

RECORDER'S NO. 95771G RECORDED DEC 30 1963

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MARGARET R. EVANS - BOX ELDER COUNTY RECORDER Margaret R. Evans

MINERAL LEASE NO. 2223

APPLICATION NO. 2082

GRANT: School

RECORDER'S MEMO  
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ASPHALT PETROLEUM AND  
**Oil and Gas Lease**

THIS INDENTURE OF LEASE entered into in duplicate this 2nd day of January A. D. 1953, by and between the STATE OF UTAH acting by and through the State Land Board, hereinafter called LESSOR, and

HYDRO-CARBON PRODUCTS COMPANY

hereinafter called LESSEE, whether one or more.

WITNESSETH:

Section 1. RIGHTS OF LESSEE—That Lessor, in consideration of the rents and royalties to be paid and the covenants and agreements hereinafter contained and to be performed by Lessee, does hereby grant and lease to LESSEE the right to prospect and explore for and the exclusive right and privilege to drill for, mine, extract, remove and dispose of all oil and gas in or under the following described tract of land in the County of Box Elder, State of Utah, to-wit:

All that portion of the following subdivisions within the bed of the Great Salt Lake lying below the meander line which, if surveyed, would be described as follows: Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>) of the Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>); Northeast Quarter (NE<sup>1</sup>/<sub>4</sub>) of the Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>); Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>) of the Northeast Quarter (NE<sup>1</sup>/<sub>4</sub>) of Section Eight (8); Southwest Quarter (SW<sup>1</sup>/<sub>4</sub>) of the Southwest Quarter (SW<sup>1</sup>/<sub>4</sub>); Southeast Quarter (SE<sup>1</sup>/<sub>4</sub>) of the Southwest Quarter (SW<sup>1</sup>/<sub>4</sub>); Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>) of the Southwest Quarter (SW<sup>1</sup>/<sub>4</sub>) and the Southwest Quarter (SW<sup>1</sup>/<sub>4</sub>) of the Northwest Quarter (NW<sup>1</sup>/<sub>4</sub>) of Section Five (5), Township Eight (8) North, Range Seven (7) West, Salt Lake meridian,

containing 187.10 acres, more or less, together with the rights to construct and maintain thereon all works, buildings, plants, waterways, roads, communication lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, subject, however to the conditions hereinafter set forth.

The term gas as used in this lease shall be interpreted to include any substance, either combustible or non-combustible, which is produced in a natural state from the earth and which maintains a gaseous or rarefied state at ordinary temperature and pressure conditions.

The term oil as used in this lease shall be interpreted to include any liquid hydrocarbon substance which occurs naturally in the earth, including deep gasoline or other natural condensates recovered from gas without resort to manufacturing process.

Section 2. TERMS OF LEASE—This lease, unless terminated at an earlier date as hereinafter provided, shall be for a primary term of ten years from and after date hereof and for so long thereafter as oil or gas or either of them are produced in commercial quantities from the leased premise.

In respect to the duration of the term of this lease, gas shall be deemed commercially produced from any "shut-in" gas well capable of producing gas in commercial quantities when such gas cannot be reasonably marketed under the then existing marketing and transportation conditions, and such facts are shown to exist to the satisfaction of the Lessor, provided expressly that Lessee shall be obligated to pay to Lessor for each month during the "shut-in" period the sum of five cents (5c) per acre as rental in addition to the rentals herein provided for.

If at the expiration of the primary term of this lease, leased substances are not being produced from said lands, but Lessee is then engaged in drilling or reworking operations, or if after the expiration of the primary term production shall cease, but Lessee commences drilling or reworking operations within sixty (60) days thereafter, and such facts are shown to exist to the satisfaction of the Lessor, then and in either of said events this lease shall continue in force so long as drilling or reworking operations are being diligently prosecuted on the leased lands as determined by Lessor, and so long thereafter as oil or gas or either of them shall be produced in commercial quantities from the leased premises.

Section 3. ANNUAL RENTAL—Lessee agrees to pay to Lessor annually in advance as rental the sum of fifty cents (50c) per acre. The rental for the calendar year in which this lease is granted shall be that portion of such annual rental which is proportionate to the period of time remaining in the calendar year during which the lease is issued, except as in this lease otherwise provided. Any such rental paid hereunder shall be credited against the royalties, if any, payable by Lessee on production during the year for which such rental is paid.

