

project in any oil-bearing formations from which production is being obtained by any well on said lands or on such unitized or pooled lands. 504

(d) **TAXES.** Assignee may deduct and retain from the overriding royalty reserved hereunder Assignor's royalty percentage of all taxes of whatsoever nature on or based upon or on account of the oil and gas in said lands or produced therefrom or allocated thereto under such unit agreement or pooling agreement, and/or the production, severance, storing, transporting, and/or treating thereof.

(e) **NO IMPLIED OBLIGATIONS.** Assignee is not obligated to develop said lands or lands unitized or pooled there-with or to produce oil and gas therefrom, or to continue production therefrom, and no such obligation shall be implied from this agreement or otherwise. The reserved overriding royalty shall be paid only by the party producing said substances and only if, as, and when such substances are produced and saved under said lease and are sold or removed from said lands or allocated to said lands under any such unit agreement or pooling agreement. As between Assignor and Assignee, Assignee shall have full and complete control over all operations and production on said lands.

(f) **PAYMENT OF ROYALTY.** Said overriding royalty shall be paid by mailing or delivering a check therefor to Assignor at the address herein provided. Assignee shall in no event be required to issue more than ^{four} ~~one~~ check monthly in payment of said overriding royalty, it being hereby agreed that in the event the interest of Assignor in the overriding royalty herein referred to, shall be transferred, in whole or in part, Assignee may elect, nevertheless, to develop, operate, and produce said lands as one lease and one tract and treat and pay all royalties accruing hereunder as an entirety and, at Assignee's election, monthly payments of overriding royalty hereunder may be made by not more than ^{four} ~~one~~ check monthly to all the owners of such interest jointly, or Assignee may withhold payment thereof unless and until furnished with an instrument executed by all owners of said overriding royalty, designating a collecting agent to receive payment of said overriding royalty in its entirety and to give acquittance therefor. Such collecting agent or any successor is hereby authorized to receipt for all such payments or tenders. Such joint payment, or such payment or tender to such collecting agent, shall relieve Assignee from any responsibility for the proper distribution of said overriding royalty to the owners thereof. Assignor and any such transferee from Assignor hereby agree to distribute such royalty amongst themselves or properly instruct such collecting agent as to the proper distribution of such royalty. Notwithstanding actual or constructive knowledge or notice thereof, no change in ownership of any interest in said overriding royalty shall be binding upon Assignee until a recordable instrument, or a certified copy thereof, evidencing such change is furnished to Assignee, and no such change in ownership shall be effective as to Assignee until the first day of the month next succeeding the furnishing to Assignee of such instruments, and no such change in ownership shall require Assignee to develop or operate or produce any portion of said lands as a separate tract, or alter, increase, or enlarge any of Assignee's obligations under this agreement, but Assignee may continue to develop, operate, and produce said lands as one tract and pay and settle royalties as an entirety on a monthly basis. MUX

(g) **DEHYDRATION.** All oil containing more than 3% of water and other foreign substances at Assignee's option may be dehydrated and Assignee shall deduct from said overriding royalty the overriding royalty share of the cost of dehydrating such oil. If such oil is not treated on said lands then said overriding royalty shall also bear a corresponding proportionate part of the cost of transporting the oil to the treating plant. No correction for gravity shall be made for the water and other foreign substance content when said content does not exceed 3%. Nothing herein contained, however, shall obligate Assignee to treat oil produced from said lands.

(h) **LESSER INTEREST.** If it should now or hereafter appear:

- (1) that the lessor in said lease owned, on the date said lease was delivered to lessee, a lesser interest in the oil and gas in said lands than the whole undivided fee simple estate therein, then said overriding royalty reserved hereunder shall be proportionately decreased and reduced so that Assignor shall be paid such overriding royalty only in the proportion which the interest in said oil and gas in said lands so owned by said lessor bears to the whole undivided fee simple estate in the oil and gas in said lands;
- (2) that the lessor in said lease did not own, on the date said lease was delivered to lessee, the oil and gas rights in any part or portion of said lands, then no overriding royalty shall be payable hereunder as to that part or portion of said lands as to which it may be determined that the oil and gas rights therein were not owned by the lessor on said date;
- (3) that assignor owned on the date of delivery of said assignment a lesser interest in the rights, estate, and interest granted to the lessee by said lease (other than the interest hereinafter described as having been previously granted or reserved) than the whole thereof, then said overriding royalty reserved hereunder shall be proportionately decreased and reduced so that Assignor shall be paid said overriding royalty only in the proportion which the rights, estate, and interest so owned by Assignor bears to the whole of said rights, estate, and interest granted to the lessee by said lease.

