

OIL AND GAS LEASE

994

131810  
Reception No.  
Recorded July 11, 1972, at 9:00 A.M.  
In Book 8804, Page 324, Pineville  
City  
State  
County Clerk - Registrar of Deeds  
Return To: Richard B. Stevens  
By: Ruth Clark  
Deputy  
650  
82601  
Richard B. Stevens  
Carleton Hotel, San Francisco, California 94108

THIS LEASE made and entered into this 20th day of June, 1972, by and between  
Ruth E. O'Neil MacGregor, a married woman dealing in her sole and separate property  
Carleton Hotel, San Francisco, California 94108

Lessor, (whether one or more) and Richard B. Stevens, P. O. Box 2101, Casper, Wyoming 82601, Lessee,  
WITNESSETH: 1. Lessor, for and in consideration of the sum of \$ 10.00+

hereby grants, demises, leases and lets exclusively unto Lessee for the purpose of exploring, prospecting, drilling, mining for and producing oil, gas (gas for all purposes under this lease being defined, without limitation, to include dry gas, casing head gas, distillate, condensate and all other gaseous substances) and other minerals, (other minerals as herein used meaning and referring to other minerals, if any, produced in connection with oil and gas operations hereunder or as a byproduct of oil or gas), all of the following described land situate in the County of Sublette, State of Wyoming, to wit:

See attached rider for description of acreage.

together with all strips, or parcels of land, (not, however, to be construed to include parcels comprising a regular forty-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above described land and owned or claimed by Lessor, and also together with the right to store, treat, manufacture, refine, transport and market substances produced hereunder and to lay pipe lines, build tanks, treating and manufacturing plants, gasoline recycling and repressuring plants, power houses and stations, telegraph and telephone lines, roads, canals, ditches, houses for employees and all other structures and facilities on the above described lands necessary or convenient in the exercise of Lessee's rights hereunder. Currently with any such use, such structures and facilities may also be used to serve operations on other lands.

If any strips or parcels other than those specifically described are included in the leased premises, then, upon Lessor furnishing Lessee with a satisfactory description of any such strips or parcels, Lessee shall pay or tender to Lessor an additional bonus on the same per-acre basis as paid Lessor for the acreage specifically described.

For the purpose of calculating all payments provided for herein, it shall be considered that the lands covered hereby comprise five (5) acres, whether there may be more or less.

2. Subject to the further provisions hereof, this lease shall remain in force for a term of ~~XXXX~~ years from this date, called "Primary Term", and as long thereafter as either (1) oil, gas or other minerals are produced (whether or not in paying quantities) from the leased premises, or (2) operations are conducted on the leased premises, or (3) there is a well or wells on the leased premises which, although capable of producing oil, gas or other minerals in paying quantities hereunder is shut in for lack of a market or outlet.

Operations as used herein means all operations for the drilling of a well for oil or gas, including building of roads, preparation of the drill site, moving in for drilling, drilling, deepening, plugging back, reworking or recompleting and also secondary recovery operations benefiting the leased premises.

3. Lessee shall pay Lessor as royalty:

(a) One-eighth ( $\frac{1}{8}$ ) of the then current market value at the mouth of the well of all oil and gas produced and saved hereunder by Lessee from the leased premises. Where Lessee sells gas produced hereunder, the royalty thereon shall, notwithstanding anything herein to the contrary, be payable on a basis not in excess of the price received for such gas.

(b) One-tenth ( $\frac{1}{10}$ ) of then current market value at the mouth of the well for all other minerals produced and saved hereunder by Lessee from the leased premises except that on sulphur the royalty shall be One Dollar (\$1.00) per long ton.

No royalty shall be payable on production used for the benefit of the leased premises or for the benefit of both the leased premises and other lands.

If any oil, gas or other mineral capable of being produced in paying quantities is found on the leased premises but production thereof either is not commenced or is discontinued for lack of an outlet or market satisfactory to Lessee and there is no production from nor operations being conducted on any portion of the leased premises then this lease shall, nevertheless, be deemed to be a producing lease; and as soon as practicable after such condition first occurs and for each yearly period thereafter that such condition exists Lessee shall pay Lessor, as royalty, an amount equal to the annual delay rental provided for hereunder.

4. If operations for the drilling of a well for oil or gas are not commenced on the leased premises on or before one (1) year from the date hereof, this lease shall terminate unless the Lessee shall, on or before such anniversary date, pay or tender to Lessor as rental or deposit or tender for deposit as rental to the credit of Lessor in the

Bank of America ~~XXXX~~ at 9th & Market St. Branch, San Francisco, California, or its successor or successors (which bank and its successors are Lessor's agents and shall continue as the Depository for all rentals payable hereunder regardless of any change in ownership of the leased premises

or rental payable hereunder) the sum of Five Thousand Two Hundred Eighteen and 80/100 -- Dollars (\$ 5,218.80), provided, however, 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, which payment shall maintain Lessor's rights hereunder in effect, terminate unless Lessee, within thirty (30) days after written notice of its error or failure, shall fail to rectify the same, which payment shall maintain Lessor's rights hereunder in effect, operations may be further deferred for like periods successively during the primary term hereof. Payment or tender of rentals may be made by check or draft of the party desiring to make such payment, mailed or delivered on or before such anniversary date. Payment or tender by mail will be deemed made when deposited in the United States mails and be presumed made on or before the anniversary date. If the named depository bank or successor shall refuse or fail or, because it has ceased doing business, be unable to accept any rental payment which Lessee (30) days thereafter, this lease shall remain in full force and effect and if, within such thirty-day period, Lessee shall have made payment or tender of such rental to the depository so designated, this lease shall continue in force as if the rental had been paid to and accepted by the depository bank named herein prior to the anniversary date. This section shall not be construed to effect a termination of this lease in contravention of the provisions of section 8.