(a) Oil—LESSEE agrees to pay to LESSOR a royalty of twelve and one-half per cent (12½%) of the oil produced and saved from the leased premises; or, at the option of LESSOR, to pay to LESSOR the cash value of such royalty oil. When paid in money, the royalty shall be calculated upon the reasonable market value of the oil at the well, including any subsidy or extra payment which the lessees, or any successor in interest thereto, may receive, without regard as to whether such subsidy or extra payment shall be made in the nature of money or other consideration, and in no event shall the royalties be based upon a market value less than that used by the United States in the computation of royalties, if any, paid by this LESSEE to the United States of America on oil of like grade and gravity produced in the same field. When LESSOR elects to take royalty oil in kind, such royalty oil shall be delivered on the premises where produced without cost to LESSOR at such time and in such tanks provided by LESSEE as may reasonably be required by LESSOR, but in no event shall LESSEE be required to hold royalty oil in storage beyond the last day of the calendar month next following the calendar month in which the oil was produced. LESSEE shall not be responsible or held liable for the loss or destruction of royalty oil in storage from causes over which LESSEE has no control.

(b) Gas—LESSEE also agrees to pay to LESSOR twelve and one half per cent (12½%) of the reasonable market value at the well of all gas produced and saved or sold from the leased premises. Where gas is sold under a contract, and such contract has been approved in whole or conditionally by the LESSOR, the reasonable market value of such gas for the purpose of determining the royalties payable hereunder shall be the price at which the production is sold, provided that in no event shall the price for gas be less than that received by the United States of America for its royalties from gas of like grade and quality from the same field. Provided expressly that the reasonable market value of processed or manufactured or extracted products, for the purpose of computing royalties hereunder, shall be the value after deducting the costs of processing, extracting or manufacture, except that the deduction for such costs may not exceed two-thirds of the amount of the gross of any such products without approval by the LESSOR and, provided further that the market value of extracted, processed or manufactured products used in the computation of royalties hereunder shall be the value of such products as sold or offered for sale in the open market at the time and place of production.

(c) Other Substances—Should the LESSEE encounter or discover on the leased premises any mineral substances other than oil and gas or either of them, as herein defined, the LESSEE shall immediately report such fact to the LESSOR.

(d) Time of Payment—All royalties on production shall be paid to the LESSOR on or before the 15th day of the month following the month in which the production was made.

LESSOR may at its option, take its royalty gas in kind at well store, provided expressly that LESSEE shall be under no obligation to furnish any storage facilities for royalty gas.

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(For Assignments see 178 pg. 595 + 179 pg. 483) m.e.

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**Section 5. RIGHTS RESERVED TO LESSOR**—The LESSOR expressly reserves:

- (a) **Easements and Rights of Way**—The right to permit for joint or several use in a manner which will not unreasonably interfere with LESSEE'S operations hereunder, such easements or rights of way upon, through or in the land hereby leased, as may be necessary or appropriate for the working of other lands belonging to the LESSOR containing mineral deposits, or to the working of the land hereby leased for other than the hereby leased substances, and for other public purposes.
- (b) **Surface Disposition—Leasing for Other Deposits**—The right to use, lease, sell or otherwise dispose of the surface of said hereby leased lands, or any part thereof, under existing state laws, subject to the rights herein granted and insofar as in the judgment of the LESSOR, said surface is not necessary for the use of the LESSEE in the exercise of the rights granted LESSEE hereunder, and also the right to lease mineral deposits, other than the hereby leased substances, which may be contained in said hereby leased lands.
- (c) **Unitization**—The right, with the consent of the LESSEE, to commit the hereby leased lands to a unit or co-operative plan of development and to establish, alter or change the drilling, producing and royalty requirements, and term of this lease to conform thereto.
- (d) **Production Control**—The right to alter or modify the quantity and rate of production to the end that waste may be eliminated or that production may conform to the LESSEE'S fair share of allowable production under any system of state or national curtailment and proration authorized by law.

