

248

Lessee

Lessor

Structure

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 5th day of January, 1954, by and between

FRANK R. MCGINNIS and VIOLA MCGINNIS, his wife, owners of an undivided one-half interest in the following described lands and minerals

parties, party of the first part, hereinafter called lessor, (whether one or more) and PATRICK J. QUEALY, party of the second part, lessee.

WITNESSETH: That the lessor for and in consideration of TEN (\$10) * * * * * Dollars, in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas, and all other minerals, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Sublette County, State of Wyoming, to-wit:

Township 28 North, Range 112 West 6th Principal Meridian.

Section 14: $W\frac{1}{2}NW\frac{1}{4}$;

Section 15: $N\frac{1}{2}N\frac{1}{2}$.

Containing 240----- acres, more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of five years from this date (called "primary term") and as long thereafter as oil or gas or casinghead gas or either or any of them, is produced therefrom; or as much longer thereafter as the lessee in good faith shall conduct drilling operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as oil or gas or casinghead gas, shall be produced therefrom.

In consideration of the premises it is hereby mutually agreed as follows:

1. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells, the equal one-eighth ($\frac{1}{8}$) part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth ($\frac{1}{8}$) royalty the market price for oil of like grade and gravity prevailing in the field where produced on the day such oil is run into the pipe line, or into storage tanks.

2. The lessee shall pay lessor, as royalty, one-eighth ($\frac{1}{8}$) of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not used or sold shall pay Fifty (\$50.00) Dollars per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense.

3. To pay lessor for gas produced from any oil well and used off the premises or in the manufacturing of gasoline or any other product a royalty of one-eighth ($\frac{1}{8}$) of the market value at the mouth of the well, payable monthly at the prevailing market price.

4. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in First National Bank at Kemmerer, Wyoming, or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land, the sum of One Hundred Twenty (\$120)*** Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well one year from said date. In like manner and upon like payments or tenders the commencement of operations for the