

#6-03 Sublette
Cottonwood Crk.Form 285
Sheet 2

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If the above described lease has already been issued on the date hereof, the said option period shall be for a period of three years from and after the date hereof, and if the above described lease has not yet been issued on the date hereof, the said option period shall be for the period of time until the issuance of such lease and for three years thereafter.

It is understood that if said oil and gas lease has been issued the record title holder thereof may, upon timely application, be entitled to the issuance of an extension of said lease or to the issuance of a preference right, new, renewal or extension oil and gas lease covering said lands; therefore, in the event the initial term of said oil and gas lease will expire prior to the termination of said option period, First Party, for the same consideration mentioned above, agrees and binds himself, herself, themselves and itself, as record title holder of said lease, to make, at Second Party's request, timely, proper and sufficient application under applicable law and regulations for the issuance of such an extension of said lease or for the issuance of such a preference right, new, renewal or extension oil and gas lease, whichever the record holder of said lease may be entitled to receive; and this option agreement in all of its terms shall apply to and bind all extensions of such lease and to such preference right, new, extension or renewal oil and gas lease upon the issuance thereof, to the same extent as though the extension of said lease or such preference right, new, extension or renewal oil and gas lease were in existence at the execution and delivery of this agreement.

Second Party may exercise said option by giving to First Party by one of the methods of serving notice on First Party, as specified in Section "C" above, notice in writing of Second Party's exercise of said option, and of Second Party's intention and desire to purchase and acquire said oil and gas lease either (1) by demanding in said notice an assignment from First Party assigning said lease as to the lands described in such notice, in which case First Party shall execute and deliver to Second Party a good and sufficient deed of assignment as hereinafter stated, assigning to Second Party said lease as to the lands included in such notice, or (2) by stating in such notice of exercise that Second Party elects to purchase and acquire said lease by having this option agreement treated and operate as an assignment of said lease as to all of the lands described in such notice. In either case, said notice shall describe the lands as to which said option is exercised.

If in such notice of exercise of option as provided above, the Second Party has elected to have this option agreement treated as an assignment of such lease, then, when such notice has been so served, this option agreement as to the lands described in such notice, shall constitute, operate and be treated as an assignment of said lease from First Party to Second Party, and accordingly multiple copies of said notice, together with multiple copies of this option agreement, may be filed with the Secretary of the Interior under applicable regulations for approval, and upon approval thereof by the Secretary of the Interior under applicable regulations, and thereafter and for all purposes, this option agreement shall constitute, operate as, and be an assignment and transfer of said oil and gas lease from First Party to Second Party with respect to all lands included in the notice of exercise, including the oil and gas and other minerals produced under said lease, with full covenants of warranty as to the title of First Party in and to said oil and gas lease and the right of First Party to so assign and transfer the same, and that said oil and gas lease and oil and gas and other minerals which may be produced therefrom are free and clear of all claims and encumbrances, which covenants First Party agrees to defend against all persons whomsoever at First Party's sole cost and expense.

If said option be exercised by demanding, in such notice of exercise, an assignment of said lease, then said assignment shall be in writing and First Party shall be the Assignor therein and Second Party the Assignee therein, and said assignment shall be submitted to First Party by Second Party or shall be transmitted by Second Party to First Party along with such notice of exercise of option, and said assignment shall be signed and acknowledged by all of the persons, firms and corporations named as First Party in this agreement, and the lands described in said assignment shall be the same lands included in the notice of exercise of said option, and the overriding royalty, if any, to be reserved by the Assignor in said assignment shall be the amount, if any, specified in Section Twelfth below, and the applicable provisions of Sections Twelfth, Thirteenth, Fourteenth, Seventeenth and Eighteenth set forth below, shall be written into said assignment.

Said assignment shall contain full covenants of warranty as to the title of First Party (Assignor) in and to said oil and gas lease, and the right of First Party (Assignor) to so assign and transfer the same, and that said oil and gas lease and oil, gas and other minerals which may be produced therefrom are free and clear of all claims, liens and encumbrances, which covenants First Party (Assignor) agrees to defend against all persons whomsoever at First Party's sole cost and expense. Said assignment shall recite that it is made subject to the approval of the Secretary of the Interior under applicable regulations, and with respect to the lands described in said assignment supersedes the terms of this option agreement. Said assignment should further provide as follows:

"Assignor hereby waives, releases and relinquishes unto Assignee all rights of curtesy, dower, dower rights and rights in lieu thereof, and hereby releases and waives all homestead exemption and other exemptions provided under the homestead and exemption laws of the state in which such lands are located."

