of rentals, as above provided. If after the expiration of the fixed term of this lease production shall cease for any period of sixty (60) consecutive days by reason of failure of the then existing well or wells, this lease shall not terminate as long as lessee is diligently trying to put the existing well or wells on production by reconditioning, deepening, plugging back or otherwise, or if lessee shall begin operations for drilling another well within ninety (90) days from the expiration of said sixty (60) days, and this lease shall remain in force during the prosecution of such operations, and, if production results therefrom, as long as oil or gas can be produced. Notwithstanding any provision in this lease contained to the contrary, if lessee shall commence operations for deepening, reconditioning or drilling a well while this lease is in force, this lease shall remain in force and shall continue as long as such operations are prosecuted with reasonable diligence and if production results therefrom, then this lease shall remain in force as long as oil or gas is or can be produced.

#40

(4) In case the lessor owns a less interest in the above described premises than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee.

(5) Lessee, free of cost, may use oil, gas, or water found on said lands for operating purposes, but not water from lessor's wells; lessor, or anyone holding through or under him to have free gas for stoves and inside lights in the principal dwelling house on said lands from any well thereon producing gas only by making his own connections therewith, the use of such gas to be at the sole risk and expense of the lessor, or anyone holding through or under him. When requested by the lessor, the lessee shall bury its pipe lines below plow depth and also pay for damages caused by its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said premises, without the consent of the lessor. Lessee shall have the right at any time during or within a reasonable time after the expiration or cancellation of this lease to remove all machinery, fixtures, houses, buildings, and any and all other structures placed on said premises, including the right to draw and remove all casing.

(6) If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to their heirs, executors, administrators, successors and assigns, but no change of ownership in the lands or in the rentals or royalties shall be binding upon the lessee until after it has been furnished with a certified copy of the recorded instrument evidencing same.

(7) If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless shall be developed and operated as one lease and all rents and royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to the separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by conveyance, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is agreed that in the event this lease shall be assigned as to a part or parts of the above described lands and default shall be made in the payment of the proportionate part of the rent due upon any such part, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said land upon which due payments of said rentals shall be made.