

AGREEMENT AND OPTION

444
OP-3151-2

THIS AGREEMENT, made and entered into this 19th day of November, 1958, by and between Arthur J. Palm, of 10526 Garden Grove Blvd., Garden Grove, California, hereinafter called "First Party," and Phillips Petroleum Company, a Corporation, of Bartlesville, Oklahoma, hereinafter called "Second Party,"

WITNESSETH:

THAT, WHEREAS, First Party has filed an application for an oil and gas lease which lease has not yet been issued, or is the owner of an oil and gas lease which has been issued, under the provisions of the Act of Congress of February 25, 1920 (41 Stat. 437), as amended, or under the provisions of the Act of Congress of August 7, 1947 (61 Stat. 913) in the United States Land Office at Cheyenne, Wyoming bearing Serial No. W-043701, covering the following described lands in the County of Sublette, State of Wyoming:

T 32N., R 115W., 6th P.M.
Section 32: N/2 SE/4

Containing 80 acres, more or less

and First Party represents that said oil and gas lease is not burdened with the payment of any overriding royalties or other payments out of production except as follows, to-wit:

None

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable considerations, receipt and sufficiency of which is hereby acknowledged, and the mutual covenants and agreements herein contained, it is hereby agreed by and between the parties hereto as follows:

1. Immediately upon the receipt of any notice or communication pertaining to said application or lease from the Department of the Interior or from any other source, First Party will transmit such notice or communication or photostatic copy thereof to Second Party at its address hereinabove stated.

2. First Party hereby grants unto Second Party and/or its nominee or nominees the exclusive right to enter and make such geophysical and/or geological surveys, explorations, investigations and tests, including core drilling, as Second Party and/or its nominee or nominees may desire to make upon said lands from the date of this instrument until the termination of the period specified in Section 3 for the exercise of the option herein granted.

3. First Party hereby grants Second Party the option and privilege to acquire from time to time said oil and gas lease (including any extension or renewal thereof) or the oil and gas lease or leases issued pursuant to said application as to all or any part or an undivided interest in all or any part of the lands embraced herein. This option may be exercised by Second Party at any time and from time to time in whole, in part or for an undivided interest within three (3) years from the date hereof in the event the above described oil and gas lease has heretofore been issued, or in the event such oil and gas lease has not been issued pursuant to said application, then within three (3) years from the date of said oil and gas lease, by notice given by letter or telegram describing the lands as to which said option is exercised addressed to First Party at the address hereinabove stated or at such other address as First Party may have furnished in writing to Second Party. Provided, however, that in the event all or any part of the land above described is included in a cooperative or unit plan as provided in Section 5 hereof, duly executed and submitted to the Secretary of the Interior or his duly authorized representative for final approval prior to the expiration of said three (3) year period, then as to that part of said land which is included in said cooperative or unit plan, this option may be exercised at any time up to and including thirty (30) days after the date of final approval or disapproval by the Secretary of the Interior or his duly authorized representative of said cooperative or unit plan or within the aforementioned three (3) year period, whichever is the later. Notice of exercise of said option shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company with postage or charges prepaid. Upon exercise of its option herein granted, Second Party shall pay to First Party Ten Cents (10¢)

per acre for each net acre of the above described land as to which the option is exercised. Failure to exercise said option in whole, in part or as to an undivided interest within the time herein limited shall have the effect of terminating this agreement and all rights granted hereby as to the land upon which said option is not so exercised.

Upon the exercise of said option in the manner hereinabove specified, Second Party may have this option agreement treated as an assignment of said lease (including any extension or renewal thereof) as to the land described in the notice of the exercise of this option, in which event multiple copies of said notice of the exercise of this option together with multiple copies of this option agreement shall be filed with the Secretary of the Interior or his duly authorized representative for approval, whereupon, this agreement shall constitute an assignment of said lease as to the land included in said notice. Until Second Party so notifies First Party of the exercise of this option, Second Party shall have no right to produce oil or gas from the said above described land or any part thereof.

