

3

3

shale of Cretaceous age. Operator shall have the full and complete supervision, management, and control of all operations upon said lands during the life of this agreement and said lease.

4. Subject to the provisions of Section 5 hereof:

- a. All oil produced from or allocated to said lands shall belong to Operator as Operator's full compensation for Operator's expenditures and services in connection with operations under this agreement subject to the obligations of Operator to pay all royalties due the State of Wyoming upon any of said lands under the provisions of said lease while said lands remain subject to this agreement.
- b. All gas produced from or allocated to said lands shall belong to Grantor subject to the obligations of Operator to pay all royalties due the State of Wyoming upon any of said lands under the provisions of said lease while said lands remain subject to this agreement.

5. Operator hereby agrees to account for and pay to Grantor, on or before the last day of each calendar month, for oil produced during the preceding calendar month, twenty percent (20%) of 8/8ths of the "sale value" of all oil produced from or allocated to said lease under the Chimney Butte Deep Unit Agreement. The term "sale value" as applied to oil under the provisions hereof, shall mean:

- a. The price for which Operator sells Operator's oil produced from or allocated to the Chimney Butte Deep Unit to a party other than Grantor or Operator.
- b. In the event that Operator does not sell such oil, the fair market value prevailing in the Chimney Butte Deep Unit for oil of like character, gravity and quality.

6. Unless and until directed by Grantor otherwise, Operator hereby agrees to deliver unto the pipeline of the El Paso Natural Gas Company at the pressure existing in such pipeline free of cost to Grantor and to the credit of Mountain Fuel Supply Company, all gas produced from or allocated to said lease under the Chimney Butte Deep Unit.