

OIL AND GAS LEASE

THIS AGREEMENT, entered into as of the 9th day of September, 19 65, between Julius A. Miller and Gladys N. Miller, his wife and Fred G. Miller, a widow

of P.O. Box 182, Pinedale, Wyoming, hereinafter designated "LESSOR",
whether one or more, and Shell Oil Company, of
1700 Broadway, Denver, Colorado, hereinafter designated "LESSEE".

WITNESSETH:

1. That LESSOR, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations to LESSOR in hand paid by LESSEE, receipt of which, as full and adequate consideration for all rights, privileges, and options granted herein, hereby is acknowledged and confessed, and of the covenants and agreements hereinafter contained to be paid, kept, and performed by LESSEE, has this day granted, demised, leased, and let, and hereby grants, demises, leases, and lets, exclusively unto LESSEE for the purpose of investigating, exploring, and prospecting by geophysical and all other methods; drilling, mining and operating for, producing and taking oil and gas, including casinghead gas, casinghead gasoline, condensate, and all related hydrocarbons, and including all other products produced therewith; constructing, maintaining, and using facilities for surface and subsurface disposal of salt water; constructing, maintaining, and using roads, bridges, pipe lines, tanks, structures, powers, power and communication lines, and other structures thereon, to find and produce such substances and to save, store, treat, transport, and take care of such substances produced from said lands, the following described land in Sublette County, Wyoming, to-wit:

Township 36 North, Range 114 West

Section 21: N $\frac{1}{2}$ SW $\frac{1}{4}$ & SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 28: NW $\frac{1}{4}$ NW $\frac{1}{4}$

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IN BOOK 40 Oil & Gas PAGE 35
FEES \$ 3.00 COUNTY CLERK
SUBLETTE COUNTY, PINEDALE, WYOMING

and containing 160 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by LESSOR, all of the foregoing land being hereinafter referred to as "leased premises".

2. Unless sooner terminated under subsequent provisions hereof, this lease shall remain in force for a primary term of Five (5) y. a. m. years from this date, said term being hereinafter referred to as "primary term", and as long thereafter as oil and gas, or either of them, is produced from leased premises, whether or not in paying quantities, or this lease is extended under any subsequent provision hereof.

3. (A) LESSEE shall deliver to the credit of LESSOR, as royalty, free of cost, in the pipe line to which LESSEE may connect its wells, the equal one-eighth (1/8) part of all oil produced and saved by LESSEE from leased premises, or, from time to time, at LESSEE'S option, pay LESSOR for such one-eighth (1/8) royalty oil at the current market value of such oil at the well. LESSOR'S interest, in either case, shall bear one-eighth (1/8) of the cost of treating the oil to render it marketable pipe line oil.

(B) LESSEE shall pay LESSOR, as royalty, for gas produced from any well on leased premises and used or sold by LESSEE off leased premises, or used by LESSEE in the manufacture of gasoline or any other product, one-eighth (1/8) of the market value of said gas, as such, at the mouth of the well. If such gas is sold by LESSEE at the well, then LESSEE shall pay LESSOR, as royalty, one-eighth (1/8) of the net proceeds derived from such sale.

4. If operations for the drilling of a well for oil or gas on leased premises are not commenced within one year from the date hereof, thereupon this lease shall terminate unless, within such period, LESSEE shall pay or tender, or in good faith attempt to pay or tender, to LESSOR or to the credit of LESSOR in the First National Bank at Pinedale, Wyoming

or its successors, which bank and its successors are LESSOR'S agent and shall continue as depository for all payments hereunder regardless of changes of ownership of leased premises or of the right to receive rentals hereunder, the sum of One Hundred Sixty and No/100 - - - - -

Dollars (\$ 160.00) as rental which shall extend for one year the time within which such operations for drilling may be commenced. Upon like payments or tenders annually, the time within which such operations for drilling may be commenced shall be further extended for successive periods of one year each during the primary term hereof. Such payments may be made by check or draft, and the deposit thereof in the mail within the times above specified for payment shall be deemed timely payment regardless of the time such payment is actually received by LESSOR or is credited to LESSOR in said depository bank. Any payment or tender which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to extend the time within which operations for drilling may be commenced in the same manner as though a proper payment had been made; provided, however, LESSEE shall correct such error within thirty (30) days after LESSEE has received written notice thereof from LESSOR. If, at any time, two or more persons are or claim to be entitled to participate in a rental payment, LESSEE, at its election and regardless of prior divisions of rental payments, may pay or tender such rental jointly to such persons or to their joint credit in said depository bank. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and LESSEE shall have no obligation to make any further tender or payment in connection therewith until after LESSOR shall have furnished LESSEE with an instrument satisfactory to LESSEE naming another bank as agent to receive such payment. Upon any assignment of this lease as to a segregated portion of leased premises, the rental shall be apportioned among the several leasehold owners ratably on an acreage basis, and the payment of any such owner's said proportionate share of such rental shall be fully effective as to the portion of leased premises for which paid regardless of nonpayment by any other such owner.

