

Producers 88—Revised  
Colorado - Utah (P)  
(10-59)

# OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 7th day of July, 1976, by and between  
Zella Walch, a single woman  
P.O. Box 102  
of Fillmore, Utah 84631

and Placid Oil Co., a Delaware Corp., 1600 1st Nat'l Bank Bldg., Dallas 17, Texas 75202, hereinafter called lessor (whether one or more, and hereinafter called lessee;

WITNESSETH: that lessor, for and in consideration of Ten and more DOLLARS (\$ 10.00) in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said lessee the lands hereinafter described for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate) and any substance, whether similar or dissimilar, produced in a gaseous state, together with the right to construct and maintain pipe lines, telephone and electric lines, tanks, powers, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of Millard State of Utah, and being described as follows, to-wit:

See EXHIBIT "A" attached hereto and made a part hereof.

of Section X, Township X, Range X, it being the purpose and intent of lessor to lease, and lessor does hereby lease, all of the lands or interests in lands owned by lessor which adjoin the lands above described or which lie in the section or sections herein specified. For all purposes of this lease, said lands shall be deemed to contain 263.49 acres.

Subject to the other provisions herein contained, this lease shall remain in force for a term of ten (10) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced from the above described land or drilling operations are continuously prosecuted as hereinafter provided. "Drilling operations" includes operations for the drilling of a new well, the reworking, deepening or plugging back of a well or hole or other operations in an effort to obtain or re-establish production of oil or gas, and drilling operations shall be considered to be "continuously prosecuted" if not more than 60 days shall elapse between the completion or abandonment of one well or hole and the commencement of drilling operations on another well or hole. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the above described land but lessee is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted; and if production of oil or gas results from any such drilling operations, this lease shall continue in force so long as oil or gas shall be produced, if, after the expiration of the primary term of this lease, production from the above described land should cease, this lease shall not terminate if lessee is then prosecuting drilling operations, or within 60 days after each cessation of production commences drilling operations, and this lease shall remain in force so long as such operations are continuously prosecuted, and if production results therefrom, then as long thereafter as oil or gas is produced from the above described land.

In consideration of the premises, lessee covenants and agrees:

- 1st. To deliver, free of cost, to lessor at the wells, or to the credit of lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at lessee's option, to pay to lessor for such one-eighth (1/8) royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.
- 2nd. To pay lessor one-eighth (1/8) of the proceeds received by lessee at the well for all gas (including all substances contained in such gas) produced from the leased premises and sold for lessee; if such gas is used by lessee off the leased premises or used by lessee for the manufacture of casinghead gasoline or other products, to pay to lessor one-eighth (1/8) of the prevailing market price of the well for the gas so used.

If no well be commenced on said land on or before one year from the date hereof, this lease shall (except as otherwise provided in this paragraph) terminate, unless lessee (or someone in his behalf), on or before such date, shall pay or tender to lessor, or to lessor's credit in the

First Security Bank at Fillmore, Utah 84631 (which bank and its successors shall continue as the depository regardless of changes in the ownership of said land or of the right to receive rentals), the sum of Eighty Seven and 83/100 DOLLARS (\$ 87.83), which shall operate as a partial payment of the rentals due on the expiration of the first 12 months from said date in like manner as to like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof.

All payments or tenders may be made by cash, check or draft, mailed or delivered on or before the rental date, and the depositing of such cash, check or draft in any post office, addressed to the depository bank or lessor (at his last known address as shown by lessee's records) on or before the rental date, shall be deemed payment or tender as herein provided. Notwithstanding the death of lessor, payment of rentals to such deceased or to his credit in the manner provided herein shall be binding on the heirs, devisees, executors, administrators and personal representatives of lessor and his successors in interest. If lessee shall, on or before any rental date, make a bona fide attempt to pay or deposit rental to a lessor entitled thereto under this lease occurring to lessee's records or to a lessor who, prior to such attempted payment or deposit, has given lessee notice, in accordance with the terms of this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in the wrong depository, or to the wrong party or to the wrong address, or to the wrong account, or otherwise), lessee shall be unconditionally obligated to pay to such lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected within 30 days after receipt by lessee of written notice from such lessor of such error accompanied by any documents and other evidence necessary to enable lessee to make good payment. The consideration first recited herein, the date of payment, covers not only the privilege granted for the date when said rental is payable as aforesaid, but also lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be completed as a dry hole, then, and in that event, if a second well is not commenced on said land within 12 months from the expiration of the last rental period for which rental has been paid (it being understood that for the purpose of this paragraph the period of time extending from the date of this lease to the first rental date shall be considered as a rental period for which rental has been paid), this lease shall terminate as to both parties, unless lessee on or before the expiration of said 12 months shall resume the payment of rentals in the same amount and in the same manner as heretofore provided. Upon resumption of the payment of rentals, as above provided, the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in rental payments.

