

OIL AND GAS LEASE

(12-56) THIS AGREEMENT, made and entered into this 4th day of September, 19 70, by and between Walter H. Floerke and Marguerite B. Floerke, husband and wife, Bondurant, Wyoming, hereinafter called lessor (whether one or more), and of DEPCO, Inc., 1025 Petroleum Club Bldg., Denver, Colorado hereinafter called lessee;

WITNESSETH: That lessor, for and in consideration of \$ Ten and More DOLLARS (\$ 10.00 & 00 & 00 / 100), the receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusive unto said lessee the lands hereinafter described for the purpose of prospecting, exploring, for geophysical and other methods, drilling, mining and operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead water, casinghead steam, and other substances, whether similar or dissimilar, produced in a gas, steam, water, or oil well, and structures thereon to produce, save and take care of said oil and gas, and the exclusive electric lines, tanks, powers, ponds, pipelines, and other structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject into the subsurface strata and any and all other rights and privileges necessary, incidental to injection of gas, steam, water, brine, and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incidental to injection of gas, steam, water, brine, and other fluids from any source into the subsurface strata, said lands being situated in the County of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of

Sublette

Township 38 North, Range 113 West, 6th P.M.

Beginning at a point where the westerly line of the right-of-way of U.S. Highway No. 187 intersects the North line of S/2NW/4NW/4 section 29: thence South 43°02' East for 219.4 feet to Station No. 2, thence South 39°52' West for 100.0 feet to Station No. 3, thence South 75°26' West for 600.0 feet to Station No. 4, thence North 43°28' West for 421.0 feet to Station No. 5, thence North 89°52' East for approximately 821 feet to point of beginning

of Section XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX, Township XXXXXX, Range XXXXXX, it being the purpose and intent of lessor to lease, and lessor does hereby lease, all of the lands or interests in lands owned by lessor which adjoin the lands above described or which lie in the section or sections herein specified. For all purposes of this lease, said lands shall be deemed to contain 4.23 acres. 5 five (5)

Subject to the other provisions herein contained, this lease shall remain in force for a term of ~~ten~~^{five} years from this date (herein called "primary term") and as long thereafter as oil or gas, or either of them, is produced from said leased premises or drilling operations are continuously prosecuted as hereinafter provided. "Drilling operations" includes operations for the drilling of a new well, the deepening or plugging back or abandonment of an existing well, or the re-establishment of production of oil or gas; and drilling operations shall be considered to be "continuously prosecuted" if not more than 60 days shall elapse between the completion or abandonment of one well or hole and the commencement of drilling operations on another well or hole. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the leased premises but lessee is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted; and if production of oil or gas has been discontinued during such drilling operations, this lease shall continue in force so long as oil or gas shall be produced from the leased premises after the expiration of the primary term of this lease, production on the leased premises should cease, this lease shall terminate. If production of oil or gas is not being produced from the leased premises at the time drilling operations commence, this lease shall remain in force so long as such operations are continuously prosecuted, and if production results therefrom, then as long thereafter as oil or gas is produced from the leased premises.

In consideration of the premises, lessee covenants and agrees:

In consideration of the premises, the parties agree and agree:

1st. To deliver, free of cost, to lessor at the wells, or to the credit of lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) portion of the oil and other liquid hydrocarbons produced and saved from the leased premises, or, at lessee's option, to pay to lessor for such one-eighth (1/8) royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

2nd. To pay lessor one-eighth (1/8) of the proceeds received by lessee at the well for all gas (including all substances contained in such gas) produced from the leased premises and sold by lessee; if such gas is used by lessee off the leased premises or used by lessee for the manufacture of casinghead gasoline or other products, to pay to lessor one-eighth (1/8) of the prevailing market price at the well for the gas so used.

