

MID-CONTINENT ENERGY EXCHANGE

Oil & Gas Asset Auctions



Lot 1925 Data Packet

Johnson, WY

Leasehold

In this Document:

[Lot Summary](#)

[Misc.](#)

[Outgoing Conveyance](#)



Summary

BidEx Lot #1925

Lease Name:	Johnson, WY Leasehold
County/State:	Johnson, WY
Asset Type:	Leasehold
Legal Description:	T53N, R77W, Pt Try 68 (Formerly Sec 24 W2NE:E2NW)
Acres:	160
Term Start Date:	December 2, 2023
Term End Date	December 2, 2028
Leasing Status:	Unleased. First year of lease payment have been prepaid. Years 2-5 to be paid by purchaser.

Disclaimer: Bidders must conduct their own due diligence prior to bidding at the auction. Bidders shall rely upon their own evaluations of the properties and not upon any representation either oral or written provided here. This is a summary of information provided by the seller to Mid-Continent Energy Exchange.



Misc. Info



STATE OF WYOMING
OIL AND GAS LEASE

This Lease is entered into by and between the State of Wyoming, acting by and through its Board of Land Commissioners as **LESSOR**, and administered by the Office of State Lands and Investments, and _____ as **LESSEE**.

Section 1. PURPOSE. LESSOR, in consideration of the rents and royalties to be paid and the covenants and agreements to be kept and performed by LESSEE, does hereby grant and lease to LESSEE, the exclusive right to drill for, mine, extract, remove, and dispose of all the oil, gas and associated hydrocarbon substances and gaseous substances and elements produced therewith, including sulfur, hydrogen sulfide, sulfur dioxide, nitrogen, carbon dioxide and helium, which may be produced from the following described land, to wit:

County: _____ Total Acres: _____ Advance Rental: \$ _____
(\$1.00 per acre or fraction thereof)

Together with the right of ingress and egress and the right to use so much of the surface of said lands as is necessary to construct and maintain thereupon all works, buildings, plants, waterways, roads, communication lines, pipe lines, reservoirs, tanks, pumping stations, or other facilities necessary to the proper conduct of operations in conformance with all applicable rules and regulations of the Board of Land Commissioners in effect during the term of this lease. LESSEE must obtain a Special Use Lease pursuant to Chapter 5 of the Rules of the Board of Land Commissioners for any equipment and facilities placed on this leasehold which do not solely benefit State interests.

Section 2. TERM OF LEASE. Subject to the terms and conditions herein, this lease shall become effective on the day and year set out below and shall remain in effect for a primary term of five (5) years and for so long thereafter as leased substances may be produced from the lands in paying quantities. "Paying quantities" is defined as production in quantities sufficient to yield a return in excess of operating costs even though drilling and equipment costs may never be repaid. In the absence of production of leased substances this lease may also be extended beyond its primary term as provided by the statutes of the State of Wyoming and the rules of the Board of Land Commissioners. Provided, however, if drilling, completion, testing or reworking operations are being diligently conducted, either during the primary term or during any extension thereof, this lease shall continue in full force and effect so long as such operations are being conducted and so long thereafter as oil or gas may be produced in paying quantities. This lease may be relinquished or terminated at an earlier date as provided herein.

Section 3. If LESSOR owns an interest in oil and gas in said land less than the entire fee simple estate, then the royalties and rentals to be paid LESSOR shall be reduced proportionately.

Section 4. LESSEE expressly represents that, if an individual, LESSEE is a citizen of the United States, or has declared an intention to become a citizen, and is over 19 years of age, and if a corporation, is duly qualified to transact business in Wyoming.

Section 5. This lease is issued under the authority conferred by Title 36, as to the State and School Lands, and Title 11, as to Farm Loan lands, and shall be subject to, and operations by LESSEE hereunder shall be conducted in compliance with the specific lease terms set out on the reverse of this lease, and with all applicable state statutory requirements and the rules and regulations issued thereunder, including those providing for the leasing of State or Farm Loan Lands for oil and gas; the conservation of oil and gas; and the regulation of security transactions.

Section 6. HEIRS AND SUCCESSORS IN INTEREST. It is covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit thereof shall inure to the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

Section 7. SOVEREIGN IMMUNITY. The State of Wyoming and LESSOR do not waive sovereign immunity by entering into this lease, and specifically retain immunity and all defenses available to them as sovereigns pursuant to WYO. STAT. § 1-39-104 (a) and all other laws of the State of Wyoming.

IN WITNESS WHEREOF, this lease has been executed by LESSOR and LESSEE to become effective on the _____ day of _____, A.D.

LESSOR, STATE OF WYOMING, Acting by and through its Board of Land Commissioners.

