

O—Form 4—1940
Amended 10—1943; 5—1950; 4—1951; 5—1952
10,000—11-1957

OIL AND GAS LEASE

THIS INDENTURE OF LEASE entered into in triplicate this 16th day of March, A. D., 19 58, by and between the STATE OF WYOMING, acting by and through its Board of Land Commissioners, party of the first part, herein-after called the lessor, and

RICHARD H. P. PADON

party of the second part, herein-after called the lessee.

SECTION 1. PURPOSES. That the lessor, in consideration of the rents and royalties to be paid and the covenants and agreements herein-after 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, together with such other gaseous substances and elements which may be produced as gas) in or under the following described land, to-wit:

| LEASE | | |
|-------|-------------|------------|
| ACRES | DESCRIPTION | SEC.TP.RG. |
| 640 | ALL | 16 29 104 |
| 640 | ALL | 36 30 105 |
| 1280 | | |



consisting of 1280.00 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 herein-after set forth.

SECTION 2. TERM OF LEASE. This lease, unless terminated at an earlier date as herein-after provided, shall remain in force and effect for a primary term of ten (10) years from and after the date hereof (the primary term expiring at midnight on the 15th day of March, A. D., 19 68) and as long thereafter as oil or gas may be produced in paying quantities.

SECTION 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 TWENTY FIVE AND 00/100 Dollars,

(\$ 25.00), 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 drilling operations, 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 25c 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 One Dollar (\$1.00) per acre or fraction thereof ONE THOUSAND TWO HUNDRED EIGHTY AND 00/100 DOLLARS (\$1280.00) unless changed by agreement. Such rental so paid for any one year shall be credited on the royalty for that year. Lessor shall have no obligation hereunder to give lessee advance notice of any rental payment.

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

ON OIL: On all oil produced and saved and not used in operations on said land

Twelve and one-half per cent (12 1/2%)

ON GAS: On all gas produced and saved and not used in operations on said land

Twelve and one-half per cent (12 1/2%)

ON NATURAL GASOLINE: Twelve and one-half

per cent (12 1/2%)

of the amount or value of the natural gasoline extracted or recovered.

ON OTHER KINDRED HYDROCARBONS AND SUBSTANCES: On all other hydrocarbons of value and gaseous substances and elements produced or extracted, including propane, butane, sulfur, nitrogen, carbon dioxide and helium, 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.

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