

81623f

OIL AND GAS LEASE  
(86)

This Indenture of Lease, made and entered into this 30th day of June, 1943, by and between Promontory-Curlew Land Company, a Utah Corporation, of Logan, Utah, party of the first part, hereinafter called Lessor (whether one or more), and R. T. Colter, party of the second part, hereinafter called Lessee.

Witnesseth: That the Lessor, for and in consideration of Ten Dollars, in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee exclusively, for the purpose of exploring, mining and operating for oil, gas and casinghead gas, and other hydrocarbon substances, and taking, storing, removing and disposing of same, and manufacturing gasoline and other products therefrom, with the right for such purposes to the free use of oil, gas or water from said land, but not from Lessor's water wells or ponds, and granting the right to build tanks, power houses, stations, houses for employees and such other structures (excepting refinery) as may be necessary or convenient in its operations, together with rights-of-way, easements and servitude for pipe lines, power lines, telephone and telegraph lines, with the right of removing, either during or after the term hereof, any and all improvements placed or erected on the premises by Lessee, including the right to pull all casing, on all that certain tract of land situated in the County of Box Elder, State of Utah, described as follows, to-wit:

In Township 9 North, Range 7 West, Salt Lake Meridian: Lots 3 and 4 and the East Half of the Southwest Quarter of Section 7, 160.45 acres, more or less. Also Lots 3 and 4 and the East Half of the Southwest Quarter of Section 19, 160.07 acres, more or less. Also Lots 1, 2, 3 and 4 and the East Half of the Northwest Quarter of Section 31, 203.74 acres, more or less, a total of 524.26 acres, more or less.

In Township 9 North, Range 8 West, Salt Lake Meridian: All of Section 13, 640 acres, more or less. The East Half, the East Half of the West Half, the Northwest Quarter

For Assignment see Book "X" of Minutes Page 474 J.M.C.

of the Northwest Quarter, and Lots 1 and 2 of Section 23, 565.66 acres, more or less. The North Half of the Southwest Quarter and Lots 1 and 2 of Section 25, 154.78 acres, more or less, a total of 1,360.44 acres, more or less, and containing a grand total of 1,884.70 acres more or less.

To Have And To Hold the same for a term of two (2) years from and after the date hereof, and so long thereafter as oil or gas, or casinghead gas, or other hydrocarbon substances, or either or any of them, is produced therefrom in quantities deemed paying by Lessee.

In consideration of the premises it is hereby mutually agreed as follows:

1. Lessee shall pay Lessor as royalty the equal 1/6th part of the value of all oil removed from the leased premises, after making the customary deduction for temperature, water and b. s., at the posted market price in the district in which the premises are located for oil of like gravity the day the oil is run into pipe line or storage tanks, and in this event settlement shall be made by Lessee on or before the 20th day of each month for accrued royalty for the preceding calendar month; or at Lessor's option exercised not oftener than once in any one calendar year upon sixty (60) days' previous written notice, deliver into Lessor's tanks on the leased premises or at mouth of well to pipe line designated by Lessor, free of cost, Lessor's 1/6th part of said oil.

2. Lessee shall pay Lessor as royalty 1/6th of the gross proceeds derived from the sale of gas from each well while same is being sold or used off the premises, and in this event settlement shall be made by Lessee on or before the 20th day of each calendar month for gas sold during the preceding month, but nothing in this agreement contained shall require Lessee to save or market gas from said lands, unless there shall be surplus above fuel requirements and a market at the well for same. The Lessor to have gas free of cost from any gas well on the leased premises for all stoves and inside lights in the principal dwelling houses on said land by making his own connections at a point designated by Lessee, the taking and use of said gas to be at the Lessor's sole risk and expense at all times.

3. The Lessee shall pay to Lessor for gasoline or other products manufactured and sold by the Lessee from gas produced from any well as royalty 1/6th of the net proceeds from the sale thereof, after deducting cost of manufacturing and marketing same. If said gas is sold by the Lessee, the Lessor shall receive as royalty 1/6th of the net proceeds of the sale thereof.

4. This lease shall terminate as to all rights and obligations contained hereunder unless the Lessee shall on or before one year from date hereof commence operations for the drilling of a well for oil or gas on the above described land, and prosecute the drilling thereof with due diligence and dispatch until a depth of 3,500 feet has been reached, unless oil or gas is found in paying quantities at a lesser depth, or unless formations are encountered at a lesser depth which would indicate to the Lessee's geologist that further drilling would be unsuccessful, or unless mechanical difficulties are encountered in the prosecution of the drilling of said well; in the event such formations or mechanical difficulties are encountered, then the Lessee may abandon said well, but this lease shall continue in full force and effect provided a new well is commenced within ninety (90) days from the abandonment of the first well and thereafter drilled diligently as hereinabove provided. If at any time prior to the discovery of oil or gas on this land and during the term of this lease. Lessee shall drill a dry hole on this land, to the depth specified above, this lease shall terminate unless operations for the drilling of a new well shall be commenced within four months from the date of the completion of said dry hole, and thereafter be drilled diligently by Lessee.