LESSEE:
BY: _____

Signature _____

Address: _____

Director, Office of State Lands and Investments

City _____ State _____ Zip _____

Subject to Stipulation No(s). _____

OIL AND GAS TERMS

Section 1. LESSEE AGREES:

(a) BOND(S). To furnish a bond(s) with an approved corporate surety company authorized to transact business in the State of Wyoming, or such other surety as may be reasonably acceptable to LESSOR, in an amount fixed by LESSOR, to secure the payment for any damages to the surface of the land, including crops, water wells, reservoirs, or improvements, caused by LESSEE'S operations on the land, and to assure compliance with all the terms and provisions of this lease, including rent and royalties owed, the laws of the State of Wyoming, and all applicable rules and regulations. LESSEE shall provide such bond(s) prior to the development of the lands contained in this lease. Such bond(s) may be increased in such reasonable amounts as LESSOR may decide upon commencement of drilling and other operations, and after discovery of oil or gas, in which case lessee has sixty (60) days to post any additional bond(s) or show cause reasonably acceptable to LESSOR that a bond(s) increase should not be required or this lease may be terminated. This bonding requirement does not affect any obligations pursuant to the Split Estate Act. WYO. STAT. §§ 30-5-401 -409.

(b) PAYMENTS. To make all payments accruing hereunder to the State of Wyoming - Office of State Lands and Investments, Herschler Building, 3rd West, 122 West 25th Street, Cheyenne, Wyoming 82002-0600.

(c) RENTALS/MINIMUM ANNUAL ROYALTY. (i) Prior to the discovery of oil or gas in paying quantities, to pay LESSOR in advance, beginning with the effective date of this lease, an annual delay rental of \$1.00 per acre or fraction thereof. If the delay rental is not paid on or before the date it becomes due, notice of default will be sent to LESSEE, and an administrative handling assessment of one dollar (\$1.00) per acre for the missing payment will be assessed. LESSEE agrees that if the rental and any administrative handling assessment are not paid within thirty (30) days after the LESSOR gives notice of the default, the lease may be terminated without further notice.

(ii) After the discovery of oil or gas in paying quantities, to pay LESSOR in advance beginning with the first day of the lease year succeeding the lease year in which actual discovery was made, a minimum annual royalty of \$2.00 per acre or fraction thereof, unless changed by agreement. To maintain the lease, any deficient minimum annual royalty shall be paid within thirty (30) days of the deficiency notice from the Office of State Lands & Investments being sent by certified U.S. Mail to LESSEE'S last known address. The minimum royalty paid for any one (1) year shall be credited on the royalty for that year.

(d) ROYALTIES. Unless otherwise stipulated and agreed in writing, the royalties to be paid by LESSEE are:

(i) On oil, condensate, and other associated hydrocarbons in liquid form, one-sixth (1/6th) of the market value (as defined in (d) (v)) of that produced, saved, and sold from this lease. LESSOR'S royalty is not subject to costs incurred for exploration, development, production, primary or enhanced recovery and abandonment operations, including, but not limited to, lease acquisition, drilling, testing and completion, pumping and lifting, recycling, gathering, separating, treating, dehydrating, removing contaminants, transporting the oil to storage tanks, storing, as well as any marketing costs, and taxes of any kind. The reasonable, actual, unreimbursed costs of transportation of oil and condensate beyond the storage tanks shall be deductible, however such costs are subject to audit at the discretion of LESSOR.

(ii) On gas, including casinghead gas or other hydrocarbon substances, produced from said land saved and sold or used off the premises or processed for the extraction of natural gasoline, natural gas liquids or other products therefrom, one-sixth (1/6th) of the market value, (as defined in (d) (iv)) of the gas, natural gasoline, natural gas liquids, or other hydrocarbon and non-hydrocarbon elements and compounds, including, but not limited to, inert gases, sulfur and helium so sold or used. LESSOR'S royalty is not subject to costs incurred for exploration, development, production, primary or enhanced recovery and abandonment operations, including, but not limited to, lease acquisition, drilling, testing and completion, lifting, recycling, gathering, single or multiple stage compression, separating, treating, dehydrating, removing contaminants, amine treating, glycol, methanol and chemical injection, transporting the gas to the market pipeline, marketing costs, and taxes of any kind. The reasonable, actual, unreimbursed costs of transportation in the market pipeline up to fifty percent (50%) of the value of the residue gas shall be deductible, unless a greater amount is agreed to by LESSOR in writing. However, such costs are subject to audit at the discretion of LESSOR. Market pipeline is defined as the pipeline segment(s) from which gas can be sold without further treating or compressing.

