

or if it continues operations on said lands may suspend all payments accruing hereunder, or deposit all payments, including rentals and royalties, under this lease in any national bank in the City of Casper, Wyoming, to the joint account of the Lessor and Lessee. In the event of changes in ownership so as to require more than three separate payments on account of division of rentals and royalties Lessee shall only be obligated to tender and deposit by a single sum said rentals and royalties with the depository and agent above named, or if a depository or agent be not designated by Lessor, Lessee shall have the right to demand of Lessor, and all others claiming a right to rental and royalty payments, the designation of a single depository and agent to whom such rentals and payments are to be made and if the parties fail to designate a depository and agent within fifteen (15) days after receipt of such notice from Lessee, Lessee shall be entitled to deposit by a single sum payment all rentals and royalties in any national bank in the City of Casper, Wyoming, for the account of the parties entitled thereto, and such deposit shall constitute payment of all rentals and royalties due from Lessee, and Lessee shall have no obligation as to the distribution and disposition thereof by said bank.

In the event of discovery of oil in any well on adjacent property within three hundred thirty (330) feet of the boundary lines of said lands covered hereby and the operator of said well on adjacent lands produces said well beyond a thirty-day production test and markets the oil produced therefrom, Lessee agrees, with reasonable diligence, to commence drilling of a well on the said lands covered hereby, subject, however, to the right of Lessee to surrender all or a portion of said lands if Lessee elects not to drill said offset well, and thus be relieved of any obligation to so offset said well.

Lessee shall have the right at any time before or after discovery of oil and/or gas on the said lands to surrender and quitclaim the said lands, or any part or parts thereof, to the parties entitled thereto, by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which the lands are situate, and thereupon all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the premises so surrendered and quitclaimed. In event of partial surrender or quitclaim, Lessee shall have no obligation whatsoever to offset any well or wells drilled on such tract or tracts so surrendered or quitclaimed.

This lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. This lease shall be freely assignable and, in the event it be assigned in whole or in part and Lessee delivers a copy of such assignment to Lessor, Lessee shall be relieved of all obligations under this lease which may thereafter accrue as to the said lands so assigned, and no default involving any area assigned shall affect Lessee's continued holding of any area retained by Lessee hereunder. In event Lessor shall sell or transfer any part or parts of the said lands or any interest in the oil and/or gas under any part or parts thereof, Lessee's obligations hereunder shall not thereby be altered, increased or enlarged and Lessee may continue to operate the said lands and leasehold estate covered hereby and pay and settle all rents and royalties as an entirety.

The obligations of Lessee hereunder shall be suspended while Lessee is prevented from complying therewith in whole or in part by strikes, lockouts, labor disturbances, accidents, action of the elements, war, total or partial failure of or inability to obtain materials or supplies or transportation thereof by Lessee or by others usually used or employed by Lessee in its operation hereunder, and/or is prevented by or in conflict with State or Federal laws and/or is prevented by or in conflict with acts, orders, rules and regulations pursuant thereto or other Governmental action or the action of Governmental officers, bodies or agencies acting under authority or claim of authority, having purposes such as, but not limited to, conservation, regulation or control of production of oil and/or gas or drilling or spacing of wells therefor; or, in the case of production, for failure, delay or inability, for causes above specified, to transport products from the demised premises by pipe line; nor as to any obligation when prevented by other matters or conditions beyond the control of Lessee, whether similar or dissimilar to the matters or conditions herein specifically enumerated. Lessee's compliance with any such laws, acts, orders, rules and regulations shall not be deemed a default or cause for forfeiture, and the period of time or times while any obligation of Lessee is so suspended or prevented shall be added to the initial term of this lease, to the end that Lessee shall have the benefit of said full initial term within which to satisfy the obligations as in this lease provided.

Upon the violation of any of the terms or conditions of this lease by Lessee and the failure to remedy the same within ninety (90) days after written notice from Lessor so to do and specifying with particularity the violations complained of, then at the option of Lessor this lease shall forthwith cease and terminate, and all rights of the Lessee in and to said lands be at an end, save and excepting twenty (20) acres surrounding each oil well and one hundred sixty (160) acres surrounding each producing or drilling gas well, and in respect to which Lessee shall not be in default, and saving and excepting rights of way necessary for Lessee's operations, provided, however, that the Lessee may at any time after such default, and upon payment of the sum of Ten (\$10.00) Dollars to the Lessor as and for fixed and liquidated damages quit-claim to the Lessor all of the right, title and interest of Lessee in and to the leased lands in respect to which it has made default, and thereupon all rights and obligations of the parties hereto one to the other shall thereupon cease and terminate as to the premises quitclaimed.

Lessee shall pay all taxes on its improvements and on oil in storage on the assessment date for taxes of each year and seven-eighths (7/8) of any mineral rights, production severance franchise or licensing tax or fee imposed by ordinance computed or based upon or measured by the production of oil and/or gas which may be levied, assessed or imposed by the United States, the state in which the said lands are located, or any county, municipal, political or other subdivision thereof. Lessor shall pay the balance of any or all other taxes or assessments, including one-eighth of mineral rights or taxes above listed, including also one-eighth (1/8) of taxes on oil in storage if at the time of assessment Lessee is delivering to the credit of Lessor Lessor's royalty share of oil./(1/8)

Lessee, at its option, may pay and discharge any liens such as but not limited to taxes, mortgages, and encumbrances which may now or hereafter attach to said lands, in which event Lessee shall be subrogated to the rights of the holder or holders thereof and may, in addition thereto, at its option, reimburse itself by applying to the amounts owing to Lessee by such subrogation any royalties, rentals or other sums accruing hereunder.

In case said Lessor owns a less interest in the above described lands than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be