

OIL AND GAS LEASE

THIS INDENTURE OF LEASE made and entered into this 4th day of May, 1951, by and between BAR B COMPANY, a corporation of the State of Utah, with its principal office at Ogden, Utah, hereinafter called "Lessor" (whether one or more), and UTAH SOUTHERN OIL COMPANY, a corporation of the State of Utah, with its principal office at Salt Lake City, Utah, hereinafter called "Lessee":

## W I T N E S S E T H :

That the Lessor, for and in consideration of One Dollar (\$1.00) to it paid, the receipt whereof is hereby acknowledged, and in consideration of the mutual covenants and conditions herein contained, leases and demises to Lessee all those certain pieces or parcels of land situated in the County of Box Elder, State of Utah, and more particularly described as follows, to-wit:

All of those lands as to which mineral and oil and gas rights are owned by Bar B Company which are located in the following townships in Box Elder County, Utah:

T. 11 N., R. 8 W.

T. 10 N., R. 8 W.

T. 10 N., R. 7 W.

T. 9 N., R. 8 W.

T. 9 N., R. 7 W.

T. 8 N., R. 7 W.

Said lease shall be on the following terms and conditions:

1. The lease shall continue for a period of one (1) year from and after the date hereof, and so long thereafter as drilling operations on said premises are being conducted. Should production of one or more of the products specifically mentioned in the next succeeding paragraph result from said drilling operations, then this lease shall remain in force so long thereafter as one or more of said products is produced in paying quantities.

2. Within the period of this lease, Lessee shall have the sole and exclusive right of prospecting the demised premises, and drilling for, producing, extracting, treating, removing, and marketing oil, gas, natural gasoline, and other hydro-carbon substances therefrom, and to establish and maintain on said premises such tanks, boilers, houses, engines, and other apparatus and equipment, power lines, pipelines, road, and other appurtenances which may be necessary or convenient in the production, treatment, storage, and/or transportation of any and all of said products from and on said property, or property in the vicinity operated by Lessee, or an assignee or subsidiary of Lessee.

Lessee shall have the right, during the life of this lease, and in accordance with the laws of the State of Utah, to drill for and develop such water on said premises as it may require in its operations. It is specifically provided, however, that Lessee shall not withdraw waters from any well or any other source in such location or in such quantities as to affect adversely the water production of Lessor's present wells or springs, and shall not be entitled to use any surface waters presently used or impounded for use by Lessor for culinary purposes or for the conduct of its ranching operations upon the said lands, or other lands, of Lessor in said County.

The word "gas", as used herein, shall be construed to cover and embrace any and all kinds of gas, including helium and carbon dioxide, produced or producible from beneath the surface of the demised premises.

3. Lessee agrees to start the drilling of a well for oil on land covered by this agreement on or before June 15, 1951 and to continue the work of drilling such well, after commencing the same, with due diligence, until a depth of six thousand (6,000) feet has been reached, unless oil is discovered in paying quantities at a lesser

depth, or unless such formations are encountered at a lesser depth, as will indicate to the geologist of Lessee that further drilling would be unsuccessful. If said well, or any subsequent well, prior to completion of a paying well, be abandoned for mechanical reasons, or for any other reason, this lease shall remain in full force and effect, if a new well is started within sixty (60) days from date of such abandonment.

4. Upon discovery of oil in paying quantities in any well drilled on the demised premises, Lessee shall commence the drilling of another well within sixty (60) days thereafter, and shall thereafter continuously operate not less than one (1) well drilling outfit, allowing sixty (60) days between completion of one (1) well and commencement of the next succeeding, until the optimum number of wells, in accordance with the best practice and in full compliance with all applicable laws, rules, and regulations of public authorities, having jurisdiction, shall have been drilled, including offset wells; provided that, upon failure to find oil in paying quantities in the first, or any subsequent well drilled under the terms hereof, this lease shall remain in full force and effect, at the option of Lessee, if Lessee elects (without forfeiture of any right to subsequently drill for and produce oil) to operate any such well or wells as natural gas wells, and operate the premises for natural gas development purposes, in which event the drilling obligations hereinabove in this paragraph contained shall be reduced to one-fourth (1/4th) the number of wells specified. In case Lessee does so elect to operate said wells for natural gas development purposes, and if oil is not developed within a period of two (2) years from date of this agreement, then this agreement shall remain in full force and effect, respecting natural gas only, and all rights of Lessee to prospect for, drill for, produce, extract, treat, remove, and market and develop oil shall be considered as cancelled. Nothing herein shall be construed to limit the number

of wells which Lessee may drill, should it so elect, in excess of the number hereinabove specified, nor limit the depth to which any well may be drilled or deepened by Lessee, should it desire to drill below the depth specified. Lessee shall have the right, at all times, to operate, deepen, redrill, and maintain all producing oil or gas wells developed by him upon said property.