(iii) On all other hydrocarbons of value and gaseous substances and elements produced or extracted, including, but not limited to, propane, butane, sulfur, nitrogen, carbon dioxide, and helium one-sixth (1/6th) of the market value (as defined in (d) (iv)) of that produced, saved, and sold from this lease less the reasonable, actual, unreimbursed cost of extraction shall be deductible, provided, however, that the allowance for the cost of extraction may not exceed two-thirds (2/3rds) of the value unless prior written approval of the Lessor has been received.

(iv) "Market value" is defined as the arm's-length sales price received by lessee for production in marketable condition, including all premiums and consideration in whatever form and at whatever time. If such production is sold pursuant to a non-arm's length, buy/sell, exchange, swap or any other similar transaction, "market value" shall be defined as the weighted average arm's-length value, including all premiums and consideration in whatever form, regardless of time and place, for like quality production in marketable condition at the appropriate market point or hub including market points or hubs where related transactions occur. In no event shall the arm's-length price for gas, or natural gasoline, be less than that received by the United States of America for its royalties from the same field.

(v) Natural gas and oil actually used for operating purposes on the lease and, except as to the ultimate sale thereof, gas and/or liquid hydrocarbons returned to the sand for stimulating the production of oil or secondary recovery purposes shall be royalty free. "Operating purposes on the lease" is defined as fuel used for production purposes, including to run a pumping unit(s), operate well-head compression, operate initial separation equipment at the well for separation of oil, water and gas, and run tank heaters, not to exceed two percent (2%) of wellhead volume unless a greater amount is agreed to by LESSOR in writing. Operating purposes upon the lease specifically excludes any use beyond separation and storage tank heating and all procedures and processes specifically deemed as the cost of production under the laws of the State of Wyoming.

(vi) If LESSEE receives any compensation for any function, process or liability related to production from this lease without the right given herein to deduct the costs related to such compensation, such compensation amount shall be included in the market value for such production type and royalty must be computed and paid thereon at the lease royalty rate.

(vii) If during any period of unapproved non-production from this lease, any production is sold from offsetting acreage from any well closer than four-hundred sixty feet (460') in any direction from the lease line, the right to continue this lease will be satisfied only by the payment of compensatory royalty, in the amount of one-half (1/2) the volume of the offset well at market value, at the lease royalty rate; or, by evidence of regulatory agency permission for an exception location at a point closer than four-hundred sixty feet (460') from any boundary of this lease. Further, offset production may not

continue for greater than one-hundred eighty (180) days in paying quantities, as sold from the offset well, without LESSEE beginning the drilling of a lease offset hereon; or, providing geological, reservoir characteristic, logistical, regulatory and/or financial information as necessary to satisfy LESSOR that the drilling of any specific offset on this lease will be uneconomical or otherwise not feasible within one-hundred eighty (180) days. Offset production is defined as production from a well not located on this lease but within four-hundred sixty feet (460') of the exterior boundary of this lease that has not been authorized by the regulatory agency. Failure to comply with this requirement will be cause for termination of this lease unless LESSEE can demonstrate to the reasonable satisfaction of LESSOR that no drainage could occur from an off-lease offset well.

(viii) The Wyoming Royalty Payment Act, WYO. STAT. §§ 30-5-301 through -305 shall apply to this lease; however, where there is a conflict between the Wyoming Royalty Payment Act and the terms of this lease, the lease language shall control.

(e) DISPOSITION OF ROYALTY OIL AND GAS. To deliver to LESSOR, or to such individual, firm or corporation as LESSOR may designate, all royalty oil, gas, or other kindred hydrocarbons, free of charge on the premises where produced, or, at the option of LESSOR, and in lieu of said royalties in kind, LESSEE agrees to pay LESSOR the market value of all royalty oil, gas, or other kindred hydrocarbons produced and saved and sold, spilled, lost, stolen, flared or vented, unless otherwise approved by LESSOR in writing. Prior written approval is not required for the justification of such unaccounted for production that occurs within standard industry practice.

When LESSOR elects to take its royalty oil, gas, or other hydrocarbons in kind, such oil, gas, or other kindred hydrocarbons shall be good marketable oil, gas, or other kindred hydrocarbons. LESSEE shall, if necessary, furnish storage for royalty oil free of charge for thirty (30) days after the end of the calendar month in which the oil is produced upon the leased premises, or at such place as LESSOR and LESSEE may mutually agree upon, provided, that LESSEE shall not be held liable for loss or destruction of royalty oil so stored from causes beyond its control. The free storage of oil, as herein provided, shall apply only as long as the said oil is the property of LESSOR.