5. If at any time during the primary term LESSEE shall drill a dry hole on leased premises when oil or gas is not being produced therefrom, or if at any time after the discovery of oil or gas on leased premises, production therefrom shall cease during the primary term hereof, LESSEE, within twelve (12) months from the expiration of the last rental period (a) for which rental was paid, or (b) during which oil or gas was produced, or (c) during which drilling operations were in progress, may either commence operations for the drilling of another well, resume the production of oil or gas, or commence or resume the payment of rentals in the amount and in the manner above provided. Upon such commencement or resumption of the payment of rentals, paragraph numbered 4 hereof shall govern the continued payment of rentals, as though there had been no interruption in rental payments.

If, at the expiration of the primary term, there is no well or wells on leased premises then capable of producing oil or gas, but LESSEE has commenced operations for drilling, repressuring, reworking, deepening, or plugging back a well thereon, this lease shall remain in force so long as such operations are prosecuted with due diligence, and if production results therefrom, then as long thereafter as oil or gas is produced from leased premises.

If, after the expiration of the primary term, production on leased premises shall cease from any cause and there is no well or wells thereon then capable of producing oil or gas, this lease shall not terminate if LESSEE, with due diligence, commences operations for drilling, repressuring, reworking, deepening, or plugging back a well thereon, but shall remain in force so long as such operations are prosecuted with due diligence, and if production results therefrom, then as long thereafter as oil or gas is produced from leased premises.

For the purposes of this paragraph numbered 5, operations shall be deemed commenced or prosecuted with due diligence so long as there is no delay or cessation thereof for a greater period than sixty (60) consecutive days.

6. If this lease covers a less interest in the oil and gas and oil and gas rights in all or any part of leased premises than the entire and undivided fee simple estate therein (whether LESSOR'S interest is herein specified or not) or no interest therein, then the royalties, rentals and other moneys accruing from any part as to which this lease covers less than such full interest shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole or undivided fee simple estate therein. All royalty interests covered by this lease, whether or not owned by LESSOR, shall be paid out of the royalty herein provided.

7. LESSEE shall have the right to use, free of royalty and cost, gas, oil, and water, found on leased premises for its operations thereon, except water from the wells of LESSOR. When required by LESSOR, LESSEE shall bury its pipe lines below normal plow depth and shall pay for damage directly and immediately caused by its operations to growing crops theretofore planted on leased premises. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on leased premises without the written consent of LESSOR. LESSEE, at any time during or after the expiration of this lease, shall have the right, but shall not be obligated, to remove all machinery, fixtures, houses, buildings, and other structures and property placed on leased premises, including the right to draw and remove all casing.

8. This lease and all of the terms, provisions, and covenants hereof, shall extend to and be binding upon all of the heirs, devisees, executors, administrators, successors, and assigns of LESSOR and LESSEE. The estate of either party hereto may be assigned in whole or in part, but no change of ownership in leased premises, or in the rentals or royalties, or of the right to receive payments hereunder, whether by act of the parties or by operation of law, shall be binding on LESSEE until thirty (30) days after it has been furnished by LESSOR or LESSOR'S successor in interest, with evidence satisfactory to LESSEE of such change of ownership or right to receive payments, including, if effected by written instrument, the original recorded instrument or a copy thereof certified by the recording official. Regardless of changes of ownership of leased premises, or portions thereof, leased premises may be developed and operated as one lease and LESSEE shall have no obligation to offset wells on separate tracts into which leased premises is now or hereafter may be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

9. Upon each assignment hereof, whether in whole or in part, the assignor thereupon shall be released from any and all liability thereafter arising or accruing hereunder as to the portion assigned and, should the owner of this lease, as to any portion of leased premises, fail or make default in any of the covenants, conditions, or obligations of LESSEE, express or implied, such failure or default shall not operate to defeat or affect this lease in so far as it covers any portion of leased premises upon which the owner thereof shall have complied with the terms and provisions of the lease.

10. LESSEE, at any time, and from time to time, may surrender this lease as to all or any part or parts of leased premises, or as to any mineral or horizon under all or any part of leased premises, by recording a proper instrument of surrender. Upon each surrender as to any part or parts of leased premises, the rental specified above shall be proportionately reduced on an acreage basis and LESSEE shall have reasonable and convenient easements for then existing pipe lines, pole lines, roadways, and other facilities over the lands surrendered for the purpose of continuing operations on the lands retained.