

2657316

HYDROCARBON STORAGE LEASE

THIS LEASE AND AGREEMENT, made and entered into this 29th day of November, 1973, by and between BONNEVILLE ON THE HILL COMPANY

whether one or more, hereinafter referred to as "Lessor"

LAWRENCE CRAIG CALDWELL II, LESSEE

WITNESSETH:

1. For and in consideration of Ten and no/100 Dollars, and other valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged by Lessor, and of the covenants and agreements herein contained, Lessor does hereby grant, demise, lease, let and warrant exclusively to Lessee, its successors and assigns, the right, lease and easement to test for, establish and operate a gas and hydrocarbon storage reservoir in, and under the following described premises (sometimes hereinafter referred to as "the premises"), and in connection therewith to introduce gas or hydrocarbons into any geological strata or formations underlying the surface of the premises and retain title to and ownership of gas or hydrocarbons so injected, to store gas or hydrocarbons therein and to remove gas or hydrocarbons so injected through wells now or hereafter located or drilled on the premises, or other premises in the vicinity thereof to use, drill, install, construct, maintain, operate and remove such wells, together with such pipelines and other facilities appurtenant thereto as may be reasonably necessary or convenient for the purposes contemplated as set forth in this agreement; to remove all property which Lessee places in, on or under the premises, including, but not limited to, casing and well equipment; to have the right of ingress and egress to, from and across the premises, and to use so much of the surface of the premises and exercise such other rights and privileges as may be reasonably necessary or convenient to the economical and effective operation of the premises for the purposes stated herein, the premises being situated in Salt Lake County, State of Utah, and described as follows:

effective operation of the premises for the purposes stated herein, the premises being situated in Salt Lake County, State of Utah, and described as follows:

Recorded OCT 9 1974 at 1156 Request of Lawrence B Caldwell JEPHANN MARTIN, Recorder Salt Lake County, Utah \$ 850 By Helen Dahlke Dep'ty REC. 580 7040

SEE EXHIBIT "A" ATTACHED HERETO ALL SUBJECT TO ATTACHED ADDENDUM

containing 3,079 acres, more or less.

2. This lease and agreement shall continue for a term of two (2) years from the date hereof and for so long thereafter as the Lessee exercises storage rights and privileges in and under the land hereby leased or in and under land in the vicinity thereof.

3. Commencing one year from the date hereof, and annually thereafter, on or before the anniversary date hereof and until the expiration or termination of the storage rights and privileges granted herein, Lessee shall pay to Lessor the sum of \$3,079.00 Dollars, by check or draft to the credit of Lessor

at Bonneville On The Hill Company 220 Kearns Bldg., SLC, Utah, which bank and its successors are Lessor's agent (and shall continue as the depository for all annual rental payments hereunder, regardless of any change of ownership of the land hereby leased), such rental being agreed upon as a flat annual rental to cover all storage rights and privileges hereunder. In the event said depository bank shall fail or refuse to accept tenders made hereof, or should Lessee otherwise be in doubt as to the payee entitled thereto, Lessee may withhold such rental with the same effect as if tendered until it receives written instructions naming a new depository, or correctly specifying the payees and their respective interests as the case may be, executed and acknowledged by all persons appearing to Lessee to be interested therein.

The payment of such rental shall also serve to confer upon Lessee the right and privilege of deferring oil and gas development for the next succeeding twelve months in the event such lands are not producing oil or gas at the time of payment of such rental. The consideration provided in Section 1 hereof covers not only the privileges granted to the date when the first annual rental is payable, but also the other rights granted herein for which no other specific consideration is recited.

4. Lessee shall pay Lessor for all damages to growing crops, timber and fences occasioned by the installation, maintenance, operation, removal or renewal of pipelines or other facilities hereunder by Lessee.

5. In addition to the payments otherwise herein provided for in this agreement, Lessee shall pay to Lessor or Lessor's successors in interest:

- (a) for each storage or observation well drilled on said land and its appurtenances, a sum determined by applying the rate of \$100.00 Dollars for each 500 square feet of surface which Lessee determines to be necessary for its use with respect to the operations of each well after its completion, such well site so determined to be in the form of a rectangle in all instances;
(b) for each building installed by Lessee on the above-described land in connection with its gas storage project, the same rate as provided for a storage or observation well;
(c) for each linear rod of pipeline or electric power line laid or installed by Lessee on or in the above described land, and not located on an existing private roadway or public highway, One Dollar (\$1.00) Dollars.

Payments for wells, pipelines, power lines and surface installations shall be made promptly after the completion and installation, and such payments shall be single lump-sum payments covering the entire length of time such facilities remain upon the premises. It is specifically understood that Lessee shall have the right to fence all or any part of any such storage and observation well and any buildings placed upon the premises in connection with this gas storage project. Lessee shall bury and maintain all pipelines and power lines through areas approved by Lessor.

In selecting the location for any of the above mentioned storage wells, Lessee shall not drill or place a well at a point closer than 300 feet from any existing building existing on the premises unless Lessor agrees in writing to the location of such well at a lesser distance therefrom.

6. When drilling, storage or other operations provided for hereunder are delayed or interrupted as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against the term of this lease, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal laws and laws of the state of Utah and valid and enforceable executive orders, rules and regulations promulgated pursuant thereto, and this lease shall not terminate in whole or in part, nor shall Lessee be held liable in damages for failure to comply therewith, if compliance is prevented by or if such failure is the result of any law, order, rule or regulation.