5. If operations for the drilling of a well for oil or gas be not commenced on said land on or before 120 days from this date, this lease shall terminate as to both parties, unless the Lessee shall, on or before 120 days from this date, pay or tender to the Lessor or for the Lessor's credit in the First Security Bank of Utah, N.A. at Logan, Utah or its successors, which bank and its successors are the Lessor's agent, and shall continue as depository of any or all sums payable under this lease, regardless of changes of ownership in said land or in the oil or gas, or in the rentals to accrue thereunder, the sum of Five Hundred Dollars per acre per month, which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of twelve months. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively during the term fixed in the preceding paragraph for the commencement of drilling operations. All payments or tenders may be made by check or draft of Lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is the intent hereof that rentals shall not be paid except for the purpose of deferring the commencement of drilling operations as herein provided.

6. After discovery of oil in paying quantities in any of the wells herein provided for on the above described premises, the Lessee agrees to commence operations for the drilling of another well within ninety (90) days thereafter, and thereafter continuously operate at least one (1) string of tools, allowing ninety (90) days between the completion of one well and the commencement of the next succeeding well until one well has been drilled to each 40 acres, said number to be an average regardless of where drilled. Nothing herein shall be considered to limit the number of wells which the Lessee may drill should it so elect in excess of the number hereinabove specified

7. If, after the expiration of the three (3) year term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided Lessee resumes operations for the drilling of a well or the restoration of production within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operation, and, if production results therefrom, then as long as production continues, provided, however, that at its option the Lessor may cancel this lease if the Royalties payable pursuant to this lease shall not equal \$1,000.00 per year, provided, however, that the Lessee may pay the deficiency whereupon said lease shall continue in force.

8. In the event of discovery of oil in any well on adjacent properties within three hundred (300) feet of the boundary line of the above described premises, and the same produces oil in paying quantities for thirty (30) consecutive days, then in that event the next well to be drilled in accordance with Section 6 hereof shall be so placed as to offset said well on adjacent property, or if no well is being drilled by Lessee on demised premises, and the total well requirements as specified in Section 6 have not been fulfilled, then Lessee shall, within ninety (90) days thereafter commencing operations for the drilling of a well to offset such producing well and drill the same diligently to the strata from which oil is being produced on the adjacent property.

9. There shall be no obligation upon the part of the Lessee to drill, pump or operate said premises, except offset wells, when wells offset are being operated, so long as the price of oil of the quality produced on said property shall be less than seventy-five cents per barrel at the well.

10. Notwithstanding anything in this lease contained to the contrary, it is expressly understood and agreed that the obligations imposed upon the Lessee may be

suspended so long as Lessee's compliance is prevented by the elements, accidents, strikes, lockouts, riots, delays in transportation, inability to secure materials in the open market or interference by State or Federal action, or other causes beyond the reasonable control of the Lessee.

11. The Lessee shall carry on all operations in a careful, workmanlike manner and in accordance with the laws of the State of Utah. The Lessee shall keep full records of the operations and of the production and sales 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 the Lessor. Whenever requested by the Lessor, the Lessee shall furnish to the Lessor a copy of the logs of all wells drilled on said property.

12. This lease is made subject to all rights conveyed in that certain deed wherein the Promontory-Curlew Land Company is party of the first part and Lindsay Land & Livestock Company, a Utah Corporation, is party of the second part, said deed being dated August 28, 1924 and recorded September 11, 1924 in the office of the Recorder of Box Elder County, Utah in Book 23 of Deeds at Page 214 at 10:55 A.M.

13. The Lessee shall pay the surface owner or surface tenant for all damages to live stock, crops, trees, fences, existing pipe lines, canals, buildings and other improvements caused by its operations under this lease. In event the parties hereto are unable to agree on the amount of such damage, then the same shall be left to arbitration.

14. The Lessee agrees that no well shall be drilled nearer than one hundred fifty (150) feet of any dwelling house, now on said premises, without the written consent of the Lessor, unless such drilling be necessary for the protection of the interests of either of the parties hereto. When requested by Lessor, the Lessee shall bury its pipe lines below plow depth.

15. The Lessee may at any time quitclaim this lease in its entirety or as to part of the acreage covered hereby and thereupon Lessee shall be released from all further obligations as to the part of the land so quitclaimed, and all rentals and drilling obligations shall be reduced pro rata according to the acreage quitclaimed. All lands quitclaimed shall remain subject to easements for rights-of-way necessary or convenient for Lessee's operations on land retained by it. Except as herein provided, full right to said land shall revert in Lessor, free and clear of all claims of Lessee, except that Lessor, his successors or assigns, shall not drill any well on the said land within three hundred (300) feet of any producing well retained by Lessee.

16. The Lessee shall pay all taxes on its improvements and all taxes on oil stored on the leased premises on the first day of March in each year, and 5/6ths of the increase of taxes on the demised premises, or on such part of the demised premises as may be retained by the Lessee, under this lease, caused by the discovery of oil, gas or other substances herein mentioned thereon, and whether assessed upon said land, or as mineral rights or otherwise; it being the intention of the parties hereto that any taxes levied or assessed due to the discovery and existence of any of said substances shall be borne by the parties hereto in the proportion of 5/6ths by the Lessee and 1/6th by the Lessor.

17. On the expiration of this lease, or if sooner terminated, the Lessee shall quietly and peacefully surrender possession of the premises to the Lessor and deliver to him a good and sufficient quitclaim deed and shall, so far as practicable, cover all sump holes and excavations made by it. In case of abandonment of any well by Lessee, if the Lessor desires to retain the same, he may notify the Lessee to that effect and thereupon the Lessee shall leave such casings in the well as the Lessor may require, and

the Lessor shall pay to the Lessee fifty per cent (50%) of the original cost of such casing on the ground.

18. Upon the violation of any of the terms or conditions of this lease by the Lessee and the failure to remedy the same within sixty days after written notice from the Lessor so to do, then, at the option of the Lessor, this lease shall forthwith cease and terminate, and all rights of the Lessee in and to said land be at an end, save and excepting as to any and all wells producing or being drilled and in respect to which Lessee shall not be in default, and saving and excepting rights-of-way necessary for Lessee's operations, provided, however, that the Lessee may at any time after such default, and upon payment of the sum of Ten Dollars (\$10.00) to the Lessor as and for fixed and liquidated damages quitclaim to the Lessor all of the right, title and interest of Lessee in and to the leased lands in respect to which it has made default, and thereupon all rights and obligations of the parties hereto one to the other shall thereupon cease and terminate as to the premises quitclaimed.

19. All work done on the land by the Lessee shall be at the Lessee's sole cost and expense, and the Lessee agrees to protect said land and the Lessor of claims of contractors, laborers, or material men, and the Lessor may post and keep posted on said lands such notices as he may desire in order to protect said lands against liens.

20. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the above described lands, and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

21. In case said Lessor owns a less interest in the above described lands than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said Lessor only in the proportion which his interest bears to the whole undivided fee.

22. The Lessee has executed a quitclaim deed reconveying said premises to the Lessor, and in case of default in the performance of the terms and conditions of this lease, as herein contained, the Lessor is hereby authorized to record said quitclaim deed whereupon all the interests of the Lessee, pursuant to the terms of this lease, shall cease and terminate. This lease shall not be assignable, nor shall any assignment transfer title to any purported assignee or assignees hereof, until and unless said assignee or assignees shall first execute and deliver a quitclaim deed conveying said lands to the Lessor, which said quitclaim deed shall likewise be held by the Lessor herein subject to the same right to record the same upon default in the performance of any of the terms and conditions of this lease as hereinbefore provided. Upon the recording of said deed from said assignee or assignees, all of its or their rights shall thereupon terminate. R.T.C.

23. "Drilling Operations" as used in this lease is defined to mean placing of material upon premises for the construction of a Derrick and other necessary structures for the drilling of an oil or gas well followed diligently by the construction of such derrick and other structures and by the actual operation of drilling in the ground.

24. All payments which may fall due under this lease shall be made to Promontory-Curlew Land Company one of the above named Lessors, in the manner herein stated.

25. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the successors and assigns of said Lessor or Lessee.

In Witness Whereof, the parties hereto have caused this lease to be executed the day and year first above written.

Witness:

-----  
-----

Promontory-Curlew Land Company  
By S. S. Eccles President  
and Herschel Bullen Secretary  
Lessor

R. T. Colter  
R. T. Colter Lessee

State Of Utah )  
                  ) ss  
County Of Cache )

On this 12th day of October A. D. 1943, personally appeared before me S. S. Eccles and Herschel Bullen who each being duly sworn, did say: That they are the President and Secretary respectively, of Promontory-Curlew Land Company, a corporation, that said instrument was signed in behalf of said corporation, by authority of a resolution of its Board of Directors; and said S. S. Eccles and Herschel Bullen acknowledged to me that said corporation executed the same.

.....  
Adrian W. Hatch Notary Public  
State of Utah  
.....

Adrian W. Hatch Notary Public  
Residing at Logan, Utah  
Notary Public  
Residing at Logan, Utah  
My Commission Expires April 24, 1945

My commission expires:  
-----

Filed for record and recorded Oct. 30 1943 at 11:30 A.M. in Book X of Miscel., page 145  
Fee \$5.20; Abst'd. in Books S of Sec., pages 479 and 258; E of Sec., page 243; F of Sec.  
pages 392 & 394; I of Sec., page 207.

Rec. by Cleo F. Madsen  
Proof-Read by LL & JG

Thurza N. Young, County Recorder  
By Ruby Christensen, Deputy