If Assignee shall desire to surrender and release said lease to the United States before said lease terminates by operation of law, Assignee will accordingly mail notice thereof to Assignor, and if within fifteen (15) days thereafter, Assignor, or any one of them, shall desire that such lease as to the lands included in such notice be reassigned to Assignor (or either of them) and within such time so notifies Assignee, then Assignee will, without warranty, reassign such lease to Assignor (or to such of them as so desire reassignment), but if within such fifteen (15) days Assignor shall fail to so notify Assignee that Assignor (or either of them) so desire reassignment, Assignee may, if so desires, surrender to the United States such lease as to the lands described in such notice."

"As between the parties hereto, all prior agreements affecting said lease insofar as it covers the lands described in this assignment, are merged into this assignment and are superseded hereby."

"Assignee shall during the life of said lease have the right to and may join with the owners of other leases and interests and commit said lease to a Co-Operative or Unit Plan or other agreement subject to the approval of the Secretary of the Interior under applicable regulations, and said Co-Operative or Unit Plan or other agreement may, among other things, provide for the allocation of production, and such agreement shall, upon such approval by the Secretary of the Interior, bind all the interest, if any, retained by Assignor in said lease. Upon any exercise of the option to acquire such lease, Second Party will pay to First Party the sum of

10 (Ten cents)

PER ACRE for the lands described in

the notice of exercise of such option. Thereafter, no payments with respect to such lands shall accrue to or be payable to First Party except such overriding royalty payments, if any, as may be provided in Section "TWELFTH" following herein.

The payment of any sum herein required upon the exercise of any option herein contained, may be made by check payable jointly to all of the persons, firms and corporations, designated as First Party herein, and may then be delivered to any one of the persons, firms or corporations included in the name "First Party" and upon whom the notice of the exercise of such option may be served, and when made, shall be for the benefit of all persons included within the meaning of the term "First Party", and Second Party owes no duty or obligation to see to the proper distribution of such payment among the persons lawfully entitled thereto.

SECOND: In addition to the options as granted above, and for the same consideration, Second Party shall have the right to join with the owners of other leases and interests and commit all or any part of said lands and lease (whether or not an option may have been exercised by Second Party to acquire said described lease under Section First) to a cooperative or unit plan or other agreement, subject to the approval of the Secretary of the Interior under applicable regulations, and which agreement shall bind all interest of First Party in said lease and may, among other things, provide for the allocation of production, and for participating areas, and for drilling, operation and development of the lands committed thereto as a single pool, or area, and for the right in Second Party, from time to time to modify, change or terminate any such plan or agreement. Said plan or other agreement may designate Second Party, or its nominee, as the oil and gas operator of all lands embraced therein, including any part or all of the lands covered and embraced in said oil and gas lease as hereinabove described. Second Party may exercise the rights and option granted under this section, either by submitting to First Party for signature, said Co-Operative or Unit Plan or other agreement and obtaining the signature of First Party thereon, or by executing said Co-Operative or Unit Plan or other agreement as attorney in fact for First Party and enclosing a copy thereof in an envelope addressed to First Party at the address of First Party as stated above and depositing the same in the United States mail with postage thereon prepaid. In either case such Co-Operative or Unit Plan or other agreement shall describe the land or lands, lease or leases to be subjected thereto. Upon the approval of said Co-Operative or Unit Plan or other agreement by the Secretary of the Interior, the Operator or so designated shall be entitled to all the rights, privileges and benefits of, and be charged with the duties and obligations of the Unit Operator as therein provided as to all lands embraced therein, for the full term of said Co-Operative or Unit Plan or other agreement and lease, including the full term of any and all extensions, renewals, preferential-new leases or substitute leases issued in lieu thereof; however, it is understood that notwithstanding such approval of said Co-Operative or Unit Plan or agreement, this agreement, as to the lands included therein, shall not operate as an assignment of said lease to Second Party until Second Party shall have exercised its option to acquire, under Section "FIRST", said lease as to said lands included within such Co-Operative or Unit Plan or agreement.