5. Lessee may, at any time and from time to time, either before or after discovery of oil and/or gas on the demised premises, quitclaim the said premises, or any part thereof, to Lessor, its successors or assigns. Upon the quitclaiming of any part of the land to Lessor, its successors or assigns, all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the portions of the premises quitclaimed (except that Lessee may continue to enjoy such easements on the surrendered premises as may be in use at the time of the surrender), and the drilling requirements hereunder shall be reduced pro-rata, according to acreage retained by Lessee. Except as herein provided, full right to said land shall revert in Lessor, free and clear of all claims of Lessee, except that Lessor, its successors or assigns, shall not drill any well on said surrendered land within three hundred thirty (330) feet of any producing oil well, or within six hundred sixty (660) feet of any gas well, on land retained by Lessee.

6. In the event of the discovery of oil in any well on adjacent properties, within one hundred fifty (150) feet of the boundary line of the demised premises, and the production of oil therefrom in paying quantities as herein defined, then the next well to be drilled hereunder shall be so placed as to offset said well on the adjacent property; or, if no well is being drilled, and the total well requirements of this lease have not been fulfilled, then, within sixty (60) days thereafter, a well shall be commenced by Lessee to offset such producing well on the adjacent property.

It is agreed that a well on the demised premises shall be construed to be an offset to one or more wells on adjacent properties, if such well is located at a distance not greater than one hundred fifty (150) feet from the boundary line between the herein leased premises and the land containing the well or wells to be offset, and at a distance not to exceed one hundred fifty (150) feet from either side of a line drawn from a well so to be offset through the nearest point in said boundary line; provided, that a well then producing or being drilled on the demised premises within one hundred fifty (150) feet of the offset location herein defined, shall be construed to fulfill this offset provision. The obligation to offset wells shall be applicable only to the exterior boundary lines of the demised property, and the offset obligation shall not be increased by reason of any division of ownership of the demised property by Lessor, which may occur during the life of this lease, or present existing multiple ownership.

7. Drilling and/or producing operations may be suspended or curtailed on said property only in the event that they are prevented by the elements, accidents, strikes, lockouts, riots, delays in transportation, conservation or curtailment agreements, or interferences by municipal, state, or federal action, or the action of other governmental officers or bodies, or other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes herein specifically mentioned, and when there is no market for the oil, or so long as the established and posted market price offered by the major oil purchasing companies for oil of the quality produced on said premises, in the district in which the premises are located, shall be less than the posted market price for like quality and gravity oil at the well. Lessee is hereby authorized by Lessor to enter into conservation and curtailment agreements with other operators, for the purpose of preventing waste, or for the conservation of oil and/or gas, when such agreements are required or

permitted by state or federal officials or statutes; provided, that any such agreed curtailment shall be at no greater pro-rata percentage per well or location on the demised premises than that on offset acreage, where offset wells are producing or drilling.

8. Lessee shall be entitled to use, without payment of royalty, so much of the water, oil, and/or gas produced on said property as may be required in the operation of the property.

9. Lessee shall pay to Lessor, as royalty on oil, a sum equal to one-eighth ( $1/8$ th) of the market price of all oil produced and sold by it from said premises, which market price it is hereby agreed shall be the published offered price by the major oil purchasing companies for oil of like quality and gravity, at the well, in the district in which the demised premises are located, on the date of delivery of the oil from Lessee's gauge tanks.

10. Lessee shall be under no obligation to store or sell gas or water, nor to manufacture gasoline from natural gas. If any gas or water is sold, Lessee shall pay to Lessor one-eighth ( $1/8$ ) of the proceeds of sale of such gas or water.

11. Lessee shall pay all taxes on its personal property and improvements, and on all oil stored on the leased premises, on the legal assessment date in each year, and seven-eighths ( $7/8$ th) of the increase of taxes on such portion of the leased premises as remains covered by this lease on said day, when such increase is caused by the discovery of oil and gas thereon, whether assessed upon said land as increased valuation or as mineral rights, or otherwise, and whether assessed against Lessee or Lessor; and Lessor hereby agrees to pay the remaining portion of such increased assessment. Lessee is hereby authorized to pay the total amount of taxes assessed on said land, improvements, mineral rights, and stored oil, and deduct Lessor's proportion thereof from the amount of any rentals or royalties which may accrue to Lessor.

