

No. 23301

OIL AND GAS LEASE

Dan H. Budd, et ux.

THE STATE OF WYOMING)

)SS.

County of Sublette)

To

Modco Leasing Company

Fees, \$3.15

This instrument was filed for record in my office at 11:00 o'clock A.M., on the 2nd day of October A.D. 1939, and duly recorded in Book 1 of Oil and Gas Leases on page 320.

Faren C. Faler, County Clerk.

By Patricia Murdock, Deputy.

THIS INDENTURE OF LEASE, made and entered into this 8th day of September, 1939, by and between Dan H. Budd and Ada L. Budd, his wife, of Big Piney, Wyoming, hereinafter called the Lessor (whether one or more), and Modco Leasing Company of Los Angeles, California, hereinafter called the Lessee,

WITNESSETH: THAT THE LESSOR, for and in consideration of One Dollar to him in hand paid, the receipt whereof is hereby acknowledged, leases and demises to the Lessee all those certain pieces or parcels of land situated in the County of Sublette, State of Wyoming and more particularly described as follows, to-wit:

The Southwest quarter of the Southeast quarter and the South half of the Southwest quarter and the Northwest quarter of the Southwest quarter of Section Twenty-nine, and the Southeast quarter of the Southeast quarter of Section Thirty-one, and the West half of the West half and the Southeast quarter of the Southwest quarter of Section Thirty-two, all in Township Thirty North, Range One Hundred Thirteen West, Sixth P.M., Wyoming (same being four hundred (400) acres more or less).

(SW $\frac{1}{4}$ SE $\frac{1}{4}$ & S $\frac{1}{2}$ SW $\frac{1}{4}$ & NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 29-30-113, and SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 31-30-113, and W $\frac{1}{2}$ W $\frac{1}{2}$ & SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 32-30-113).

SAID LEASE shall be on the following terms and conditions:

1. The lease shall continue for a period of Five Years from and after the date hereof and so long thereafter as drilling operations on said premises are being conducted, or deferred under provisions herein, and should production of one or more of the products specifically mentioned in the next succeeding paragraph result from said drilling operations, then this lease shall remain in force so long thereafter as one or more of said products are producible from said premises, subject to compliance with the terms and conditions hereof.

2. The Lessee shall have the sole and exclusive right of prospecting demised premises and drilling for, producing, extracting, treating, removing and marketing oil, gas, natural gasoline and other hydrocarbon substances therefrom, and to establish and maintain on said premises such tanks, boilers, houses, engines and other apparatus and equipment, power lines, pipe lines, roads and other appurtenances which may be necessary or convenient in the production, treatment, storage and/or transportation of any and all of said products from and on said property, or property in the vicinity operated by Lessee, or an assignee or subsidiary of Lessee.

Lessee shall have the right during the life of the lease to drill for and develop such water on said premises as it may require in its operations.

2a. The word "gas," as used herein, shall be construed to cover and embrace any and all kinds of gas, including helium and carbon dioxide, produced or producible from beneath the surface of demised premises.

3. The Lessee agrees to start the drilling of a well for oil within one year from the date of this agreement, and to continue the work of drilling such well, after commencing/same, with due diligence until oil in commercial quantities has been reached, unless /the oil is discovered in paying quantities at a lesser depth, or unless such formations are encountered at a lesser depth as will indicate to the geologist of the Lessee that further drilling would be unsuccessful. If said well, or any subsequent well prior to completion of a paying well, be abandoned for mechanical reasons, or for any other reason, this lease shall remain in full force and effect if a new well is started within ninety days from date of such abandonment; provided that, in lieu of starting such new well, Lessee shall have the right to defer drilling in accordance with paragraph 8 hereof upon payment of rental as therein provided.

4. Upon discovery of oil in paying quantities in any well drilled on demised premises, the Lessee shall commence the drilling of another well within ninety days thereafter, and shall thereafter continuously operate not less than one well drilling outfit, allowing ninety days between completion of one well and commencement of the next succeeding, until ten wells shall have been drilled, including offset wells; provided that, upon failure to find oil in paying quantities in the first or any subsequent well drilled under the terms hereof, this lease shall remain in full force and effect, at the option of the Lessee, if Lessee elects (without forfeiture of any right to subsequently drill for and produce oil) to operate any such well or wells as natural gas wells and operate the premises for natural gas development purposes, in which event the drilling obligations hereinabove in this paragraph contained shall be reduced to one-fourth the number of wells specified. Nothing herein shall be construed to limit the number of wells which the Lessee may drill, should it so elect, in excess of the number hereinabove specified, nor limit the depth to which any well may be drilled or deepened by Lessee should it desire to drill below the depth specified. The Lessee shall have the right at all times to operate, deepen, redrill and maintain all producing oil and/or gas wells upon said property.

5. Lessee may at any time, and from time to time, either before or after discovery of oil and/or gas on the demised premises, quitclaim the said premises, or any part thereof, to the Lessor, his successors or assigns. Upon the quitclaiming of any part of the land to the Lessor, his successors or assigns, all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the portions of the premises quitclaimed (except that the Lessee may continue to enjoy such easements on the surrendered premises as may be in use at the time of the surrender) and the drilling