If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease will continue in force during all of the time or times while such well is so shut in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to lessor the amount of such shut-in well, lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to lessor or to lessor's credit in the depository bank above designated. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

If lessor owns a less interest in the land covered by this lease than the entire and undivided fee simple mineral estate therein, then whether or not such less interest is referred to or described herein, all rentals and royalties herein provided shall be paid lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or allocation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge or notice to lessee of any change in the ownership of said land or of the right to receive rentals or royalties hereunder, or of any interest therein, whether by reason of death, conveyance or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until 90 days after lessee has been furnished written notice thereof, and the supporting information hereinafter referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all documents and other instruments or lessor's records and shall not exceed 640 acres (plus a tolerance of 10%) for gas or gas-condensate and shall not exceed 40 acres (plus a tolerance of 10%) for any other substance covered by this lease; provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The acreage pooled or consolidated with the leased premises shall be included in the acreage covered by this lease, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis.

Lessee may, at any time, execute and deliver to lessor or place of record a release covering all or any part of the acreage embraced in the leased premises or covering any one or more zones, formations or depths underlying all or any part of such acreage, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis. Lessee is granted the right, from time to time while this lease is in force, to pool into a separate operating unit or units all or any part of the land covered by this lease with other land, lease or leases, or interests therein (whether such other interests are pooled by a voluntary agreement on the part of the owners thereof or by the exercise of a right to pool by the lessee hereof), when in lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interests to be pooled, or to obtain a multiple production allowable from any governmental agency having control over such matters. Any pooling hereunder may cover all oil and gas, or any one or more of the substances covered by this lease, and may cover one or more of all zones or formations underlying all or any portion or portions of the leased premises. Any unit formed by such pooling shall be of abutting or cornering tracts and shall not exceed 640 acres (plus a tolerance of 10%) for gas or gas-condensate and shall not exceed 40 acres (plus a tolerance of 10%) for any other substance covered by this lease; provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The acreage pooled or consolidated with the leased premises shall be included in the acreage covered by this lease, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis. Lessee may, at any time, execute and deliver to lessor or place of record a release covering all or any part of the acreage embraced in the leased premises or covering any one or more zones, formations or depths underlying all or any part of such acreage, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis. Lessee is granted the right, from time to time while this lease is in force, to pool into a separate operating unit or units all or any part of the land covered by this lease with other land, lease or leases, or interests therein (whether such other interests are pooled by a voluntary agreement on the part of the owners thereof or by the exercise of a right to pool by the lessee hereof), when in lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interests to be pooled, or to obtain a multiple production allowable from any governmental agency having control over such matters. Any pooling hereunder may cover all oil and gas, or any one or more of the substances covered by this lease, and may cover one or more of all zones or formations underlying all or any portion or portions of the leased premises. Any unit formed by such pooling shall be of abutting or cornering tracts and shall not exceed 640 acres (plus a tolerance of 10%) for gas or gas-condensate and shall not exceed 40 acres (plus a tolerance of 10%) for any other substance covered by this lease; provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The acreage pooled or consolidated with the leased premises shall be included in the acreage covered by this lease, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis.

pooled area bears to the amount of the surface acreage of the entire pooled area. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest pooled pursuant hereto.

Lessee shall have the right to use, free of cost, oil, gas and water produced on said land for its operations thereon except water from wells of lessor.

Lessee shall bury below plow depth its pipe lines on the leased premises when requested by a lessor owning an interest in the surface.

Lessor hereby warrants and agrees to defend the title to the lands herein described, but if the interest of lessor covered by this lease is expressly stated to be less than the entire fee or mineral estate, lessor's warranty shall be limited to the interest so stated.

All express provisions and implied covenants of this lease shall be subject to all applicable laws, governmental orders, rules and regulations.

This lease and all provisions thereof shall be applicable to and binding upon the parties and their respective successors and assigns.

IN WITNESS WHEREOF, this lease is executed as of the day and year first above written.

Soc. Sec. No. 528-05-5246 A

Zella Walch
Zella Walch

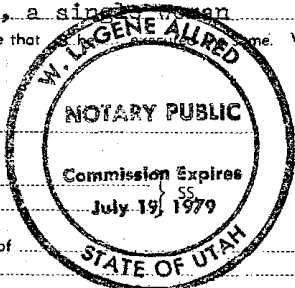
STATE OF Utah
COUNTY OF Millard } SS.