First Party does hereby make, constitute and appoint Second Party and Second Party's substitute, severally and each one of them, 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 Co-Operative or Unit Plan or other agreement and to execute all instruments and do all things necessary on behalf of First Party, subject to the approval thereof by the Secretary of the Interior, and to execute all instruments and do all things necessary to make such agreement effective as fully as First Party could or might otherwise do and perform in First Party's individual capacity if personally present with full power of substitution and revocation, and First Party hereby expressly ratifies and approves all acts and things done and performed by Second Party or substitute thereof, with respect to the matters and things in this section set forth.

THIRD: The respective options as hereinabove granted shall continue in full force and effect for the full term of the option period as provided above and Second Party may exercise such continuing options from time to time, and as often as it may desire to do so and may thus likewise commit said lands or lease and/or likewise acquire said oil and gas lease as to any part or all of the lands therein not previously so committed and/or acquired; provided, however, each additional exercise of option to acquire said oil and gas lease as to any additional lands covered thereby shall be exercised in the manner and form set forth above and by the payment to First Party of a like sum per acre.

FOURTH: It is agreed that in the event all or any part of the lands covered hereby are included in a Co-Operative or Unit Plan or other similar agreement, as is provided by Section "SECOND" hereof, and such plan or agreement is duly executed and submitted to the Secretary of the Interior for final approval prior to the expiration of the aforesaid option period, then as to that part of the land covered hereby which is included in said Co-Operative or Unit Plan or agreement, said option period, specified in Section "FIRST", hereof, shall not expire until a date thirty (30) days after the date of final approval or disapproval by said Secretary of said Co-Operative or Unit Plan or agreement.

FIFTH: Notwithstanding that the approval or approvals of the Secretary of the Interior, when required under the provisions hereof, may not be secured during the aforesaid option period, nevertheless the rights, titles, interests, estates, equities, privileges and benefits intended to be transferred and conveyed hereby upon any approval of the Secretary of the Interior shall, upon said approval, and each of them, be treated as between the parties hereto, as having been respectively transferred and conveyed within and during said option period. All such required approval may be had either during or after such option period.

SIXTH: First Party does hereby authorize Second Party in the name of First Party and/or each or either of them (and without becoming liable to First Party) to cause any attorney or attorneys at law, to institute, maintain and prosecute to final judgment, in behalf of First Party, any action or cause of action in or before any court, department or tribunal, having for its purpose the confirming or quieting of the title of First Party in and to said oil and gas lease, or the barring of or cancellation of, or removal of purported claims, or clouds of any kind on the title of First Party to said oil and gas lease or any part thereof, and in so doing, Second Party agrees to pay all the attorney's fees, court costs, and expenses of conducting and prosecuting such action or actions; provided, however, Second Party shall not in any wise become liable to First Party for or on account of the outcome or result of any such action or cause of action or anything connected therewith.

SEVENTH: At all times during the life of this agreement Second Party will pay all bond premiums on bonds required by the Department of the Interior, to maintain said lease in force, and Second Party further agrees that while said option is in force, and without incurring any liability for failure so to do, it will undertake to pay to the United States, as they accrue, all rentals under said lease upon the lands affected hereby; provided, however, First Party, immediately on receiving notice thereof, notifies Second Party in writing of all such rentals so becoming due, and as they become due.

EIGHTH: While this agreement is in force as to any of the lands covered hereby, Second Party may, though not less than thirty (30) days prior to the anniversary date of such lease, cancel this agreement as to such lands or any part thereof by serving written notice of such cancellation upon First Party.

If, through the exercise of any option hereunder by Second Party to acquire such lease, this agreement has been so approved as an assignment of such lease, then Second Party may cancel this agreement as to all or any of the lands covered hereby by serving written notice thereof upon First Party. If, within fifteen (15) days after such notice of cancellation is so served, First Party shall notify Second Party that First Party (or either of them) desire that such lease as to such lands included in such notice be reassigned to First Party (or either of them), then Second Party will, without warranty, reassign such lease to First Party (or to such of them as so desire reassignment); but if within such fifteen (15) days First Party shall fail to so notify Second Party that First Party (or either of them) so desire reassignment, Second Party may, if it so desires, surrender to the United States such lease as to the lands described in such notice.

All such cancellations whether or not so stated shall be subject to the provisions of any Co-Operative or Unit Plan or other agreement and to overriding royalties or production payment burdens affecting said lease as to said lands.