

OIL and/or GAS LEASE

4435

MEMORANDUM OF AGREEMENT, Made and entered into this 13 day of January, 1977, A.D. by and between Richard L. McKinney of the county of Utah and State of Utah party of the first part, and Combined Gas & Oil, Inc. of the County of Salt Lake and State of Utah party of the second part,

WITNESSETH, that the said party of the first part, for the consideration of the covenants and agreements hereinafter mentioned, hereby grants unto the party of the second part, his heirs, executors, administrators, successors and assigns, all the oil and gas in and under the following described premises, together with the right to enter thereon at all times for the purpose of drilling and operating for oil, gas and to erect and maintain all the buildings and structures, and lay all surface rods and pipe necessary for the production and transportation of oil, gas or water from and across said premises, with liability for damages to the surface or to the improvements upon the surface of said premises.

The second party agrees to pay to the first party one-eighth (1/8) of the value of all oil which is produced.

All that certain lot of land situated in Utah County and State of Utah, and bounded and described as follows, to-wit:

SEE ATTACHED PAGES

For rental purposes, this land is agreed to contain approx 12,940 acres.

To have and to hold for the above named purposes.

If gas is found in marketable quantities second party agrees to pay one-eighth (1/8) of the value at the wellhead for all gas saved and marketed while same is being used off the premises, but if all gas wells on these premises be shut in for lack of market, Lessor shall receive \$25.00 per well for each three (3) months of shut-in time payable within sixty (60) days after shut in and in advance at delay rental bank thereafter and this lease shall not lapse for lack of production.

No well shall be drilled nearer than 200 feet to the house or barn on said premises, and no well shall occupy more than one acre.

Second party agrees to begin drilling a well on said property within 3 years or this lease becomes null and void. Second party shall pay to the first party the sum of 25 cents per acre per annum as a rental for the second and third years, 50¢ per acre per annum for the fourth and fifth years, \$1.00 (One Dollar) per acre per annum for the sixth and seventh years and \$2.00 per acre per annum hence through the tenth year, payable at first party's residence after demand having first been made, or by deposit of a valid check in U.S. Mail on or before date due to credit of first party in Bank of American Fork Bank at American Fork. This rental payment shall start the second year and for the first year the second party shall pay to the first party the sum of \$3,000.00 (Three Thousand and No/100)

It is understood and agreed by the parties hereto when the written agreements hereafter provide for the drilling of additional wells after the first well is completed that provided said first well is not a paving well, or each of any of the additional wells prove not to be paying wells, then said second party, his heirs, executors, administrators, successors and assigns shall have the right at any time to surrender up this lease in whole or in part and be released from all moneys due and conditions unfulfilled as to the part surrendered, then and from that time this lease and agreement shall be null and void. All covenants between the parties hereto shall extend to their heirs, executors, administrators, successors and assigns. If this lease is forfeited from any cause whether or not second party be found at fault, such forfeiture shall not affect producing oil and gas wells nor 100 acres to be selected by second party surrounding each well.

If gas be found in excess of quantities necessary for operation of wells, first party may have free gas or use in the dwelling on these premises by making connections at his own risk and expense.

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Second party is to have the right to remove all equipment including right to pull casing at any time before or after termination of lease.

If first party does not own all oil and gas rights to these premises, then the above royalties and rentals are to be reduced in proportion to first party's interest. If these lands be subdivided by first party, second party shall not be required to set up separate tanks or gauges but shall pay each owner proportionately according to size of tracts and royalty ownership therein out of gross production from entire premises.

First party ~~does not own all the rights to these premises, then~~ ^{R.M. C/OE} warrants his title to the above premises and agrees that ^{C/OE} R.M. second party may at any time pay any defaulted mortgage, delinquent taxes or other lien and be subrogated to the rights of the holder thereof.

Second party shall pay for all damage to growing crops caused by his operations.

If lease payments are not made according to this agreement then lease becomes null and void except if there are producing wells on said property. If so, this lease stays in force as long as production lasts on any wells.

If royalties from producing gas and/or oil wells paid to first party from second party are equal to or greater than the above mentioned yearly rental fee then rental fee is not due. If royalties from producing gas and/or oil wells don't exist or are less than the rental fee in any particular year then the difference between the rental fee and royalties paid shall be paid to the first party by the second party.

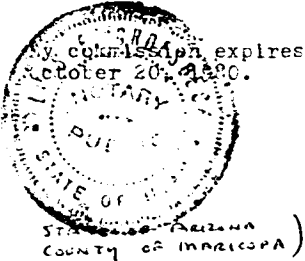
This lease is to be for 10 years or as long as production is maintained.

IN WITNESS WHEREOF, We, the parties of the first and second parts, have hereunto set our hands and seals the day and year above written.

WITNESS:

Charles L. Evans Richard J. McKinney (SEAL)
Johnell M. Yurka Helen M. Starn (SEAL)

Subscribed and sworn to before me this 14th day of January, 1977.



Law E. Greenback
Notary Public, Residing in Salt
Lake City, Utah

Subscribed and sworn to before me by JOHNELL M. YURKA
this 17th day of January, 1977.

My Commission Expires
June 5, 1979

Geary H. Rodgers
NOTARY PUBLIC

COMBINED GAS & OIL, INC.

George Kayler
President

All of Sections 14,15,22,23,26,27,34 and 35.
East half of Sections 16,33,21,28; SW Quarter
Sec. 21; N half Sec. 25. The East half of NW
quarter Sec. 28, Northeast Quarter Sec. 10; West
one half of Sections 1,12, 13,24. The NE quarter
Sec. 1; South half NW quarter and W half of NE
quarter of Sec. 11; NE quarter Sec. 12. The above
all in Township 7 South, Range 2 West, Salt Lake
Meridian. Area Approximately 9,120 acres.

Also, the W half of Sec. 1; NW quarter Sec. 12;
all of Sec. 2; all of Sec. 3, except SW quarter
of NW quarter. All in Township 8 South, Range
2 West, Salt Lake Meridian. Area approximately
1,720 acres.

Also, NW quarter, Sec. 31; SE quarter Sec. 18;
Lots 2,3,4,5, 6, Sec. 6; W half, NE quarter
and N half NW quarter of Sec. 18; West half of
East half, South half of Southwest quarter;
Northwest quarter Sec. 7; Southwest quarter, W
half NorthWest quarter, Sec. 30; W half SouthWest
quarter West half NE quarter and NorthWest quarter
of Sec. 10; South half Southwest quarter Sec. 18,
all in Township 7S, Range 1 West, Salt Lake Meridian.
Area approximately 1,720 acres.

Also, Southeast quarter Northeast quarter, North-
west quarter Sec. 31, Township 6 South, Range 1
West; S.L.M. Area approximately 200 acres. To-
gether with any other lands owned by the Lessors
and adjoining the above tracts.

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RECORDED AT THE OFFICE OF
George Douglas

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NO. 21152

Combined Sec
& Oil Sec.

1515-2, 1100-8.

J. S. G. Co.

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