

free of cost such water on said lands as it may require for its operations thereon. Nothing in this paragraph contained shall require Lessee to sell, market or dispose of gas produced on said lands. Settlement for rental and royalties above provided shall be made by depositing a check or draft therefor in the United States mail, addressed to Lessor or to the depositary and agent of Lessor hereinafter designated on or before the 20th day of each calendar month for all rentals and royalties accruing during the preceding month.

Lessor may have the use of any gas developed on said lands for stoves and inside lights in the principal dwelling house of Lessor on said lands so long as the same is not required by Lessee in its operations on said lands. All connections with the well and the use of said gas shall be at Lessor's sole risk and expense.

If operations for the drilling of a well for oil or gas be not commenced on said land on or before one year from this date this lease shall terminate as to both parties unless Lessee, on or before one year from this date, pays or tenders to Lessor, or for Lessor's credit, in the State Bank of Big Piney Bank at Big Piney, Wyoming, or its successors, which bank and its successors, is hereby designated as the depositary and agent of Lessor to collect and receipt for all rents and royalties payable hereunder and to settle all accounts in accounting of rents and royalties, and shall continue as such depositary and agent regardless of changes of ownership in said lands, or in the oil or gas, or in the rentals and royalties to accrue hereunder, the sum of One Hundred and No/100 - - - (\$100.00) Dollars as rental for the privilege of deferring the commencement of drilling operations for a period of one year from the aforesaid date. In like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for like periods successively, during the term of this lease. Lessee, however, shall not be liable to Lessor for damages for failure to commence or to drill a well on said land.

Should the first well drilled on the above described lands be a dry hole, then, and in that event, if a second well is not commenced on said lands within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of the rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

Notwithstanding the death of Lessor, or of any successor in interest of Lessor, the payment or tender of rentals or royalties in the manner provided in this instrument shall be binding upon the heirs, devisees, executors, administrators and assigns of Lessor. No change in ownership of said land or right to receive any rental or royalty hereunder shall be binding upon Lessee until after Lessee has received from Transferee a certified copy thereof, together with certified copies of all instruments showing valid derangement of title from Lessor. In case any action is brought at law or in equity by Lessor or third parties involving the ownership of said lands, or claims to rentals or royalties accruing hereunder, or claiming title to said lands in hostility to Lessor, then during the pendency of said action until final decision thereof Lessee may discontinue operations on said lands, 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 depositary and agent above named, or if a depositary 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 depositary and agent to whom such rentals and payments are to be made and if the parties fail to designate a depositary 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