(f) MEASUREMENTS OF PRODUCTION. That LESSEE or its operator or any purchaser from this lease shall, unless otherwise agreed to by LESSOR in writing:

(i) meter, gauge, measure and correct for temperature, all production from the lands leased hereunder and pooled or unitized with this lease in conformance with the methods and time intervals accepted as standard industry practice and the rules and regulations adopted by the Board of Land Commissioners, and report said production to LESSOR in accordance therewith.

(ii) keep books, records, charts, invoices and reports pertaining to the production from the land herein leased as well as those pertaining to the production from offset wells operated by LESSEE, his operator, or sub-lessee on other lands, which shall be opened at all times for the inspection of any duly authorized agent of LESSOR.

(iii) furnish LESSOR with copies of all pertinent original transporter and/or pipe line and processor statements/reports showing the day, if appropriate, month, year, amount, gravities, temperatures and pricing of all oil run and monthly reports showing the day, if appropriate, month, year, amount (volume), gas BTU; and, price of all gas natural gas liquids and/or and natural gas gasoline and other products produced and allocated to, and sold from the land herein leased, and the amount of gas and/or natural gas liquids or oil/condensate returned to the underlying producing zones/ horizons, for production purposes.

(iv) furnish LESSOR with copies of original sales reports showing the month, year, amount, gravity, BTU, temperature and price per unit of sales and by product, for all products sold from the lease or from interest within which this lease shares by any form of unit or pooling arrangement. Further LESSEE agrees to furnish all other pertinent volume and valuation information in the form prescribed by LESSOR.

(g) MONTHLY PAYMENTS AND STATEMENTS. Unless the time of payment is otherwise extended by the Office of State Lands and Investments to make payment on or before the last day of the calendar month succeeding the month of production and removal and sale of oil from the leased land and any land with which this lease is pooled or unitized; and, to make payment on or before the last day of the second calendar month succeeding the month of production and removal and sale of gas from the leased land and any land with which this lease is pooled or unitized; and to furnish monthly operator and payer production and royalty statements therewith showing in detail the quantity and quality of the production (per well if required where practical), including reports reflecting no production, from the land hereby leased, and the quantity and quality of the production (per well where practical) from offset wells upon cornering or contiguous land operated by LESSEE, its operator or sub-lessee and such other information as may be called for in the form or report prescribed by LESSOR. Failure to timely submit LESSOR-required reports and reporting documents, including reports reflecting no production, as called for within a practical time period as directed, shall result in a penalty assessment against LESSEE of \$100 per lease, per month, or fraction thereof, missing or delinquent. LESSOR shall send written notice to LESSEE requiring LESSEE to show cause for the delinquency or provide the required reporting. If such good cause for the delinquency is not shown by LESSEE within thirty (30) days, the lease may be cancelled. Failure to properly report and continued incorrect/untimely/improper reporting may result in lease cancellation.

(h) INTEREST. Any royalty not paid when due shall bear interest at a rate of eighteen percent (18%) per annum. Payment for royalty obligations on oil and lease condensate is due by no later than the end of the month immediately following the month of production and sale. Payment for royalty obligations on gas, plant inlet condensate and natural gas liquids/natural gasoline is due by no later than the end of the second month following the month of production and sale. The accrual and payment of interest does not constitute waiver or satisfaction of any penalty that may apply under the rules and regulations of the Board of Land Commissioners in effect during the term of this lease.

(i) WELLS TO BE DRILLED. To drill and operate effectively all wells necessary to reasonably offset wells upon, and production from, adjoining lands. To drill such additional wells at such times or places as are necessary and essential to the proper development and commercial production of the oil and gas content of said land.

(j) LOG OF WELLS AND REPORTS. To keep a log, in the form approved by LESSOR, of each well drilled by LESSEE on the lands herein leased, showing the strata and 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 require. To furnish copies of any and all reports affecting this lease as filed with the appropriate oil and gas regulatory agency or the authorized officer under any joinder in federal unitization/communitization or any non-federal pooling arrangements or communitization.

To file progress reports, in the form prescribed by LESSOR, at the end of each thirty (30) day period while each well is

being drilled.

To file annually, or at such times as LESSOR may require, maps/plats showing the development of the structure and the location of all wells, pipe lines and other works used in connection with the operations of LESSEE, its operator(s) and any transporters or purchasers upon said land.

To make such other reports pertaining to the production and operations by LESSEE on said land, and report such other information as may be possessed by LESSEE on the wells, production or operations of others on lands on the same geologic structure that may be of importance in effecting proper development and operation of the lands herein leased, as may be called for by LESSOR. The Office of State Lands and Investments may waive such reports as conditions may warrant.

(k)PRODUCTION. To operate the wells upon the land herein leased in a competent and efficient manner in an endeavor to recover and deliver for sale all the oil, gas, natural gas liquids/natural gasoline and salable non-hydrocarbons economically possible from said land and to prevent the drainage of the oil and gas thereunder by wells operated by LESSEE or others on cornering or contiguous lands to those leased herein.