12. All royalty monies accruing to Lessor under paragraphs 9 and 10 hereof, for deliveries or sales during any calendar month, shall be delivered to Lessor on or before the twentieth (20) day of the next succeeding month, by paying the amount into the First Security Bank of Utah, N. A., Ogden Branch, at Ogden, Utah, which bank is hereby designated the depository of Lessor, and such payment into said bank for the account of Lessor shall relieve Lessee from any liability or obligation in the proper distribution thereof to Lessor, whether one or more.

13. The term "paying quantities", wherever used herein, is hereby defined as the output from a well or wells of such quantity of one or more of the products authorized to be produced under this lease as Lessee may, considering depth of well and quality of product, and after a production test of thirty (30) consecutive days, deem sufficient to warrant further operations for its removal.

14. Lessee shall carry on all operations in a careful, workmanlike manner, and in accordance with the laws of the State of Utah. Lessee shall keep full records of the operations and production, and sales or shipments, of products from said property, and such records, and the operations on the property, shall be, at all reasonable times, open to the inspection of Lessor. Whenever requested by Lessor, in writing, Lessee shall furnish to Lessor a copy of the log of any well drilled on said property.

15. Lessor shall have the right to the use of the surface of said land for agricultural, horticultural, and grazing purposes, and for buildings and other uses related thereto, to such an extent as will not interfere with the rights granted to lessee hereunder. Lessee agrees to conduct its operations so as to

interfere as little with the use of the land for agricultural, horticultural, or grazing purposes as is consistent with the economical operation of the property for oil, and agrees to pay for any damage to growing crops, forage, or other property which may be done. No well shall be drilled nearer than two hundred (200) feet from any house, barn, or other building on said premises, without the written consent of Lessor. Lessee recognizes that, during the dry season of the year, an extreme fire hazard exists over all of the demised property, and it covenants and agrees that it and its agents and servants shall use the highest care to avoid the setting of any range fires upon the demised premises. If any of the fences, existing on said lands, are cut by Lessee for its purposes, Lessee shall establish a good and substantial gate at such point. Whenever requested by Lessor in writing, Lessee shall fence all sumpholes and other openings, to safeguard cattle which may be grazing on said land.

16. Lessor may have the use, for its domestic purposes, of any water or gas developed on said property, so long as such water or gas is not required by Lessee, or sold. Delivery of same shall be taken at a point to be indicated by Lessee, and it shall be transported to the point of use at the cost and sole risk of Lessor. In the event of the sale of any waters developed on said property, Lessor shall have an option and a preferred right to purchase the said waters, before the same, or any part thereof, are sold to any other person, at a price and upon the terms equal to the best price and terms available for the sale thereof to another prospective purchaser. Any waters developed from said land under the provisions hereof, and not sold by Lessee prior to the termination of this lease, shall revert to and become the property of Lessor, without the payment of any other consideration than the execution of this lease.



17. Lessee shall have, at any time, the right to remove any houses, tanks, pipelines, structures, casing or other equipment, appurtenances or appliances of any kind, brought by it upon said land, whether affixed to the soil or not; provided, however, that, in case of the abandonment of any well in which Lessee has landed casing, if Lessor shall desire to retain the same as a water well, he may notify Lessee, to that effect, and, thereupon, Lessee shall leave in the well such of said casing as Lessor shall require, and Lessor shall pay to Lessee fifty percent (50%) of the cost to Lessee of such casing delivered on the ground.

18. In the event of any breach of any of the terms or conditions of this lease by Lessee, and the failure to remedy the same within ninety (90) days after written notice from Lessor so to do, then, at the option of Lessor, this lease shall forthwith cease and determine, and all rights of Lessee in and to said land be at an end.

19. Notwithstanding any forfeiture of this lease, Lessee shall have the right to retain any and all wells being drilled, or producing, or capable of producing oil or gas in paying quantities, at the time of such forfeiture, together with the aforesaid easements and appurtenances of said wells, and sufficient land surrounding each well, for the operation thereof. The wells so retained shall be subject to all the terms and conditions of this lease.

20. In case any action is brought at law or in equity by third parties, claiming title to the land in hostility to Lessor, then during the pendency of said action, until final decision thereof, Lessee may discontinue operations on said land, or, if it operates wells, may deposit the royalties accruing under this lease in any national bank in Salt Lake City, Utah, to the joint account of Lessor and Lessee.

21. Any notice from Lessor to Lessee must be given by sending the same by registered mail, addressed to Lessee at 901 Utah Oil Building, Salt Lake, 1, Utah, and any notice from Lessee to Lessor, may be given by sending the same by registered mail, addressed to Bar B Company, First Security Bank Building, Ogden, Utah. Either party, or the assigns of either party, may, at any time, by written notice to the other party, change the address to which notices shall be sent, and Lessor may change the designated agent, and, after such written notice to either party by the other, by registered mail, all subsequent notices shall be sent to the address therein indicated, and to the substituted agent of Lessor.

