

Commercial CC-503

OIL AND GAS LEASE

Ariz., Colo., Iowa, Kan., Minn., Mo.,
Mont., Neb., N.D., S.D., Utah, Wyo.

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THIS AGREEMENT, made and entered into as of the 10th day of January, 1964, by and between

Jessie M. Muir, a single woman
109 York Avenue
Berkeley 8, California

hereinafter called "Lessor" (whether one or more) and California Oil Company, a California corporation,
P. O. Box 220, Casper, Wyoming

1. Lessor, for and in consideration of the sum of ten and more DOLLARS (\$10.00 & more), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee the land hereinafter described, for the purpose of investigating, exploring and drilling for, producing, saving, taking, owning, transporting, storing, handling and treating oil and gas, together with all rights, privileges and easements useful for Lessee's operations hereunder on said land and on lands in the same field, including but not limited to the following rights: to lay pipe lines; to build roads; and to construct tanks, pump and power stations, power and communication lines, houses for its employees, and other structures and facilities. The phrase "oil and gas," as used in this lease, shall embrace all hydrocarbons, as well as other substances produced therewith. The said land included in this lease is situated in the County of Sublette

State of Wyoming

, and is described as follows, to-wit:

Township 31 North, Range 113 West, 6th. P.M.
Section 24: SW_{1/4}SW_{1/4}
Section 25: W_{1/2}
Section 26: NE_{1/4}NE_{1/4}
Section 35: NE_{1/4}SE_{1/4}
Section 36: W_{1/2}

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IN BOOK 37 Oil & Gas PAGE 373
FEES \$ 1.70 MM COUNTY CLERK
SUBLETTE COUNTY, PINEDALE, WYOMING

including all oil and gas underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and including all lands owned or claimed by Lessor as a part of any tract above described; and containing 760 acres of land, more or less, hereby releasing and waiving all rights under and by virtue of the homestead exemption laws of this state. This lease shall cover all the interest in said land now owned by or hereafter vested in Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less. Lessee may inject water, gas or other substances into any zone or stratum underlying said land and not productive of fresh water.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of five (5) years from the date drilling or reworking operations on said land hereunder.

3. Royalties to be paid by Lessee are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, to be delivered at the royalty oil, paying therefor the market value in the field where produced on the day it is run to the pipe line or storage tanks; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used, the market value at the well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sales; (c) on other substances produced with oil or gas, and covered by this lease, one-eighth (1/8) of their value at the well. If Lessee shall discover gas hereunder on said land or on land unitized with any of said land, Lessee may at any time or times during or after the primary term and at Lessee's election, pay Lessor as royalty a sum equal to the rental hereinafter provided on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that gas is being produced from said land for a period of one year; such year to commence on the anniversary of this lease next preceding such payment, unless the rental, if any, which accrued on such anniversary was paid, in which event such year shall commence on the anniversary of this lease next following such payment. Any such payment may be made in the same manner as provided elsewhere in this lease for the payment of rental, and shall be in lieu of the rental covering the same period of time; but shall not be in lieu of any royalty based on actual production. Lessee may use, free of royalty, oil, gas and water developed from said land by Lessee, for all operations hereunder.

4. If drilling operations are not commenced on said land on or before one year from this date this lease shall terminate as to both parties unless Lessee, on or before the expiration of said period, shall pay or tender to Lessor or to Lessor's credit in Bank of America - Solano Branch Bank at 1516 Solano Ave. Albany DOLLARS (\$76.00 - - -)

or any successor, the sum of seventy six and no/100 - - - which shall extend for twelve (12) months the time within which such operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders, all of which are herein called "rentals," this lease may be maintained in force and such operations again deferred for successive periods of twelve months each during the primary term; provided, however, that if any oil or gas shall be produced hereunder, or any drilling or reworking operations conducted hereunder, within a period of time three (3) months prior to any anniversary of this lease during the primary term, the rental accruing on such anniversary shall be excused and this lease shall continue in force as though such rental had been paid. Such operations shall be deemed to be commenced when the first material is moved in or the first work done. The down cash payment is consideration for this lease according to its terms, and shall not be allocated to Lessor or to any depository bank on or before such date of payment. If any depository bank may be made by mailing or delivering cash or Lessee's check or draft to Lessor shall not terminate, nor Lessee be held in default for failure to pay rental, unless Lessee shall fail to pay such rental for thirty (30) days after Lessor has delivered to Lessee a recordable instrument designating another depository bank. Any bank herein or hereafter designated as depository shall continue as such and as Lessor's agent, regardless of changes in ownership of Lessor's interest. Lessee may pay or tender rental jointly to the credit of all parties having any interest hereunder. If Lessee shall, in good faith and with reasonable diligence, attempt to pay any rental but shall fail to pay, or incorrectly pay some portion thereof, this lease shall not terminate unless Lessee, within thirty (30) days after written notice of its error or failure, shall fail to rectify the same. Lessee may at any time or times surrender this lease as to all or any portion of said land by mailing or tendering to Lessor or to the depository bank or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered, and thereafter the rental shall be reduced in the same proportion that the acreage covered hereby is reduced.

5. If at any time or times after the primary term or within three (3) months before expiration of the primary term, all operations and reworking operations or the production of oil or gas within three (3) months after such cessation.

6. Lessee shall pay for damages caused by Lessee's operations to growing crops, buildings, irrigation ditches, feed lots and fences. When required by the surface owner, Lessee will bury pipe lines below ordinary plow depth when crossing cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on said land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent substantial drainage from said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counter drainage. No default of Lessee hereunder with respect to any well or portion of said land shall impair Lessee's rights with respect to any other well or portion of said land.

7. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee, and Lessee may continue to make payments precisely as if no change had occurred. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of the Lessee's interest hereunder shall be assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others - rental being apportionable in proportion to acreage.

8. Whenever, as a result of any cause beyond Lessee's control (such as fire, flood, windstorm or other Act of God; law, order or regulation of any governmental agency; or inability to secure men, material or transportation) Lessee is prevented from complying with any obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists. If by any such cause, all operations and all production hereunder are prevented after the expiration of the primary term, Lessee may at any time or times and at Lessee's election pay Lessor as royalty (in addition to any royalties based on actual production) a sum equal to one-fourth (1/4) of the rental hereinabove provided on the acreage then held by Lessee hereunder, whereupon it shall be considered for all purposes of this lease that oil or gas is being produced hereunder for a period of three months from the date such payment is made. Any such payment may be made in the same manner as provided elsewhere in this lease for the payment of rental.