All plans or methods for the purpose of stimulating or increasing production on lands herein leased other than those in common use shall first be presented to LESSOR for approval before being put into actual operation.

No production agreements or decisions limiting, restricting, prorating, shutting-in or temporarily abandoning any well on this lease, or otherwise affecting the natural production from said land shall be entered into by LESSEE, nor shall LESSEE limit, restrict, shut-in or temporarily abandon any well on this lease, nor prorate the natural production from said land in any way or in any event, except with the consent in writing of LESSOR having first been obtained.

(l)SUSPENSION OF OPERATIONS. Should any well drilled upon lands covered by this lease obtain production of oil, gas, or other hydrocarbons in paying quantities and LESSEE is unable to establish a satisfactory market for the oil, gas or hydrocarbons produced from said well, or, should any well drilled upon lands covered by this lease require de-watering or stimulating, LESSEE may apply for and LESSOR may grant permission for the suspension of production operations from the well and/or the lease until such times as a satisfactory market for the product from said well or lease can be developed. Grants of suspension shall be approved by LESSOR for a period of no greater than one (1) year unless LESSEE requests and receives an additional suspension. During the time any such suspension of operations is in effect, LESSEE shall continue to pay the annual royalty (rental) of \$2.00 per acre or fraction thereof for the first such suspension, and thereafter, as directed by LESSOR upon approval of each suspension, and this lease shall remain in effect as though oil or gas was being produced from said lands.

(m)DILIGENCE-PREVENTION OF WASTE. To exercise reasonable diligence in drilling, producing, and operating all wells on the land covered hereby, unless consent to suspend operations temporarily is granted by LESSOR; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, 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, the preservation and conservation of the property for future productive operations and to the health and safety of workmen and employees; to plug securely in an approved manner any well before abandoning it and to reclaim the well site and any disturbances associated therewith that will not be further used in operations on the lease, and not to abandon any such well without permission of LESSOR, and not to drill any well within two hundred feet (200') of any of the outer boundaries of the land covered hereby, unless to protect against drainage by wells drilled on lands adjoining less than two hundred feet (200') from the property lines thereof or by evidence of regulatory agency permission to drill within two-hundred feet (200') of the outer boundary of the lease; to conduct all operations subject to the inspection of LESSOR; to carry out at LESSEE'S expense all reasonable orders and requirements of LESSOR relative to the prevention of waste and preservation of the property and the health and safety of workmen; and, to complete all required reclamation activities including, but not limited to, the re-contouring, replanting and reseeding of drilling sites and other areas disturbed by drilling or other operations; and, upon failure of LESSEE to do so, LESSOR shall have the right, together with other recourse herein provided, to enter on the property to repair damage or prevent waste at LESSEE'S expense; to abide by and conform to valid applicable regulations prescribed to reimburse the owner of the surface, if other than LESSOR, or lessee of grazing rights thereof, for actual damages thereto and injury to improvements thereon, provided, that LESSEE shall not be held responsible for acts of providence or actions beyond its control. Failure to extinguish such obligations will cause a call for LESSEE and operator bond(s) and result in further action to recover any loss to LESSOR should such bonding amounts not cover the expenses/costs incurred.

(n)TAXES AND WAGES-FREEDOM OF PURCHASE. To pay, when due all taxes lawfully assessed and levied under the laws of the State of Wyoming upon improvements, oil and gas produced from the land hereunder, or other rights, property or assets of LESSEE, to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees in conformance with the laws of the State of Wyoming.

(o)ASSIGNMENTS OF LEASE-PRODUCTION AGREEMENTS. Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of LESSOR first had and obtained. LESSOR reserves the right to refuse approval of any assignment of any interest in this lease, including over-riding royalty interests should LESSOR determine such assignment would be to the detriment of proper and timely lease development. Approval will not be unreasonably withheld.

(p)DELIVER PREMISES IN CASE OF FORFEITURE. To deliver up the leased premises, with all permanent improvements thereon, including downhole cemented casing, in good order and condition in case of forfeiture of this lease, but this shall not be construed to prevent the removal, alteration or renewal of equipment and improvements in the ordinary course of continuing operations. Failure to deliver up the leased premises in good order and condition satisfactory to LESSOR will cause a call for LESSEE and operator bond(s) and result in further action to recover any loss to LESSOR.

Section 2. THE LESSOR EXPRESSLY RESERVES:

(a)The right to lease, sell, or otherwise dispose of the surface of the land embraced within this lease under existing laws or laws hereafter enacted, and in accordance with the rules of the Board of Land Commissions insofar as the surface is not necessary for the use of LESSEE in the conduct of operations hereunder.

(b)The right to lease, sell, or otherwise dispose of other mineral or subsurface resources not covered by the lease, in accordance with the applicable laws and the rules of the Board of Land Commissioners.

(c)From the operation of this lease, the surface lands heretofore granted for rights-of-way and easements and reserves the right to grant such other rights-of-way and easements as provided by the statutes of the State of Wyoming, as long as such rights-of-way and easements do not conflict with the operations for oil and gas on the land herein leased.

(d)The right to refuse to commit the leased lands to a unit plan of development if LESSOR finds such action would impair LESSOR'S reserved right to take its royalty gas in kind and to purchase all other gas allocated to the leased lands a provided in Section 1(e) above.

(e)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 LESSEE'S fair share of allowable production under any system of State curtailment and proration authorized by law.

(f) In addition to its right to take its royalty gas in kind, the right and option to purchase all other gas produced for sale or use off the leased lands. This option shall be exercised only if LESSOR finds that LESSEE has received and is willing to accept a bona fide offer from a purchaser who intends to sell or transport the gas into interstate commerce and that one or more intrastate purchasers (i.e., purchasers who will use, consume, or sell the gas for use or consumption entirely within the State of Wyoming) are willing and able to purchase the gas upon terms reasonably comparable to and at least as favorable to LESSEE as those offered by the interstate purchaser. LESSOR shall waive this option and permit an interstate sale if it finds that no intrastate purchaser is willing and able to purchase the gas upon terms which are reasonably comparable to and at least as favorable to LESSEE. As a condition to such waiver, a satisfactory agreement may be entered into by which the production of its royalty gas may be deferred until it can be produced and sold for consumption and use entirely within the State of Wyoming.

Section 3. APPRAISAL OF IMPROVEMENTS. LESSEE shall have the right subject to the provisions of Title 36, as to State and State School Lands, and Title 11, as to State Loan and Investments Board Lands, to remove any improvements owned by LESSEE, except downhole cemented casing, within a reasonable time after the termination of this lease. LESSEE agrees that any such improvements not removed within one hundred-eighty (180) days after termination of this lease may be disposed of at LESSOR'S option and is forfeited by LESSEE without recourse.

Section 4. FORFEITURE CLAUSE. LESSOR shall have the power and authority to cancel leases procured by fraud, deceit, or misrepresentations, or for the use of the lands for unlawful or illegal purposes, or for the violation of the covenants of the lease, and/or the rules and regulations of the Board of Land Commissioners and all effective applicable statutes. Upon proper proof thereof, in the event that LESSEE shall default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general rules and regulations promulgated by the Board of Land Commissioners and in force on the date hereof, LESSOR shall serve notice of such failure or default either by personal service or by certified or registered mail upon LESSEE, and if such failure or default continues for a period of thirty (30) days after the service of such notice, then and in that event LESSOR may, at its option, declare a forfeiture and cancel this lease, whereupon all rights and privileges, obtained by LESSEE hereunder shall terminate and cease and LESSOR may re-enter and take possession of said premises or any part thereof. These provisions shall not be construed to prevent the exercise by LESSOR any legal or equitable remedy which LESSOR might otherwise have. A waiver of any particular cause or forfeiture shall not prevent the cancellation and forfeiture of this lease by any other cause of forfeiture, or for the same cause occurring at any other time.

Section 5. RELINQUISHMENT AND SURRENDER. This lease may be relinquished and surrendered to LESSOR as to all or any legal subdivision of said lands as follows:

