

OIL AND GAS LEASE



345
AGREEMENT Made and entered into the 29th day of March, 1967
by and between

Ellis C. Price and Nora Price, husband and wife

whose mailing address is John L. Kemmerer, Jr., hereinafter called

Lessor (whether one or more), and John J. Wanner, 410 Boston Building, Denver, Colorado, hereinafter called Lessee:

Ten and More

1. WITNESSETH: That the said lessor, for and in consideration of cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil and gas, and of laying of pipe lines, and of building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Sublette, State of Wyoming, described as follows, to-wit: SE¹NW¹, E¹SW¹, W¹SE¹, SE¹SE¹ Section 3; N¹NE¹ Section 10; SW¹NE¹, SE¹ Section 11; SW¹SW¹ Section 12; N¹NW¹, SE¹NW¹, W¹NE¹, SE¹NE¹, NE¹SE¹ Section 13; Township 33 North, Range 113, West, 6th P.M.; W¹SW¹, SE¹SW¹ Section 18; Township 33 North, Range 112 West, 6th P.M.

of Section XXX Township XXX Range XXX and containing 958.59 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of five (5) years from this date, and as long thereafter as oil or gas or either of them is produced from said land, or from lands with which said land is pooled therewith, by lessee.

3. In consideration of the premises the said lessee covenants and agrees:

(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom.

(c) If a gas well capable of producing gas only and located on the above described lands or on lands with which the above described lands or a portion thereof are pooled or unitized is, at any time, shut in and no gas therefrom is sold or used off of the above described lands, or in the manufacture of natural gasoline or other products, nevertheless such shut-in gas well shall, under all the provisions of this lease, be deemed to be a well on the above described lands producing gas in paying quantities and this lease shall continue in force during all the time or times while such well is so shut in, whether before or after the expiration of the primary term. Lessee shall use reasonable diligence to market the gas capable of being produced from any such shut-in gas well, but shall be under no obligation to market such gas under terms, conditions or circumstances which, in Lessee's judgment, exercised in good faith, are not for the best interests of both Lessor and Lessee.

The term "stated date" as used in this paragraph shall mean any rental paying date of this lease or any subsequent anniversary thereof if there be a rental paying date, but if no rental paying date is specified in this lease, then "stated date" shall mean any anniversary date of this lease. If on any such stated date there be on the above described lands or on lands with which the above described lands or portion thereof are pooled or unitized, one or more such gas wells capable of producing gas only, and no gas has been sold or so used from any of such gas wells at any time during the twelve months period ending with such stated date, Lessee shall, before the expiration of sixty (60) days after such stated date, pay or tender to each owner of the right to receive royalty on the gas produced from any part of the above described lands covered by this lease on such stated date at each such owner's address as last known to Lessee, or to the credit of each such owner in the depository bank named herein, in the manner provided herein for payment of delay rentals, a shut-in gas royalty for such period, which shut-in gas royalty shall be determined as follows:

The total amount of shut-in gas royalty payable to all such owners shall be determined by multiplying One Dollar (\$1.00) by the total number of acres of land covered by said lease on such stated date, and each such owner shall receive that part thereof which is in the proportion that his royalty acreage interest in said land bears to the total number of acres of land covered by such lease on such stated date; Provided, however, that if on such stated date this lease is being maintained in force and effect otherwise than by reason of any such shut-in gas well or shut-in gas wells, Lessee shall not be obliged to pay or tender any such sum of money as shut-in gas royalty. The language "a gas well capable of producing gas only", as used in this Section 3(c) shall mean and include a well capable of producing natural gas only or a well capable of producing natural gas and/or condensate, or distillate, or a well classified as a gas well by any governmental authority or any well in which the gas-oil ratio is so high that a governmental authority will not permit liquid hydrocarbons to be produced therefrom unless the gas is marketed.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender

to the lessor or to the lessor's credit in the State Bank of Big Piney, Bank at Big Piney, Wyoming, for its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of

Nine Hundred Fifty-Eight and 59/100 DOLLARS

(\$ 958.59) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rentals or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. With respect to the payment of and the right to receive delay rentals and royalties (including shut-in gas royalties), it is agreed that the termination of a life estate, term mineral interest or other precedent estate whereby the Lessor shall come into possession or use of an interest in said land shall, subject to all the provisions of this lease, become effective from and after the date when such Lessor shall have furnished satisfactory evidence to Lessee showing the termination of such life estate, term mineral interest or other precedent estate, but for all other purposes this lease shall cover such interest as and when the Lessor shall so come into the possession or use of it.

6. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, or formations thereunder, as to oil and gas, or either of them, either before or after production, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop or operate said premises, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof, or formations thereunder, into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. Production, drilling or reworking operations anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations under this lease. In lieu of the royalties (excepting shut-in gas royalties) elsewhere herein specified, Lessor shall receive from a unit so formed only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination unless the instrument or instruments identifying and describing the unitized area contain provisions for termination upon certain contingencies.

7. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If at the expiration of the primary term oil or gas is not being produced on said land, or on acreage pooled therewith, but lessee is then engaged in drilling or reworking operations thereon, this lease shall remain in effect so long as operations are prosecuted, either on the same well or any other well thereafter commenced, with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil or gas, this lease shall remain in effect so long thereafter as such production continues.

8. If said lessor owns less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein reserved.

9. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

10. If the estate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly allowed—the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land, or assignments of rental or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title deraigning title from lessor; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said rental. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein; or, at Lessee's election, the proportionate part of said rentals to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant.

11. Lessee may, at any time, and from time to time, execute and deliver to Lessor or place of record a release or releases covering either a full interest or an undivided interest in all or any part of the leased premises or in any one or more zones, formations or depths underlying all or any part of the leased premises and thereupon shall be relieved of all obligations thereafter to accrue with respect to the area, zones, formations, depths or undivided interests covered by such release. In the event of a release of this lease as to all rights in only a part of the area embraced in the leased premises, or as to an undivided interest in all formations in all or a part of the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately.

12. When drilling, production or other operations are delayed, interrupted or stopped by lack of water, labor, material, inability to obtain access to leased premises, fire, flood, war, rebellion, insurrection, riot, strike, differences with workmen, failure of carriers to transport or furnish facilities for transportation of any product produced hereunder, lack of available or satisfactory market, in Lessee's opinion, for the oil or gas produced, or as a result of an order of any governmental agency, (including but not