

SM 6-52-57375-L

OPTION AGREEMENT

THIS AGREEMENT made and entered into this 17th day of March, 1951, by and between Adah G. Macauley formerly - 424 Continental Oil Building, Denver 2, Colorado, now 508 18th St., Denver, Colorado as First Party, and Cities Service Oil Company, Bartlesville, Oklahoma, as Second Party;

WITNESSETH:

WHEREAS, First Party on or about the 9th day of April, 1951, made an application pursuant to the Act of Congress approved February 25, 1920, as amended, in the United States Land Office at Cheyenne, Wyoming, for an oil and gas lease upon lands situated in Sublette County, State of Wyoming, described as follows, to-wit: Wyoming Serial #05959

Township 34 North, Range 111 West, 6th P.M.

Sec. 3: $W\frac{1}{2}$ (Lots 3 and 4, $S\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}$)
Sec. 10: $W\frac{1}{2}$

containing 640.17 acres, more or less,

and

WHEREAS, it is contemplated that said lease, if not heretofore issued, will be issued to First Party covering said lands pursuant to said application.

NOW, THEREFORE, in consideration of the sum of Ten and no/100 (\$10.00) - - - - - Dollars to First Party in hand paid by Second Party, the receipt of which is hereby acknowledged, and of the covenants herein contained, First Party hereby grants Second Party, for the term of two years from date hereof, or for the period of time until issuance of the lease and two years thereafter, whichever be the longer term, the right to enter and conduct on said lands geological and geophysical explorations and, for the same consideration, First Party hereby grants to Second Party, for the term of two years from the date hereof, or for the period of time until issuance of the lease and two years thereafter, whichever be the longer term, an option to acquire said oil and gas lease whether heretofore or hereafter issued as to all or any part of the lands covered thereby.

First Party shall, if said lease has not been issued, use her best endeavors to obtain the issuance thereof pursuant to said application, and if and when issued, shall do all the acts and things necessary to continue said lease in force during the term of this option.

First Party hereby irrevocably makes, constitutes, and appoints Second Party, with full power of substitution, her attorney in fact with full power and authority to take in her name and stead through any of its officers or agents any action before the Department of the Interior which Second Party elects in order to assure the issuance, if not heretofore issued, of an oil and gas lease pursuant to said application and to protect and maintain in good standing said oil and gas lease whether heretofore or hereafter issued.

Second Party may exercise at any time during the term hereof the option herein granted as to different parts of the land covered by said lease by placing in the United States mail a registered letter with the postage thereon fully paid addressed to First Party at First Party's above set forth address or at such other address as First Party may have furnished in writing to Second Party advising First Party of its decision to so exercise this option.

First Party hereby agrees, if and when requested so to do by Second Party, to cooperate with third parties who own oil and gas leases on lands located in the vicinity of the lands covered by First Party's said oil and gas lease in forming a unit or units or a cooperative plan or plans of development under said Act of Congress as amended embracing the whole or any part of the lands covered by First Party's said oil and gas lease and to execute such documents as may be necessary in forming such unit or units on such plan or plans. Where the whole, or any part, of the lands covered by First Party's said oil and gas lease is included in a cooperative or unit plan, duly executed by the parties and submitted to the Secretary of the Interior for final approval prior to the expiration of this option, then, as to that part of the land covered by this option which is included in said cooperative or unit plan, this option shall not expire until a date thirty (30) days after the date of final approval or disapproval by the Secretary of the Interior of the cooperative or unit plan. Parts of said lease may be embraced in separate plans at different times, such plan or plans to be subject to the approval of the Secretary of Interior of the United States and shall embrace any area regarded by said Secretary as logical for such unitization.

First Party hereby makes, constitutes and appoints Second Party, with full power of substitution, irrevocably as her attorney in fact for her and in her place and stead at any time during the term hereof, or after the exercise of the option herein granted, to commit said lease and land covered thereby, the whole or any part thereof, to the extent of the interest of First Party therein to any such unit or units or cooperative plan or cooperative plans which may be prescribed or approved by said Secretary and to execute through any of its officers or agents on behalf of First Party any and all documents that may be necessary in forming such unit or units with the understanding that such plan may provide for the pooling and allocation of production within such participating area as may be established or approved by said Secretary upon such basis as may be prescribed or approved by said Secretary and such plan may contain such other provisions as may be inserted at the discretion of said Second Party, all to be effective upon the final approval of said plan by said Secretary.

First Party covenants and agrees that if Second Party exercises this option he will upon the request of Second Party execute, acknowledge, and deliver to Second Party an assignment or assignments of said lease or of the part or parts thereof as to which this option is exercised reserving, however, an overriding royalty of two and one-half (2½) per cent of the oil and gas produced and marketed under said lease, or any part thereof, upon which Second Party elects to exercise its option as herein provided, or attributable to said lease, or any part thereof, under such unit or cooperative plan or plans and to do any and all things necessary on his part in securing the approval of said assignment.

In the event of the assignment of said lease, or any part thereof, hereunder with the approval of said Secretary, Second Party shall pay First Party as additional consideration for the exercises of this option such overriding royalty so reserved by First Party; however, Second Party is not and shall not be obligated hereby to drill any well under said lease or under any lease with which said lease may be pooled under cooperative plan of development.

In the event any rentals should become due under said lease or any premiums should become due under the bond furnished in connection with said lease, Second Party shall, on notice from First Party, either pay said rentals and premiums or surrender this option.

The rights, powers and authority granted herein may be assigned in whole or in part by Second Party and/or its successors or assigns, as to all or any part of the lands hereinbefore described. Second Party, and/or its successors or assigns, is hereby granted full power and authority to substitute in its place and stead any person, natural or artificial, who may be assigned all, or any part, of the rights herein granted as to all, or any part, of the lands hereinabove set out, for the purpose of exercising the rights, powers and authority herein granted insofar as same may be assigned by Second Party, and/or its successors or assigns.

Second Party may at any time cancel and terminate this agreement and relieve itself from all obligations under this agreement by placing in the United States mail a registered letter with the postage thereon fully paid addressed to First Party at First Party's above set forth address, or at such other address as First Party may have furnished in writing to Second Party, advising First Party of its decision to surrender this option and thereupon this agreement shall cease and terminate and both parties hereto shall be released from all further obligations hereunder.