22. All material furnished, or work done on said land, by Lessee, shall be at Lessee's sole cost and expense, except as herein otherwise provided; and Lessee agrees to protect said land and Lessor from all claims of contractors, laborers, and material men; and Lessor may post and keep posted on said lands such notices as it may desire, in order to protect said lands against liens.

23. Lessee, at its option, may pay and discharge any lien which may now or hereafter attach to the land herein demised, and pay and discharge any mortgages, trust deeds, or encumbrances of any kind or nature, existing on or against the land herein demised, in which event Lessee shall be subrogated to the rights of the holder or holders thereof, and may, in addition thereto, at its option, reimburse itself by applying to the amount owing to it any royalties, rentals, or other sums accruing to Lessor under the terms and conditions of this lease.

24. Upon the expiration of this lease, or its sooner termination, in whole or in part, Lessee shall surrender possession of the terminated portion of the premises to Lessor, and shall deliver to Lessor a good and sufficient quitclaim deed or release. Within

six (6) months after such expiration or termination, Lessee shall (subject to the rights and privileges granted Lessee and to other provisions of this lease) remove from such premises so terminated all of its rigs, machinery, and other property, and shall, so far as possible, fill all sump holes and other excavations made by Lessee.

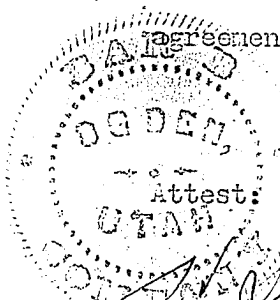
25. If the estate of either party hereto is assigned, and the privilege of assigning, in whole or in part, is hereby expressly granted, the covenants hereof shall extend to their heirs, executors, administrators, successors, or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on Lessee until after the Lessee has been furnished with a written notice of transfer or assignment, or a true copy thereof; 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 default in the performance of any covenant of this lease, as applied to such portion so assigned, such default shall not operate to defeat or affect this lease, insofar as it covers a part or parts of said lands retained by said Lessee, or any assignee thereof, upon which there is no default.

26. It is mutually agreed and understood that the terms and conditions, covenants, and warranties herein expressed, constitute the complete agreement of the parties hereto, and that there are no terms, conditions, covenants, and/or warranties, either expressed and/or implied, other than those in this said indenture of lease contained, and that that certain Oil and Gas Lease dated November 3, 1950, by and between Lessor and Louis Z. Johnson, subsequently assigned to Lessee, is of no further force or effect and Lessee disclaims any interest therein and in any of the lands involved in said lease except as covered specifically by this agreement.

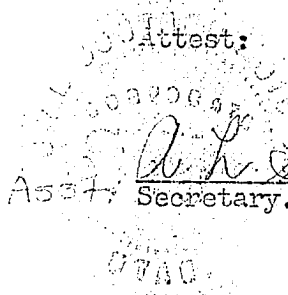
27. Diversified ownership of diverse parcels of land notwithstanding it is understood and agreed that the herein leased premises shall be developed and operated as one lease, and all royalties

accruing hereunder shall be treated as an entirety, and shall be paid, as provided in paragraph 13 hereof, for division among such separate owners, in the proportion that the acreage owned by each separate owner bears to the entire leased acreage, or as their rights and interests appear in Lessor's instructions to said depository.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed the day and year hereinabove first written.

Attest:  

  
*[Signature]*  
 Secretary.

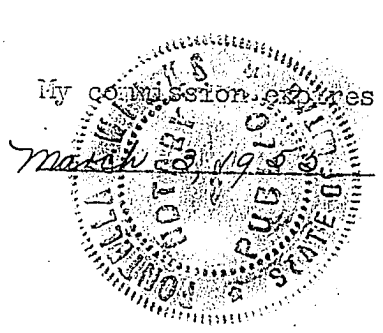
BAR B COMPANY  
 By *[Signature]*  
 Matt S. Browning, Vice-President and Manager.  
 LESSOR.

Attest:  

  
*[Signature]*  
 Secretary.

UTAH SOUTHERN OIL COMPANY,  
 By *[Signature]*  
 C. T. Hansen, President.  
 LESSEE

STATE OF UTAH )  
 : SS  
 COUNTY OF WEBER )

On the 12<sup>th</sup> day of May, 1951, personally appeared before me MATT S. BROWNING, who, being by me duly sworn, did say that he is the Vice-President and Manager of BAR B COMPANY, one of the corporations which executed the foregoing instrument, and that said instrument was signed on behalf of said corporation, by authority of a resolution of its Board of Directors, and said Matt S. Browning acknowledged to me that said corporation executed the same.