**Section 6. DRILLING AND DEVELOPMENT PROVISIONS.**

- (a) **Drilling Requirement**—At any time after five years from the date of this lease, LESSOR may at its discretion, by written notice to LESSEE, require LESSEE to commence operations for the drilling of a well upon the leased premises within not less than one hundred twenty days from the mailing of such notice to LESSEE. Upon LESSEE'S failure to so commence drilling operations within the time so required, this lease shall terminate and be without further force or effect. Failure of LESSEE to comply with such requirement of LESSOR as to commencement of drilling operations shall impose no liability upon LESSEE other than in respect to the resultant termination of LESSEE'S rights under this lease.
- (b) **Offset Wells**—Subject to the right of surrender as provided in this lease, LESSEE shall protect the oil and gas under the leased premises from drainage from adjacent lands or leases, and the LESSOR expressly reserves the right to require the commencement, completion and operation of a well or wells, that it considers necessary for the protection of the leased premises from adjacent lands or leases.
- (c) **Diligence—Proper Operations**—LESSEE agrees:
- (1) After discovery and subject to the rights of surrender herein provided, to exercise reasonable diligence in producing oil and gas and in the drilling and operating of wells on the land covered hereby, unless consent to suspend operations temporarily is granted by the LESSOR; and
  - (2) To carry on all operations hereunder in a good workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas; or the entrance of water to the oil or gas bearing sands or strata; to the destruction or injury of such deposits; to the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; and
  - (3) To take every reasonable precaution to prevent water from migrating from one stratum to any other and to protect any water bearing stratum from contamination; and
  - (4) To securely and properly plug in an approved manner any well before abandoning it; and
  - (5) To not drill any well within two hundred feet of any of the outer boundaries of the land hereby leased, unless to protect against drainage by wells drilled on lands adjoining less than two hundred feet from the property lines thereof; and
  - (6) To conduct all operations subject to the inspection of the LESSOR and to carry out at the LESSEE'S expense all reasonable orders and requirements of the LESSOR relative to the prevention of waste and preservation of the property, and the health and safety of workmen, and on failure of the LESSEE so to do the LESSOR shall have the right, together with other recourse herein provided, to enter on the property to repair damages or prevent waste at the LESSEE'S expense; and
  - (7) To conduct all operations under this lease in accordance with the LESSOR'S rules and regulations governing exploitation for and production of oil and gas which are now in force, and with such reasonable rules and regulations as hereafter may be adopted by the LESSOR; and
  - (8) To reimburse the owner or lessee of the surface of the leased premises, for actual damages thereto and injury to improvements thereon resulting from LESSEE'S operations hereunder, provided that LESSEE shall not be held responsible for acts of providence or occurrences beyond LESSEE'S control.

**Section 7. DRILLING BOND**—LESSEE agrees at the time of commencement of drilling operations to furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah, or such other surety as may be acceptable to the LESSOR, in the penal sum of not more than Five Thousand (\$5,000.00) Dollars conditioned upon the payment of all moneys, rentals, and royalties accruing to the LESSOR under the terms hereof, and upon the full compliance of all other terms and conditions of this lease and the Rules and Regulations relating hereto, and also conditioned on the payment of all damages to the surface and improvements thereon where the lease covers lands, the surface of which has been sold or otherwise leased. Such bond or bonds furnished prior to the development of the lands contained in this lease may be increased in such reasonable amounts as the LESSOR may decide after discovery of oil or gas.

The LESSOR may waive the provisions of this section, as to this lease, upon the furnishing of a blanket bond by LESSEE extending to and including LESSEE'S operations hereunder.

**Section 8. LOGS—REPORTS—MAPS**—LESSEE agrees to keep a log, in a form approved by the LESSOR, of each well drilled by the LESSEE on the lands hereby leased, showing the character of the formations, water, sands and mineral deposits penetrated by the drill, amount of casing, size and where set, and such other information as LESSOR may reasonably require, which log or copy thereof shall be furnished to the LESSOR. LESSEE agrees to file progress reports in a form prescribed by LESSOR, at the end of each week while each well is being drilled, to file annually or at such times as LESSOR may require, maps showing the development and the location of all wells, pipe lines and other works used in connection with the operations of LESSEE upon said leased lands, and to make such other reports pertaining to the drilling and production operations of LESSEE on the said leased lands as may be called for by the LESSOR. LESSOR may waive such reports as conditions may warrant.

LESSOR shall treat as confidential all reports, and other material filed pursuant to this paragraph, marked "confidential" by the LESSEE, for a period of one year from the date of filing.

