

AGREEMENT AND OPTION

THIS AGREEMENT AND OPTION, Made this 27th day of August, 1959, by and between Earl D. Sprague, whose post office address is P. O. Box 2004, Casper, Wyoming, hereinafter referred to as "Optionor", and THE TEXAS COMPANY, a Delaware corporation, whose post office address is Box 2100, Denver 1, Colorado, hereinafter referred to as "Optionee",

WITNESSETH THAT:

WHEREAS, the Optionor is the Lessee of, or has filed an application for, a Federal oil and gas lease on lands where the United States has an entire or partial mineral ownership, bearing Serial No. Wyo.-026346(A), dated April 1, 1954, and covering the following-described land in Sublette County, State of Wyoming, to-wit:

Township 30 North, Range 114 West, 6th P.M.
Section 30: Lots 3(40.22 ac), 4(40.37 ac.),
E¹₂SW¹₄
Containing 160.59 acres, more or less.

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) and other valuable consideration, the receipt of which is hereby acknowledged, the Optionor hereby grants to the Optionee the right and option to acquire from time to time said oil and gas lease 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, and, upon a partial exercise of this right and option, that portion of said land as to which the option is not exercised shall remain subject to this option agreement. In the event of the exercise or partial exercise of said option in each instance from time to time, Optionor is obligated hereby to execute and deliver, promptly after such exercise to Optionee at the latter's request, all assignments and instruments required, and to do all things necessary, to consummate any such exercise or partial exercise of said option and vest in Optionee the rights and title to the interests thereby acquired, and to furnish Optionee the original lease or certified copy thereof involved. All assignments made pursuant hereto shall be in manner, form and substance satisfactory and acceptable to the Secretary of the Interior or his agents and the Optionee, and be free and clear of any liens, encumbrances or outstanding interests, except as may be expressly provided hereafter:

As an alternative method of exercising this option, in whole or in part, Optionee may give written notice, by certified mail to Optionor at the address above given, of such exercise, and thereafter file copies of said notice and of this agreement and option with the Secretary of the Interior or his agents pursuant to applicable regulations, after which this agreement and option, without more and to the extent of the exercise specified in the said notice, shall constitute a completed and final assignment or partial assignment embodying the pertinent terms of this agreement and option.

The option hereby granted, unless sooner terminated by surrender as hereinafter provided, shall expire three (3) years from the date hereof if said lease has already been issued or three (3) years from the date of issuance of said lease if it has not already been issued; provided, however, that said option shall in no event extend beyond a period of ten (10) years from the date hereof, and provided, further, that where all or any part of the land covered hereby is included in a unit or cooperative plan of development executed by the parties and submitted to the Secretary of the Interior for approval prior to the termination of the three-year option period, then, as to that part of the land covered hereby which is included in said unit or cooperative plan of development, said three-year period shall be extended for an additional period to a date thirty (30) days after the date of final approval or disapproval by the Secretary of that unit or cooperative plan. Failure to exercise said option within said time shall not, however, impair or terminate the subjection or committal of said land or any part thereof to a unit or cooperative plan of development effected by Optionor or his Attorney in Fact, during said three-year period, pursuant to the terms of this instrument.

Optionee, at any time prior to the exercise of said option, may release and surrender all rights hereunder as to all or any portion of the land above described by mailing written notice thereof to the Optionor at the address above set out. Optionee at any time after its exercise of said option may relinquish said lease to the United States as to all or any part of said lands and thereby be relieved of any obligations to the Optionor with respect to the relinquished lands.

In the event of the exercise or partial exercise of said option, Optionee shall, upon the exercise thereof, pay to Optionor an additional sum of Ten Dollars (\$10.00), total consideration.

As to the lands not released or surrendered as hereinabove provided, rentals becoming due under said lease during the life of this option shall be paid by Optionor if so requested by Optionee, but Optionee shall promptly reimburse Optionor for such payment. In the event Optionee shall not request Optionor to pay said rentals, the same shall be paid by Optionee.

The Optionor hereby consents that the above-described land, or any part thereof, may be made the subject of or committed to a unit or cooperative plan of development under pertinent laws and regulations of the United States, and hereby makes, constitutes and appoints the Optionee, or any person designated by the Optionee (with the right on the part of the Optionee to change such designee at any time and from time to time) irrevocably, as his Attorney in Fact, for him

and in his place and stead, at any time during said option period, or, after the exercise of said option, to commit said land, or any part thereof, to the extent of the interest of the Optionor therein, to any such unit or cooperative plan of development which may be submitted to, prescribed by, or approved by the Secretary of the Interior, involving any area regarded by Optionee or by the said Secretary or his representatives as logical for unitization, and to execute such plan on behalf of the Optionor, with the understanding that such plan may provide for the pooling and allocation of all production within such participating area as may be established or approved by the Secretary or his representative, and a proportionate acreage or other equitable basis as may be prescribed or approved by said Secretary or his representative, and such plan may contain such other provisions as may be inserted at the discretion of the Optionee, all to be effective upon the final approval of said plan by the Secretary of the Interior, and to execute all instruments and do all things necessary to make said unit plan effective.

In addition to the application or lease above designated, this agreement and option shall cover any extensions thereof, extension leases, renewals thereof, renewal leases, preference right, new, substitute or other leases issued pursuant to or by reason thereof as to all or any part of the lands embraced herein.

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall be deemed to be covenants running with the land and binding on and inuring to the benefit of the heirs, administrators, executors, successors and assigns of the parties hereto; provided, however, that Optionor, or his successors in title, shall give written notice to Optionee, at the address above given, of any assignment made of this option or the lease covered hereby, and Optionee shall always be entitled to exercise any or all of its rights under this option upon notice to the last lease titleholder of which it has been so apprised; and provided, further, that any assignment made by Optionor covering said lease shall expressly state that such lease is subject to this Agreement and Option.

Optionor is obligated hereby to immediately forward to Optionee, by certified mail at Optionee's address above stated, the original of any and all notices and communications affecting the lands covered by this option agreement received from the Department of the Interior or any other source, including, but not limited to, a lease issued pursuant to application or offer to lease. Also, and in the same manner, copies of all notices and communications affecting said lands, sent by Optionor to any office or officer of the United States, or to anyone else, shall be sent Optionee. Optionee shall have no obligation to inform itself of such notices or communications, but may rely entirely on Optionor in the manner of fiduciary relationship for such information.

As a part of the consideration aforesaid, the Optionee and such other persons as Optionee may designate are hereby granted the exclusive right to examine and make geological and geophysical surveys on the land during the option period.

Executed the day and year above written.

WITNESS:

Earl D. Sprague
Optionor

Bonnie P. Sprague
Spouse of Optionor
TEXACO Inc. formerly named
THE TEXAS COMPANY

By: *W. B. D.*
Agent and Attorney in Fact, Optionee.

Wherever the words "The Texas Company" appear in this instrument, it is intended to mean the Texas Company, Inc., formerly known as the Texas Company.

W-3972K