

Examined: Ms

APPROVED AS TO FORM AND EXECUTION February 8, 1946 Louis J. O'Marr, Attorney General by  
Frank M. Mallnor, Assistant Attorney General

RECEIVED 1946 JAN 28 PM 1 39 COMMISSIONER OF PUBLIC LANDS STATE OF WYOMING RETURN TO PHILLIPS PETROLEUM CO. BARTLESVILLE, OKLAHOMA

No. 33776

OIL AND GAS LEASE

State of Wyoming

To

Phillips Petroleum Company

Fees, \$4.50

THE STATE OF WYOMING) This instrument was filed for record in  
)SS. my office at 11:00 o'clock A. M. on the  
County of Sublette) 7th day of March, A. D., 1946 and duly  
recorded in Book 2 of Oil and Gas Leases  
on Page 69.

Helen Atwood, County Clerk

THIS INDENTURE OF LEASE entered into in triplicate this 16th day of January, A. D. 1946, by and between the STATE OF WYOMING, acting by and through its Board of Land Commissioners, party of the first part, hereinafter called the lessor, and PHILLIPS PETROLEUM COMPANY party of the second part, hereinafter called the lessee.

SEC. 1. PURPOSES. That the lessor, in consideration of the rents and royalties to be paid and the covenants and agreements hereinafter contained and to be performed by the lessee, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove and dispose of all of the oil and gas and other kindred hydrocarbon deposits (the term "gas" as used in this section shall be interpreted to include natural gas, casinghead gas, casinghead gasoline, drip gasoline and natural-gas gasoline extracted from natural gas) in or under the following described land, to-wit:

LEASE 0 ACRES 640 DESCRIPTION ALL SEC. 36 TP. 27 RG. 114 Sublette County

consisting of 640 acres more or less, together with the right to construct and maintain thereon all works, buildings, plants, waterways, roads, communication lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, subject, however, to the conditions hereinafter set forth.

SEC. 2. TERM OF LEASE. This lease, unless terminated at an earlier date as hereinafter provided, shall remain in force and effect for a term of ten (10) years from and after the date hereof (expiring at midnight on the 15th day of January, A. D. 1956.)

SEC. 3. In consideration of the foregoing the LESSEE COVENANTS AND AGREES:

(a) BOND. To furnish a bond with an approved corporate surety company authorized to transact business in the State of Wyoming, or such other surety as may be acceptable to the lessor in the penal sum of TEN Dollars, (\$10.00) conditioned upon the payment of all moneys, rentals, and royalties accruing to the lessor under the terms hereof, and upon the full compliance of all other terms and conditions of this lease and the Rules and Regulations relating thereto, and also conditioned on the payment of all damages to the surface and improvements thereon where the lease covers lands, the surface of which has been sold or otherwise leased. Such bond or bonds furnished prior to the development of the lands contained in this lease may be increased in such reasonable amounts as the lessor may decide, upon commencement of actual drilling, and after the discovery of oil or gas.

(b) PAYMENTS. To make all payments accruing hereunder to the Commissioner of Public Lands, Capitol Building, Cheyenne, Wyoming.

(c) RENTALS. Prior to the discovery of oil or gas in paying quantities to pay the lessor in advance, beginning with the effective date hereof, an annual rental of 25¢ per acre or fraction thereof.

After the discovery of oil or gas in paying quantities to pay the lessor in advance, beginning with the first day of the lease year succeeding the lease year in which actual discovery was made, an annual rental of FIVE HUNDRED DOLLARS (\$500.00) unless changed by agreement. Such rental so paid for any one year shall be credited on the royalty for that year.

(d) ROYALTIES. To pay the following royalties on all oil, gas, natural gasoline and other kindred hydrocarbons produced from the lands herein leased, in kind or in value as the lessor may select.

ON OIL: On all oil produced and saved Twelve and one-half per cent (12½%)

ON GAS: On all gas produced and marketed from the property twelve and one-half per cent (12½%)

ON NATURAL GASOLINE: Twelve and one-half per cent (12½%) of the amount or value of the natural gasoline extracted or recovered.

ON OTHER KINDRED HYDROCARBONS: On all other hydrocarbons of value produced or extracted, including propane and butane, at such royalty as shall be mutually determined to be fair and reasonable.

For royalty purposes on gas and natural gasoline the value shall be as approved by the lessor, and in the determination of the value of natural gasoline the fair cost of extraction shall be considered as a deductible item; provided, however, that the allowance for the cost of extraction may exceed two-thirds of the amount or value only on approval of the lessor and in no event shall the price for gas, or natural gasoline, be less than that received by the United States of America for its royalties from the same field.

In cases where natural gas is produced and the natural-gas gasoline extracted therefrom only one royalty shall be paid, except in the event the residue or dry gas shall be marketed it shall then constitute a separate commodity and a royalty shall be paid thereon as above provided.