**Section 9. CABLE TOOL WELLS—NOTICES OF WATER ENCOUNTERED—LEAVING OF CASING**—In the drilling of wells by cable tools under authority of this lease, all water bearing strata shall be noted in the log. LESSEE shall promptly give notice to LESSOR when water has been encountered and such notice shall include an estimate of the possible amount of flow of said water. LESSOR may, as herein below provided, in any case where a cable tool well drilled hereunder would otherwise be abandoned, elect to require that all or any part of the casing shall be left in any well when LESSOR deems it to the interest of the State of Utah to maintain said well for water. If LESSOR so elects, it shall so notify LESSEE of such election within fifteen days after receipt from LESSEE of notice of intention to abandon any cable tool well where water has been encountered. In any case in which the LESSEE incorporates in the notice of discovery of water a declaration that LESSEE desires to plug and abandon the well, such notice of election shall be given by LESSOR to LESSEE within twenty days after receipt of such notice of discovery. If LESSOR so notifies LESSEE it shall specify in the notice of election what part of the casing is to be left in the well. Failure of LESSOR to give such notice of election within the times provided herein shall be deemed an election by LESSOR not to require any casing to be left in the well.

**Section 10. DEFAULTS OF LESSEE**—Upon failure or default of the LESSEE or ASSIGNEE to comply with any of the provisions or covenants hereof the LESSOR is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed, by the LESSEE or ASSIGNEE so defaulting, but shall not extend to nor affect the rights of any other LESSEE or ASSIGNEE claiming any portion of the lands upon which no default has been made; provided, that in the event of a default LESSOR shall, before any such cancellation shall be made, send by registered mail to the LESSEE or ASSIGNEE so defaulting, to the postoffice address of said LESSEE or ASSIGNEE, as shown by the records of the LESSOR, a notice of intention to cancel, specifying the default for which cancellation is made, and if within thirty (30) days from the date of mailing said notice, the said LESSEE or ASSIGNEE shall have paid all rents or royalties in default, and shall have to the satisfaction of the LESSOR commenced to remedy any other default specified in said notice, there shall not be a cancellation thereof.

**Section 11. LESSOR'S RIGHTS OF ACCESS TO LEASED PREMISES AND LESSEE'S RECORDS**—It is understood and agreed by and between the parties hereto that LESSOR, its officers and agents, shall have the right at all reasonable times to go in and upon the leased lands and premises during the term of said lease to inspect the work done and the progress thereof on said lands and the products obtained therefrom, and to post any notice on the said lands that it may deem fit and proper; and also LESSEE shall permit any authorized representative of the LESSOR to examine all books and records pertaining to drilling operations, and pertaining to royalties payable to LESSOR under this lease, and to make copies of and extracts from the same, if desired.

Section 12. TRANSFERS OF INTEREST BY LESSEE—LESSOR will not permit any assignment of this lease, or of any interest therein, or any sub-lease or operating agreement as to the leased lands, or any portion thereof, unless and until such assignment, transfer, sub-lease or operating agreement is approved by the LESSOR. Any such instrument shall be filed with LESSOR within ninety days from the date of final execution thereof, and when and provided it is approved by the LESSOR, shall take effect as of the date of its execution. Subject to the necessity of approval as herein set out, all of the terms, covenants, conditions and obligations of this lease shall extend to and shall be binding upon the successors in interest of the LESSEE. The LESSEE further agrees not to enter into any agreements limiting, restricting, prorating, or otherwise affecting the natural production from said lands in any way or in any event without the consent in writing of the LESSOR first had and obtained.

Section 13. SURRENDER BY LESSEE—LESSEE may surrender this lease as to all or any part of the leased lands but not less than a quarter of a quarter section or a surveyed lot, by filing with the LESSOR a written relinquishment; which relinquishment shall be effective as of the date of filing and thereupon LESSEE shall be relieved from any liability thereafter to accrue as to the lands so surrendered, provided that such surrender shall not relieve LESSEE from any rental or royalty obligations accruing prior to the date of such surrender, and provided further that such surrender shall not relieve LESSEE'S obligation to properly plug and abandon any well drilled prior to such surrender, unless LESSOR at the time or prior to such relinquishment shall have requested LESSEE not to plug and abandon any well not theretofore plugged or abandoned.

If any portion of the leased lands are surrendered, the annual rental payable hereunder shall hereafter be reduced proportionately.

Section 14. EXCESS HOLDINGS—LESSEE agrees to observe faithfully the provisions of Title 86, Chapter 1, Section 18, Utah Code Annotated 1943 as amended.