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7. If the premises are now or shall hereafter be owned in severalty, or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease. There shall be no obligation on the part of Lessee to drill offset wells on separate tracts into which the land covered by this lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving facilities. In case the Lessor owns a less interest in the above-described premises than the entire and undivided fee simple mineral estate therein, then the rentals in this lease provided for shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

8. It is agreed that this lease shall never be forfeited or cancelled for failure to perform, in whole or in part, any of its implied covenants, conditions, or stipulations, until it shall have first been finally judicially determined that such failure exists, and after such final determination. Lessee shall have a reasonable time therefrom to comply with any such covenants, conditions and stipulations.

9. If at any time there be as many as six parties, or more, entitled to receive rentals under this lease, Lessee may withhold payment thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with Lessee, a trustee to receive all rental payments due hereunder, and to execute division and transfer orders on behalf of said parties and their respective successors in interest.

10. Lessee may at any time surrender this lease as to all or any part of the lands or minerals covered hereby as to the right to store gas and/or hydrocarbon, by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the proper county. The premises shall remain subject to easement for right of way necessary or convenient for Lessee's operations on the lands retained by it.

11. Lessor warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgage, taxes or other liens on the above described lands in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof with respect to the sums so paid, and to deduct any sum so paid from the rental or other payments due or which may become due to Lessor under this lease.

12. This lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, executors, successors and assigns as their interests may appear.

IN WITNESS WHEREOF, this agreement, which has been executed in any number of counterparts with the same force and effect as if all parties had signed the same document, is executed as of the day and date first hereinabove written.

LESSOR  
BONNEVILLE ON THE HILL CO.  
 By: R. Gordon Bader  
 President  
 ATTEST: [Signature]  
 Assistant Secretary

LESSEE  
[Signature]  
 Lawrence Craig Caldwell II  
 President

STATE OF Utah ) ss.  
 County of San Juan  
 On this 29th day of November, 1973, personally appeared before me Lawrence Craig Caldwell II, the signer of the above instrument and duly acknowledged that he executed the same.

My commission expires: Nov 1, 1975  
[Signature]  
 Notary Public

STATE OF Utah ) ss.  
 County of San Juan  
 On this 29th day of November, 1973, personally appeared before me R. Gordon, who being by me duly sworn did say that he is the President of Bonnevile on the Hill Co. and that said instrument was signed in behalf of said corporation by authority of its Board of Directors and said R. Gordon Bader acknowledged to me that said corporation executed the same.

My commission expires: Nov 1, 1975  
[Signature]  
 Notary Public

EXHIBIT "A"

MSB

PARCEL #1

Commencing at the Northeast corner of Section Thirty-Five (35), Township One (1) North, Range Two (2) West, Salt Lake Meridian, thence West eleven thousand eight hundred eighty feet (11,880'); thence South four thousand three hundred eighty-six feet (4,386'); thence East eleven thousand eight hundred eighty feet (11,880'); thence North four thousand three hundred eighty-six feet (4,386') to place of beginning, containing approximately 1,196 acres, more or less.

PARCEL #2

S 1/2 & NW 1/4 of Sec. 16, T. 1 N., R. 2 W., SLM; N 1/2 & W 3/4 of S 1/2 Sec. 21, T. 1 N., R. 2 W., SLM; NW 1/4 Sec. 22, T. 1 N., R. 2 W., SLM; SW 1/4 & NW 1/4 of SE 1/4, Sec. 27, T. 1 N., R. 2 W., SLM; N 1/2, SE 1/4 Sec. 28, T. 1 N., R. 2 W., SLM, and Commencing at S 1/4 Cor. Sec. 28, T. 1 N., R. 2 W., SLM, W. 4.5 rds., N. 112 rds., E. 4.5 rds., S. 112 rds., to beg., containing approx. 1,883 acres, more or less.

ADDENDUM

This lease is subject to all terms and conditions of the Oil and Gas Lease made to the same lessee and to that land under Exhibit "A" which is the same under both leases.

LESSOR:

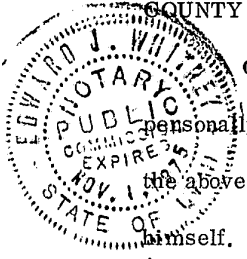
LESSEE:

BONNEVILLE ON THE HILL COMPANY

By R. Gordon Bader, President

Lawrence Craig Caldwell II  
Lawrence Craig Caldwell II

STATE OF UTAH )  
COUNTY OF Salt Lake ) ss.



On the 29th day of November A.D. 1973,

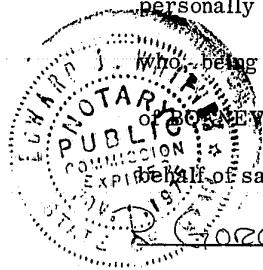
personally appeared before me LAWRENCE CRAIG CALDWELL II, the signer of the above instrument, who duly acknowledged to me that he executed the same himself.

My Commission expires:

Nov 1, 1975

Edward J. Whitely  
Notary Public

STATE OF UTAH )  
COUNTY OF Salt Lake ) ss.



On the 29th day of November A.D. 1973,

personally appeared before me R. Gordon Bader

who, being by me duly sworn, did say that he is the \_\_\_\_\_ President

of BONNEVILLE ON THE HILL COMPANY, and that said instrument was signed in

behalf of said corporation by authority of its by laws, and said \_\_\_\_\_

R. Gordon Bader acknowledged to me that said corporation executed the same.

My Commission expires:

Nov 1, 1975

Edward J. Whitely  
Notary Public