4. First Party represents to and covenants with Second Party that First Party has not heretofore sold, assigned, transferred, encumbered or conveyed said oil and gas lease or said application or any right, title or interest therein, or in any lease which may be issued pursuant thereto, except that said oil and gas lease is burdened with the payment of the overriding royalties or other payments out of production hereinbefore specifically set forth, if any. First Party represents to and covenants with Second Party that First Party has full power, right and authority to execute this agreement and that First Party will not surrender or relinquish said application or lease without the consent in writing of Second Party being first had and obtained.

5. At its election, Second Party shall have the right from time to time to incorporate all or any part of the above described land (whether or not Second Party has exercised its option hereunder as to said land) with other lands in a cooperative or unit plan or communitization agreement for the operation and development of all of said lands included in such cooperative or unit plan or communitization agreement for oil and gas purposes in accordance with the provisions of the Act of Congress, approved February 25, 1920 (41 Stat. 437), as amended. First Party does hereby make, constitute and appoint Second Party irrevocably as attorney in fact for First Party, in First Party's name, place and stead at any time, and from time to time, to commit said lease and said land, or any part thereof, to the extent of First Party's interest therein, to any such cooperative or unit plan or communitization agreement acceptable to Second Party and to execute the same on behalf of First Party, subject to the approval thereof by the Secretary of the Interior, or his authorized representative.

6. First Party hereby appoints and irrevocably constitutes Second Party First Party's attorney in fact, with power to take any action which Second Party may deem advisable in order to assure the issuance of an oil and gas lease pursuant to the above described lease application or to withdraw said application in whole or in part; to protect and maintain in good standing any oil and gas lease so issued and to secure the adoption and approval of the unit agreement or cooperative plan of development or communitization agreement covering any or all of the above described land as hereinabove provided. First Party, upon Second Party's request, will aid and assist any such action.

7. First Party will execute any such further instruments and such further additional assurances as Second Party may request from time to time, and as may be proper and necessary, in order to vest in Second Party the full and complete rights herein provided. Without limiting the generality of the foregoing First Party will, if requested by Second Party, on exercise by Second Party of its option hereunder, execute a separate assignment of the leasehold estate as to the lands covered by the exercise of option, subject to the reservation of overriding royalty and other terms stated in Section 10 below, conveying such leasehold to Second Party and/or its nominee or nominees.

8. Subject to the rights of surrender as hereinafter provided, at all times during the life of this agreement, Second Party agrees that it will pay to the United States, as they accrue, all rentals upon the lands affected hereby, and will pay all premiums on bonds required by the Department of the Interior, and First Party immediately upon receiving notice thereof agrees to notify Second Party in writing of all such rentals so becoming due and as they become due.

9. Second Party may at any time and from time to time surrender its rights hereunder as to all or any part of the lands hereinbefore described as to which the option herein granted has not been exercised by giving notice in writing to First Party of such election to surrender. Second Party may at any time, and from time to time, release and surrender directly to the United States, without notice to First Party, the oil and gas lease hereinbefore mentioned insofar as the same covers all or any part of the lands as to which the option herein granted has theretofore been exercised. Upon any such surrender, Second Party shall thereupon be relieved of any and all liabilities or obligations with respect to the lands so surrendered and this agreement shall terminate as to the lands so surrendered.

10. In the event Second Party from time to time exercises its option herein granted, in whole, in part, or as to an undivided interest, then, as to the lands upon which the option is exercised, the following terms and provisions shall thereupon become effective and operative, to-wit:

(a) This agreement, when filed in the appropriate Land Office for approval of the Secretary of the Interior or his duly authorized representative as an assignment of said oil and gas lease, shall thereupon and at all times thereafter and for all purposes, with respect to all lands included in the notice of exercise of the option, be treated, construed and operate as an assignment and transfer by First Party to Second Party of said oil and gas lease, including the oil, gas, casinghead gas and other minerals produced thereunder, subject to the payment of the overriding royalties or other payments out of production, if any, hereinbefore specifically set forth and subject to the payment to First Party of the overriding royalty hereinabove provided, containing covenants of warranty that First Party has full right and authority to so assign and transfer