In the event there are royalties payable with respect to, or charges or burdens on, or payments out of production of, oil and gas, (other than the interest hereinafter described as having been previously granted or reserved), which heretofore have been granted, excepted, or reserved from said lands, or from said lease, or which are otherwise outstanding as to said oil and gas, such other or further royalties, charges, burdens, or payments shall be wholly borne and paid by Assignor out of said overriding royalty interest reserved hereunder by Assignor, and, if not so paid, Assignee may deduct the amount thereof from any overriding royalty accruing to Assignor hereunder before payment of said overriding royalty.

3. **COMPLIANCE WITH LEASE TERMS.** Subject to Assignee's right of surrender or reassignment as hereinafter set forth, and to the other provisions hereof, Assignee shall comply with all of the terms and conditions of said lease insofar as it covers said lands, and furnish any bonds required by said lease as to said lands. Except as otherwise herein provided, all operations carried on by Assignee under this agreement shall be at the sole risk, cost, and expense of Assignee and Assignee shall save and hold Assignor harmless from all liability of whatsoever kind, nature, or description arising from Assignee's operations on said lands.

4. **WARRANTY.** Assignor represents to and agrees with Assignee that Assignor has not heretofore sold, assigned, encumbered, or conveyed said lease or said offer insofar as it covers said lands, or any right, title, or interest therein; that all the rules and regulations of the Bureau of Land Management applicable to lease offers were complied with in filing said offer with said Bureau, and that said lease as to said lands is free and clear of all liens, charges, and encumbrances, and that Assignor has full power, right, and

authority to execute this assignment, except

None

5. **POWERS OF ATTORNEY.** Assignor does hereby make, constitute, and appoint Assignee as Assignor's attorney in fact for Assignor, in Assignor's place and stead at any time, and from time to time, to commit said lease insofar as said lease covers said lands, and said lands, or any part thereof, including all of Assignor's overriding royalty interest therein, to any one or more cooperative or unit plans, or other agreement or agreements, hereinafter referred to as a "unit agreement", acceptable to Assignee or its assignee and the Secretary of the Interior, pursuant to the hereinbefore mentioned Act of Congress, and to execute, deliver, and file with said Secretary of the Interior any such unit agreement and other instruments in connection therewith on behalf of Assignor, and each and all of them, including the right from time to time to modify, change, or terminate any such unit agreement, or other such instrument, subject to the approval of said unit agreement by said Secretary of the Interior, and to execute all instruments and to do all acts and things necessary to make one or more such unit agreements effective, and to execute and file with the Secretary of the Interior any of the following: applications to modify, suspend, or reduce any rental, royalty, drilling, producing, or well-spacing provisions of said lease or any unit agreement or pooling agreement covering said lands, or to modify or suspend any order, rule, or regulation of the Department of the Interior relating thereto, or for any other relief which Assignee may desire in the operation of said lands; applications for and agreements to pool said lands and Assignor's overriding royalty interest therein with other lands under communitization or drilling agreements providing for an apportionment of production or royalties among the separate tracts of land comprising a drilling or spacing unit; agreements, when approved by the Secretary of the Interior, providing for secondary recovery operations, through the use of gas for repressuring, or water drive, or other methods, embracing said lands alone, or in conjunction with other lands, and to make appearances in Assignor's name in connection therewith, and to generally execute all instruments and do and perform all acts with respect to all of the foregoing rights and powers and bind Assignor thereunder as fully as Assignor could or might otherwise do and perform in Assignor's individual capacity if personally present, with full power of substitution and revocation, and Assignor hereby expressly ratifies and approves all acts and things done and performed by Assignee, or Assignee's substitute, with respect to the matters and things in this paragraph set forth. The powers and rights granted and authorized by this paragraph being coupled with an interest shall be irrevocable during the life of this agreement; provided, however, that these Powers of Attorney shall not be exercised by Assignee or Assignee's substitute later than is permitted by any applicable rule against perpetuities after the death of all of the persons herein referred to as Assignor.

6. **REASSIGNMENT OF TITLE.** Should Assignee desire to surrender to the United States all or any part of said lease as to all or any legal or protracted subdivision of said lands, Assignee, at least ~~thirty (30)~~ ^{sixty (60)} days prior to the time for the payment of the next annual

rental due under the terms of said lease, shall mail written notice by registered mail or certified mail to Aliene

W. Krueger

whose address is 170 North 5th Street, Laramie, Wyoming
hereinafter referred to as "Lessee", offering to reassign to Lessee that portion of said lands which Assignee desires to relinquish. If