

OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the ____ day of _____ 20__ between the Board of Commissioners of Big Horn County, Wyoming (herein referred to as “Lessor”), and _____, whose address is _____ (herein referred to as “Lessee”).

1. Grant of Leased Premises. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the land described on the attached Exhibit “A” (hereinafter called “Leased Premises”), for the purpose of exploring for, developing, producing, transporting and marketing oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith (“Oil and Gas Substances”). The term “gas” as used herein includes helium, carbon dioxide, gaseous sulfur compounds, methane produced from coal formations and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term “Leased Premises” also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee’s request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Ancillary Rights. The rights granted to Lessee hereunder shall include the right of ingress and egress on the Leased Premises or lands pooled or unitized therewith, along with such rights as may be reasonably necessary to conduct operations for exploring, developing, producing, transporting and marketing Oil and Gas Substances, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to explore, discover, produce, store, treat and/or transport Oil and Gas Substances and water produced from the Leased Premises or other lands that share central facilities and are jointly operated with the Leased Premises for gathering, treating, compression and water disposal. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Leased Premises for Lessee’s operations thereon, except water from the wells, ponds or reservoirs of Lessor. In exploring, developing, producing or marketing from the Leased Premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply to the entire Leased Premises, notwithstanding any partial release or other partial termination of this lease. Lessee shall bury its pipelines below ordinary plow depth. No well shall be located less than 300 feet from any house or barn now on the Leased Premises or other lands of Lessor used by Lessee hereunder, without Lessor’s consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the Leased Premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the Leased Premises or such other lands during the term of this lease or within a reasonable time thereafter. Notwithstanding any provision herein to the contrary, Lessor and Lessee hereby agree that, in the event that Lessor owns or holds any right, title, or interest in or to the surface of the Leased Premises or lands pooled or unitized therewith, prior to commencement of any activities under this Lease, Lessor and Lessee shall engage in good faith negotiations to reach an agreement for Lessee’s use of the surface of the property and to determine reasonable compensation to which Lessor is entitled therefore.

3. Delay Rentals. This is a paid up lease and there shall be no requirement for Lessee to pay delay rentals.

4. Term of Lease. This lease shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as any Oil and Gas Substance covered hereby are produced in paying quantities from the Leased Premises or from lands pooled or unitized therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof. Subject to other provisions herein contained, at the expiration of the primary term of this Lease (including any renewal terms), this Lease shall terminate as to all acreages, depths or zones which are not located within a drilling or spacing unit established by rule or order of the WOGCC in which there is located a well producing in paying quantities or a well capable of producing in paying quantities. Lessee shall have the right for one year after the expiration of the terms of this lease to enter the Leased Premises and remove any machinery or fixtures placed on the premises as well as the right to draw and remove casing during said period of time.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called “dry hole”) on the Leased Premises or lands pooled or unitized therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of this

lease or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences further operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the Leased Premises or lands pooled or unitized therewith within ninety (90) days after completion of operations on such dry hole or within ninety (90) days after such cessation of all production. If after the primary term this lease is not otherwise being maintained in force, but Lessee is then diligently engaged in Operations, as defined below, this lease shall remain in force so long as any one or more of such Operations are prosecuted with no interruption of more than ninety (90) consecutive days, and if any such Operations result in the production of Oil and Gas Substances, as long thereafter as there is production in paying quantities from the Leased Premises or lands pooled or unitized therewith.

As used herein, the term Operations shall mean any activity conducted on or off the Leased Premises that is reasonably calculated to obtain or restore production, including without limitation, (i) drilling or any act preparatory to drilling (such as obtaining permits, surveying a drill site, staking a drill site, building roads, clearing a drill site, or hauling equipment or supplies); and (ii) reworking, plugging back, deepening, treating, stimulating, refitting, installing any artificial lift or production-enhancement equipment or technique.

After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the Leased Premises or lands pooled or unitized therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the Leased Premises as to reservoirs then capable of producing in paying quantities on the Leased Premises or lands pooled or unitized therewith, or (b) protect the Leased Premises from uncompensated drainage by any well or wells located on other lands not pooled or unitized therewith.

6. Shut-in Royalty. If after the primary term one or more wells on the Leased Premises or lands pooled or unitized therewith are capable of producing Oil and Gas Substances in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of five dollars (\$5.00) per acre then covered by this lease. The payment shall be made to Lessor on or before the first anniversary date of the lease following the end of the ninety (90) day period and thereafter on or before each anniversary while the well or wells are shut in or production therefrom is not being sold by Lessee. . This Lease shall not be held through the payment of shut-in royalties for more than a cumulative period of two (2) years without the prior written consent of Lessor. If Lessor does not consent in writing to this lease being held through payment of shut-in royalties for more than a cumulative period of two (2) years, Lessee or its assigns will file of record a Release of Oil and Gas Lease as to all lands previously held by the payment of shut-in royalties and a copy will be supplied to Lessor.

7. Royalty Payment. For all Oil and Gas Substances that are physically produced from the Leased Premises, or lands pooled or unitized therewith, and sold, Lessor shall receive as its royalty three-sixteenths (18.75%) of the sales proceeds actually received by Lessee or, if applicable, its affiliate, as a result of the first sale of the affected production to an unaffiliated party, free of all costs of production. As used herein, the term “costs of production” shall have the meaning as defined in WYO. STAT. ANN. § 30-5-304, as amended. All royalties due under the Lease shall be paid in cash, unless Lessor specifically elects to receive its royalty in kind. Further, Lessee specifically understands and agrees that all other provisions of the Wyoming Royalty Payment Act, WYO. STAT. ANN. §§ 30-5-301 through 305, including, without limitation, the time limits within which royalty shall be paid and the information to be supplied with each such payment, shall be applicable to the Lease and Lessee’s obligations hereunder. If Lessee uses the Oil and Gas Substances (other than as fuel in connection with the production and sale thereof) in lieu of using the sale proceeds actually received in the first sale to an unaffiliated party, the price to be used under this provision shall be based upon arm’s-length sale(s) to unaffiliated parties for the applicable month that are obtainable, comparable in terms of quality and quantity, and in closest proximity to the Leased Premises. Such comparable arm’s-length sales price shall be less any non-production costs applicable to the specific arms-length transaction that is utilized.