Section 15. FAILURE OF LESSOR'S TITLE—It is understood and agreed that this lease is issued only under such title as the State of Utah may now have or hereafter acquire, and that the LESSOR shall not be liable for any damages sustained by the LESSEE, nor shall the LESSEE be entitled to or claim any refund of rentals or royalties theretofore paid to the LESSOR in the event the LESSOR does not have the title to the minerals in the leased lands. If LESSOR owns a less interest in the leased lands than the entire and undivided fee simple estate in the leased minerals, then the royalties herein provided shall be paid the LESSOR only in the proportion which its interest bears to said whole and undivided fee simple mineral estate in said lands.

Section 16. NOTICES—All notices herein provided to be given or which may be given by either party to the other except as otherwise provided by law shall be deemed to have been fully given when made in writing and deposited in the United States mail, postage prepaid, and addressed as follows:

State Land Board  
105 State Capitol  
Salt Lake City 1, Utah

and to the LESSEE—  
Hydro-Carbon Products Company  
} Atlas Building  
} Salt Lake City, Utah

The addresses to which the notices shall or may be mailed, as foreaid to either party, shall or may be changed by written notice given by such party to the other as hereinabove provided.

Nothing herein contained shall preclude the giving of any such notice by personal service.

IN WITNESS WHEREOF, the parties have hereto subscribed their names the day and year first above written.

STATE OF UTAH  
STATE LAND BOARD  
By Lee E. Young  
EXECUTIVE SECRETARY

Hydro-Carbon Products Co  
by John A Child Secy & Treas  
LESSOR

Robert H. Ruggen

STATE OF UTAH }  
COUNTY OF SALT LAKE } ss.

On the 20 day of February 1953, personally appeared before me Lee E. Young who being by me duly sworn did say that he is the Executive Secretary of the State Land Board of the State of Utah and that said instrument was signed in behalf of said Board by resolution of the Board, and said Lee E. Young acknowledged to me that said Board executed the same in behalf of the State of Utah.

Given under my hand and seal this 20 day of February 1953.  
My commission Expires: October 13, 1956

Lee E. Young  
Notary Public, residing at Salt Lake City, Utah

STATE OF }  
COUNTY OF } ss.

On the \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_, personally appeared before me \_\_\_\_\_ the signer of the above instrument, who duly acknowledged to me that \_\_\_\_\_ executed the same.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_.

My commission Expires: \_\_\_\_\_

RECORDER'S MEMO  
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Notary Public, residing at: \_\_\_\_\_

STATE OF Utah }  
COUNTY OF Salt Lake } ss.

On the 19th day of February 1953, personally appeared before me John A Child who being by me duly sworn did say that he is an officer of Hydro-Carbon Products Co and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said John A Child acknowledged to me that said corporation executed the same.

Given under my hand and seal this 19th day of February 1953.

My commission Expires: Jan 22 1957

John A Child  
Notary Public, residing at: \_\_\_\_\_

NOTED  
TO 1-8123 IS ASSIGNED FOR \$  
TO H. J. ...  
OF Calif  
STATE LAND BOARD  
By ...

DEC 20 1963  
RECEIVED  
STATE LAND BOARD

2 0/10 acre to heavy oil  
1/10 " " light oil

NOTED  
TO 1-8123 IS ASSIGNED FOR \$  
TO ...  
OF Calif  
By L.R.

NOTED  
TO ... IS ASSIGNED FOR \$  
TO ...  
OF ...  
By ...

RECORDER'S MEMO  
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Section 1: "The term heavy oil as used in this lease shall be interpreted to include base hydrocarbon substance, which conforms to samples in Lessor's possession, and which require extraordinary equipment and methods for its production, said equipment and methods not normally being used in the production of oil and gas."

Section 4: (e) The overriding royalty is to be limited to 2%

Section 4: "(f) HEAVY OIL Lessee also agrees to pay to Lessor a royalty of five percent (5%) of the heavy oil produced and saved from the leased premises; or, at the option of Lessor, to pay to Lessor the cash value of such royalty heavy oil. The value, time and manner of payment, or the manner, time and method of delivery shall be determined in accordance with Section 4(a) hereof."

I, Donald G. Prince, Economic Geographer, hereby certify that the foregoing is a true and correct copy of Mineral Lease No. 2223 which is on file in the office of the State Land Board, 105 State Capitol Building, Salt Lake City, Utah.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of December, 1963 and affixed the seal of the State of Utah.

*Index - ✓*

*Donald G. Prince*

DONALD G. PRINCE  
ECONOMIC GEOGRAPHER

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