5. If Lessor owns an interest in the oil, gas and other minerals in and under the leased premises or any part thereof which is less than the entire fee simple estate therein then, whether or not such less interest is referred to or described herein, (a) rentals and shut-in royalties provided for herein shall be payable only in the proportion which Lessor's interest in the oil, gas and other minerals in the leased premises bears to the entire undivided fee simple estate therein and (b) other royalties provided for herein shall be payable only in the proportion which Lessor's interest in the oil, gas and other minerals in the well or mine with respect to which royalties are payable bears to the entire undivided fee simple estate therein.

6. Lessee shall not be required to take cognizance of any change in ownership of the leased premises or rental or royalty provided for herein until forty-five (45) days after Lessee shall have been furnished by the party claiming the interests transferred with evidence satisfactory to it of such change. Such evidence shall include, without limitation, certified copies of all conveyances or other instruments of transfer recorded subsequent to the date of this lease showing the chain of title into the party claiming as a result of such change in ownership. If such change shall have come about as a result of death or other event not evidenced by an instrument in writing, the evidence required to be furnished to Lessee shall also include, without limitation, certified copies of estate, guardianship or other proceedings relating thereto. Notwithstanding the death, minority or other disability of any person entitled to receive rentals hereunder which Lessee may desire to pay, it shall be sufficient to keep this lease in force and fully effective for Lessee to tender such rental payment for deposit to the credit of such person or the estate to the provisions hereof, all irrespective of and without investigation as to any defects, irregularities, want of service, defect of service, lack of jurisdiction, or other possible ground of invalidity or nullity thereof. In no event shall Lessee be liable to any successor in interest of Lessor to all or any part of the leased premises for rental or royalty provided herein until forty-five (45) days after Lessee shall have been furnished with proof of interest or notice of adverse claim of such successors in interest and, then, as to royalties, only for payments accruing after the first day of the following calendar month. In the event of any dispute at any time concerning the ownership of any interest in the leased premises or the royalty provided for herein, Lessee may withhold payment affected by such dispute without interest until such dispute is settled.

7. If at any time six or more persons be or become entitled to rentals or royalties they shall, at Lessee's request, by sufficient written instrument, designate a trustee to receive payment for all and Lessee shall be entitled to withhold payment hereunder until thirty (30) days after being furnished with such instrument.

8. (a) If, on any anniversary date hereof, oil, gas or other minerals are capable of being produced from or are being produced from the leased premises or operations are being conducted thereon, this lease shall continue in full force and effect without payment of any delay rental which might otherwise be payable on such date.

(b) If operations undertaken during the primary term cease and the leased premises are not at such time capable of being productive, or, if there is a cessation of both production and operations during the primary term hereof, this lease shall not terminate but shall continue in full force and effect until the second anniversary date hereof next ensuing, and thereafter, subject to compliance with the rental provisions hereof to the extent the same may be applicable.

(c) In the event of cessation of production and operations hereunder after the primary term hereof, the Lessee shall have a period of ninety (90) days within which to resume operations or production and if operations or production are resumed within such time, then this lease shall continue in force as if there had never been any interruption in operations or production, that is, subject only to the limitations set forth in Section 2 hereof.

Nothing in sub-paragraphs (b) and (c) of this section shall ever be construed to require termination of the lease either during or after the primary term, when it would otherwise be continued in effect under any other provisions of this lease.

9. Lessee shall have the right to use free of cost for Lessee's operations on the leased premises all water therefrom or found thereon except water from Lessor's water wells. At any time before or after the expiration of this lease, Lessee may remove all improvements, machinery, materials, casing and fixtures placed or erected by Lessee upon the leased premises.

10. Lessee shall pay Lessor for all damages caused by its operations hereunder to cultivated crops on the leased premises, and, in its operations hereunder, Lessee shall not drill any well nearer than two hundred feet (200') to any barn or house of Lessor now on the leased premises without Lessor's consent in writing. When requested by Lessor, Lessee shall bury its pipe lines below plow depth. Also, when requested by Lessor, Lessee shall permit Lessor the privilege, at Lessor's risk and expense, to use dry gas from any dry gas well on the premises for stoves and inside lighting in the principal dwelling located on the leased premises, provided that such gas is not needed for operations hereunder.

11. If the leased premises are or shall hereafter be owned in severalty or in separate tracts or if the ownership of the right to receive royalties, delay rentals or other payments accruing to Lessor hereunder in the tracts covered by this lease now or hereafter varies as between the tracts, the leased premises shall, nevertheless, be developed and operated as one lease and no such division of ownership shall increase or enlarge the obligations, covenants or other burdens of Lessee hereunder whether express or implied and Lessee shall never to protect any tract covered hereby from drainage on account of production from any other tract covered hereby. Royalties payable hereunder shall be treated as an entirety and shall be payable to the separate owners thereof in the proportion that the royalty interest owned by each bears to the entire royalty interest hereunder in the production so subject to royalty; provided, however, that Lessee shall never be required to pay on account of production from any well or mine covered hereby an amount more than Lessee would have to pay if this lease covered only the well or mine from which production is obtained.

12. If this lease is assigned or sub-leased in whole or, as to any segregated part, in whole, Lessor shall look solely to the assignee or sub-lessee for the performance of this lease as to by reason of any such assignment or sub-lease and default in rental payment as to one or more such segregated portions shall not affect this lease as to any portion of the leased premises in connection with which rentals are duly paid or tendered and any such default or failure in payment or tender of rentals shall be construed as a relinquishment of this lease only as to such lands.

13. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.