8. Pooling. Lessee shall have the right to pool all or any part of the Leased Premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, as necessary to comply with well density rules of the Wyoming Oil and Gas Conservation Commission (“WOGCC”) and the size of any such pooled unit shall equal the drilling and spacing unit established for the applicable well by rule or order of the WOGCC. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which

includes all or any part of the Leased Premises shall be treated as if it were production, drilling or reworking operations on the Leased Premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Leased Premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

9. Unitization. Lessee shall have no right to commit this Lease to a federal exploratory unit or any other unit plan or agreement for the cooperative development or operation of leases without the prior written consent of Lessor, which consent will not be unreasonably withheld. When such a commitment is made, this lease shall be additionally subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production from a unit. Upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

10. Proportionate Reduction. If Lessor owns less than the full mineral estate in all or any part of the Leased Premises, payment of royalties and shut-in royalties hereunder shall be reduced as follows: royalties and shut-in royalties for any well on any part of the Leased Premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the Leased Premises bears to the full mineral estate in such part of the Leased Premises. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

11. Ownership Changes. The rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. This lease may not be assigned by Lessee without the prior written consent of Lessor, which consent will not be unreasonably withheld. The rights of the Lessor hereunder may be assigned by Lessor in whole or in part, provided, no change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished duly authenticated copies of the documents establishing such change of ownership. In the event of the death of any person entitled to payments hereunder, Lessee may pay or tender such payments to the credit of decedent or decedent's estate. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations arising thereafter (but not prior to such assignment) with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to make any payments due hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

12. Release of Lease. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder. Upon the expiration or termination of this Lease as to any acreage or zones as described in Paragraph 3 above, Lessee shall promptly execute and deliver to Lessor a written and acknowledged release of this lease as to such acreage, depths or zones.

13. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When, through no fault of the Lessee, drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

14. Breach or Default. Time is of the essence hereof, and if Lessee fails to tender any payment or perform any other condition hereof as provided it shall be in default of this Lease. In the event of default, Lessor shall give written notice of such failure or default to Lessee and, if Lessee fails to cure such failure or default within sixty (60) days after receipt of such notice, then Lessor may terminate this Lease and pursue any actions or remedies under the law, or Lessor may treat this lease as being in full force and effect and require specific performance. Termination of this lease shall not terminate Lessee's responsibility and liability to fully perform its obligations hereunder or as otherwise required by law, rule, or regulation. Lessee agrees that, upon termination, all of its rights and privileges hereunder shall cease and terminate, and it shall immediately quit and vacate the Leased Premises. Lessee shall pay all reasonable attorneys' fees and other expenses which Lessor may incur in enforcing the Lease with or without formal proceedings. Nothing in this provision shall limit any other remedies to which the parties may otherwise be entitled. In the event Lessor waives the performance of any of Lessee's obligations hereunder, such waiver shall be specific and limited to that single performance obligation and shall not be deemed a waiver of any other or future performance obligations of Lessee.

15. Warranty of Title. This lease is made without warranty of any kind, express or implied. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Indemnity. To the maximum extent permitted by law, Lessee hereby agrees to and shall indemnify, save, protect and hold harmless Lessor, and Lessor's directors, officers, employees, agents, successors and assigns (hereafter collectively referred to as "Indemnified Parties"), from and against any and all claims, liabilities, demands, suits, losses, damages, costs and expenses (including, without limitation, any attorney's fees) incurred by the Indemnified Parties which may in any manner arise out of or be related or connected, in any way, to Lessee's activities on the Leased Premises or on adjacent lands, including, without limitation, claims, liabilities, demands, suits, losses, damages, costs and expenses (including reasonable attorney's fees) for personal injury or death of any person and property damage or property destruction; for any allegation that any activities of Lessee are illegal, unauthorized or constitute an improper interference with any other party's rights or that any activities of Lessee have damaged the lands or operations of landowners, and for the violation or failure to comply with all federal state or local statutes, laws, rules, regulations and orders, including without limitation, Environmental Laws, including any claims based on the alleged concurrent or joint negligence of the Lessor. For purposes of this indemnity, the term "Environmental Laws" means any and all regulations, relating to or imposing liability or standards of conduct concerning protection of human health, safety or the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, as now or may at any time hereafter be in effect.

17. Governing Law. This Lease shall be interpreted according to the laws of State of Wyoming, and any lawsuit brought under this lease shall be brought in the State of Wyoming, County of Big Horn.

IN WITNESS WHEREOF, the undersigned has executed this instrument, effective as of the day and year first above written.

ACKNOWLEDGMENT

STATE OF WYOMING)
) ss.
COUNTY OF BIG HORN)

On this ____ day of _____, 20____, before me personally appeared _____
_____, the _____, known to me to be the person(s)
described and who executed the within instrument, and acknowledged to me that he/she executed the same as his/her free
act and deed and that he/she was authorized to do so by the entity he/she represents.

Witness my hand and official seal.

Notary Public

My Commission Expires:

EXHIBIT A

Township _____ North, Range _____ West, 6th P.M., Big Horn County, Wyoming

Section ____: _____

Section ____: _____

Section ____: _____

containing _____ gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise)