



CITYES SERVICE OIL AND GAS CORPORATION
BOX 1919
MIDLAND, TEXAS 79702

September 6, 1984

(915) 685-5600

RECEIVED

SEP 10 1984

DIVISION OF OIL
GAS & MINING

The State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
Ms. Arlene Sollis
4241 State Office Building
Salt Lake City, Utah 84114

RE: Cities Service Oil and Gas Corporation
Federal C No. 1
San Juan County, Utah
Lease No. U-35016

Dear Ms. Sollis:

Attached are two (2) copies of our Application for Permit to Drill the above captioned exploratory well. The location is 855' FNL and 1150' FEL of Section 35-T37S-R22E, San Juan County, Utah. It is spotted on the topographic maps included as Exhibits "B" and "C" of the "Thirteen Point Surface Use Plan" attached with the Application for Permit to Drill.

The subject drilling location is less than the 500' stipulation from a 1/4-1/4 section line as required for an orthodox location. The location was staked at this location for best possible geological subsurface structural position and to minimize surface disturbance because of topography and archaeological reasons. Attached are lease documents that show that Cities Service Oil and Gas Corporation controls all the offsetting acreage and especially the area within a 660' radius of the proposed location. The acreage covered by the oil and gas lease documents includes the east 1/2 Section 34, all of Sections 26 and 36 and the SW 1/4 of Section 25. Cities Service is designated the operator of Section 25, as shown on form 9-1123 included with the APD.

If additional information is needed, please contact me at 915/685-5600 in Midland, Texas.

Sincerely,

Elmer W. Startz
Region Operations Manager
Southwest Region
E & P Division

EWS/dty

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL:
 OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
 Cities Service Oil and Gas Corporation

3. ADDRESS OF OPERATOR
 P.O. Box 1919 - Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
 At surface
 855' FNL & 1150' FEL
 At proposed prod. zone
 Same as above

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 6 miles South of Blanding, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 855'

16. NO. OF ACRES IN LEASE 640

17. NO. OF ACRES ASSIGNED TO THIS WELL 80

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. N/A

19. PROPOSED DEPTH 6360' *Salt*

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 5381' Ungraded GL

22. APPROX. DATE WORK WILL START*
 After Permit Approval

5. LEASE DESIGNATION AND SERIAL NO.
 U-35016

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
 Federal C

9. WELL NO.
 1

10. FIELD AND POOL, OR WILDCAT
 Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 35-T37S-R22E

12. COUNTY OR PARISH 13. STATE
 San Juan Utah

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48#	40'	3 Yds of Redimix
12-1/4"	8-5/8"	24#	550'	400 sacks
7-7/8"	5-1/2"	14 & 15.5#	6360'	430 sacks

It is proposed to drill this well to a T.D. of 6360' and test the Lower Ismay Formation. The blowout prevention program is as follows:

1. One set of blind rams
2. One set of drill pipe rams
3. One Hydril

**APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING**
 DATE: 9/17/84
 BY: John R. Bar

The acreage allocated to this well is not dedicated to any gas purchaser.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 9-5-84
 (This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____
 APPROVED BY _____ TITLE _____ DATE _____
 CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

COMPANY CITIES SERVICE OIL & GAS CORPORATION

LEASE FEDERAL "C" WELL NO. 1

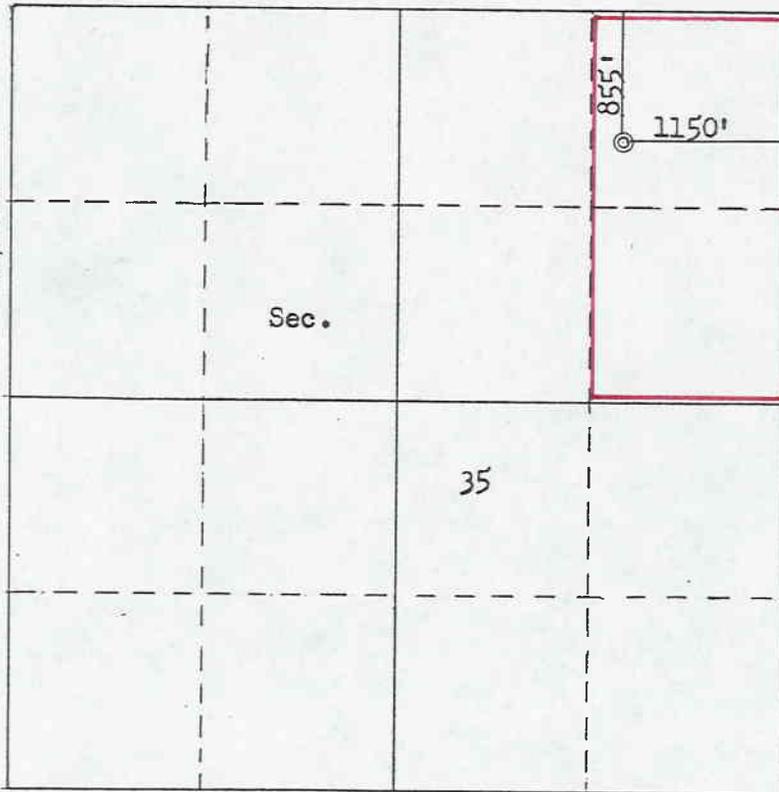
SEC. 35, T. 37S, R. 22E
San Juan County, Utah

LOCATION 855'FNL 1150'FEL

ELEVATION 5381 ungraded ground

Working interests of participating companies in this proposed well are as follows:

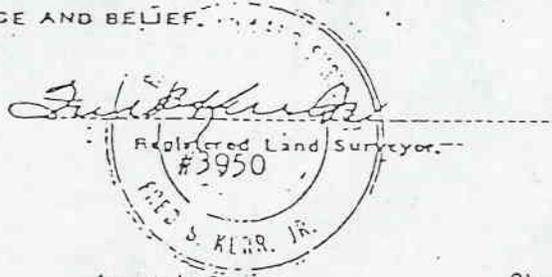
Cities	69.23077%
Hershey Oil	30.76923%
	<u>100.00000%</u>



SCALE—4 INCHES EQUALS 1 MILE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTE OF ACTUAL SURVEYS MADE BY ME UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SEAL:



SURVEYED August 3, 1984



CITIES SERVICE OIL AND GAS CORPORATION
BOX 1919
MIDLAND, TEXAS 79702

September 6, 1984

(915) 685-5600

United States Department of the Interior
Bureau of Land Management
Mr. Bob Graff, District Petroleum Engineer
P.O. Box 970
Moab, Utah 84532

RE: Cities Service Oil and Gas Corporation
Federal C No. 1
San Juan County, Utah
Lease No. U-35016

Dear Sir:

Attached are seven (7) copies of our Application for Permit to Drill the above captioned exploratory well.

An "on-site inspection" of the proposed road and location was made August 23, 1984. Those making the inspection were:

Bob Turri - Bureau of Land Management, Monticello, Utah
Richard McClure - Bureau of Land Management, Monticello, Utah
Glen Benfield - Atchison Construction Company, Farmington, New Mexico
Fred Kerr - Kerr Land Surveying, Farmington, New Mexico
Jamie Karlson - Archaeological Consultants, Durango, Colorado
Bob Meritt - Cities Service Oil & Gas Corporation, Midland, Texas

One archaeological site was encountered and recorded in conjunction with this survey. The site is located in the NE 1/4, SE 1/4, SE 1/4 of Section 25-T37S-R22E, SIM, San Juan County, Utah. It is situated on the crest of the mesa top on a gentle east-facing slope and consists of a sparse scatter of lithic tools and debitage along with a semicircular arrangement of small oxidized round sandstone rocks. The site was avoided by moving the access road to the east fork of the existing road, approximately 50 feet east of the site. No other surface evidence of archaeological or historical resources was found at the proposed location or along the access road.

Approximately 600 feet of new access road construction will be off the lease in the NW 1/4, NW 1/4, Section 36-T37S-R22E, San Juan County, Utah. This is shown as Exhibits "B" and "C" of the "Thirteen Point Surface Use Plan". A bank draft in the amount of \$70.00 is attached for the ROW fee.

If additional information is needed, please contact me at 915/685-5600 in Midland, Texas.

Sincerely,

Elmer W. Startz

Elmer W. Startz
Region Operations Manager
Southwest Region
E & P Division

EWS/dty

Enclosures



CITIES SERVICE OIL AND GAS CORPORATION
BOX 1919
MIDLAND, TEXAS 79702

September 5, 1984

(915) 685-5600

United States Department of the Interior
Bureau of Land Management
Mr. Bob Graff, District Petroleum Engineer
P.O. Box 970
Moab, Utah 84532

RE: Application for Permit to Drill
Cities Service Oil and Gas Corporation
Federal C No. 1
San Juan County, Utah
Lease No. U-35016

Dear Sir:

Cities Service Oil and Gas Corporation is the Designated Operator of U.S. Oil and Gas Lease U-35016 and proposes to drill a well on the leased premises to test for oil and gas at a location 855' FNL and 1150' FEL, Section 35-T37S-R22E, San Juan County, State of Utah.

The location and work area have been staked and the access road has been flagged. The well location is approximately six (6) miles south of Blanding, Utah and is located east of Murphy Point in the bottom of an unnamed intermittent tributary canyon of Recapture Creek.

In accordance with requirements stipulated in Federal Onshore Oil and Gas Order No. 1 under 43 CFR 3162.1, our Application for Permission to Drill and supporting evidence is hereby submitted:

1. Form 3160-3, Application for Permit to Drill.
2. Location, elevation and acreage dedication plat certified by Fred S. Kerr, Registered Land Surveyor No. 3950, dated August 3, 1984. Exhibit is attached.
3. The elevation of the unprepared ground is 5381 feet above sea level.
4. Basically, the geologic surface formation is the Morrison formation of the Jurassic period.

5. Rotary drilling equipment will be utilized to drill the well to TD 6358' and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.
6. Proposed total depth is 6358'.
7. Estimated tops of important geologic markers:

Morrison	Surface
Navajo	1204'
Wingate	1932'
Chinle	2278'
Shinarump	2880'
Cutler	3192'
Hermosa	4684'
Ismay	5982'
Desert Creek	6197'
Salt	6358'
Total Depth	6358'

8. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Primary Objective: Ismay - 5982'
Desert Creek - 6197'

Secondary Objective: Hermosa - 4684'

No surface water is anticipated.

9. The proposed casing program is as follows:

Conductor: 13-3/8" OD 48# H-40 ST&C new casing

Surface: 8-5/8" OD 24# K-55 ST&C new casing

Production: 5-1/2" OD 14# & 15.5# K-55 ST&C new casing

10. Casing setting depth and cementing program:

A. 13-3/8" OD conductor set at 40'. Cement to surface with ready mixed cement.

B. 8-5/8" OD surface casing set at 550'. Circulate cement with 400 sacks Class B with 2% CaCl₂ & 1/4# Flocele per sack. If cement does not circulate, determine the top of cement by temperature survey then finish cementing to the surface through 1" tubing in the annulus using Class B with 2% CaCl₂. The San Juan Resource Area will be notified in sufficient time to witness the running and cementing of the casing string.

- C. 5-1/2" OD production casing set at 6358'. Cement with 430 sacks Class H 50-50 Pozmix A with 2% Gel, 6-1/4# Gilsonite and 6# salt per sack. Top of cement will be 4000'. The San Juan Resource Area will be notified in sufficient time to witness the running and cementing of the casing string.

11. Pressure Control Equipment:

Pressure control equipment will consist of 10", 5000# ram type preventer with one set of blind rams and one set of pipe rams; 12", 3000# annular type preventer; 3000# choke manifold and 80 gallon accumulator with floor and remote operating stations and auxiliary power system.

An upper and lower kelly cock will be installed and maintained in operable condition and a drill string safety valve and drill string BOP in the open position will be available on the rig floor.

After setting the 8-5/8" surface casing, the blowout preventers and related control equipment will be installed and pressure tested to rated working pressure by an independent testing company. The blowout preventers will be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. The San Juan Resource Area will be notified in sufficient time to witness the tests and will be furnished a copy of the pressure test report.

Pipe rams will be operationally checked each 24 hour period to ensure good mechanical working order, as will blind rams and annular preventor each time pipe is out of the hole. Such checks of BOP's will be recorded on the daily drilling reports.

Accumulator shall maintain a pressure capacity reserve at all times to provide for repeated operation of hydraulic preventers.

12. Mud Program:

Mud system will be gel-chemical with adequate stocks of sorption agents on site to handle possible spills of fuel and oil on the surface. Weighting material will be on location to be added to the system if BHP dictates.

0' - 550'

Fresh water spud mud. Cell flocculated with lime. Treat with coarse fibrous LCM.

550' - 5200'

Fresh water using lime for flocculation to keep drilled solids from building up in the drilling fluid and for pH control.

5200' - 6358'

Fresh water gel system. 8.6# - 9.2# per gallon weight and 34-36 viscosity. pH will be controlled with caustic soda; water loss 10-15 cc with starch; Mica and nut plug for lost circulation material.

Mud system monitoring equipment with derrick floor indicators and visual and audio alarms shall be installed and operative before drilling below the 8-5/8" surface casing and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- A. A recording pit level indicator to determine pit volume gains and losses.
- B. A pit volume totalizer for accurately determining mud volumes necessary to fill the hole on trips.
- C. A flo-line sensor to warn of any abnormal mud returns from the well.

13. Testing, Logging and Coring Program:

- A. Testing Program: Two drill stem tests are planned. One in the Ismay and one in the Desert Creek.
- B. Mud Logging Program: Two man unit from 4000' to total depth.
- C. Electric Logging Program: BHC-CNL-FDC, DIL-MSFL, Dipmeter. Other logs may be selected at well site to better evaluate any shows.
- D. Coring Program: One 50' core in the Lower Ismay.
- E. Completion procedures will be to stimulate Dolomite and Limestone formations with HCl acid. Stimulate Sandstone formations with a frac of gelled water and sand.

Two copies of all logs, core descriptions, core analysis, well test data, geologic summaries, sample descriptions and all other surveys or data obtained and compiled during the drilling and/or completion operations will be filed with Form 3160-4.

"Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the BLM not later than 30 days after completion of operations, whether a dry hole or as a producer, in accordance with 43 CFR 3164.

14. Abnormal Conditions, Bottom Hole Pressures and Potential Hazards:

No abnormal pressures or temperatures have been noted or reported in wells drilled in the area nor at the depths anticipated in this well.

No hydrogen sulfide or other hazardous gasses or fluids have been found, reported or known to exist in the area at the total depth anticipated in this well.

15. Anticipated Starting Dates and Notifications of Operations:

The anticipated starting date will be as soon as possible after examination and approval of drilling requirements by the Bureau of Land Management.

Rotary drilling equipment will be utilized to drill the well to total depth 6358' and run casing. This equipment will then be rigged down and the well completed with a pulling unit.

Cities Service Oil and Gas Corporation will contact the San Juan Resource Area at 801/587-2201 48 hours before beginning any dirt work.

No location will be constructed or moved, no well will be plugged and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the District Manager. If operations are to be suspended, prior approval of the District Manager will be obtained and notification given before resumption of operations.

The spud date will be reported orally to the San Juan Area manager a minimum of 24 hours before spudding. A Sundry Notice (Form 3160-5) will be sent in 24 hours after spudding, reporting the spud date and time. The Sundry Notice will be sent to the District Manager. If the spudding is on a weekend or holiday, the Sundry Notice will be submitted on the following regular work day.

In accordance with Onshore Oil and Gas Order No. 1, this well will be reported on Form 9-329 "Monthly Report of Operations", starting with the month in which operations begin and continue each month until the well is physically plugged and abandoned. This report will be sent to the BLM District Office, P.O. Box 970, Moab, Utah 84532.

Spills, blowouts, fires, leaks, accidents or any other unusual occurrences shall be promptly reported to the Resource Area in accordance with requirements of NTL-3A.

A replacement rig (pulling unit) is planned for completion operations and a Sundry Notice (Form 3160-5) will be filed for prior approval of The District Manager. In emergencies, verbal approval will be given by the District Petroleum Engineer.

If the well is successfully completed for production, then the District Manager will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communication not later than 5 business days following the date on which the well is placed on production.

If the well is a dry hole, oral approval will be obtained from the District Petroleum Engineer. A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the District Manager within 30 days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration.

Final abandonment will be complete when the surface reclamation work as required by the approved APD or approved abandonment notice has been completed to the satisfaction of the San Juan Area Manager.

Approval to vent/flare gas during the initial well evaluation will be obtained from the District Office and will not exceed 30 days or 50 MMCF gas. Approval to vent/flare beyond the initial test period will be obtained from the District Office pursuant to guidelines in NTL-4A.

Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. The following information will be permanently beaded on with a welding torch: Federal well number, location by 1/4 1/4 section, township and range, lease number.

16. Form 9-1123 "Designation of Operator" designates Cities Service Oil and Gas Corporation as operator by the lessee.
17. Multi-Point Requirements to Accompany Application for Permit to Drill:
The Thirteen Point Surface Use and Operation Plan for submission to the surface management agency is attached.
18. If the Bureau of Land Management needs additional information to evaluate the request, please advise.

Sincerely,

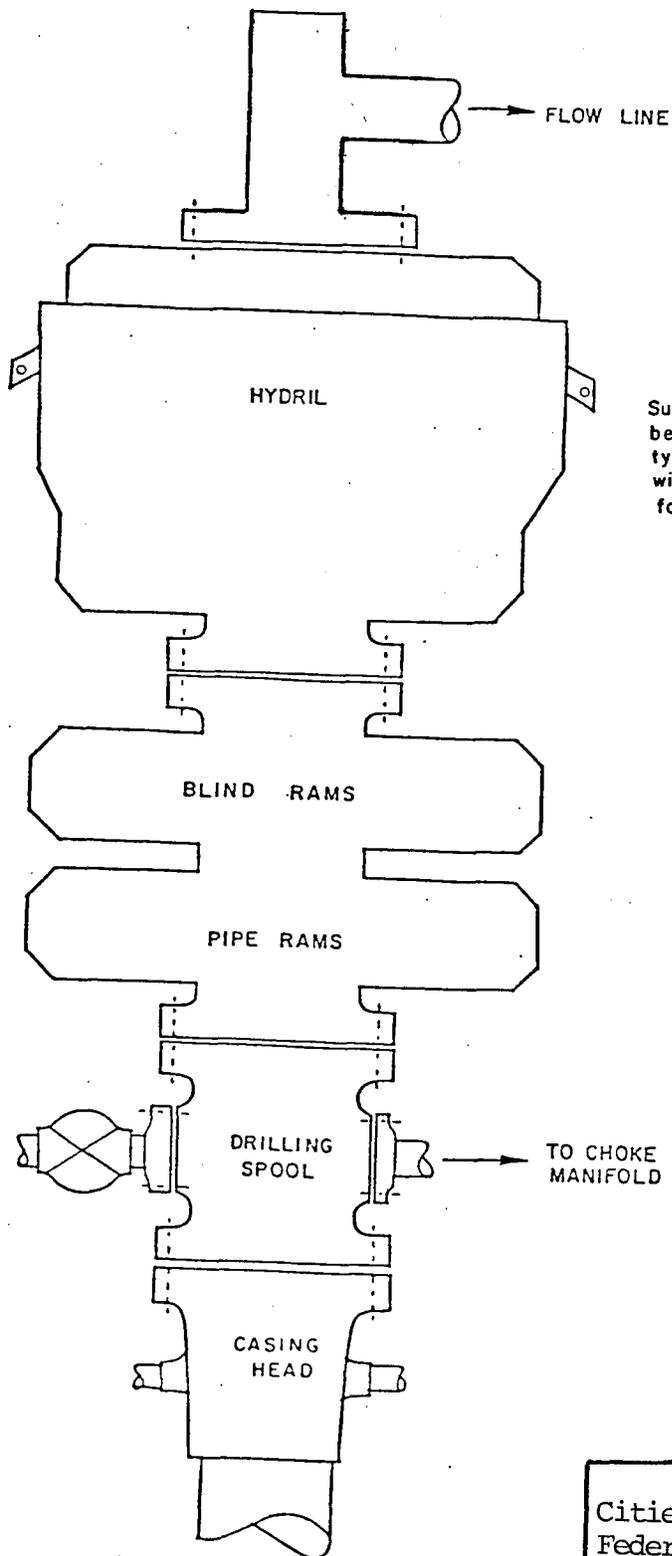


Elmer W. Startz
Region Operations Manager
Southwest Region
E & P Division

EWS/dty

Attachments

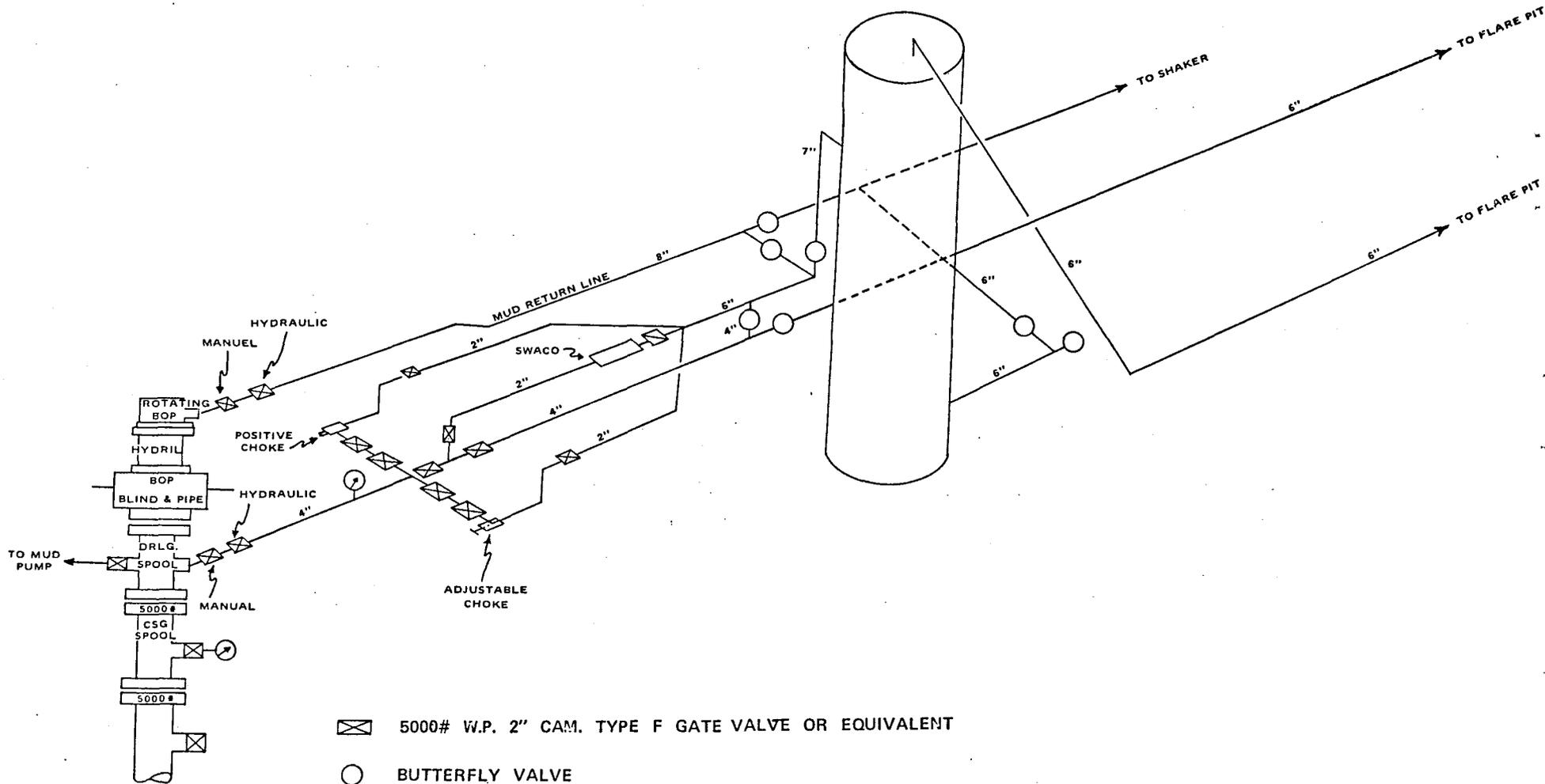
BLOWOUT PREVENTER DIAGRAM



CLOSING METHOD

Sufficient accumulator volume shall be available to operate both the bag type preventer and pipe ram preventer with a snap-action through the following steps: close-open-close.

Cities Service Oil & Gas Corporation
Federal "C" No. 1
855' FNL & 1150' FEL
Section 35-T37S-R22E
San Juan County, Utah
Lease No. U-35016



⊠ 5000# W.P. 2" CAM. TYPE F GATE VALVE OR EQUIVALENT

○ BUTTERFLY VALVE

Cities Service Oil & Gas Corporation
 Federal "C" No. 1
 855' FNL & 1150' FEL
 Section 35-T37S-R22E
 San Juan County, Utah
 Lease No. U-35016

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: Moab Sub-District Office
SERIAL No.: U-35016

and hereby designates

NAME: Cities Service Oil and Gas Corporation
ADDRESS: P.O. Box 1919
Midland, Texas 79702

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 37 South, Range 22 East, SLM, Utah
Section 35: All

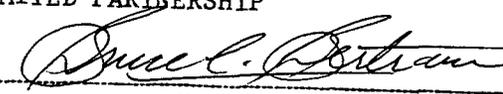
San Juan County, Utah

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

HOC 1982 ROCKIES OIL PROGRAM
LIMITED PARTNERSHIP

BY: 

(Signature of lessee)

Bruce C. Bertram

999-18th Street, Suite 1025
Denver, Colorado 80202

(Address)

July 27, 1984

(Date)

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Cities Service Oil & Gas Corporation
Well No. 1 Federal "C"
855' FNL and 1150' FEL Section 35-T37S-R22E
San Juan County, Utah
Lease No. U-35016

This plan is submitted with the Application for Permit to Drill the captioned well. Its purpose is to identify the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal may be made of the impact of the operation upon other resources.

The well has been staked by a registered land surveyor, Mr. Fred Kerr, Farmington, New Mexico and the work area is staked and flagged. Ms. Jamie Karlson with Archaeological Consultants, Durango, Colorado has been engaged to make an archaeological reconnaissance of the work area. Her findings concerning cultural resources will be reported to the Bureau of Land Management.

1. Existing Roads

- A. A portion of a San Juan County highway map is attached showing the location of the well as staked. The existing road system and the well site are shown in relation to the City of Blanding, Utah and State No. 47.

To further identify the location, the well is spotted on a copy of a USGS Blanding, Utah quadrangle map, showing the location in relation to the surrounding topography. It is located east of Murphy Point in the bottom of an unnamed intermittent tributary of Recapture Creek.

- B. The distance from Blanding, Utah is six (6) miles as the crow flies, but somewhat further by road. Proceed south 5 miles on Highway 47. Turn east on existing county road and go 2 miles, thence south on existing road approximately 1 mile. At this point the new access road will begin in Section 36. Follow the new access road southwest approximately 1/2 mile to the new location. Approximately 1/4 mile of new access road construction will be off the lease in Section 36 in exhibits "B" and "C". ROW is requested for this portion of the new road construction.
- C. This is an exploratory well. All existing roads within a 3 mile radius are shown on Exhibit "A".
- D. The existing road in Section 25-T37S-R22E will be upgraded.

2. Planned Access Roads

- A. The planned access road is staked and flagged. New road required will be 20' wide and approximately 1/2 mile long. The new road is color coded red on the USGS "Blanding" quadrangle map. Maximum disturbed width will be 25'. See Exhibit "B".
- B. Maximum grade: 10 percent
- C. Turnouts: Three needed. One in SW1/4 of Section 25 and two in NE1/4 of Section 35.
- D. Location: The centerline is shown on the USGS "Blanding" quadrangle map. Exhibits "B" and "C".
- E. Drainage: New road will have a drop of 6" from center line on each side.
- F. Surface Materials: On site material will be used. If additional material is needed, crushed sandstone will be acquired from private land in NW1/4 of NW1/4 of Section 25-T37S-R22E.
- G. Cattleguards: One will be installed at the entrance to private land on NW1/4 of Section 25 and one will be installed at the top of the natural topographic live stock barrier in the northeast corner of Section 35.
- H. If the well is completed as a producer, the new access road will be water barred or brought to Class III road standards within 60 days of dismantling of the drilling rig.

3. Location of Existing Wells

Exhibit "D" shows existing wells within a 2 mile radius of the exploratory well.

- A. There are no water wells within a two mile radius of this location.
- B. There are no producing wells in this two mile radius.
- C. There are two abandoned wells in this two mile radius.
- D. There are no disposal wells.
- E. There are no wells presently being drilled.
- F. There are no shut-in wells.
- G. There are no injection wells.
- H. There are no monitoring or observation wells for other uses.

4. Location of Existing and/or Proposed Facilities

- A. There are no existing tank batteries and/or production facilities.
- B. If the well is productive, new facilities will be as follows:
 - 1. Production facilities will be located on drill pad, as shown on Exhibit "H". They will be painted a flat, nonreflective, earth-tone color to match the standard environmental colors.
 - 2. All well flow lines will be buried and will be on the drill pad site. All loading lines will be placed inside the berm surrounding the tank battery. There will be no off-lease storage, measurement or commingling without approval of the District Manager.
 - 3. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to. A site security plan will be submitted. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.
 - 4. Oil and gas measurement facilities will be installed on the well location. Meters will be calibrated in place before deliveries. Meter calibration will be conducted monthly for the first 3 months and quarterly thereafter. The San Juan Area Manager will be provided date and time of all meter calibration and proving schedules. All meter measurement facilities will conform with the API standards.
 - 5. Production facilities will be 250' long and 200' wide. Unused areas of the drill pad not required for production facilities will be rehabilitated. It will be surrounded by a dike of sufficient capacity to contain 1-1/2 times the storage capacity of the battery.
 - 6. All construction materials for battery site and pad will be obtained from site. No additional material from outside sources is anticipated.
 - 7. Any necessary pits will be fenced and flagged to protect livestock and wildlife.
- C. Rehabilitation, whether well is dry or productive, will be made on all unused areas in accordance with BLM specifications.

5. Location and Type of Water Supply

- A. The source of fresh water for drilling purposes will be obtained from a private source located in the NW1/4 of SE1/4 Section 22-T37S-R33E, or approximately five miles south of Blanding, Utah. No brine water will be needed.
- B. Water will be transported by truck over existing roads.
- C. No water well is to be drilled on this lease.

6. Construction Materials

- A. No construction materials are needed for the drilling site pad. The surface soil materials will be sufficient.
- B. If any additional surfacing material is needed if well is productive, it will be crushed sandstone acquired from private land located in NWL/4 of NWL/4 Section 25-T37S-R22E.

7. Handling of Waste Materials and Disposal

- A. The reserve pit will be lined with commercial lining to prevent seepage. At least half of the capacity will be in cut.
- B. Three sides of the reserve pit will be fenced with four strands of barbed wire before drilling starts. The fourth side will be fenced as soon as drilling is completed.
- C. Any fluids produced during drilling test or while making production test will be collected in a test tank. While drilling, if a test tank is not practicable, fluids will be handled in reserve pit. Any spills of oil, gas, salt water or other noxious fluids will be cleaned up and removed. If well is productive, produced water will be disposed of on-site for 30 days only, or 90 days with the permission of the District Engineer. In the meantime, application will have been made for approval of a permanent disposal method in compliance with NTL-2b.
- D. A trash pit will be constructed near the mud tanks and dug at least six feet into solid undisturbed material. It will be totally enclosed with fine wire mesh before the rig moves in so that the location can be kept litter free.
- E. If a burn pit is needed, a permit will be acquired from the State Fire Warden.
- F. Chemical toilet facilities will be provided for human waste.
- G. Garbage and non-flammable waste and salts and other chemicals produced during drilling or testing will be handled in trash pit. Drill fluids, water, drilling mud and tailings will be collected in reserve pit, as shown on Exhibit "G". The trash pit will be totally enclosed with small mesh wire, to prevent wind scattering trash before being removed.
- H. After the rig moves out, all materials will be cleaned up and no adverse materials will be left on location. All dangerous open pits will be fenced during drilling and kept closed until such time as the pit is levelled.

8. Ancillary Facilities

No air strip, camp or other facilities will be built during drilling of this well.

9. Well Site Layout

- A. Exhibit "F" is the Drill Pad Layout as staked with elevations by Kerr Land Surveying, Farmington, New Mexico. Cuts and fills have been drafted to visualize the planned cut and fill cross section across the location site to the deepest part of the pad. The top 8-10" of soil will be stockpiled separate from the trees on the northwest side of the location. Top soil along the access road will be reserved in place. Access to the drill pad will be from the north.
- B. Exhibit "G" is a plan diagram of the drilling rig equipment, reserve pit, trash pit, pipe racks & mud tanks. No permanent living facilities will be erected. There will be temporary house trailers on location.
- C. Exhibit "H" is a plan diagram of the proposed production facilities layout.

10. Plans for Restoration

- A. If well is abandoned, site will be restored to original condition as nearly as possible. Backfilling, levelling and contouring to blend with natural topography are planned as soon as all pits have dried. Waste disposal and spoils material will be buried or hauled away immediately to an approved sanitary land fill after drilling is complete. If production is obtained, the unused area will be restored as soon as possible. The San Juan Resource Area office in Monticello, Utah will be notified 48 hours before starting reclamation work.
- B. The soil banked material will be spread evenly over the area. All fill and cut slopes flat enough to revegetate will be seeded to prevent erosion. Seeding will be broadcast between October 1 and February 28, as per BLM specifications.
- C. Water bars will be built along the access road to control erosion as per BLM specifications.
- D. Stabilization of cut and fill slopes will be accomplished as quickly as possible. All exposed slopes and disturbed areas will be broadcast seeded by formula provided by BLM after the disturbed areas are ripped 12" deep with the contour.
- E. Trees removed as a result of the construction and stockpiled will be scattered evenly over the disturbed areas and the access road will be blocked to prevent vehicular access.
- F. Three sides of the reserve pit will be fenced during drilling operations. Prior to rig release, the reserve pit will be fenced on the fourth side to prevent livestock or wildlife from entering; and, the fencing will be maintained until levelling and cleanup is accomplished.

- G. If any oil is on the pits and is not immediately removed after operations cease, the pit containing the oil or other adverse substances will be flagged overhead and covered with wire mesh.
- H. The rehabilitation operations will begin immediately after the drilling rig is removed. Removal of oil or other adverse substances will begin immediately, or the area will be flagged and fenced. Other cleanup will be done as needed.

11. Other Information

- A. Flora and Fauna: The vegetative cover is juniper, sage, Mormon tea, broom snakeweed, cliffrose, shadscale and galleta grass. Wildlife in the area includes mule deer, coyotes, cottontail rabbit, jack rabbit, red tail hawk and raven.
- B. Soil: Residual silty clay loam with sandstone and siltstone outcrops, boulders and effoliated fragments.
- C. Ponds and Streams: The closest stream is Recapture Creek southwest of the location.
- D. Topography: Mesa's and valleys with drainage to the south. Ground elevation of the location is 5381'.
- E. Archaeological, Historical and Cultural Sites: One observed in the area in the NE1/4 of SW1/4 of SE1/4 Section 25-T37S-R22E. Ms. Jamie Karlson has been engaged to make an archaeological reconnaissance of the work area and access road. Her findings concerning cultural resources will be reported to the BLM.
- F. Surface Ownership: The wellsite and access road are all on Federal owned surface. The surface is leased to Mr. Fred Halliday. Mr. Halliday will be notified of our intention to drill prior to any activity.
- G. The primary surface use is for grazing and intermittent mining. The location is on surface owned by the U.S. Government.
- H. The closest live water is Recapture Creek, southeast of the location as shown on Exhibits "B" and "C".
- I. The closest occupied dwellings are in Shirt Tail Corner, four (4) miles northwest as shown on Exhibit "A".
- J. There will be no change from the proposed drilling and/or workover program without prior approval from the District Manager. Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended or abandoned will be identified in accordance with 43 CFR 3162.2.

11. Other Information - Continued

- J. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3164.

The dirt contractor will be provided with an approved copy of the surface use plan.

If subsurface cultural materials are exposed during construction, work in that spot will stop immediately and the San Juan Resource Area Office will be contacted. All people who are in the area will be informed by the operator/holder that they are subject to prosecution for disturbing archaeological sites or picking up artifacts. Salvage or excavation of identified archaeological sites will be done by a BLM approved archaeologist only if damage occurs.

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

12. Addendum

To be submitted as an integral part of the "Multi-Point Surface Use and Operations Plan" is an archaeological survey by Jamie Karlson, Archaeologist.

13. Lessee's or Operator's Representative

The field representatives for assuring compliance with the approved surface use and operations plan are:

Elmer W. Startz
Region Operations Manager
P.O. Box 1919
Midland, Texas 79702

Office Phone: 915/685-5600

Home Phone: 915/682-0817

Pat D. Ranson
Drilling Specialist
P.O. Box 1919
Midland, Texas 79702

Office Phone: 915/685-5600

Home Phone: 915/694-5406

14. Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Cities Service Oil and Gas Corporation and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

9-6-84
Date

Elmer W. Startz
Elmer W. Startz, Region Operations Manager

GENERAL HIGHWAY MAP
SAN JUAN COUNTY
UTAH

SCALE
1 INCH = 2,000 FEET
0 1 2 3 MILES
1965
POLYCONIC PROJECTION

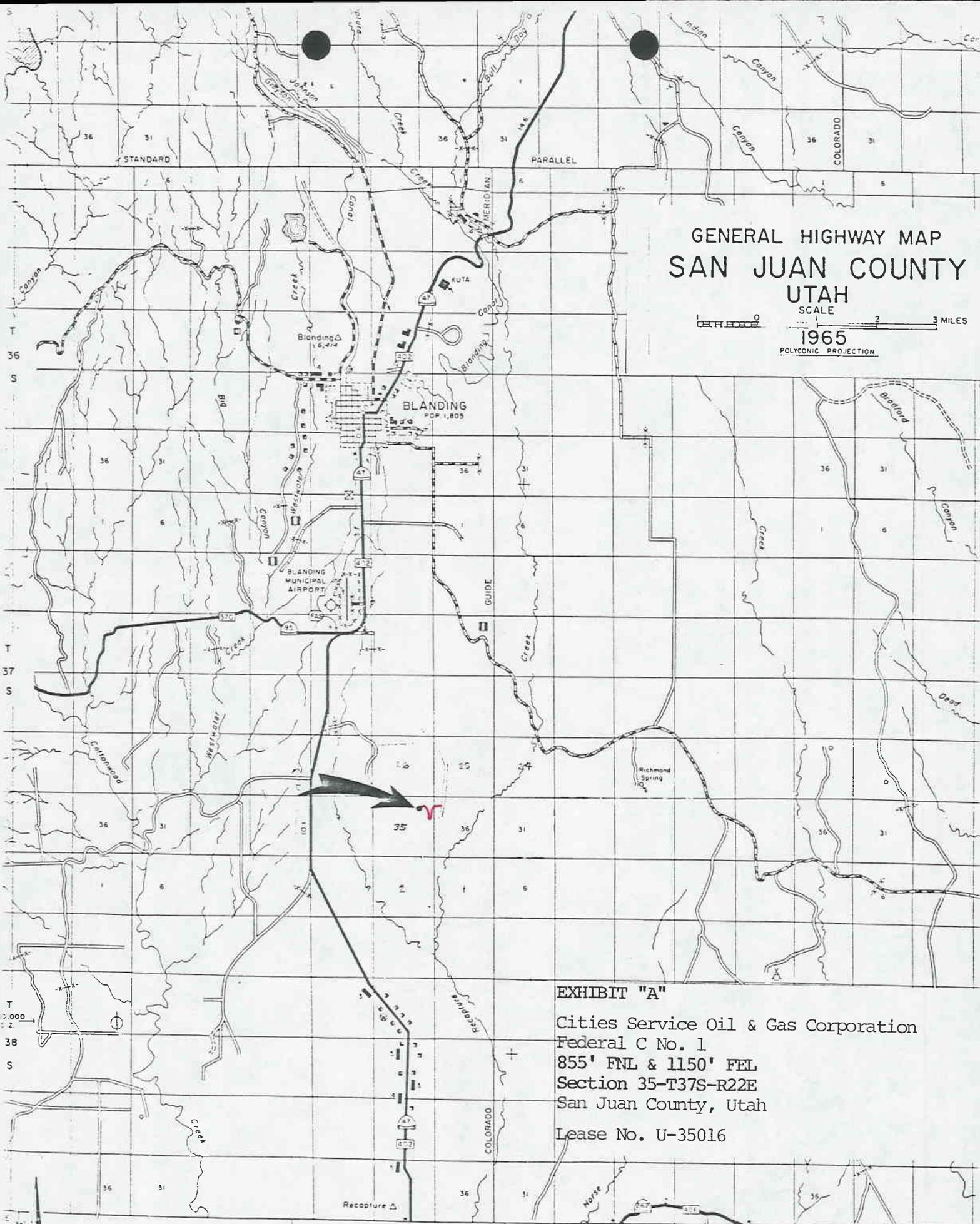


EXHIBIT "A"
Cities Service Oil & Gas Corporation
Federal C No. 1
855' FNL & 1150' FEL
Section 35-T37S-R22E
San Juan County, Utah
Lease No. U-35016

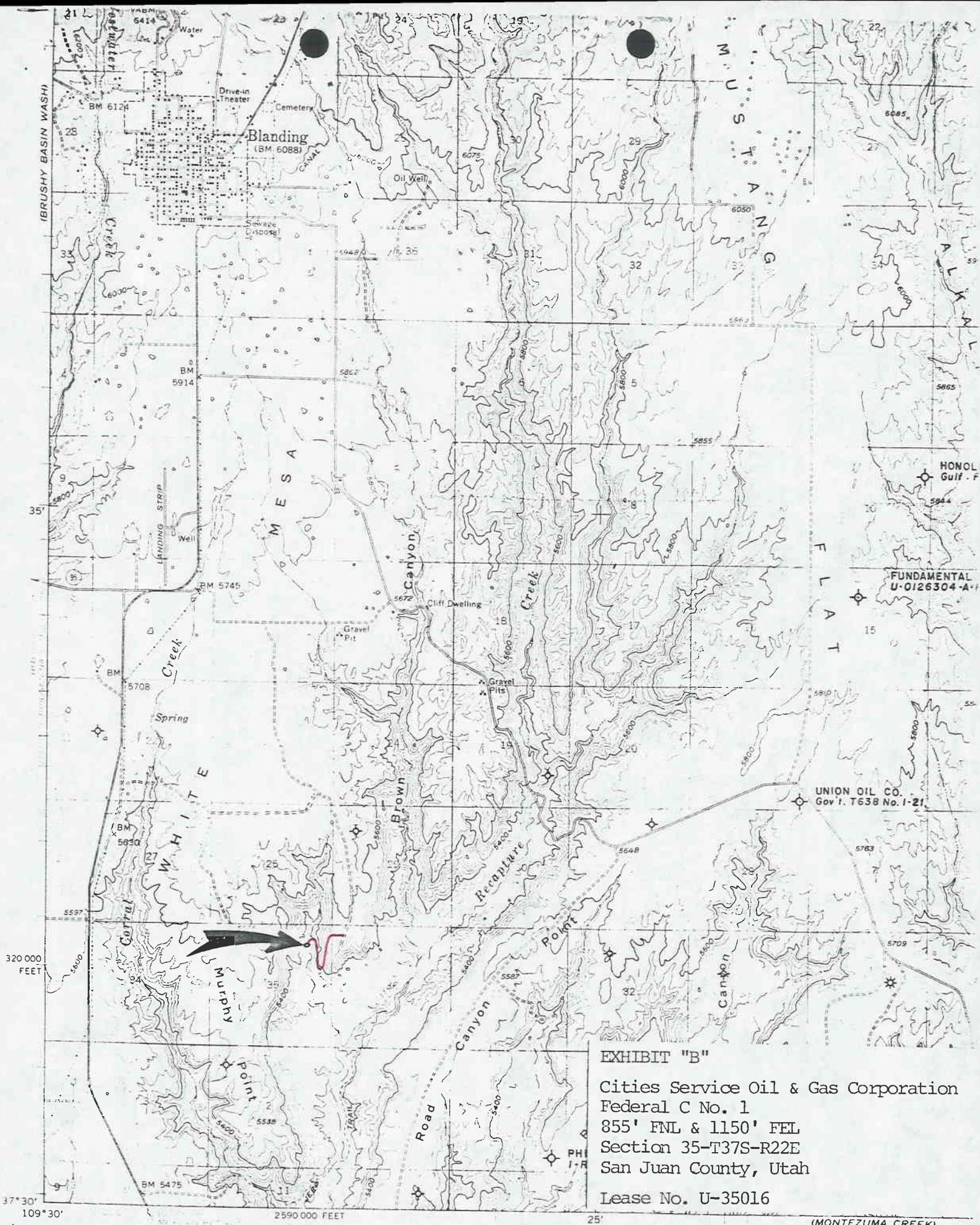
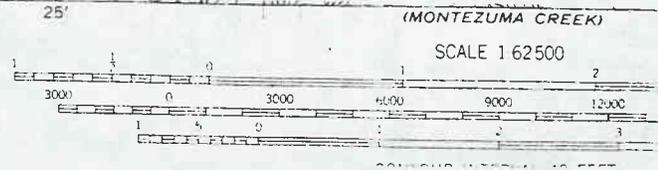


EXHIBIT "B"
 Cities Service Oil & Gas Corporation
 Federal C No. 1
 855' FNL & 1150' FEL
 Section 35-T37S-R22E
 San Juan County, Utah
 Lease No. U-35016

Mapped, edited, and published by the Geological Survey
 with cooperation by the Atomic Energy Commission
 Control by USGS and USC&GS
 Topography from aerial photographs by photogrammetric methods
 Aerial photographs taken 1953 and 1955 Advance field check 1957



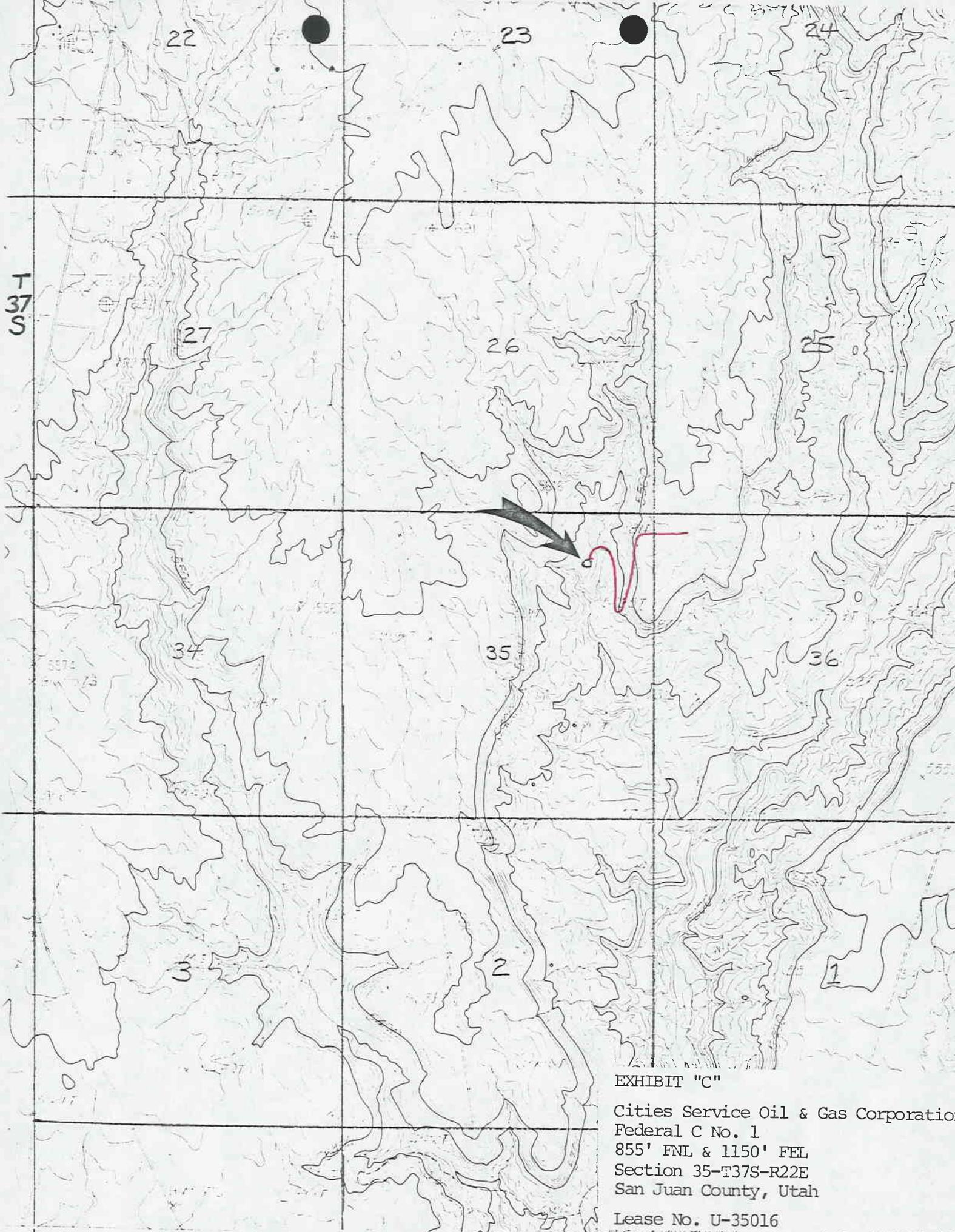


EXHIBIT "C"

Cities Service Oil & Gas Corporation
Federal C No. 1
855' FNL & 1150' FEL
Section 35-T37S-R22E
San Juan County, Utah
Lease No. U-35016

R 22 E

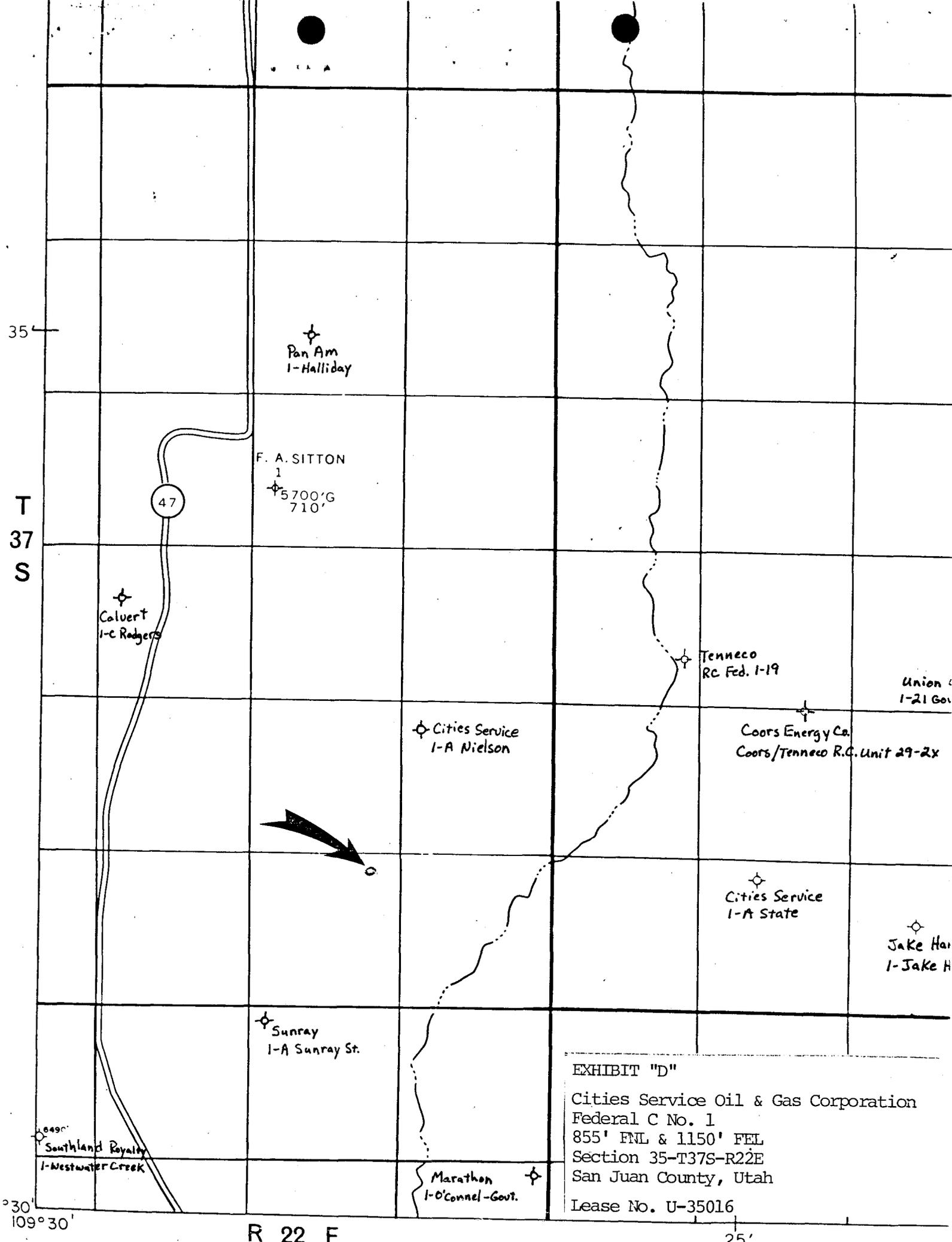
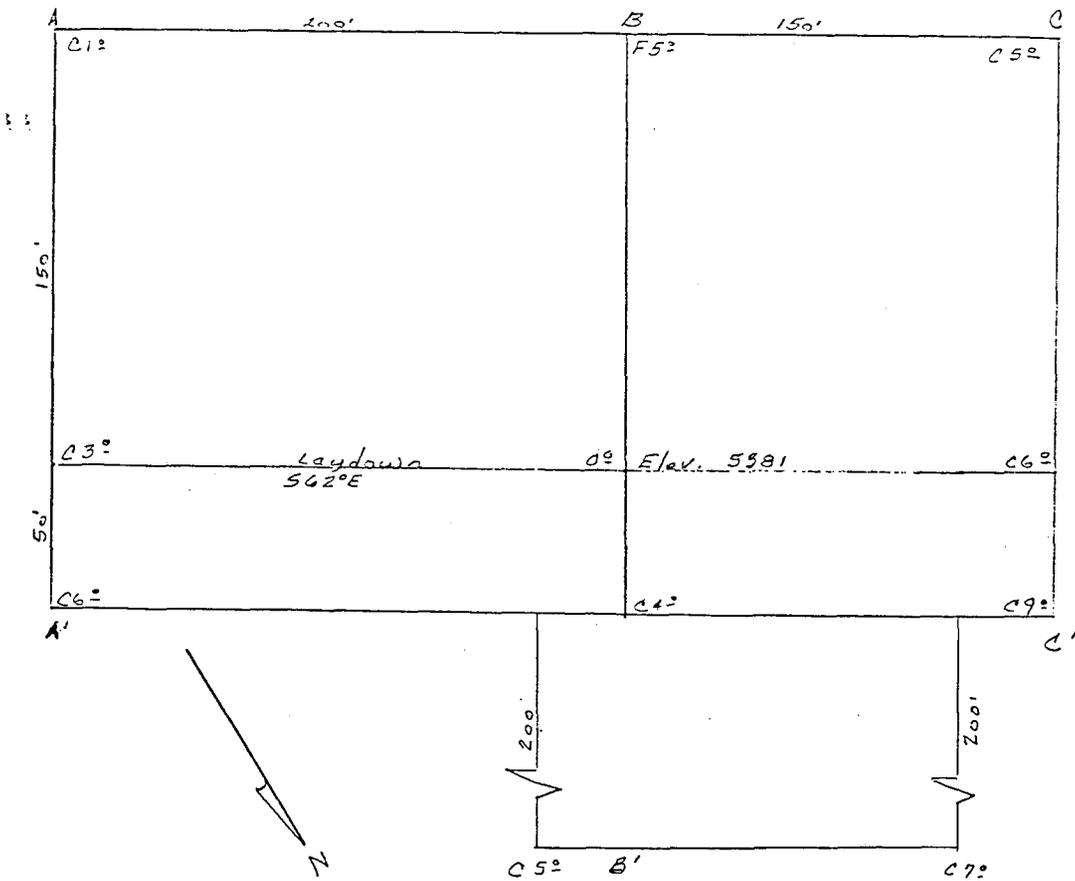


EXHIBIT "D"

Cities Service Oil & Gas Corporation
 Federal C No. 1
 855' FNL & 1150' FEL
 Section 35-T37S-R22E
 San Juan County, Utah
 Lease No. U-35016

Profile for
 CITIES SERVICE OIL & GAS CORP. #1 FEDERAL "C"
 855' PNL 1150' FEL Sec. 35-T37S-R22E
 SAN JUAN COUNTY, UTAH

EXHIBIT "F"



A-A' Vert: 1"=30' Horiz: 1"=100' C/L

5390					
5380	[Profile sketch showing ground surface and a dashed centerline]				
5370					

B-B' C/L

5390					
5380	[Profile sketch showing ground surface and a dashed centerline]				
5370					

C-C' C/L

5390					
5380	[Profile sketch showing ground surface and a dashed centerline]				
5370					

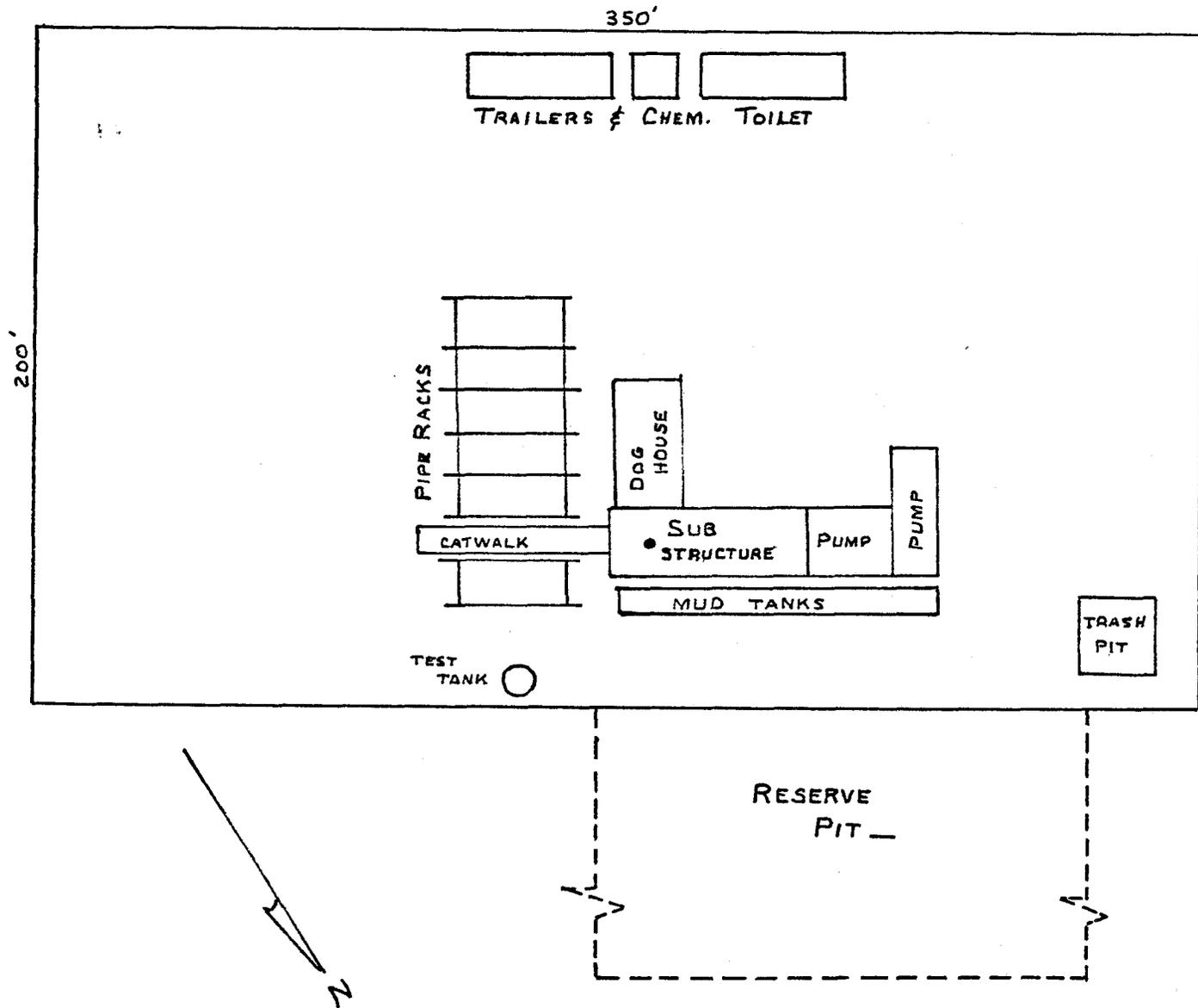
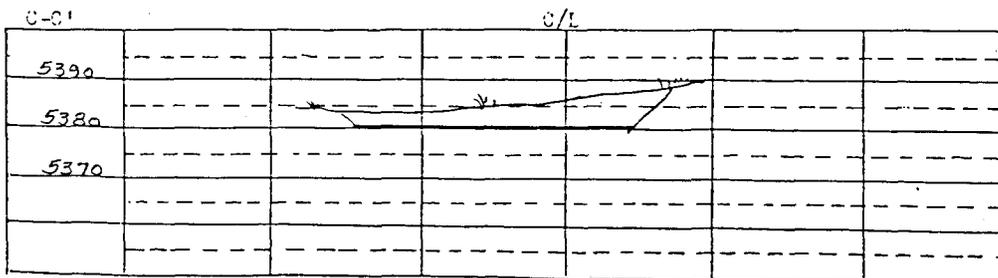
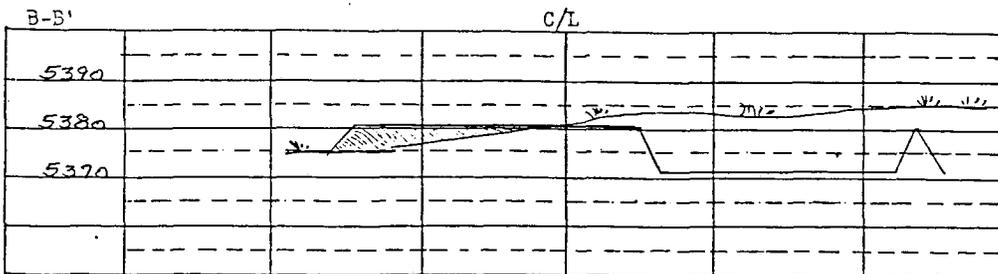
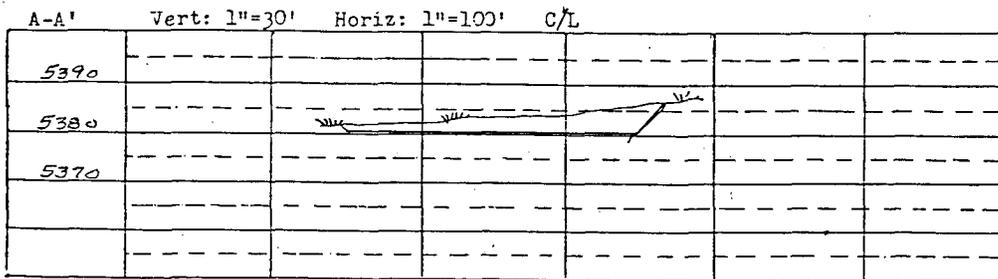
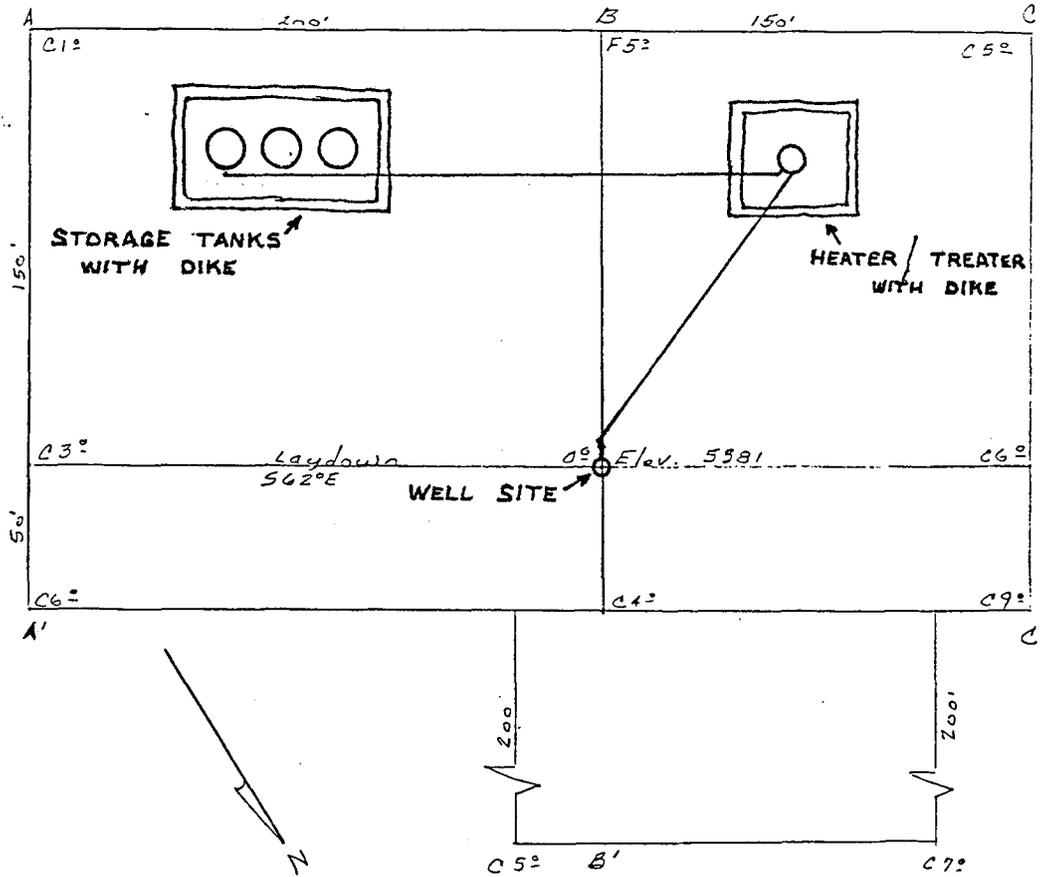


EXHIBIT "G"
 Cities Service Oil & Gas Corporation
 Federal C No. 1
 855' FNL & 1150' FEL
 Section 35-T37S-R22E
 San Juan County, Utah
 Lease No. U-35016

EXHIBIT "H"
PRODUCTION FACILITIES LAYOUT

Profile for
CITIES SERVICE OIL & GAS CORP. #1 FEDERAL "C"
855' FNL 1150' FEL Sec. 35-T37S-R22E
SAN JUAN COUNTY, UTAH



LESSEE'S PARTICULAR ATTENTION IS CALLED TO SECTION 18 OF THIS LEASE

Form Approved December 26, 1983

PROOF READ MH - BP

MINERAL LEASE NUMBER 41079

MINERAL LEASE APPL. NO. 41079

GRANT: SCH

OIL, GAS, AND HYDROCARBON LEASE

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 6th day of February, 19 84, by and between the STATE OF UTAH, acting by and through the BOARD OF STATE LANDS & FORESTRY, and DIVISION OF STATE LANDS & FORESTRY, DEPARTMENT OF NATURAL RESOURCES, with the office located at 3100 State Office Building, Salt Lake City, Utah 84114, hereinafter called the "LESSOR," and

Cities Service Oil and Gas Corporation
P. O. Box 300
Tulsa, OK 74102

hereinafter called the "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 following described tract of land in the County of San Juan, State of Utah, to-wit:

Township 37 South, Range 22 East, SLB&M
Section 36: All

containing 640.00 acres, more or less, for the purposes and with the exclusive rights of prospecting for, of mining for, of excavating, quarrying, or strip-mining for and/or drilling for oil, natural gas, elaterite, ozocerite, other hydrocarbons (whether the same be found in solid, semisolid, liquid, vaporous or any other form) including tar, bitumen, asphaltum, and maltha, other gases (whether combustible or non-combustible), sulphur, (except the metallic sulphide such as pyrite, marcasite and chalcopryite) and associated substances of whatever kind or nature and

6-4302662/4302662

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whether or not similar to those hereinabove mentioned but excluding coal and oil shale (the hydrocarbons and other materials granted hereby being hereinafter collectively called "said substances") and producing, taking, and removing such substances from the above described lands, the Lessee to have the rights to construct and maintain on said lands all works, buildings, plants, waterways, roads, communication lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, subject, however, to the conditions hereinafter set forth.

SECTION 2. TERM 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 the first day of the month next succeeding the date of issuance hereof and so long after the primary term as:

- (a) Said substances are being produced in paying quantities from the leased premises or lands pooled or unitized with or constituting an approved mining or drilling unit in respect to the leased premises; or
- (b) The Lessee pays the actual production royalty as prescribed in this lease on said substances produced from the leased premises or if production of said substances has not been commenced on the leased lands and all or a portion of the leased lands are included in a participating area of an approved pooled or unitized area Lessee pays production royalty on the portion of the produced leased substances assigned to this lease from the participating area; or
- (c) The Lessee is engaged in diligent operations, exploration, research or development activity which is reasonably calculated to advance development or production of said substances from the leased premises or lands pooled or unitized with or constituting a mining or drilling unit in respect to the leased premises; and
- (d) Lessee pays a minimum royalty equal to three times the annual rental as provided in Section 3 of this lease.

In respect to the duration of the term of this lease, gas shall be deemed to be produced in paying quantities from any shut-in gas well on the leased lands which is capable of producing gas in paying quantities whenever and at such times as such gas cannot be reasonably marketed at a reasonable price by reason of existing marketing or transportation conditions: provided, however, that Lessee shall pay to the State an additional rental equal to the annual rental payable by such Lessee under the terms of the lease, said rental to be paid on or before the annual rental paying date next ensuing after the date said well was shut-in, on or before said rental date thereafter. Upon the commencement or marketing of gas from said well or wells, the royalty paid for the lease year in which the gas is first marketed shall be credited upon the rental payable as provided hereunder to the State for such year.

The phrase "produced in paying quantities" as used in this lease shall mean the production of said substances from the above-described lands in an amount which is sufficient during each lease year to yield a minimum royalty payment to Lessor equal to at least \$1.50 per acre for all acres of land held by Lessee under this lease.

SECTION 3. ANNUAL RENTAL

Lessee agrees to pay to Lessor annually in advance as rental the sum of one dollar (\$1.00) per acre or fractional part thereof, per annum for the primary term of this lease (ten years) and if this lease is extended beyond the primary term as provided in Section 2, the sum of two dollars (\$2.00) for the 11th thru the 15th year and the sum of three dollars (\$3.00) for the 16th thru the 20th year. Rental will be paid for each year in advance on or before the first day of the month following the anniversary date of the lease, except the rental for the first year which has been paid with the application of this lease.

SECTION 4. ROYALTIES

Lessee agrees to pay to Lessor a royalty of sixteen and two-thirds (16 2/3) percent of the oil produced, saved and sold from the leased premises; or at the option of Lessor to pay to Lessor the cash value of such royalty. 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 Lessee, or any successors in interest thereof, may receive, without regard 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 less than 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, and in no event shall Lessee be required to hold royalty oil in storage beyond the first day of the calendar month next following the calendar month in which the oil was produced. Lessee shall not be responsible or be held liable for the loss or destruction of royalty oil in storage from causes under which Lessee has no control. For purposes hereunder, the word "oil" shall mean crude petroleum oil and any other hydrocarbons, regardless of gravities, which are produced at the well in liquid form, provided, however, oil produced from a reservoir with zero or near zero initial stock pressure shall be at the royalty rate specified in Section 4(c).

Lessee agrees to pay to Lessor a royalty of sixteen and two-thirds (16 2/3) percent 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 is 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 royalty on gas be less than that received by the United States of America for gas of like grade and quality from the same field; provided, however, that reasonable market value of processed or manufactured or extracted products for the purpose of determining royalty hereunder, shall be the value after deducting the costs of processing, extracting, or manufacturing, except that the deduction for the cost of processing, extracting, or manufacturing may not exceed 5% of the amount of the gross market value of 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 not be less than the value used by the United States in its computation of royalties on similar products resulting from production of like grade and quality in the same field.

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(c) Other Substances - For the first ten years of commercial production, Lessee agrees to pay Lessor a royalty of six and one-fourth (6¼%) of the reasonable market value of all other hydrocarbon substances which are produced from a reservoir where the initial shut-in pressure is zero or near zero which in the discretion of the Land Board indicated the absence of sufficient motive force for the leased substances to enter the well bore, and where the said substances cannot be produced except by mining or removing the host rock or require the application of heat and/or solvents to remove the hydrocarbon substances from the host rock into the well bore or other form of catch trap or basin. The royalty may, at the discretion of Lessor, be increased after the first ten years of commercial production at a rate not to exceed one percent (1%) per annum until a maximum of 12½% is reached; provided, however, notwithstanding the foregoing, the royalty which Lessee shall pay at any time under this lease may, after notice and hearing, be fixed by Lessor up to the highest royalty rate then being paid, but in any event not to exceed 12½% by a Lessee producing from the same general area, reservoir, or deposit.

(d) Sulphur - Lessee agrees to pay Lessor 12½ percent of the reasonable market value of all sulphur which Lessee shall produce, save, or sell from the leased premises.

The basis for computing the reasonable market value of substances covered in this (c) and (d) shall be as follows:

(i) If the substances are sold under a bonafide contract of sale, the amount of money or its equivalent actually received from the sale of the substances less reasonable costs, if any, of transportation to the substances from the place where extracted to the place where under the contract of sale, the leased substances are to be delivered, shall be regarded as the reasonable market value.

If the leased substances extracted are treated at a mill, smelter, processing plant or reduction works which received the substances from independent sources and which is owned or controlled by the same interest owning or controlling the mine, such treatment shall be treated as a sale within the meaning of this section for the purpose of determining market value, and in such event a rate or charge for sampling, assaying, milling, smelting or refining the leased substances therefrom shall be deducted which shall not exceed an amount to be determined by applying the same rates as are applicable by such mill, smelter, or reduction works or competing works on ores of substantially like characteristics and like quantities received from independent sources. In the event of controversy, the Lessor shall have the power to determine such rates and charges. Transportation charges may also be deducted as provided in subdivision (i) hereof.

(ii) If a mill or other reduction works is operated exclusively in connection with a mine, such mill or reduction works shall be treated as a part of the mine, and the costs of operating the mill or reduction works shall, for the purpose of fixing the royalty set forth in this lease, be regarded as part of the costs of mining, and the proportionate cost of assaying, sampling, smelting, refining, and transportation only shall be deducted as herein provided.

(e) Time of Payment - All royalty on production during any calendar month shall be due and payable by Lessee to Lessor not later than the last day of the calendar month following that in which produced.

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(f). Lessor agrees that upon request by the Lessee and after notice and hearings, upon good cause shown, the annual rental and/or the royalty rates specified in this lease may be reduced at the discretion of Lessor. However, upon the reduction of said rates, Lessee agrees that Lessor shall have the right to reduce all outstanding overriding royalty interest proportionately.

Lessor may at its option take its royalty gas in kind at the well heads, provided expressly that Lessee shall be under no obligation to furnish any storage facilities for royalty gas.

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 to the workings 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 cooperative 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 oil and gas control and production authorized by law.

SECTION 6. DRILLING AND DEVELOPMENT PROVISIONS PERTAINING TO OIL AND GAS OPERATIONS

(a) Offset Wells - Subject to the rights 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 necessary for the protection of the leased premises from adjacent lands or leases.

(b) Diligence - Proper Operations - Lessee agrees:

(i) After discovery and subject to the right 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

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-6-

(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 sand or strata, to the restriction 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 and water-bearing stratum from contamination; and

(4) To securely and properly plug in an approved manner any well before abandoning it; and

(5) To drill any well in conformity with law and with the rules and regulations of the Utah Board of Oil, Gas, and Mining; 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 exploration 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 to improvements thereon resulting from Lessee's operations hereunder, provided that Lessee shall not be held responsible for acts of providence or circumstances beyond Lessee's control.

Whenever operations for the drilling for oil and gas are planned on Lessor's lands, no special notice need be filed so long as the required notices are filed with the Division of Oil, Gas, and Mining and a copy of said notice is filed with Lessor. When a drill site is located on Lessor's lands, any topsoil which is removed in operations and the land reseeded with grasses and/or native plants by Lessee or operator as prescribed by Lessor. All mud pits will be filled and material and debris will be removed from the site at the completion of operations.

SECTION 7. BOND

Lessee agrees at the time of commencement of operations to furnish a bond, with an approved corporate surety company authorized to transact business in the State of Utah, in the sum of Five Thousand Dollars (\$5,000.00) conditioned upon the payment of all moneys, rentals and royalties accruing to the Lessor under their terms hereof, and upon the full compliance with all other terms and conditions in this lease and the Rules and

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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 said substances.

The Lessor may waive the provision 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 Board of Oil, Gas and Mining, of each well drilled by Lessee on the leased lands and agrees to file the same, together with such reports, maps and supplements as may be required, with said Commission. Lessee also agrees to furnish Lessor copies of such logs, reports and any other information which Lessor may request from time to time.

SECTION 9. NOTICE OF WATER ENCOUNTERED

In the drilling of wells under authority of this lease, all water-bearing strata shall be noted in the log and 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 and whether or not the water is fresh water.

SECTION 10. DEFAULT OF LESSEE

Upon failure or default of the Lessee to comply with any of the conditions or covenants herein the Lessor may cancel this lease and such cancellation shall extend to and include all rights granted hereunder as to the whole of the tract hereinabove described, but shall not extend to nor affect the rights of this Lessee under other leases or partial assignments of this lease which have been approved by Lessor upon which no default has been made, provided, however, that in the event of any default by Lessee, Lessor shall, before cancellation, send a notice of intention to cancel said lease to the Lessee by registered or certified return receipt mail addressed to post office address of said Lessee as first hereinabove stated or as shown by the records of the Lessor which notice shall specify the default for which cancellation is to be made, and, within thirty (30) days from the date of mailing said notice, Lessee has not remedied the violation or rectified the condition specified and notified Lessor thereof in writing, Lessor may thereupon cancel the lease without further notice to Lessee.

SECTION 11. OPERATION REQUIREMENTS - PREVENTION OF WASTE

Lessee covenants that no waste shall be committed on the land and agrees to develop and produce said substances which are susceptible of production with reasonable care and skill and in conformity with all applicable laws of the United States and the State of Utah and the rules and regulations of the Division of State Lands & Forestry, now in effect or hereafter promulgated, and to carry on all mining, extractions, reducing, refining, and other operations on or below the surface of the earth by safe and economically feasible methods and practices and to take all proper and reasonable steps and precautions to prevent waste of or damages to said substances or other mineral

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SECTION 14. LESSOR'S RIGHT OF ACCESS TO LEASED PREMISES AND LESSEE'S RECORDS

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 the lease to inspect the work done thereon and the progress thereof, and the products obtained therefrom, and to post any notice on the said lands that it may deem fit and proper. Lessee shall permit any authorized representative of the Lessor to examine all books and records pertaining to operations and royalties payable to Lessor under the lease, and to make copies of any extracts from such books and records if desired.

SECTION 15. SURRENDER BY LESSEE

Lessee may surrender this lease for cancellation by Lessor as to all or any part of the leased lands, but not less than a quarter-quarter section or surveyed lot, upon payment of all rentals, royalties, and other amounts due Lessor and by filing with the Lessor a written relinquishment. The relinquishment shall be effective as to future rental liability on the date of cancellation by Lessor.

SECTION 16. WATER RIGHTS

If the Lessor shall initiate or establish any water rights upon the leased premises, such right shall become an appurtenance of the leased premises, and, upon the termination of the lease, shall become the property of the Lessor.

SECTION 17. DISCOVERY OF OTHER MINERALS

Upon such notification of the Lessee to the Lessor, the Lessee shall have 60 days in which to request that the Lessor issue a lease on the newly discovered mineral substances in line with the form of lease and regular rules and regulations of the Division of State Lands & Forestry regarding such mineral substances.

SECTION 18. 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 less than the entire and undivided fee simple estate in the leased minerals for which royalty is payable, 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 estate in the said minerals for which royalty is payable.

SECTION 19. TRANSFERS OF INTEREST BY LESSEE

There shall be no assignment of this lease, nor of any interest therein, nor any sublease or operating agreement as to the leased lands, nor any portion thereof, unless and until such assignment, transfer, sublease 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. Any assignment or sub-lease made without such approval shall be void ab initio. 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 successor 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 prior written consent of the Lessor.

SECTION 20. 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 to the last known address of the parties.

SECTION 21. CONSENT TO SUIT

Lessee consents to suit in the courts of the State of Utah in any dispute arising under the terms of this lease or as a result of operations carried on under this lease. Service of process in any such action is hereby agreed to be sufficient if sent by registered mail to the Lessee at the last known address appearing on Lessor's records.

SECTION 22. ATTORNEY'S FEES

In the event Lessor shall institute and prevail in any action or suit for the enforcement of any provision of this lease, Lessee will pay to Lessor a reasonable attorneys fee on account thereof.

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

THE STATE OF UTAH, acting by and through the
BOARD OF STATE LANDS & FORESTRY and DIVISION OF STATE
LANDS & FORESTRY

By Joseph L. Miles
Director, Div. of State Lands & Forestry - LESSOR

Cities Service Oil and Gas Corporation

ATTORNEY GENERALS OFFICE
APPROVED AS TO FORM

[Signature]

Dean Athens, Attorney-in-Fact for
Cities Service Oil and Gas Corporation

LESSEE

R I D E R

Attached to and made a part of that certain Oil and Gas Lease dated July 26, 1977 by and between Myrna Kimmerle as Lessor AND CITLES SERVICE COMPANY as Lessee.

To Wit: LESSEE WILL ADVISE LESSOR OF ANY SUBSTANTIAL WATER BEARING ZONES FOUND IN THE DRILLING PROCESS.

M. K —

6-4301202/4301202, 1

OIL AND GAS LEASE

Billings Blue Print
Billings, Montana

THIS AGREEMENT, made and entered into this 26 day of July, 1977 by and between

MYRNA KIMMERLE (A married woman)

of 84 East 2nd South, Blanding, Utah 84511

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300

TULSA, OKLAHOMA

hereinafter called lessee:

I, WITNESSETH: That the lessor, for and in consideration of \$ Ten and more cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit: TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

- Section 11: E 1/2
- Section 12: W 1/2; W 1/2 SE 1/4; SE 1/4 SE 1/4
- Section 13: NW 1/4 NE 1/4; NW 1/4; E 1/2 SW 1/4; NW 1/4 SW 1/4
- Section 14: E 1/2; SW 1/4
- Section 23: W 1/2 NE 1/4; SE 1/4
- Section 25: W 1/2 NW 1/4
- Section 26: N 1/2 NE 1/4

of Section --- Township ---, Range ---, and containing 1960.00 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees: (a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas, only is not sold or used, lessee may pay or tender as royalty One Dollar per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the First Security Bank at

Blanding, Utah 84511

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred sixty and 00/100 DOLLARS

(\$ 1960.00) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well theretofore shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a co-ownership or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and royalties thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for damages caused by his operation on said lands. M.K.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title designating title from lessor, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described, to which the interest of lessor may be entitled, shall be deducted from the royalty herein reserved.

6-4301202/4301202

11. Lessor shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person or the lessor herein and in so complying lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations lessee may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

X Myra Kimmerle
Myra Kimmerle SS #528-18-0952

ACKNOWLEDGMENTS

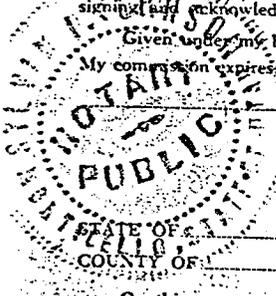
STATE OF Utah } ss. HUSBAND AND WIFE, Wyoming, Montana, Colorado
COUNTY OF San Juan

On this 28th day of July, 1977, before me personally appeared Myra Kimmerle

and Myra Kimmerle his wife, to me known to be the persons described in, and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 28th day of July, 1977.

My commission expires: 10/5/80
Sylvan P. Johnson
Notary Public for the State of Utah
residing at Blanding



STATE OF _____ } ss. INDIVIDUAL, Wyoming, Montana, Colorado
COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____

to me known to be the person _____ described in, and who executed the foregoing instrument, and who acknowledged to me that _____ he _____ executed the same as _____ free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

Oil and Gas Lease FROM TO Dated _____, 19____ No. Acres _____ County _____ Term _____ This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the _____ records of this office. Register of Deeds. _____ Deputy _____ When recorded return to _____

STATE OF _____ } ss. CORPORATE, Wyoming, Montana or Colorado
COUNTY OF _____

On this _____ day of _____, 19____, before me appeared _____

to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

R I D E R

Attached to and made a part of that certain Oil and Gas Lease dated July 29, 1977 by and between Corinne Roring as Lessor AND Cities Service Company as Lessee.

To Wit: LESSEE WILL ADVISE LESSOR OF ANY SUBSTANTIAL WATER BEARING ZONES FOUND IN THE DRILLING PROCESS.

C. A. P.

6-4301203/4301202

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 29 day of July, 1977 by and between

CORINE N. RORING (A married woman)

of 185 North 1st West, Monticello, Utah 8453

hereinafter called lessor (whether one or more) and TULSA, OKLAHOMA
CITIES SERVICE COMPANY P.O. Box 300
hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit:
TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

- Section 11: E $\frac{1}{2}$
- Section 12: W $\frac{1}{2}$; W $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Section 13: NW $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$; E $\frac{1}{2}$ SW $\frac{1}{2}$; NW $\frac{1}{2}$ SW $\frac{1}{2}$
- Section 14: E $\frac{1}{2}$; SW $\frac{1}{2}$
- Section 23: W $\frac{1}{2}$ NE $\frac{1}{2}$; SE $\frac{1}{2}$
- Section 25: W $\frac{1}{2}$ NW $\frac{1}{2}$
- Section 26: N $\frac{1}{2}$ NE $\frac{1}{2}$

of Section _____ Township _____ Range _____, and containing 1960.00 acres,

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:
(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the DOVE CREEK STATE Bank at

DOVE CREEK, COLORADO 81324

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred sixty and 00/100 ----- DOLLARS

(\$ 1960.00) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.
No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of the lessor.
Lessee shall pay for damages caused by his operation on said land.
Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title divesting title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein reserved.

6-4301203/4301202

11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person or the lessor herein and in so complying lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations lessee may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

Corinne N. Roring
Corinne N. Roring SS #525-20-0246

ACKNOWLEDGMENTS

STATE OF Utah } ss. HUSBAND AND WIFE, Wyoming, Montana, Colorado
COUNTY OF San Juan
On this 29th day of July, 19 77, before me personally appeared Corinne

N. Roring and Corinne his wife, to me known to be the persons described in, and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 29th day of July, 19 77.

My commission expires: 8-11-77

Warrens B. Law
Notary Public for the State of Utah
residing at Monticello

STATE OF _____ } ss. INDIVIDUAL, Wyoming, Montana, Colorado
COUNTY OF _____
On this _____ day of _____, 19 _____, before me personally appeared _____

to me known to be the person _____ described in, and who executed the foregoing instrument, and who acknowledged to me that _____ he _____ executed the same as _____ free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19 _____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

Oil and Gas Lease FROM TO
No. _____
Dated _____, 19 _____
No. Acres _____
County _____
Term _____
This instrument was filed for record on the _____ day of _____, 19 _____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.
By _____, Register of Deeds.
Depury _____
When recorded return to _____

STATE OF _____ } ss. CORPORATE, Wyoming, Montana or Colorado
COUNTY OF _____
On this _____ day of _____, 19 _____, before me appeared _____

to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19 _____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 26 day of July, 1977 by and between

Clara J. Nielson, a widow, as guardian for Linda Nielson, a single woman
of 292 West Center, Blanding, Utah 84511.

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300
TULSA, OKLAHOMA

hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more - cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit:
TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

- Section 11: $E\frac{1}{2}$
- Section 12: $W\frac{1}{2}; W\frac{1}{2}SE\frac{1}{4}; SE\frac{1}{4}SE\frac{1}{4}$
- Section 13: $NW\frac{1}{4}NE\frac{1}{4}; NW\frac{1}{4}; E\frac{1}{2}SW\frac{1}{4}; NW\frac{1}{4}SW\frac{1}{4}$
- Section 14: $E\frac{1}{2}; SW\frac{1}{4}$
- Section 23: $W\frac{1}{2}NE\frac{1}{4}; SE\frac{1}{4}$
- Section 25: $W\frac{1}{2}NW\frac{1}{4}$
- Section 26: $N\frac{1}{2}NE\frac{1}{4}$

of Section Township , Range and containing 1960.00 acres.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:
(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the First Security Bank at

Blanding, Utah 84511

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred sixty and 00/100 ----- DOLLARS

(\$ 1960.00) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. (Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.)

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a co-operative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development and operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of the lessor.

Lessee shall pay for damages caused by his operation ~~on~~ on said lands. C.S.N.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of instruments of title designating title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rents. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein received.

6-4301204/4301202

11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person or the lessor herein and in so complying lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations lessee may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance there-with is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

X Clara J. Nielson, Guardian.
 Clara J. Nielson, Guardian for
 Linda Nielson

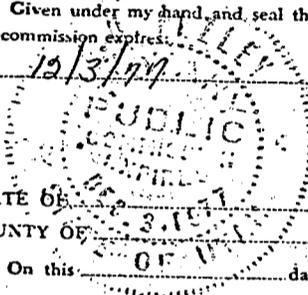
ACKNOWLEDGMENTS

STATE OF Utah }
 COUNTY OF San Juan } ss.

HUSBAND AND WIFE, Wyoming, Montana, Colorado

On this 26th day of July, 1977, before me personally appeared Clara J. Nielson, Guardian for Linda Nielson, his wife, to me known to be the persons described in, and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 26th day of July, 1977.
 My commission expires: 12/31/77



J. P. Pefley
 Notary Public for the State of Utah
 residing at Monticello, Utah

STATE OF Utah }
 COUNTY OF San Juan } ss.

INDIVIDUAL, Wyoming, Montana, Colorado

On this 26th day of July, 1977, before me personally appeared Clara J. Nielson, Guardian for Linda Nielson, to me known to be the person described in, and who executed the foregoing instrument, and who acknowledged to me that he executed the same as free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19____.
 My commission expires: _____

Notary Public for the State of _____
 residing at _____

No. _____	Oil and Gas Lease	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the records of this office.	By _____, Deputy Register of Deeds.	When recorded return to _____
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STATE OF _____ }
 COUNTY OF _____ } ss.

CORPORATE, Wyoming, Montana or Colorado

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19____.
 My commission expires: _____

Notary Public for the State of _____
 residing at _____

R I D E R

Attached to and made a part of that certain Oil and Gas Lease dated July 21, 1977 by and between NORMAN F. AND RUTH J. NIELSON and RICHARD C. AND GARDA A. NIELSON as Lessors and CITIES SERVICE COMPANY as Lessee.

To Wit: LESSEE WILL ADVISE LESSOR OF ANY SUBSTANTIAL WATER BEARING ZONES FOUND IN THE DRILLING PROCESS.

N F N.
R. C. N.
G. A. N.
R. J. N.

6-4301205/4301202

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 21 day of JULY, 1977 by and between

NORMAN F. NIELSON and RUTH J. NIELSON (Husband and Wife) AND RICHARD C. NIELSON and GARDA A. NIELSON (Husband and Wife) of 538 South 2nd West, Blanding, Utah 84511

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300 Tulsa, Oklahoma hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more - cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephoning by geographical lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan State of Utah, described as follows, to-wit:

TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

- Section 11: E 1/2
- Section 12: W 1/2; W 1/2 SE 1/4; SE 1/4 SE 1/4
- Section 13: NW 1/4 NE 1/4; NW 1/4; E 1/2 SW 1/4; NW 1/4 SW 1/4
- Section 14: E 1/2; SW 1/4
- Section 23: W 1/2 NE 1/4; SE 1/4
- Section 25: W 1/2 NW 1/4
- Section 26: N 1/2 NE 1/4

of Section - - - - - Township - - - - - Range - - - - - and containing 1960.00 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:

(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the FIRST WESTERN NATIONAL Bank at

MONTICELLO, UTAH 84535 or its successors, which shall continue as the depository for rental regardless of changes in the

ownership of said land, the sum of One thousand nine hundred sixty and 00/100 DOLLARS

(\$ 1960.00) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted, to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for damages caused by his operation on said lands, R.C.N. J.A.M. N.F.N. R.J.N.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title derailing title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein reserved.

6-4301205/4301202

10a. SEE RIDER ATTACHED.

11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease...

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.
Norman F. Nielson SS #K 528-38-6967

Richard C. Nielson SS #

Ruth J. Nielson SS #K 529-20-2489

Garda A. Nielson SS #

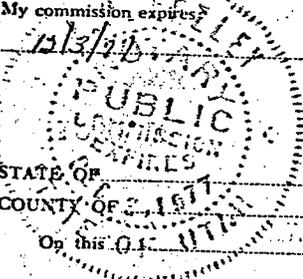
ACKNOWLEDGMENTS

STATE OF Utah
COUNTY OF San Juan

HUSBAND AND WIFE, Wyoming, Montana, Colorado

On this 26th day of July, 1977, before me personally appeared Norman F. Nielson, his wife, Ruth J. Nielson, and Richard C. Nielson & Garda A. Nielson, and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 26th day of July, 1977.



J. P. Pugh
Notary Public for the State of Utah
residing at Monticello, Utah

STATE OF
COUNTY OF

INDIVIDUAL, Wyoming, Montana, Colorado

On this 01st day of 1977, before me personally appeared

to me known to be the person described in, and who executed the foregoing instrument, and who acknowledged to me that he executed the same as free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this day of 1977.

Notary Public for the State of
residing at

Oil and Gas Lease FROM TO
No.
Dated 19
No. Acres
County
Term
This instrument was filed for record on the day of 19, at o'clock M., and duly recorded in Book Page of the records of this office.
By Register of Deeds, Deputy
When recorded return to

STATE OF
COUNTY OF

CORPORATE, Wyoming, Montana or Colorado

On this day of 1977, before me appeared

to me personally known, who, being by me duly sworn, did say that he is the President (or Secretary) of

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this day of 1977.

My commission expires:

Notary Public for the State of
residing at

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 5 day of August, 1977, by and between

Donald T. Adams and Dorothy R. Adams (Husband and Wife)

of 12 West Center, Monticello, Utah 84535

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300

FULSA, OKLAHOMA

hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit:

TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

Section 11: E 1/2
Section 12: W 1/2 SE 1/4; SE 1/4 SE 1/4; W 1/2 - - - - - less and not including the following
Section 13: NW 1/4 NE 1/2; NW 1/4; E 1/2 SW 1/4; NW 1/4 SW 1/4 described land in said W 1/2, to wit:
Section 14: E 1/2; SW 1/4 Beginning at the north quarter corner
Section 23: W 1/2 NE 1/4; SE 1/4 of Section 12, Township 37 South, Range
Section 25: W 1/2 NW 1/4 22 East, S.L.M., Utah, and thence south
Section 26: N 1/2 NE 1/4 92 rods and 10 feet, west 95 rods, north
92 rods and 10 feet, east 95 rods to
point of beginning. Containing 54.98 ac.

of Section - - - - - Township - - - - - Range - - - - - and containing 1905.02 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:
(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the FIRST SECURITY Bank at

MONTICELLO, UTAH 84535

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred five and 02/100 - - - - - DOLLARS

(\$ 1905.02) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease: such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor. Lessee shall pay for damages caused by his operation to growing crops on said lands. D.N.A. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title derailing title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein received.

6-4301210/4301202

11. Lessor shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the lessor herein and in so complying lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations lessor may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessor's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

Donald T. Adams
DONALD T. ADAMS SS #528-46-1747

Dorothy R. Adams
DOROTHY R. ADAMS SS #529-46-5895

ACKNOWLEDGMENTS

STATE OF UTAH
COUNTY OF SAN JUAN } ss.

HUSBAND AND WIFE, Wyoming, Montana, Colorado

On this 15th day of August, 1977, before me personally appeared Donald T. Adams

Dorothy R. Adams and Dorothy R. Adams his wife, free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her rights and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 15th day of August, 1977.

My commission expires: September 15, 1978

Bruce K. [Signature]
Notary Public for the State of UTAH
residing at MONTICELLO, UTAH 84520

STATE OF _____ } ss.
COUNTY OF _____

INDIVIDUAL, Wyoming, Montana, Colorado

On this _____ day of _____, 19____, before me personally appeared _____

to me known to be the person _____ described in, and who executed the foregoing instrument, and who acknowledged to me that _____ he _____ executed the same as _____ free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

No. _____	Oil and Gas Lease	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.	Register of Deeds.	By _____, Deputy	When recorded return to _____
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STATE OF _____ } ss.
COUNTY OF _____

CORPORATE, Wyoming, Montana or Colorado

On this _____ day of _____, 19____, before me appeared _____

to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 5 day of August, 1977 by and between

Donald T. Adams and Dorothy R. Adams (Husband and Wife)

of 12 West Center, Monticello, Utah 84535

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300

FULSA, OKLAHOMA

hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit: TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

Section 11: E 1/2
Section 12: W 1/2 SE 1/4; SE 1/4 SE 1/4; W 1/2 - - - - - less and not including the following
Section 13: NW 1/4 NE 1/2; NW 1/4; E 1/2 SW 1/4; NW 1/4 SW 1/4 described land in said W 1/2, to wit:
Section 14: E 1/2; SW 1/2 Beginning at the north quarter corner
Section 23: W 1/2 NE 1/4; SE 1/2 of Section 12, Township 37 South, Range
Section 25: W 1/2 NW 1/4 22 East, S.L.M., Utah, and thence south
Section 26: N 1/2 NE 1/4 92 rods and 10 feet, west 95 rods, north
92 rods and 10 feet, east 95 rods to
point of beginning. Containing 54.98 ac.

of Section - - - - - Township - - - - - Range - - - - - and containing 1905.02 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be considered to be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:
(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.
(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.
4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the FIRST SECURITY Bank at

MONTICELLO, UTAH 84535

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred five and 02/100 - - - - - DOLLARS

(\$ 1905.02) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well theretofore shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease: such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities thereafter to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor. Lessee shall pay for damages caused by his operation on growing crops of said lands. D.N.A. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessor until after the lessee has been furnished with certified copies of muniments of title designating title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby agrees that the lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other liens on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein received.

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11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the lessor herein and in so complying, lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations, lessor may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

Donald T. Adams
DONALD T. ADAMS SS #528-46-1747

Dorothy R. Adams
DOROTHY R. ADAMS SS #529-46-5895

ACKNOWLEDGMENTS

STATE OF UTAH }
COUNTY OF SAN JUAN } ss.

HUSBAND AND WIFE, Wyoming, Montana, Colorado

On this 15th day of August, 1977, before me personally appeared Donald T. Adams

Dorothy R. Adams to me known to be the persons described in, and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her rights and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 15th day of August, 1977.

My commission expires: September 15, 1978

Bruce K. [Signature]
Notary Public for the State of UTAH
residing at MONTICELLO, UTAH 84520

STATE OF _____ }
COUNTY OF _____ } ss.

INDIVIDUAL, Wyoming, Montana, Colorado

On this _____ day of _____, 19____, before me personally appeared _____

to me known to be the person _____ described in, and who executed the foregoing instrument, and who acknowledged to me that _____ he _____ executed the same as _____ free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

No. _____	Oil and Gas Lease	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.	Register of Deeds.	By _____, Deputy	When recorded return to _____
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STATE OF _____ }
COUNTY OF _____ } ss.

CORPORATE, Wyoming, Montana or Colorado

On this _____ day of _____, 19____, before me appeared _____

to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

11. Lessee shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the lessor herein and in so complying lessee shall not be responsible for determining the validity, expediency or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of compliance with such laws or regulations lessee may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessee's good faith effort to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field weather, or market conditions inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance there-with is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease, provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

Lynn L. Adams
 Lynn L. Adams SS #529-18-9425 individually
 as attorney-in-fact for Ingrid Adams,
 LaRee Adams Jensen, and John William Adams,

Joyce Adams Martin
 Joyce Adams Martin SS #529-20-0324
 individually and as attorney-in-fact
 for Ingrid Adams, LaRee Adams Jensen,
 and John William Adams

Rita L. Adams
 Rita L. Adams SS #529-20-0344

ACKNOWLEDGMENTS

State of Utah)
) SS.
 County of San Juan)

On this 5th day of August, 1977, personally appeared before me Lynn L. Adams, Joyce Adams Martin and Rita L. Adams, the signers of the Oil and Gas Lease dated the 23rd day of July, 1977, which names Cities Service Company as Lessee and to which this acknowledgement is attached; Lynn L. Adams and Joyce Adams Martin, being by me duly sworn, did say that each is the attorney in fact of Ingrid Adams, LaRee Adams Jensen and John William Adams, and that said instrument was signed in behalf of said Ingrid Adams, LaRee Adams Jensen and John William Adams by authority, and Lynn L. Adams and Joyce Adams Martin acknowledged to me that they as such attorneys in fact executed the same; and said Lynn L. Adams and Rita L. Adams, husband and wife, and Joyce Adams Martin duly acknowledged to me that they executed the same in their individual capacities.

L. Robert Anderson
 Notary Public
 Residing at Monticello, Utah

My Commission Expires:
 January 4, 1979 /

STATE OF _____)
 COUNTY OF _____) SS.
 On this _____ day of _____, 19____, _____ before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____ and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.
 Given under my hand and seal this _____ day of _____, 19____.
 My commission expires: _____

Notary Public for the State of _____
 residing at _____

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 5 day of August, 1977 by and between

Donald T. Adams and Dorothy R. Adams (Husband and Wife)

of 12 West Center, Monticello, Utah 84535

hereinafter called lessor (whether one or more) and CITIES SERVICE COMPANY P.O. BOX 300

TULSA, OKLAHOMA

hereinafter called lessee:

1. WITNESSETH: That the lessor, for and in consideration of \$ Ten and more cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto said lessee, with the exclusive right of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind, and laying pipe lines, telephone and telegraph lines, housing and boarding employees, building tanks, power stations, gasoline plants, ponds, roadways, and structures thereon to produce, save, market and take care of said products and the exclusive surface and subsurface rights and privileges related in any manner to any and all such operations and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone or conjointly with neighboring land for such purposes, all that certain

tract or tracts of land situated in the County of San Juan, State of Utah, described as follows, to-wit: TOWNSHIP 37 SOUTH, RANGE 22 EAST, S. L. M.

Section 11: E 1/2
Section 12: W 1/2 SE 1/4; SE 1/4 SE 1/4; W 1/2 - - - - - less and not including the following
Section 13: NW 1/4 NE 1/4; NW 1/4; E 1/2 SW 1/4; NW 1/4 SW 1/4 described land in said W 1/2, to wit:
Section 14: E 1/2; SW 1/4 Beginning at the north quarter corner
Section 23: W 1/2 NE 1/4; SE 1/4 of Section 12, Township 37 South, Range
Section 25: W 1/2 NW 1/4 22 East, S.L.M., Utah, and thence south
Section 26: N 1/2 NE 1/4 92 rods and 10 feet, west 95 rods, north
92 rods and 10 feet, east 95 rods to
point of beginning. Containing 54.98 ac.
of Section - - - - - Township - - - - - Range - - - - - and containing 1905.02 acres,
more or less.

2. It is agreed that this lease shall remain in force for a term of ten years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith or drilling operations are continued as hereinafter provided. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of completion of a dry hole or cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced on or from said land or said pooled premises but lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long thereafter as drilling or reworking operations are being continuously prosecuted on said land or on a drilling or development or operating unit which includes all or a part of said land; and drilling or reworking operations shall be continuously prosecuted if not more than sixty days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or reworking of another well. If oil or gas shall be discovered and/or produced from any such well or wells drilled, being drilled or reworked at or after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises or from any such unit which includes all or a part of said lands.

3. In consideration of the premises the said lessee covenants and agrees:
(a) To deliver to the credit of lessor, free of cost in the pipe line to which lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(b) To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank herein designated. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

4. If operations for the drilling of a well for oil or gas are not commenced or if there is no oil or gas being produced on said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this lease shall terminate as to both parties, unless the lessee on or before

that date shall pay or tender to the lessor or to the lessor's credit in the FIRST SECURITY Bank at

MONTICELLO, UTAH 84535

or its successors, which shall continue as the depository for rental regardless of changes in the ownership of said land, the sum of One thousand nine hundred five and 02/100 - - - - - DOLLARS

(\$ 1905.02) which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of operations for drilling of a well may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's right of extending that period as aforesaid, and any and all other rights conferred. Should the depository bank hereafter close without a successor, lessee or its assigns may deposit rental or royalties in any National bank located in the same county with the first named bank, due notice of such deposit to be mailed to lessor at last known address.

5. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well theretofore shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed to modify, conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

6. Lessee may, at any time, release this lease as to any stratum or strata and as to part or all of the lands above described, after which all payments and liabilities therefor to accrue, as to the lands released, shall cease and determine. In the event of a partial release, the annual delay rental above mentioned shall be reduced proportionately.

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ditches, ponds, reservoirs, or wells of lessor.

When requested by the lessor, lessee shall bury its pipe lines on cultivated portions below plow depth.
No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.
Lessee shall pay for damages caused by his operation on growing crops on said lands, O.K.A.
Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, although it is agreed that no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with certified copies of muniments of title designating title from lessor; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above-described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands as to which the said lessee or any assignee thereof shall make due payment of said rental. In the event of death of any person entitled to rentals hereunder, lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as lessee is furnished with proper evidence of the appointment and qualification of an executor or administrator of the estate, or if there be none, then until lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased.

9. Lessor hereby agrees that the lessee shall have the right at any time to pay for the lessor mortgage, taxes or other items on the above-described lands in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may be deducted from any amounts of money which may become due the lessor under the terms of this lease.

10. If said lessor owns a less interest in the above-described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in proportion which his interest bears to the whole and undivided fee. Any interest in the production from the lands herein described to which the interest of lessor may be subject shall be deducted from the royalty herein received.

6-4301210/4301202

11. Lessor shall comply with all laws and regulations of any Governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the lessor herein and in so complying, lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such Governmental body. In determining the residence of lessor for purposes of complying with such laws or regulations, lessor may rely upon the address of lessor herein set forth or upon the last known address of lessor. Neither any error in the determination of the residence or status of lessor nor an error in the payment of any sums of money due or payable to lessor under the terms of this lease which is made during the course of or as a result of lessor's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against lessee. All of lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with Federal, State, County, or municipal laws, rules, regulations or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by lessee, and this lease shall not be terminated in whole or in part, nor lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

12. Should any person, firm or corporation have an interest in the above-described land not leased to lessee, or should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

13. The undersigned lessors for themselves and their heirs, successors, and assigns, hereby expressly release and waive all rights under and by virtue of the homestead exemption laws of said state, insofar as the same may in any way affect the purposes for which this lease is made as recited herein.

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

Donald T. Adams
DONALD T. ADAMS SS #528-46-1747

Dorothy R. Adams
DOROTHY R. ADAMS SS #529-46-5895

ACKNOWLEDGMENTS

STATE OF UTAH }
COUNTY OF SAN JUAN } ss.

HUSBAND AND WIFE, Wyoming, Montana, Colorado

On this 15th day of August, 1977, before me personally appeared Donald T. Adams

Dorothy R. Adams and Dorothy R. Adams his wife, free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her rights and effect of signing and acknowledging the said instrument.

Given under my hand and seal this 15th day of August, 1977.

My commission expires: September 15, 1978

Bruce K. Kelly
Notary Public for the State of UTAH
residing at MONTICELLO, UTAH 84520

STATE OF _____ }
COUNTY OF _____ } ss.

INDIVIDUAL, Wyoming, Montana, Colorado

On this _____ day of _____, 19____, before me personally appeared _____

to me known to be the person _____ described in, and who executed the foregoing instrument, and who acknowledged to me that _____ he _____ executed the same as _____ free act and deed, including the release and waiver of the right of homestead.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

No. _____	Oil and Gas Lease	FROM _____	TO _____	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the _____ records of this office.	Register of Deeds _____	By _____, Deputy	When recorded return to _____
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STATE OF _____ }
COUNTY OF _____ } ss.

CORPORATE, Wyoming, Montana or Colorado

On this _____ day of _____, 19____, before me appeared _____

to me personally known, who, being by me duly sworn, did say that he is the _____ President (or Secretary) of _____

and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19____.

My commission expires: _____

Notary Public for the State of _____
residing at _____

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive Public Domain Lease)
Act of February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. 181-263)

Name **L. A. Idler**
Street **902 Patterson Bldg**
City **Denver, CO 80202**
State
Zip Code

U-31450-A
(Serial Number)

This oil and gas lease is issued for a period of ten (10) years to the above-named lessee pursuant and subject to the provisions of the Mineral Leasing Act and subject to all rules and regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

Lands included in the lease: State: **Utah** County: **San Juan**

T. 37 S., R. 22 E., S1M
Sec. 26, S1NE1/4, NW1/4, S1/4.

Containing a total of **560.00** acres Annual Rental \$ **280.00**

This lease is issued to the successful drawee pursuant to his "Simultaneous Oil and Gas Entry Card" application filed under 43 CFR 3123.9, and is subject to the provisions of that application and those specified on the reverse side hereof.

Effective date of lease: December 1, 1975

THE UNITED STATES OF AMERICA

By *J. K. [Signature]*
(Signature of Signing Officer)

Acting Chief, Branch of Realty Services
(Title)

November 28, 1975
(Date)

This lease is subject to the determination by the Geological Survey as to whether the lands herein described were on a known geologic structure of a producing oil or gas field as of the date of signing hereof by the authorized officer.

6-4301795/4301795

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SURFACE DISTURBANCE STIPULATIONS

Area Oil and Gas Supervisor or
District Engineer (Address, include zip code)

See below

Management Agency (name)

See reverse side.

Address (include zip code)

See reverse side.

1. Notwithstanding any provision of this lease to the contrary, any drilling, construction, or other operation on the leased lands that will disturb the surface thereof or otherwise affect the environment, hereinafter called "surface disturbing operation," conducted by lessee shall be subject, as set forth in this stipulation, to prior approval of such operation by the Area Oil and Gas Supervisor in consultation with appropriate surface management agency and to such reasonable conditions, not inconsistent with the purposes for which this lease is issued, as the Supervisor may require to protect the surface of the leased lands and the environment.

2. Prior to entry upon the land or the disturbance of the surface thereof for drilling or other purposes, lessee shall submit for approval two (2) copies of a map and explanation of the nature of the anticipated activity and surface disturbance to the District Engineer or Area Oil and Gas Supervisor, as appropriate, and will also furnish the appropriate surface management agency named above, with a copy of such map and explanation.

An environmental analysis will be made by the Geological Survey in consultation with the appropriate surface management agency for the purpose of assuring proper protection of the surface, the natural resources, the environment, existing improvements, and for assuring timely reclamation of disturbed lands.

3. Upon completion of said environmental analysis, the District Engineer or Area Oil and Gas Supervisor, as appropriate, shall notify lessee of the conditions, if any, to which the proposed surface disturbing operations will be subject.

Said conditions may relate to any of the following:

- (a) Location of drilling or other exploratory or developmental operations or the manner in which they are to be conducted;
- (b) Types of vehicles that may be used and areas in which they may be used; and
- (c) Manner or location in which improvements such as roads, buildings, pipelines, or other improvements are to be constructed.

For all counties in Utah except San Juan County: Area Oil and Gas Supervisor,
Geological Survey,
P. O. Box 2859,
Casper, Wyoming 82601

For San Juan County:

Area Oil and Gas Supervisor,
Geological Survey,
P. O. Box 1857,
Roswell, New Mexico 88201

Form 3109-5 (August 1973)

NONCOMPETITIVE OFFER TO LEASE FOR OIL & GAS

Undersigned offers to lease for oil and gas all or any portion of the identified parcel of land which may be available for noncompetitive leasing, and certifies: (1) applicant is a citizen of the United States, an association of such citizens, a partnership, a corporation, or a municipality organized under the laws of the United States or any State thereof; (2) applicant's interests in oil and gas offers to lease, leases, and options do not exceed the limitation provided by 30 U.S.C. 184(d); (3) applicant has not filed

any other entry card for the parcel involved; and (4) applicant is the sole party in interest in this offer and the lease if issued, or if not the sole party in interest, that the names and addresses of all other interested parties are set forth below. The undersigned agrees that the successful drawing of this card will bind him to a lease, on Forms 3110-2 or 3110-3, and the appropriate stipulations as provided in 43 CFR 3109.4-2 and the posted notice

Signature of Applicant

[Handwritten Signature]

Date

10/22/75

Signature of Applicant

Date

INSTRUCTIONS

This card must be fully completed, signed, and sent to the appropriate Office of the Bureau of Land Management. It must be accompanied by a \$10 filing fee. Compliance must also be made with the provisions of 43 CFR 3102. If qualifications of association or corporation have been filed previously, identify serial record involved.

If you are successful in the drawing, you will be required to pay the first year's rental of 50¢ per acre or fraction thereof prior to issuance of lease.

Other parties in interest - All interested parties must furnish evidence of their qualifications to hold such lease interest. See 43 CFR 3102.7.

Other parties in interest

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Other parties in interest

30 U.S.C. , Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

IF YOU FILE MORE THAN ONE CARD FOR THE SAME PARCEL, YOU ARE AUTOMATICALLY DISQUALIFIED

LEASE TERMS

Sec. 1. Rights of lessee.—The lessee is granted the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits, except helium gas, in the lands leased, together with the right to construct and maintain thereupon, all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 10 years, and so long thereafter as oil or gas is produced in paying quantities, subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistent with the terms of this lease.

Sec. 2. The lessee agrees:

(a) **Bonds.**—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$2 per acre annual rental but not less than \$1,000 nor more than \$10,000, upon the inclusion of any part of the leased land within the known geologic structure of a producing oil or gas field. (4) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$10,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted. (5) Until a general lease bond is filed to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In lieu of any of the bonds described herein, the lessee may file such other bond as the regulations may permit.

(b) **Cooperative or unit plan.**—Within 30 days of demand, or, if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) **Wells.**—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss or royalty through drainage in the amount determined by said Director; (2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practice.

(d) **Rentals and royalties.**—(1) To pay rentals and royalties in amounts or value of production removed or sold from the leased lands as follows:

Rentals.—To pay the lessor in advance an annual rental at the following rates:

(a) If the lands are wholly outside the known geologic structure of a producing oil or gas field:

(i) For each lease year a rental of 50 cents per acre or fraction of an acre.

(b) If the lands are wholly or partly within the known geologic structure of a producing oil or gas field:

(i) Beginning with the first lease year after 30 days' notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands leased, \$2 per acre or fraction of an acre.

(ii) If this lease is committed to an approved cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, the rental prescribed for the respective lease years in subparagraph (a) of this section, shall apply to the acreage not within a participating area.

Minimum royalty.—Commencing with the lease year beginning on or after a discovery on the leased land, to pay the lessor in lieu of rental, a minimum royalty of \$1 per acre or fraction thereof at the expiration of each lease year, or the difference between the actual royalty paid during the year if less than \$1 per acre, and the prescribed minimum royalty of \$1 per acre, provided that if this lease is unitized, the minimum royalty shall be payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b)(ii) above.

Royalty on production.—(1) To pay the lessor 12½ percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (30 CFR Pt. 22).

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(e) **Payments.**—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management at the places mentioned in the regulation 43 CFR 3102.2. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(f) **Contracts for disposal of products.**—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land; provided, that nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas waste, taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(g) **Statements, plans and reports.**—At such times and in such form as the lessor may prescribe, to furnish detailed reports showing the amounts and quality of oil products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or otherwise lost; a plan showing development work and improvements on the leased land; and

and costs.

(h) **Well records.**—To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, and to furnish them, or copies hereof, to the lessor when required. All information obtained under this paragraph, upon the request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) **Inspection.**—To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessee, shall not be open to inspection by the public until the expiration of the lease.

(j) **Diligence, prevention of waste, health and safety of workmen.**—To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations in accordance with approved methods and practice as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease of the lessee is based by abandoning the same; to carry out at expense of the lessee all reasonable orders of the lessor relative to the matters in this paragraph, and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessee's cost; provided, that the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(k) **Taxes and wages, freedom of purchase.**—To pay when due all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(l) **Equal Opportunity clause.**—During the performance of this contract the lessee agrees as follows:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the lessee's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the lessee may request the United States to enter into such litigation to protect the interests of the United States.

(m) **Assignment of oil and gas lease or interest therein.**—As required by applicable law, to file for approval by the lessor any instrument of transfer made of this lease or any interest therein, including assignments of record title, operating agreements and subleases, working or royalty interests, within 90 days from the date of final execution thereof.

(n) **Pipelines to purchase or convey at reasonable rates and without discrimination.**—If owner, or operator, or operator of a controlling interest in any pipeline or of any company operating the same which may be operated accessibly to the oil or gas derived from lands under this lease, to accept and convey and, if a purchaser of such products to purchase at reasonable rates and without discrimination the oil or gas of the Government or of any citizen or company not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act, or under the provisions of the act of August 7, 1947 (61 Stat. 913, 30 U.S.C. sec. 351).

(o) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws relating to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) **Reserved or segregated lands.**—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(q) **Protection of strata, natural resources, and improvements.** The lessee agrees to take such reasonable steps as may be needed to prevent operations on the leased lands from unnecessarily: (1) causing or contributing to soil erosion or damaging crops, including forage, and timber growth thereon or Federal or non-Federal lands in the vicinity; (2) polluting air and water; (3) damaging improvements owned by the United States or other parties; or (4) destroying, damaging or removing fossils, or other prehistoric ruins, or artifacts and upon any partial or total relinquishment or the cancellation or expiration of this lease, or at any other time prior thereto when required and to the extent practicable, to restore the leased land to the condition

and other excavations, remove or cover all debris, and so far as reasonably possible, restore the surface of the leased land and access roads to their former condition, including the removal of structures as and if required. The lessor may prescribe the steps to be taken and restoration to be made with respect to the leased lands and improvements thereon whether or not owned by the United States. **Antiquities and objects of scientific interest.**—When American antiquities or other objects of historic or scientific interest including but not limited to historic or prehistoric ruins, fossils or artifacts are discovered in the performances of this lease, the item(s) or condition(s) will be left intact and immediately brought to the attention of the contracting officer of his authorized representative.

(r) **Overriding royalties.**—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) **Deliver premises in case of forfeiture.**—To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. The lessor reserves:

(a) **Easements and rights-of-way.**—The right to permit for joint or several use easements or rights-of-way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) **Monopoly and fair prices.**—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) **Helium.**—Pursuant to Section 1 of the act as amended, the ownership of helium and the right to extract or have it extracted from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the lessor elects to take the helium, the lessee shall deliver all or any portion of gas containing the same to the lessor, in the manner required by the lessor, at any point on the leased premises, or, if the area is served at the time of production by a gas-gathering system owned or operated by the lessee, at any point in that system specified by the lessor, for extraction of the helium by such means as the lessor may provide. The residue shall be returned to the lessee, with no substantial delay in the delivery of the gas produced from the well to the owner or purchaser thereof. Save for the value of the helium extracted, the lessee shall not suffer a diminution of the value of the gas produced from the well, or loss otherwise, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. The lessor reserves the right to erect, maintain, and operate any and all reduction works necessary for extraction of helium on the leased premises. The lessee further agrees to include in any contract of sale of gas from the lands subject to this lease provisions setting forth that the lessor owns, and reserves the right to extract or have extracted, any helium in the gas sold, and that the lessor may take the gas from a pipeline carrier or any other gas-gathering system and extract the helium and return the gas to the owner thereof, without delay other than that caused by the extraction process; save for the value of the helium, the owner shall not suffer any diminution of the value of the gas from which helium has been extracted, or any other loss arising from the extraction of helium, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. It is further agreed that any rights reserved vested in the lessor under this paragraph shall also run to any agent or assignee of the lessor or any purchaser of the rights of the lessor.

(e) **Taking of royalties.**—All rights pursuant to section 36 of the act to take royalties in amount or in value of production.

(f) **Casing.**—All rights pursuant to section 40 of the act to purchase casing, and lease or operate valuable water wells.

Sec. 4. Drilling and producing restrictions.—It is agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or person, committee, or State or Federal officer or agency so authorized in the unit plan, may alter or modify from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

Sec. 5. Surrender and termination of lease.—The lessee may surrender this lease or any legal subdivision thereof by filing in the proper land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and regulations.

Sec. 6. Purchase of materials, etc., on termination of lease.—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided, which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period; provided, that the lessee shall remove any or all of such property where so directed by the lessor.

Sec. 7. Proceedings in case of default.—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or of the lease, or shall make default in the performance or observance of any of the terms hereof (except that of payment of annual rental which results in the automatic termination of the lease), and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of cancellation and forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of cancellation and forfeiture, or for the same cause occurring at any other time.

Sec. 8. Heirs and successors-in-interest.—It is further agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. Unlawful interest.—It is also further agreed that no member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit therefrom; and the provisions of Sec. 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. sec. 24) and Secs. 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive Public Domain Lease)
Act of February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. 181-263)

Name **L. A. Idler**
Street **902 Patterson Bldg**
City **Denver, CO**
State **80202**
Zip Code

U-31460
(Serial Number)

This oil and gas lease is issued for a period of ten (10) years to the above-named lessee pursuant and subject to the provisions of the Mineral Leasing Act and subject to all rules and regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

Lands included in the lease: State: **Utah** County: **San Juan**

T. 37 S., R. 22 E., S1M
Sec. 26, S1NE1/4, NW1/4, S1/2.

Containing a total of	560.00 acres	Annual Rental	\$ 280.00
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This lease is issued to the successful drawee pursuant to his "Simultaneous Oil and Gas Entry Card" application filed under 43 CFR 3123.9, and is subject to the provisions of that application and those specified on the reverse side hereof.

Effective date of lease: December 1, 1975

THE UNITED STATES OF AMERICA

By *J. K. [Signature]*
(Signature of Signing Officer)

Acting Chief, Branch of Realty Services
(Title)

November 28, 1975
(Date)

This lease is subject to the determination by the Geological Survey as to whether the lands herein described were on a known geologic structure of a producing oil or gas field as of the date of signing hereof by the authorized officer.

#6-4302267/4302267

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT
 SURFACE DISTURBANCE STIPULATIONS

Area Oil and Gas Supervisor or
 District Engineer (Address, include zip code)

See below

Management Agency (name)

See reverse side.

Address (include zip code)

See reverse side.

1. Notwithstanding any provision of this lease to the contrary, any drilling, construction, or other operation on the leased lands that will disturb the surface thereof or otherwise affect the environment, hereinafter called "surface disturbing operation," conducted by lessee shall be subject, as set forth in this stipulation, to prior approval of such operation by the Area Oil and Gas Supervisor in consultation with appropriate surface management agency and to such reasonable conditions, not inconsistent with the purposes for which this lease is issued, as the Supervisor may require to protect the surface of the leased lands and the environment.

2. Prior to entry upon the land or the disturbance of the surface thereof for drilling or other purposes, lessee shall submit for approval two (2) copies of a map and explanation of the nature of the anticipated activity and surface disturbance to the District Engineer or Area Oil and Gas Supervisor, as appropriate, and will also furnish the appropriate surface management agency named above, with a copy of such map and explanation.

An environmental analysis will be made by the Geological Survey in consultation with the appropriate surface management agency for the purpose of assuring proper protection of the surface, the natural resources, the environment, existing improvements, and for assuring timely reclamation of disturbed lands.

3. Upon completion of said environmental analysis, the District Engineer or Area Oil and Gas Supervisor, as appropriate, shall notify lessee of the conditions, if any, to which the proposed surface disturbing operations will be subject.

Said conditions may relate to any of the following:

- (a) Location of drilling or other exploratory or developmental operations or the manner in which they are to be conducted;
- (b) Types of vehicles that may be used and areas in which they may be used; and
- (c) Manner or location in which improvements such as roads, buildings, pipelines, or other improvements are to be constructed.

For all counties in Utah except San Juan County: Area Oil and Gas Supervisor,
 Geological Survey,
 P. O. Box 2859,
 Casper, Wyoming 82601

For San Juan County: Area Oil and Gas Supervisor,
 Geological Survey,
 P. O. Box 1857,
 Roswell, New Mexico 88201

Oil and Gas Lease - Surface Disturbance Stipulations
Surface Management Agencies

- () Cedar City District Office, Bureau of Land Management, 154 North Main,
P.O. Box 729, Cedar City, Utah 84720 -- Telephone: 801-586-9443
- (✓) Moab District Office, Bureau of Land Management, 62 So. Main,
P.O. Box 970, Moab, Utah 84532 -- Telephone: 801-259-7106
- () Richfield District Office, Bureau of Land Management, 850 No. Main,
P.O. Box 392, Richfield, Utah 84701 -- Telephone: 801-896-2237
- () Salt Lake District Office, Bureau of Land Management, 1745 W. 1700 So.,
Salt Lake City, Utah 84101 -- Telephone: 801-524-5348
- () Vernal District Office, Bureau of Land Management, 91 West Main,
P.O. Box F, Vernal, Utah 84078 -- Telephone: 801-789-1362
- () Forest Supervisor, Ashley National Forest, 437 East Main, Vernal
Utah 84078
- () Forest Supervisor, Dixie National Forest, 500 South Main Street,
Cedar City, Utah 84720
- () Forest Supervisor, Fishlake National Forest, 170 North Main,
Richfield, Utah 84701
- () Forest Supervisor, Uinta National Forest, 88 West 100 North,
P.O. Box 1428, Provo, Utah 84601
- () Forest Supervisor, Manti-LaSal National Forest, 350 East Main,
Price, Utah 84501
- () Forest Supervisor, Wasatch National Forest, 4438 Federal Building,
125 South State Street, Salt Lake City, Utah 84111
- () Regional Director, Bureau of Reclamation, P.O. Box 11568,
Salt Lake City, Utah 84111
- () Regional Director, Bureau of Reclamation, Boulder City, Nevada 89005
- () Superintendent, Uintah & Ouray Agency, Bureau of Indian Affairs,
Fort Duchesne, Utah 84026
- () Navajo Area Office, Bureau of Indian Affairs, P.O. Box 128,
Window Rock, Arizona 86515

LEASE TERMS

Sec. 1. **Right of surface.**—The lessee is granted the exclusive right, and privilege to drill for, mine, extract, remove and dispose of all oil and gas deposits except helium gas on the lands leased together with the right to construct and maintain thereon all wells, pipelines, ditches, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations or other structures necessary to the full enjoyment thereof for a period of 10 years and so long thereafter as oil or gas is produced in paying quantities subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior; the provisions of said agreement to govern the lands subject thereto when inconsistent with the terms of this lease.

Sec. 2. **The lessee agrees.**

(a) **Area.**—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter the land under this lease. (2) To maintain any bond furnished or the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$2 per acre annual rental, but not less than \$1,000 nor more than \$10,000 upon the inclusion of any part of the leased land within the known geologic structure of a producing oil or gas field.

(4) To furnish prior to beginning of drilling operations and machinery at all times thereafter as required by the lessor a bond in the penal sum of \$10,000 with approved corporate surety or with deposit of United States bonds as surety therefor conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond is furnished by an operator of the lease is accepted. (5) Until a general lease bond is filed to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In lieu of any of the bonds described herein the lessee may file such other bond as the regulations may permit.

(b) **Operation or abandonment.**—Within 30 days of demand or if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, pool, or part thereof embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable which plan shall adequately protect the rights of all parties in interest including the United States.

(c) **Wells.**—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined by said Director. (2) At the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practices.

(d) **Rentals and royalties.**—(1) To pay rentals and royalties in ammonia or value of production removed or sold from the leased lands as follows:

Rentals.—To pay the lessor in advance an annual rental at the following rates:

(a) If the lands are wholly within the known geologic structure of a producing oil or gas field:

(i) For each lease year a rental of \$1.00 per acre or fraction of an acre.

(b) If the lands are wholly or partly within the known geologic structure of a producing oil or gas field:

(i) Beginning with the first lease year after 30 days' notice that all or part of the land is included in such a structure and for each year thereafter prior to a discovery of oil or gas on the lands leased, \$2 per acre or fraction of an acre.

(ii) If this lease is committed to an approved cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, the rental prescribed for the respective lease years in subparagraph (a) of this section, shall apply to the acreage not within a participating area.

Assignment of royalties.—Commencing with the lease year beginning on or after a discovery on the leased land, to pay the lessor in lieu of rental, a minimum royalty of \$1 per acre or fraction thereof at the expiration of each lease year, or the difference between the actual royalty paid during the year if less than \$1 per acre and the prescribed minimum royalty of \$1 per acre, provided that if this lease is unitized, the minimum royalty shall be payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b)(ii) above.

Royalty on production.—(1) To pay the lessor 12½ percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (30 CFR Pt. 221).

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced or suspended if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(5) **Payment.**—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management, at the places mentioned in the regulation 43 CFR 3102.2. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(6) **Contracts for disposal of products.**—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land; *Provided*, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas waste, taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(7) **Statements, plats and reports.**—At such times and in such form as the lessor may prescribe, to furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plat showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation and costs.

(8) **Well records.**—To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the

leased lands, and an acceptable record of all subsurface investigations affecting said lands and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph, upon the request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(9) **Inspection.**—To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessee, shall not be open to inspection by the public until the expiration of the lease.

(10) **Diligence, prevention of waste, health and safety of workmen.**—To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations in accordance with approved methods and practice as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to coal measures or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease was based before abandoning the same; to carry out at expense of the lessee all reasonable orders of the lessor relative to the matters in this paragraph; and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessee's cost; *Provided*, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(11) **Taxes and wages, freedom of purchase.**—To pay when due all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee, to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(12) **Equal Opportunity clause.**—During the performance of this contract the lessee agrees as follows:

(1) **Equal Opportunity clause.**—During the performance of this lease, the lessee agrees as follows:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this Equal Opportunity clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the Equal Opportunity clause of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other actions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor. The lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance. *Provided*, however, That in the event the lessee becomes involved in a lawsuit or threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the lessee may request the United States to enter into such litigation to protect the interests of the United States.

(8) **Assignment of oil and gas lease or interest therein.**—As required by applicable law, to file for approval by the lessor any instrument of transfer made of this lease or any interest therein, including assignments of record title, operating agreements and subleases, working or royalty interests, within 90 days from the date of final execution thereof.

(9) **Pipelines to purchase or convey at reasonable rates and without discrimination.**—If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating the same which may be operated accessible to the oil or gas derived from lands under this lease, to accept and convey and, if a purchaser of such product, to purchase at reasonable rates and without discrimination the oil or gas of the Government or of any citizen or company not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act, or under the provisions of the act of August 7, 1947 (61 Stat. 913, 30 U.S.C. sec. 351).

(10) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(11) **Reserved or segregated lands.**—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(12) **Protection of surface, natural resources, and improvements.** The lessee agrees to take such reasonable steps as may be needed to prevent operations on the leased lands from unnecessarily: (1) causing or contributing to soil erosion or damaging crops, including forage, and timber growth thereon or on Federal or non-Federal lands in the vicinity; (2) polluting air and water; (3) damaging improvements owned by the United States or other parties; or (4) destroying, damaging or removing fossils, or other or prehistoric ruins, or artifacts and upon any partial or

total relinquishment or the cancellation or expiration of this lease or at any other time prior thereto when required and to the extent deemed necessary by the lessor to fill any pits, ditches and other excavations; remove or cover all debris; and so far as reasonably possible, restore the surface of the leased land and access roads to their former condition, including the removal of structures as and if required. The lessor may prescribe the steps to be taken and restoration to be made with respect to the leased lands and improvements thereon whether or not owned by the United States. *Antiquities and objects of historic or scientific interest.*—When American antiquities or other objects of historic or scientific interest including but not limited to historic or prehistoric ruins, fossils or artifacts are discovered in the performances of this lease, the items or condition(s) will be left intact and immediately brought to the attention of the contracting officer or his authorized representative.

(13) **Overriding royalties.**—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(14) **Lessee's premises in case of forfeiture.**—To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. **The lessor reserves.**

(a) **Assignment and right-of-way.**—The right to permit for joint or several use easements or rights-of-way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) **Monopoly and fair prices.**—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) **Helium.**—Pursuant to Section 1 of the act as amended, the ownership of helium and the right to extract or have it extracted from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the lessor elects to take the helium, the lessee shall deliver all or any portion of gas containing the same to the lessor, in the manner required by the lessor, at any point on the leased premises, or, if the area is served at the time of production by a gas-gathering system owned or operated by the lessor, at any point in that system specified by the lessor, for extraction of the helium by such means as the lessor may provide. The residue shall be returned to the lessee, with no substantial delay in the delivery of the gas produced from the well to the owner or purchaser thereof. Save for the value of the helium extracted, the lessee shall not suffer a diminution of the value of the gas produced from the well, or loss otherwise, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. The lessor reserves the right to erect, maintain, and operate any and all reduction works necessary for extraction of helium on the leased premises. The lessee further agrees to include in any contract of sale of gas from the lands subject to this lease provisions setting forth that the lessor owns, and reserves the right to extract or have extracted, any helium in the gas sold, and that the lessor may take the gas from a pipeline carrier or any other gas-gathering system and extract the helium and return the gas to the owner thereof, without delay other than that caused by the extraction process; save for the value of the helium, the owner shall not suffer any diminution of the value of the gas from which helium has been extracted, or any other loss arising from the extraction of helium, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium for which he is not reasonably compensated. It is further agreed that any rights reserved vested in the lessor under this paragraph shall also run to any agent or assignee of the lessor or any purchaser of the rights of the lessor.

(e) **Taking of royalties.**—All rights pursuant to section 36 of the act to take royalties in amount or in value of production.

(f) **Casing.**—All rights pursuant to section 40 of the act to purchase casing, and lease or operate valuable water wells.

Sec. 4. **Drilling and producing restrictions.**—It is agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment, the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or land agreements among operators regulating either drilling or production, or both. After notification, the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the unit plan, may alter or modify from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

Sec. 5. **Surrender and termination of lease.**—The lessee may surrender this lease or any legal subdivision thereof by filing in the proper land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and regulations.

Sec. 6. **Purchase of materials, etc., on termination of lease.**—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided, which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period; *Provided*, That the lessee shall remove any or all of such property where so directed by the lessor.

Sec. 7. **Proceedings in case of default.**—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or of the lease, or shall make default in the performance or observance of any of the terms hereof (except that of payment of annual rental which results in the automatic termination of the lease), and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise by the lessor in any legal or equitable remedy which the lessor might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of cancellation and forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of cancellation and forfeiture, or for the same cause occurring at any other time.

Sec. 8. **Heirs and successors-in-interest.**—It is further agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. **Unlawful interest.**—It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. sec. 22) and Secs. 431, 432, and 433, Title 18 U.S. Code, relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

Oil and Gas Lease Stipulation for Non-Conventional Oil Recovery

Under the provisions of Public Law 97-78, this lease includes all deposits of nongaseous hydrocarbon substances other than coal, oil shale, or gilsonite (including all vein-type solid hydrocarbons). Development by methods not conventionally used for oil and gas extraction such as fire flooding and including surface mining will require the lessee to submit a plan of operations and will be subject to regulations governing development by such methods when those rules are issued by the Bureau of Land Management (BLM), and the rules or procedures of the surface managing agency, if other than BLM. Development may proceed only if the plan of operations is approved.

CULTURAL RESOURCES PROTECTION STIPULATION

CULTURAL RESOURCES - The Federal surface management agency is responsible for assuring that the leased lands are examined to determine if cultural resources are present and to specify mitigation measures. Prior to undertaking any surface-disturbing activities on the lands covered by this lease, the lessee or operator, unless notified to the contrary by the authorized officer of the Federal surface management agency, shall:

1. Contact the appropriate Federal surface management agency to determine if a site specific cultural resource inventory is required. If an inventory is required, then;
2. Engage the services of a cultural resources specialist acceptable to the Federal surface management agency to conduct a cultural resource inventory of the area of proposed surface disturbance. The operator may elect to inventory an area larger than the area of proposed disturbance to cover possible site relocation which may result from environmental or other considerations. An acceptable inventory report is to be submitted to the authorized officer for review and approval no later than that time when an otherwise complete application for approval of drilling or subsequent surface disturbing operation is submitted.
3. Implement mitigation measures required by the Federal surface management agency. Mitigation may include the relocation of proposed lease-related activities or other protective measures such as testing salvage and recordation. Where impacts to cultural resources cannot be mitigated to the satisfaction of the Federal surface management agency, surface occupancy on that area must be prohibited.

The lessee or operator shall immediately bring to the attention of the authorized officer of the Federal surface management agency any cultural resources discovered as a result of approved operations under this lease, and not disturb such discoveries until directed to proceed by the authorized officer of the Federal surface management agency.

U- 53636
Oil and Gas

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SURFACE DISTURBANCE NOTICE

The surface management agency has reviewed existing information and planning documents and, except as noted in attached special stipulations, knows of no reason why normal exploration, development, and production cannot proceed on the leased lands. However, prior to disturbing the surface of the leased lands, the lessee should contact the surface management agency to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Lessees must comply with the onshore oil and gas operations regulations, Operating Orders, and Notices to Lessees.

Oil and Gas Lease - Surface Disturbance Stipulations
Surface Management Agencies

- () Cedar City District Office, Bureau of Land Management, 1579 North Main,
P. O. Box 729, Cedar City, Utah 84720
- (/) Moab District Office, Bureau of Land Management, 125 West 2nd South,
P. O. Box 970, Moab, Utah 84532
- () Richfield District Office, Bureau of Land Management, 150 East 900 North,
P. O. Box 768, Richfield, Utah 84701
- () Salt Lake District Office, Bureau of Land Management, 2370 South 2300 West,
Salt Lake City, Utah 84119
- () Vernal District Office, Bureau of Land Management, 91 West Main,
P. O. Box F, Vernal, Utah 84078
- () Forest Supervisor, Ashley National Forest, 437 East Main, Vernal, Utah 84078
- () Forest Supervisor, Dixie National Forest, 500 South Main Street, Cedar
City, Utah 84720
- () Forest Supervisor, Fishlake National Forest, 170 North Main, Richfield,
Utah 84701
- () Forest Supervisor, Uinta National Forest, 88 West 100 North, P. O. Box 1428,
Provo, Utah 84601
- () Forest Supervisor, Manti-LaSal National Forest, 350 East Main, Price,
Utah 84501
- () Forest Supervisor, Wasatch National Forest, 4438 Federal Building,
125 South State Street, Salt Lake City, Utah 84111
- () Regional Director, Bureau of Reclamation, P. O. Box 11568,
Salt Lake City, Utah 84147
- () Regional Director, Bureau of Reclamation, Boulder City, Nevada 89005
- () Superintendent, Uintah & Ouray Agency, Bureau of Indian Affairs, Fort
Duchesne, Utah 84025
- () Navajo Area Office, Bureau of Indian Affairs, P. O. Box 128,
Window Rock, Arizona 86515
- () Superintendent, Glen Canyon Recreation Area, National Park Service,
P. O. Box 1507, Page, Arizona 86040

OPERATOR Cactus Service Oil & Gas Corp. DATE 9-13-84

WELL NAME Fed. 6 #1

SEC NE NE 35 T 31S R 22E COUNTY San Juan

43-037-31062
API NUMBER

Fed
TYPE OF LEASE

POSTING CHECK OFF:

INDEX

MAP

HL

NID

PI

PROCESSING COMMENTS:

No other wells within 1000'
Exception location requested.
Need water permit

~~CHIEF PETROLEUM ENGINEER REVIEW:~~

APPROVAL LETTER:

SPACING: A-3 _____ UNIT

c-3-a _____ CAUSE NO. & DATE

c-3-b

c-3-c

SPECIAL LANGUAGE:

1- Water

RECONCILE WELL NAME AND LOCATION ON APD AGAINST SAME DATA ON PLAT MAP.

AUTHENTICATE LEASE AND OPERATOR INFORMATION

VERIFY ADEQUATE AND PROPER BONDING

AUTHENTICATE IF SITE IS IN A NAMED FIELD, ETC.

APPLY SPACING CONSIDERATION

ORDER _____

UNIT _____

c-3-b

c-3-c

CHECK DISTANCE TO NEAREST WELL.

CHECK OUTSTANDING OR OVERDUE REPORTS FOR OPERATOR'S OTHER WELLS.

IF POTASH DESIGNATED AREA, SPECIAL LANGUAGE ON APPROVAL LETTER

IF IN OIL SHALE DESIGNATED AREA, SPECIAL APPROVAL LANGUAGE.

VERIFY LEGAL AND SUFFICIENT DRILLING WATER



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Scott M. Matheson, Governor
Temple A. Reynolds, Executive Director
Dianne R. Nielson, Ph.D., Division Director

4241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771

September 17, 1984

Cities Service Oil and Gas Corporation
P. O. Box 1919
Midland, Texas 79702

Gentlemen:

Re: Well No. Federal C #1 - NENE Sec. 35, T. 37S, R. 22E
855' FNL, 1150' FEL - San Juan County, Utah

Approval to drill the above referenced oil well is hereby granted in accordance with Rule C-3(c), General Rules and Regulations and Rules of Practice and Procedure, subject to the following stipulations:

1. Prior to commencement of drilling, receipt by the Division of evidence providing assurance of an adequate and approved supply of water.

In addition, the following actions are necessary to fully comply with this approval:

1. Spudding notification to the Division within 24 hours after drilling operations commence.
2. Submittal to the Division of completed Form OGC-8-X, Report of Water Encountered During Drilling.
3. Prompt notification to the Division should you determine that it is necessary to plug and abandon this well. Notify John R. Baza, Petroleum Engineer, (Office) (801) 533-5771, (Home) 298-7695 or R. J. Firth, Associate Director, (Home) 571-6068.
4. Compliance with the requirements and regulations of Rule C-27, Associated Gas Flaring, General Rules and Regulations, Oil and Gas Conservation.

Page 2
Cities Service Oil and Gas Corporation
Well No. Federal C #1
September 17, 1984

5. This approval shall expire one (1) year after date of issuance unless substantial and continuous operation is underway or an application for an extension is made prior to the approval expiration date.

The API number assigned to this well is 43-037-31062.

Sincerely,



R. J. BIRTH
Associate Director, Oil & Gas

as
Enclosures
cc: Branch of Fluid Minerals

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL:
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Cities Service Oil and Gas Corporation

3. ADDRESS OF OPERATOR
 P.O. Box 1919 - Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface
 855' FNL & 1150' FEL
 At proposed prod. zone
 Same as above

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 6 miles South of Blanding, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 855'

16. NO. OF ACRES IN LEASE 640

17. NO. OF ACRES ASSIGNED TO THIS WELL 80

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. N/A

19. PROPOSED DEPTH 6360'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 5381' Ungraded GL

22. APPROX. DATE WORK WILL START*
 After Permit Approval

5. LEASE DESIGNATION AND SERIAL NO.
 U-35016

6. IF INDIAN ALLOTTEE OR TRIBE NAME
 REC'D MDO SEP 10 1984

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
 Federal C

9. WELL NO.
 1

10. FIELD AND POOL, OR WILDCAT
 Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 35-T37S-R22E

12. COUNTY OR PARISH 13. STATE
 San Juan Utah

RECEIVED
 SEP 28 1984
 DIVISION OF OIL
 GAS & MINING

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48#	40'	3 Yds of Redimix
12-1/4"	8-5/8"	24#	550'	400 sacks
7-7/8"	5-1/2"	14 & 15.5#	6360'	430 sacks

It is proposed to drill this well to a T.D. of 6360' and test the Lower Ismay Formation. The blowout prevention program is as follows:

1. One set of blind rams
2. One set of drill pipe rams
3. One Hydril

The acreage allocated to this well is not dedicated to any gas purchaser.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 9-5-84

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY /s/ C. Delano Backus TITLE Acting DISTRICT MANAGER DATE 26 SEP 1984

CONDITIONS OF APPROVAL, IF ANY:

FLARING OR VENTING OF GAS IS SUBJECT OF NTL 4-A DATED 1/1/80
 CONDITIONS OF APPROVAL ATTACHED
 *See instructions On Reverse Side
 SUBJECT TO RIGHT OF WAY APPROVAL
 Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
 STATE OF UTAH - DOG-M

COMPANY CITIES SERVICE OIL & GAS CORPORATION

LEASE FEDERAL "C" WELL NO. 1

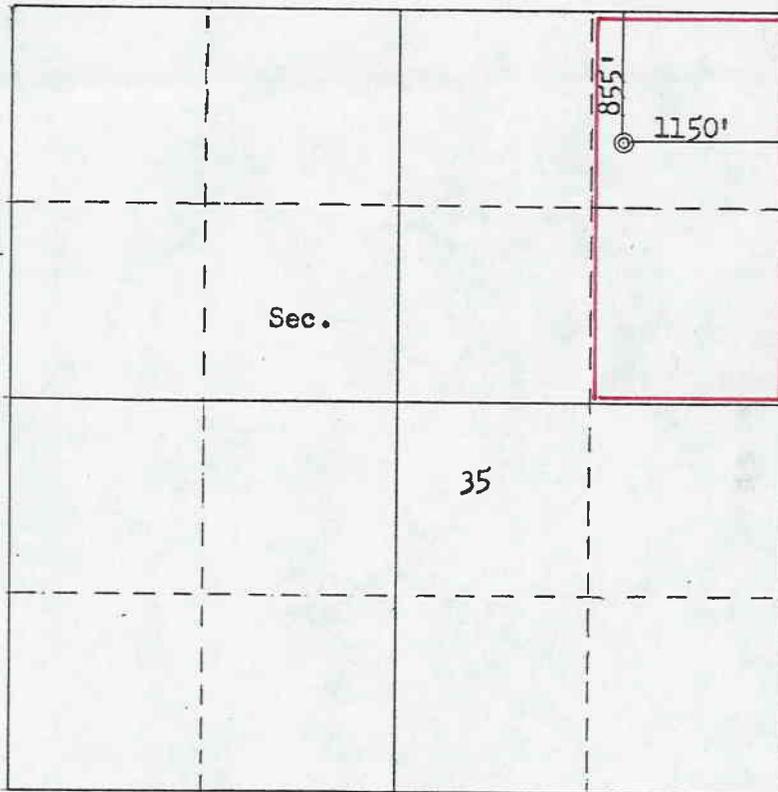
SEC. 35, T 37S, R 22E
San Juan County, Utah

LOCATION 855'FNL 1150'FEL

ELEVATION 5381 ungraded ground

Working interests of participating companies in this proposed well are as follows:

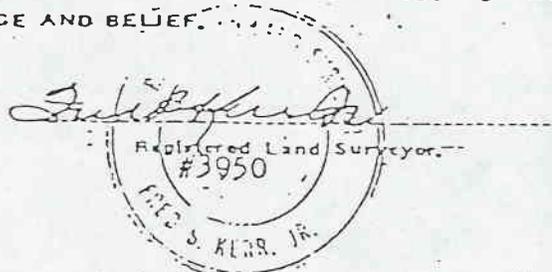
Cities	69.23077%
Hershey Oil	30.76923%
	<u>100.00000%</u>



SCALE—4 INCHES EQUALS 1 MILE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTE OF ACTUAL SURVEYS MADE BY ME UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SEAL:



SURVEYED August 3, 1984

APD STIPULATIONS

Construction

1. The San Juan County Road Department (801) 587-2231, ext. 43, will be contacted before county roads are used.

Reclamation:

2. Water bars will be built as follows to control erosion.

<u>Grade</u>	<u>Spacing</u>
2%	Every 200 feet
2-4%	Every 100 feet
4-5%	Every 75 feet
5+%	Every 50 feet

3. Seed will be broadcast between October 1 and February 28 with the following prescription. A harrow or similar implement will be dragged over the area to assure seed cover.

_____	1bs/acre Indian ricegrass (<u>Oryzopsis hymenoides</u>)
<u>2</u>	1bs/acre Galleta (<u>Hilaria jamesii</u>)
_____	1bs/acre Crested wheatgrass (<u>Agropyron desertorum</u>)
<u>2</u>	1bs/acre Western wheatgrass (<u>Agropyron smithii</u>)
_____	1bs/acre Alkali sacaton (<u>Sporobolus airoides</u>)
_____	1bs/acre Sand dropseed (<u>Sporobolus cryptandrus</u>)
<u>1</u>	1bs/acre Fourwing saltbush (<u>Atriplex canescens</u>)
_____	1bs/acre Shadscale (<u>Atriplex confertifolia</u>)
_____	1bs/acre Green ephedra (<u>Ephedra viridis</u>)
<u>1</u>	1bs/acre Cliffrose (<u>Cowania mexicana</u>)
_____	1bs/acre Desert bitterbrush (<u>Purshia glandulosa</u>)
_____	1bs/acre Winterfat (<u>Eurotia lanata</u>)
_____	1bs/acre Globemallow (<u>Sphaeralcea ambigua</u>)
<u>1</u>	1bs/acre Wild sunflower (<u>Helianthus annuus</u>)
_____	1bs/acre

Production:

4. The reserve pit and that portion of the location and access road not needed for production or production facilities will be reclaimed as described in the reclamation section. Enough topsoil will be kept to reclaim the remainder of the location at a future date. This remaining stockpile of topsoil will be seeded in place using the prescribed seed mixture.

ONSITE

DATE: August 23, 1984

PARTICIPANTS:

TITLES:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Your contact with the District Office is: Robert (Bob) Graff

Office Phone: 801-259-6111 Ext. 216

City: Moab State: Utah 84532

Resource Area Manager's address and contacts are: San Juan Resource Area

Address: 480 South First West, P.O. Box 7, Monticello, Utah 84535

Your contact is: Rich McClure

Office Phone: 801-587-2201

Home Phone: 801-587-2874

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on re-
verse side)

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)		5. LEASE DESIGNATION AND SERIAL NO. U-35016
1. <input checked="" type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER		6. IF INDIAN, ALLOTTEE OR TRIBE NAME
		7. UNIT AGREEMENT NAME
2. NAME OF OPERATOR Cities Service Oil and Gas Corporation		8. FARM OR LEASE NAME Federal C
3. ADDRESS OF OPERATOR P.O. Box 1919 - Midland, Texas 79702		9. WELL NO. 1
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface 855'FNL & 1150'FEL		10. FIELD AND POOL, OR WILDCAT Wildcat
14. PERMIT NO.		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 35-T37S-R22E
15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5381' Ungraded GL		12. COUNTY OR PARISH 13. STATE San Juan Utah

RECEIVED
NOV 05 1984
DIVISION OF OIL GAS & MINING

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	(Other) _____	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Please be advised of our changes of plans as reported in our APD dated September 5, 1984.

BOP's

A 10" 3000# instead of a 10" 5000# ram type preventer will be used. This preventer will have one set of pipe rams and one set of blind rams. When the APD was submitted, it was anticipated that the drilling rig would be equipped with a 5000# WP preventer. Instead the drilling rig is equipped with a 3000# WP preventer. 3000# WP preventers are sufficient for the depth of surface casing and the proposed depth of the well. No geopressured zones are anticipated in this well.

The BOP's will be tested to 1000# instead of a rated working pressure of a ram type preventer and 1/2 of the working pressure for an annular preventer. This will be done with a rig pump and not an independent contractor because of the depth of the surface casing and the normal formation pressure expected to be encountered while drilling. The casing and BOP's will be tested to 1000# surface pressure which is greater than the allowed shut-in surface pressure because the formation fracture pressure at the casing shoe will be exceeded before 1000# surface pressure will be reached should a kick occur and the well would have to be shut-in.

(CONTINUED ON ATTACHED SHEET)

18. I hereby certify that the foregoing is true and correct

SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 11-1-84

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:
Federal approval of this action is required before commencing operations.

APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL GAS AND MINING

*See Instructions on Reverse Side
BY: John R. Baya 11/3/84

Attachment

Cities Service Oil and Gas Corporation's #1 Federal C
855'FNL & 1150'FEL of Sec. 35-T37S-R22E, San Juan County, Utah

MUD SYSTEM MONITORING EQUIPMENT

A recording pit level indicator, pit volume totalizer and flo-line sensor will not be installed as stated in the APD. The reason they will not be installed is because no geopressured zones are expected in this well and sophisticated mud monitoring equipment will not be needed for this well depth. Visual monitoring will be sufficient.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPlicate*
(Other instructions on re-
verse side)

Form approved. ²
Budget Bureau No. 1004-0135
Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. U-35016
2. NAME OF OPERATOR Cities Service Oil and Gas Corporation		6. IF INDIAN, ALLOTTEE OR TRIBE NAME
3. ADDRESS OF OPERATOR P.O. Box 1919 - Midland, Texas 79702		7. UNIT AGREEMENT NAME
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 855'FNL & 1150'FEL		8. FARM OR LEASE NAME Federal C
14. PERMIT NO. 43-037-31062		9. WELL NO. 1
15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5381' Ungraded GL		10. FIELD AND POOL, OR WILDCAT Wildcat
		11. SEC., T., E., M., OR BLK. AND SURVEY OR AREA Sec. 35-T37S-R22E
		12. COUNTY OR PARISH 13. STATE San Juan Utah

RECEIVED

NOV 13 1984

DIVISION OF OIL
GAS & MINING

Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>
(Other) <input type="checkbox"/>	

WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
(Other) <u>Spudding date</u>	<input checked="" type="checkbox"/>

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Drilling @ 20' in Surface Rock. MIRU a rotary and spudded a 12-1/4" hole @ 0400 MST on 11-8-84.

18. I hereby certify that the foregoing is true and correct

SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 11-8-84

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____

*See Instructions on Reverse Side

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

2

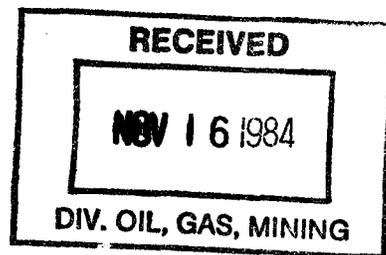
SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

<p>1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/></p>		<p>5. LEASE DESIGNATION AND SERIAL NO. U-35016</p>																									
<p>2. NAME OF OPERATOR Cities Service Oil and Gas Corporation</p>		<p>6. IF INDIAN, ALLOTTEE OR TRIBE NAME</p>																									
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<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5381' Ungraded GL</p>		<p>10. FIELD AND POOL, OR WILDCAT Wildcat</p>																									
<p>16. CHECK APPROPRIATE BOX TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA</p> <table border="0" style="width:100%;"> <tr> <td colspan="2" style="text-align:center; border-bottom: 1px solid black;">NOTICE OF INTENTION TO:</td> <td colspan="2" style="text-align:center; border-bottom: 1px solid black;">SUBSEQUENT REPORT OF:</td> </tr> <tr> <td style="width:25%;">TEST WATER SHUT-OFF <input type="checkbox"/></td> <td style="width:25%;">PULL OR ALTER CASING <input type="checkbox"/></td> <td style="width:25%;">WATER SHUT-OFF <input checked="" type="checkbox"/></td> <td style="width:25%;">REPAIRING WELL <input type="checkbox"/></td> </tr> <tr> <td>FRACTURE TREAT <input type="checkbox"/></td> <td>MULTIPLE COMPLETE <input type="checkbox"/></td> <td>FRACTURE TREATMENT <input type="checkbox"/></td> <td>ALTERING CASING <input type="checkbox"/></td> </tr> <tr> <td>SHOOT OR ACIDIZE <input type="checkbox"/></td> <td>ABANDON* <input type="checkbox"/></td> <td>SHOOTING OR ACIDIZING <input type="checkbox"/></td> <td>ABANDONMENT* <input type="checkbox"/></td> </tr> <tr> <td>REPAIR WELL <input type="checkbox"/></td> <td>CHANGE PLANS <input type="checkbox"/></td> <td>(Other) <input type="checkbox"/></td> <td></td> </tr> <tr> <td>(Other) <input type="checkbox"/></td> <td></td> <td colspan="2" style="font-size: small;">(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</td> </tr> </table>		NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:		TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input checked="" type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>	FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>	SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>	REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>		(Other) <input type="checkbox"/>		(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)		<p>11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 35-T37S-R22E</p>	
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<p>17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*</p>		<p>12. COUNTY OR PARISH 13. STATE San Juan Utah</p>																									

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

T.D. 555' Shale. Prep to drill ahead. Drilled a 12-1/4" hole to a T.D. of 555' in Shale. Ran and set 13 Jts (541.15') 8-5/8" OD 24# casing @ 555' and cemented w/350 sacks of Class B w/2% CaCl + 0.25# Celloflakes/sack cement. PD @ 0930 MST on 11-9-84. Cement circulated to the surface. WOC 18 hrs. Tested 8-5/8" OD casing to 1000# for 30 min. - OK.



18. I hereby certify that the foregoing is true and correct

SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 11-12-84

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on re-
verse side)

Form approved. ²
Budget Bureau No. 1004-0135
Expires August 31, 1985

5. LEASE DESIGNATION AND SERIAL NO.
U-35016 API# 43-037-31062

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL GAS WELL OTHER Dry Hole

2. NAME OF OPERATOR
Cities Service Oil and Gas Corporation

3. ADDRESS OF OPERATOR
P.O. Box 1919 - Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.
See also space 17 below.)
At surface

855'FNL & 1150'FEL

14. PERMIT NO.
4303731062

15. ELEVATIONS (Show whether DF, RT, GR, etc.)
5381' Ungraded GL

7. UNIT AGREEMENT NAME

8. LEASE OR ARM OR LEASE NAME
Federal C

9. WELL NO.

10. FIELD AND POOL, OR WILDCAT
Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 35-T37S-R22E

12. COUNTY OR PARISH
San Juan

13. STATE
Utah

RECEIVED
DEC 03 1984
DIVISION OF OIL, GAS & MINING

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF
FRACTURE TREAT
SHOOT OR ACIDIZE
REPAIR WELL
(Other)

PULL OR ALTER CASING
MULTIPLE COMPLETE
ABANDON*
CHANGE PLANS

WATER SHUT-OFF
FRACTURE TREATMENT
SHOOTING OR ACIDIZING
(Other)

REPAIRING WELL
ALTERING CASING
ABANDONMENT*

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

T.D. 6192' in Salt. This well was drilled to a T.D. of 6192' in Salt and was plugged and abandoned in the following manner:

1. TIH w/OE'd DP and spotted a 140 sack Class B cement plug @ 6022 - 5705', across the Desert Creek and Ismay Formations. LDDP to 3086'.
2. Spotted a 60 sack Class B cement plug @ 3086 - 2986', across the top of the Cutler Formation. LDDP to 605'.
3. Spotted a 45 sack Class B cement plug @ 605 - 505', 1/2 in and 1/2 out of the 8-5/8" OD casing shoe @ 555'. LDDP.
4. ND BOP's, cut off the well head and spotted a 15 sack Class B cement surface plug @ 50 - -0-'. Welded a plate on the top of the 8-5/8" casing, cleaned the pits and installed a dry hole marker to designate a plugged and abandoned location.

Mr. Bob Graff w/BLM in Moah, Utah approved the plugging procedure and witnessed the plugging of the well on 11-23-84.

18. I hereby certify that the foregoing is true and correct

SIGNED Elmer Startz

TITLE Reg. Opr. Mgr. - Prod.

DATE 11-27-84

(This space for Federal or State office use)

APPROVED BY _____
CONDITIONS OF APPROVAL, IF ANY:

TITLE _____

ACCEPTED
APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING

*See Instructions on Reverse Side

DATE 12/23/84
BY: John R. Bay

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE*

(See other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0137
Expires August 31, 1985

5. LEASE DESIGNATION AND SERIAL NO.
U-35016 API# 43-037-31062

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

Federal C

9. WELL NO.

1

10. FIELD AND POOL, OR WILDCAT

Wildcat

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA

Sec. 35-T37S-R22E

12. COUNTY OR PARISH

San Juan

13. STATE

Utah

18. ELEVATIONS (DF, RKB, RT, GR, ETC.)*

5381' Ungraded GL

19. ELEV. CASINGHEAD

23. INTERVALS DRILLED BY

10 - T.D. 6192'

25. WAS DIRECTIONAL SURVEY MADE

No

27. WAS WELL CORED

No

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR.

2. NAME OF OPERATOR
Cities Service Oil and Gas Corporation

3. ADDRESS OF OPERATOR
P.O. Box 1919 - Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface 855'FNL & 1150'FEL
At top prod. interval reported below

At total depth 855'FNL & 1150'FEL

14. PERMIT NO. 43-037-31062
DATE ISSUED 9-17-84

RECEIVED
DEC 03 1984
DIVISION OF OIL, GAS & MINING

15. DATE SPUNDED 11-8-84
16. DATE T.D. REACHED 11-21-84
17. DATE COMPL. (Ready to prod.) Plugged and Abandoned

20. TOTAL DEPTH, MD & TVD 6192'
21. PLUG, BACK T.D., MD & TVD
22. IF MULTIPLE COMPL., HOW MANY*
23. INTERVALS DRILLED BY 10 - T.D. 6192'

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*

26. TYPE ELECTRIC AND OTHER LOGS RUN
CNI-LDT-GR-Cal, DTL-SFI-Sp, BHC Sonic Cal

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#	555'	12-1/4"	350 sacks	Circulated

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)

31. PERFORATION RECORD (Interval, size and number)

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED

33.* PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)
	Plugged and Abandoned on 11-23-84	Producing or shut-in P+H

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)

35. LIST OF ATTACHMENTS
Above listed logs

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED Elmer Startz TITLE Reg. Opr. Mgr. - Prod. DATE 11-27-84

*(See Instructions and Spaces for Additional Data on Reverse Side)

37. SUMMARY OF POROUS ZONES: (Show all important zones of porosity and contents thereof; cored intervals; and all drill-stem, tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries):

38. GEOLOGIC MARKERS

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	MEAS. DEPTH	TOP TRUE VERT. DEPTH
NO CORES OR DST'S WERE TAKEN ON THIS WELL.....				Navajo Cutler Ismay Lower Ismay Desert Creek Salt	1029' 3050' 5807' 5954' 6022' 6183'	



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Scott M. Matheson, Governor
Temple A. Reynolds, Executive Director
Dianne R. Nielson, Ph.D., Division Director

4241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771

December 12, 1984

Cities Service Oil & Gas Corporation
P O Box 1919
Midland, Texas 79702

Gentlemen:

Re: Well No. Federal C #1 - Sec. 35, T. 37S., R. 22E.
San Juan County, Utah - API #43-037-31062

According to the "Well Completion Report" submitted November 27, 1984 for the above referred to well this well is plugged and abandoned. This office has not received the "Sundry Notice" of subsequent abandonment on this well.

Please complete and return the enclosed Form OGC-1b, "Sundry Notices and Reports on Wells" as soon as possible but not later than January 12, 1985.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Claudia L. Jones".

Claudia L. Jones
Well Records Specialist

cc: Dianne R. Nielson
Ronald J. Firth
John R. Baza
File

0017S/21