

price at the well of one-eighth of the gas so sold or used, provided that if and when lessee shall sell gas at the wells lessor's royalty thereon shall be one-eighth of the amount realized from such sales. Lessee is hereby given the option of purchasing all or any part of said royalty rights from the lessor at the best bona fide price offered by responsible third parties when and if offered for sale or transfer by lessor.

4. If drilling operations are not commenced on said land on or before one year from this date, this lease shall then terminate as to both parties, unless lessee shall pay or tender to lessor or to the credit of lessor in First National Bank at Kemmerer Wyoming (which bank is lessor's agent) the sum of Thirty and no. 100 Dollars (\$30.00) (hereinafter called "rental"), which shall extend for six months the time within which drilling operations may be commenced. Thereafter, semi-annually, in like manner, and upon like payments or tenders, the commencement of drilling operations may be further deferred for periods of six months during the primary term. The payments or tenders of rental may be made by the check or draft of lessee mailed or delivered to said bank or lessor at his last known address on or before such date of payment. Drilling operations hereunder shall be deemed to be commenced when the first material is placed on the ground. Notwithstanding any devolution, change or division in the ownership of said land, the payments or tenders of rental in the manner herein provided shall be binding on the successors, assigns or legal representatives of lessor. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, lessee shall not be held in default for failure to make such payments or tenders until thirty days after lessor shall deliver to lessee an instrument in writing duly executed and acknowledged, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period.

5. If prior to the discovery of oil, or gas on said land lessee should drill a dry hole or holes thereon, this lease shall not be terminated thereby if lessee, before the next ensuing rental paying date, commences further drilling operations or commences or resumes the payment or tender of rentals. If after the discovery of oil or gas the production thereof shall cease from any cause, this lease shall not be terminated thereby if lessee commences additional drilling operations within sixty days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rentals before the next ensuing rental paying date. If at the expiration of the primary term oil or gas is not being produced on said land but lessee is then engaged in drilling operations thereon, the lease shall remain in force so long as drilling operations are prosecuted, and, if they result in the production of oil or gas, so long thereafter as oil or gas is or can be produced from any well on said land.

6. Lessee shall have the free use of oil, gas, wood, coal and water from said land, except water from lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be in the net quantity after deducting any so used for operations. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at the risk and expense of lessor, of making connection and using gas from any gas well on said land for stoves and inside lights in the principal dwelling on said land out of any surplus gas not needed for operations hereunder.

7. The rights of either party under this lease may be assigned in whole or in part and the provisions hereof shall extend to the heirs, personal representatives, successors and assigns, but no sale or assignment by lessor shall operate to enlarge the obligations or diminish the rights and privileges of lessee. Should lessee assign this lease in whole or in part lessor shall look solely to the assignee for performance of its terms as to the parts so assigned. No sale or assignment by lessor shall be binding on lessee for any purpose until lessee shall be furnished with an instrument in writing evidencing such sale or assignment. If lessee assigns this lease in part, the obligation (if any exists) to pay rentals is apportioned as between the several owners ratably according to the surface area of each, and default by one of them in the payment of rentals shall not affect the validity of the lease on the portion of the land upon which pro rata rentals are paid or tendered.

8. This lease shall never be forfeited, cancelled, or terminated for failure by lessee to perform in whole or in part any of its implied obligations, nor while oil or gas is being produced in paying quantities for any cause whatsoever, unless there shall first be a final judicial ascertainment that such obligation or cause exists and that lessee is in default. Upon such final determination, lessee is hereby given a reasonable time thereafter to comply with such obligation, or, at lessee's election, to surrender the lease, with the option of reserving, under the terms of this lease, each producing well or well that is being drilled or re-worked and ten acres surrounding it to be selected by lessee. Lessee shall not be liable in damages for breach of any implied obligation.

9. If six or more persons be or become entitled to royalties hereunder, they shall by sufficient written instrument designate some agent to receive payment for all, and lessee shall not be required to make payment until such instrument is furnished.

10. When drilling or other operations are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to transport or furnish facilities for transportation or as a result of some order, requisition or necessity of the government, or as the result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

11. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee, at lessee's option (but without any duty to do so), may pay and discharge any taxes, mortgages or other liens upon said land, and in that event lessee shall be subrogated to such lien, with full right to enforce the same, and in addition thereto may retain for the satisfaction of such lien and interest all royalties or rentals accruing hereunder. If lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid lessor shall be reduced proportionately. Should the right or interest of lessee hereunder be disputed by lessor, or any other person, the time covered by the pendency of such dispute shall not be counted against lessee either as affecting the term of the lease or the time for payment of rentals or royalties or for any other purpose, and lessee may suspend all payments until there is a final adjudication or other determination of such dispute.