If no well be commenced on said land on or before one year from the date hereof, this lease shall (except as otherwise provided in this paragraph) terminate, unless lessee (or someone in his behalf), on or before such date, shall pay or tender to lessor, or to lessor's credit in the

- - - State Bank of Big Piney - - - - Bank at Big Piney, Wyoming
(which bank and its successors shall continue as the depository regardless of changes in the ownership of said land or of the right to receive rentals), the sum of - - - Four and 23/100 - - - - - DOLLARS (\$ 4.23), which shall operate as a rental and cover the privilege of deferring the commencement of a well for 12 months from said date. In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof. All payments or tenders may be made by cash, check or draft, mailed or delivered on or before the rental date, and the depositing of such cash, check or draft in any post office, addressed to the depository bank or lessor (at his last known address as shown by lessee's records) on or before the rental date, shall be deemed payment or tender as herein provided. Notwithstanding the death of lessor, payment or tender of rentals to such deceased or to his heirs, devisees, executors, administrators and personal representatives of lessor and his successors in interest. If lessee shall, on or before any rental date, make a bona fide attempt to pay or deposit rental to a lessor entitled thereto under this lease according to lessee's records or to a lessor whose rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any amount, or otherwise), lessee shall be wrong depository, paid to persons other than the parties entitled thereto as shown by lessee's records, in an incorrect amount, or otherwise), lessee shall be unconditionally obligated to pay to such lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected with the same notice from such lessor of such error accompanied by any documents and other evidence necessary to enable lessee to make proper payment. 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 lessee's option of extending that period as aforesaid, and any and all other rights conferred.

The above described land be completed as a dry hole, then, and in that event, if a second well is not commenced or

Should the first well drilled on the above described land be completed as a dry hole, then, and in that event, if a second well is not commenced on said land within the period of time extending from the expiration of the last rental period for which rental has been paid (it being understood that the period of 12 months shall be considered as a rental period for which rental has been paid), this lease shall terminate as to both parties, unless lessee on or before the first rental date shall have commenced drilling of a second well. If a second well is commenced within the period of time extending from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless lessee on or before the first rental date shall have commenced drilling of a second well. Upon resumption of the payment of rentals, as above provided, the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in rental payments.

If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut-in and no gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities under the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment, are not commercially practicable. If production ceases for more than ninety days after expiration of the lease, lessor may terminate application exercise period by giving written notice to lessee. If production resumes during application exercise period, application exercise period shall continue until termination date plus one year in length (annual period) during which such well is so shut-in, as royalty, an amount equal to the annual delay rental herein provided for each full year or part thereof, payable annually in advance on or before January 1st of each year following expiration of the application exercise period; if this lease does not provide for a delay rental, then the interest of lessor in acreage embraced in this lease as of the end of such annual period, or, if this lease does not provide for a delay rental, then the sum of \$50.00; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if, before the end of any such annual period, this lease is being maintained in force and effect otherwise than by reason of such shut-in well, lessee shall not be obligated to pay or tender for that particular annual period, said sum of money. Such payment shall be deemed a royalty under any other provisions of this lease. Such payment may be made or tendered to lessor or to lessor's credit in the depository bank above designated. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

If, however, at any time during the life of this lease there is produced from the leased premises, whether or not the same is marketed, oil, gas or gas

If lessor owns a less interest in the land covered by this lease than the entire and undivided fee simple mineral estate therein, then whether or not such less interest is referred to or described herein, all rentals and royalties herein provided shall be paid lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

[illegible]

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

Lessee shall have the right to unitize all or any part of the above described lands with other lands in the same general area by entering into a unit agreement setting forth a plan of development or operation approved by the Secretary of the Interior, or other officer or representative of the United States having authority to approve such unit agreements, and, from time to time, with like approval, to modify, change or terminate any such agreement. In any of such events, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions and provisions of such approved unit agreement, and all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such agreement, and this lease shall not terminate or expire during the life of such agreement except as may be otherwise provided in said agreement. In the event that said above described lands, or any part thereof, shall hereafter be operated under any such unit agreement whereby the production thereunder is allocated to different portions of the land covered by said agreement, then the production allocated to any particular tract of land pursuant to such agreement shall, for the purpose of computing royalties, be regarded as having been produced from the particular tract of land to which it is allocated and not from any other tract of land and any royalty payments on such production to be made hereunder to lessor shall be based solely upon the production so allocated. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest unitized pursuant hereto. Lessee's execution of such unit agreement shall be binding as to both lessor and lessee and their respective

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