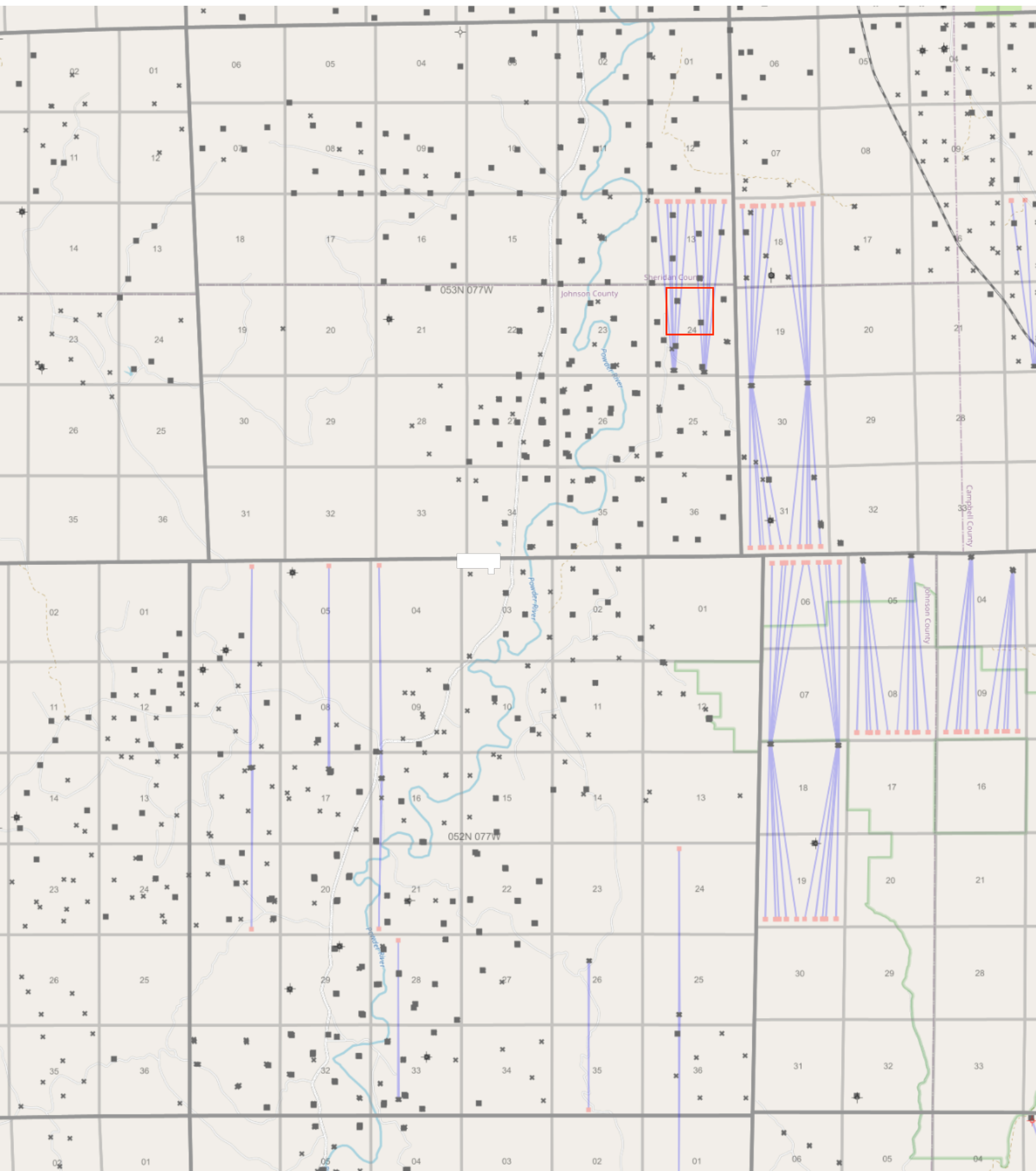
(a) If no operations have been conducted under the lease on the land to be relinquished, LESSEE shall file with the State Land Board and State Loan and Investment Board, a written relinquishment or surrender, duly signed and acknowledged and stating therein that no operations have been conducted on the land. The relinquishment so filed shall become effective on the date and hour of receipt thereof in the office of the Director or at some later date, if such be so specified by LESSEE therein. If the said relinquishment fails to state that no operations have been conducted, the effective date of relinquishment shall be the date the relinquishment is approved by LESSOR.

(b) If operations have been conducted under the lease on land proposed to be relinquished, LESSEE shall give sixty (60) days notice and shall file with the Director a written relinquishment or surrender duly acknowledged and stating therein that operations have been conducted on the land. The relinquishment shall not become effective until the land and the wells thereon shall have been placed in condition acceptable to LESSOR and shall have been approved by the State Oil and Gas Supervisor. Bonding under this lease shall not be released to any party until such time as a field inspection has established that reclamation is satisfactory and complete.

All rentals and any minimum annual royalties becoming due prior to a surrender or relinquishment becoming effective, shall be payable by LESSEE unless payment thereof shall be waived by LESSOR. A relinquishment having become effective, there shall be no recourse by LESSEE and the lease as to the relinquished lands may not be reinstated.

Section 6. Governing Law and Jurisdiction. The construction, interpretation and enforcement of this lease shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this lease and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

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Conveyance Document

Please note the following draft deed/assignment has been prepared by the seller in advance of sale. The successful buyer agrees to accept title to the lots pursuant to said deeds or assignments. Seller shall not be obligated or required to modify or change said deeds or assignments unless a correction is required to properly convey the interests being sold.