My commission expires  
March 23, 1953  


*[Signature]*  
 Notary Public,  
 Residing at Ogden, Utah.

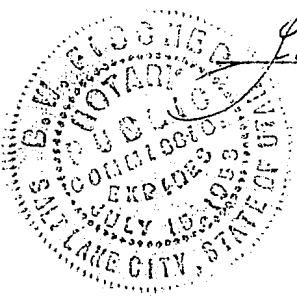
STATE OF UTAH        )  
                              :    SS  
COUNTY OF SALT LAKE )

On the 4 day of May, 1951, personally appeared before me G. T. Hansen, who being by me duly sworn, did say that he is the President of Utah Southern Oil Company, one of the corporations which executed the foregoing instrument, and that said instrument was signed in behalf of said corporation by authority of a resolution of its Board of Directors, and said G. T. Hansen acknowledged to me that said corporation executed the same.

B. W. Fischer.  
Notary Public,  
Residing at Salt Lake City, Utah.

My commission expires

July 15 - 1953



SUPPLEMENTAL AGREEMENT

WHEREAS, the parties hereto under date of May 4, 1951 entered into an oil and gas lease covering certain lands owned by the BAR B COMPANY, Lessor, in Box Elder County, Utah, and providing that UTAH SOUTHERN OIL COMPANY as Lessee should commence drilling upon said lands on or before June 15, 1951; and

WHEREAS, it is deemed mutually both desirable and necessary to modify and supplement said indenture of lease with respect to the time of drilling and the lands to be covered thereby;

NOW, THEREFORE, pursuant to the premises aforesaid and in consideration of the mutual covenants herein, said lease of May 4, 1951 is hereby supplemented and modified as follows:

1. The following lands owned by the Lessor are also leased to Lessee pursuant to the terms of said indenture, being also located in Box Elder County, Utah and more particularly described as follows, to wit:

Sections 31, 32 and 33, Township  
11 North, Range 7 West, Salt Lake  
Meridian.

2. The drilling date provided by paragraph 3 of said indenture of May 4, 1951 is hereby extended from June 15th to August 15th, 1951 (Lessee having commenced said drilling August 10, 1951).

3. It is agreed that Lessor warrants the title to the mineral rights leased by said agreement as supplemented hereby only with respect to its own acts, and that any royalties paid to Lessor for acreage where the mineral rights are found to be owned by another will be promptly repaid to Lessee.

IN WITNESS WHEREOF, the parties hereto have caused this supplemental agreement to be executed as of this 15th day of August, 1951.

ATTEST:

M. S. Browning  
Secretary.

BAR B COMPANY,

By Matt S. Browning  
Matt S. Browning,  
Vice President & Manager.

Lessor.

ATTEST:

G. T. Hansen  
Asst. Secretary.

UTAH SOUTHERN OIL COMPANY,

By G. T. Hansen  
G. T. Hansen,  
President.

Lessee.

STATE OF UTAH, )  
                          ) ss:  
County of Weber. )

On the 18<sup>th</sup> day of September, 1951, personally appeared before me Matt S. Browning, who, being by me duly sworn, did say that he is the Vice President and Manager of Bar B Company, one of the corporations which executed the foregoing instrument, and that said instrument was signed on behalf of said corporation by authority of a resolution of its Board of Directors, and said Matt S. Browning acknowledged to me that said corporation executed the same.

Antella A. Hilko  
NOTARY PUBLIC, residing at  
Ogden, Utah.

My commission expires:

March 3, 1955



STATE OF UTAH, )  
County of Salt Lake. ) ss:

On the 18<sup>th</sup> day of September, 1951, personally appeared before me G. T. Hansen, who, being by me duly sworn, did say that he is the President of Utah Southern Oil Company, one of the corporations which executed the foregoing instrument, and that said instrument was signed in behalf of said corporation by authority of a resolution of its Board of Directors, and said G. T. Hansen acknowledged to me that said corporation executed the same.

*[Signature]*  
NOTARY PUBLIC, residing at  
Salt Lake City, Utah.

My commission expires:

7/7/53



24224G

STATE OF UTAH )  
County of Box Elder, SS

Filed for record and recorded  
March 21, 19 52  
at 11:30 o'clock A.M., in book 75  
of Records page 146

*Margaret P. Evans*  
COUNTY RECORDER

Fee \$32.70 By \_\_\_\_\_  
DEPUTY RECORDER

*Index ✓*

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