(Individual—Colorado - Utah)

On the 7th day of July, A. D., 1976, personally appeared before me Zella Walch, a single woman, the signer of the above instrument, who duly acknowledged to me that she executed the same. WITNESS my hand and official seal.

My commission expires:

July 19, 1979



W. Eugene Allied
Notary Public

Residing at: Fillmore Utah

STATE OF
COUNTY OF } SS.

(Individual—Colorado - Utah)

On the day of , A. D., 19 , personally appeared before me , the signer of the above instrument, who duly acknowledged to me that he executed the same. WITNESS my hand and official seal.

My commission expires:

Notary Public

Residing at:

STATE OF
COUNTY OF } SS.

(Corporation—Colorado - Utah)

On the day of , A. D., 19 , personally appeared before me , who being by me duly sworn, did say that he is the President of , a corporation, and that said instrument was signed in behalf of said corporation by authority of a resolution of its Board of Directors and said acknowledged to me that said corporation executed the same.

WITNESS my hand and official seal.

My commission expires:

Notary Public

Residing at:

STATE OF
COUNTY OF } SS.

(Certificate of Recording)

This instrument was filed for record on the day of , 19 at o'clock and recorded in Book at Page of the records of this office.

County Recorder

By

Deputy

AFTER RECORDING, RETURN TO:

EXHIBIT "A"

Attached to and made a part of a certain Oil and Gas Lease dated July 7, 1976, by and between Zella Walch, a single woman, Lessor, and Placid Oil Company, Lessee, described as follows, to-wit:

Township 18 South, Range 3 West S1M

Section 23:  $S\frac{1}{2}$   $S\frac{1}{2}$   $N\frac{1}{2}$   $SE\frac{1}{2}$

ALSO: Beginning at the Northeast corner of the Southeast quarter of the Southeast quarter of Section 23; thence West 160 rods; thence North 80 rods; thence West 80 rods; thence South 104 rods; thence East 240 rods; thence North 24 rods to POB. Containing 76 acres, more or less.

ALSO: Beginning at the Southeast corner of Section 23; thence North 56 rods; thence West 240 rods; thence South 56 rods; thence East 240 rods to POB. Containing 84 acres, more or less.

Section 24:  $NW\frac{1}{4}$   $SW\frac{1}{4}$

ALSO: Beginning at the Northwest corner of the Southwest quarter of the Southwest quarter of Section 24; thence South 24 rods; thence East 80 rods; thence North 169 feet, more or less; thence North  $48^\circ$  East 342 feet, more or less, along right-of-way line of Highway Project No. FL-67 to North boundary line of the Southeast quarter of the Southwest quarter of said Section 24; thence West 1572 feet, more or less, to POB. Containing 12.60 acres, more or less.

ALSO: Beginning 20 rods South of the Northeast corner of the Southwest quarter of Section 24; thence Southwesterly 79 rods; thence West 24 rods; thence South 6 rods to the Southwest corner of the Northeast quarter of the Southwest quarter; thence East 24 rods; thence Northeasterly 96 rods; thence Northwesterly 6 rods; thence Southwesterly 13 rods to POB. Containing 2.3 acres, more or less.

ALSO: Beginning 24 rods South of the Northeast corner of the Southwest quarter of the Southwest quarter of Section 24; thence South 56 rods; thence West 80 rods; thence North 56 rods; thence East 80 rods to POB. Containing 24.47 acres, more or less.

ALSO: Beginning at the Southeast corner of the Southwest quarter of the Northwest quarter of Section 24; thence North 8 rods; thence West 80 rods; thence South 8 rods; thence East 80 rods to POB. Containing 4 acres, more or less.

Section 25: Beginning at the Northwest corner of Section 25; thence South 98 feet, more or less, to Northwesterly right-of-way of Highway Project No. FI-67; thence North  $48^\circ$  East 147 feet, more or less, to North boundary line of said Section 25; thence West 108 feet, more or less, to POB. Containing 0.12 acres, more or less.

Initialed for identification

*Zella Walch*

17867  
NO. 17867  
RECORDED AT REQUEST OF  
*Placid Oil Co.*  
DATE *Aug. 19, 1976* TIME *8:50 P.M.*  
BOOK *116* OF REC. PAGE *517* FEE *\$ 1.00*  
*Kelley Martin*  
RECORDER OF MILLARD COUNTY, UTAH  
By *Terrance Stapler* Deputy