Effective 11-86
Form ML-2
(Revised 9-05)
Filing Fee - \$40.00 - Non-Refundable

STATE OF WYOMING
BOARD OF LAND COMMISSIONERS
OIL & GAS LEASE INTEREST ASSIGNMENT

Return To -
State Lands & Investments
122 West 25th Street
Herschler Building, 3 West
Cheyenne, WY 82002-0600

Wyoming Oil & Gas Lease Serial Number _____ Assignment Approval Date - _____

ASSIGNOR, with name and address at:

Being the owner of _____ percent _____
(Type of Interest: Leasehold/Operating Rights/Overriding Royalty)
interest in this lease, described in particular if less than the total leasehold as:

For good and valuable consideration, hereby assigns to: *****

1) ASSIGNEE, with name and address at:

_____ percent interest in the total leasehold, or as described in particular above.

2) ASSIGNEE, with name and address at:

_____ percent interest in the total leasehold, or as described in particular above.

3) ASSIGNEE, with name and address at:

_____ percent interest in the total leasehold, or as described in particular above.

4) ASSIGNEE, with name and address at:

_____ percent interest in the total leasehold, or as described in particular above.

5) ASSIGNEE, with name and address at:

_____ percent interest in the total leasehold, or as described in particular above.

and reserving unto ASSIGNOR: _____

This assignment is subject to any existing overriding royalties previously reserved. Reservations of overriding interests must be approved by the Director, and any such approval is subject to the condition that overriding royalties may be cancelled by the Board of Land Commissioners if it finds that such overriding royalties create a burden on the lease which prevents or unreasonably interferes with its development.

ASSIGNOR certifies by signature on reverse, that ASSIGNOR is the owner of the interest above herein transferred, and ASSIGNEE(S) certify(ies) by signing on the reverse that this assignment constitutes a binding acceptance of all the terms, conditions, stipulations, restrictions and statutes governing the lease described above, and of the Rules of the Board, at Chapter 18, Leasing of Oil & Gas.

*This form may be duplicated.
If space is needed for additional assignors or assignees submit copies of this form only.*

SIGNED AS TO TRANSFER AND ACCEPTANCE this _____ day of _____, 20_____.

ASSIGNOR -	Assignee (1) -
By -	By -
Title -	Title -

Assignee (2) -	Assignee (3) -
By -	By -
Title -	Title -

Assignee (4) -	Assignee (5) -
By -	By -
Title -	Title -

ASSIGNMENT REQUIREMENTS

Note: Assignments are not valid until approved by the Director, Office of State Lands and Investments as per State Oil & Gas Lease Terms, and approval is solely for administrative purposes and should not be interpreted as warranty that any party to this assignment holds legal or equitable interest in this lease. Assignments which do not meet the requirements listed below and those in the Lease and Rules will be returned unapproved.

- 1) This form must be completed and submitted for any assignment of State Oil & Gas Lease leasehold interest, undivided or divided as to separate tracts, formations, zones or deposits, and for overriding royalty interest.
- 2) Assignments of less than a 100% leasehold interest, do not relieve the assignor of the obligations as a lessee under the terms of the lease regarding the interest conveyed unless the State first has in hand, a written agreement to be bound as lessee for all obligations under the lease for the assigned portion from the assignee. This requirement should not be construed in any way as a release or recision of the obligations of any surety bonding parties under the requirements of the State oil and gas lease, Board Rules or this assignment. (All lessees are ultimately responsible for the performance under the lease, and default subjects the entire lease to forfeiture not just the interest related to any performance obligation considered to be in default.)
- 3) Two signed originals of each assignment must be filed with the Wyoming State Lands and Investments.
- 4) Each assignment, if approved, is recognized by the State as effective as of the date of approval by the Director. Adequate bond must be furnished covering any and all productive zones prior to approval of any assignment of interest in an operating State oil and gas lease, whether wellbores exist on the leased lands or not, and in no case can drilling operations, including to prospectively productive zones under operating leases, begin without a bond first being in place.
- 5) If there is more than one party in interest to this assignment, then all such parties in interest must sign the document before assignment approval will be given.
- 6) The appropriate legal description of the conveyed lands interests must be given.
- 7) Assignments creating a separate (reissue) lease subject to the rules and regulations governing all State of Wyoming Oil & Gas Lease do not change the terms and conditions of the original lease, the lease anniversary date, nor the obligations and anniversary date of the lease created there from being considered as if it had been issued on the effective date of the original lease. (See Board Rules, Chapter 18, Section 5)
- 8) Corporations, limited liability companies, and limited partnerships must be qualified with the Wyoming Secretary of State's Office, and general partnership papers are required to be filed with the State Lands and Investments prior to, and as a condition of Board approval of any assignment.
- 9) Assignments will not be considered for approval where assignor or any assignee currently has a delinquent (late) royalty or rental payment obligation(s) for any State subsurface resource lease.