

Director's Agenda Date (Office use only): \_\_\_\_\_

MINERAL LEASE NO. \_\_\_\_\_

GRANT:

**UTAH STATE LEASE FOR  
OIL, GAS AND ASSOCIATED HYDROCARBONS**

THIS OIL, GAS AND ASSOCIATED HYDROCARBONS LEASE AND AGREEMENT (the "Lease") is entered into effective the \_\_\_\_ day of \_\_\_\_, 20\_\_ (the "Effective Date"), by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102, (hereinafter "Lessor"), and

having a business address as shown above (hereinafter "Lessee", whether one or more).

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, produce, save and sell or otherwise dispose of oil, gas and hydrocarbons (the "Leased Substances" as hereinafter defined) located within the boundaries of the following-described tract of land (the "Leased Premises") located in \_\_\_\_\_ County, State of Utah:

containing \_\_\_\_\_ acres, more or less,

together with the right and privilege, as conditioned herein, to construct and maintain on the Leased Premises roads, buildings, communication lines, gathering lines, pipelines, reservoirs, tanks, equipment, pumping and compression stations, and any other structures or improvements to the extent necessary to explore for, produce, save, dispose of and sell the Leased Substances.

This Lease is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

1. LEASED SUBSTANCES. Leased Substances include: (i) oil, including all naturally occurring crude petroleum, oil and other hydrocarbons regardless of gravity if produced at the wellhead in liquid form; (ii) natural gas, including normal hydrocarbon gases, casinghead gas, coalbed methane, and other commercial gases, including but not limited to helium, carbon dioxide, and gaseous sulfur compounds; and (iii) liquid hydrocarbons such as distillate or condensate recovered or extracted from gas. This Lease expressly excludes non associated hydrocarbons defined herein as coal, bitumen, asphaltum and other associated heavy hydrocarbons occurring in tar sands, oil shale and gilsonite, all of which must be separately leased from Lessor.

2. TERM OF LEASE; RELINQUISHMENT.

2.1 Primary Term. This Lease, unless terminated at an earlier date as hereinafter provided, is granted for a primary term of five (5) years commencing on the Effective Date.

2.2 Extension Beyond Primary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the primary term for so long thereafter as: (i) Leased Substances are being produced in paying quantities from the Leased Premises or lands pooled or unitized therewith; or (ii) Lessee is engaged in diligent operations which at Lessor's sole discretion, and when approved in writing, are reasonably calculated to advance production in paying quantities of the Leased Substances from the Leased Premises or lands pooled or unitized therewith, and Lessee pays an annual minimum royalty equal to twice the highest annual delay rental provided for in paragraph 3 of this lease. Minimum royalties which are due hereunder are payable to Lessor no later than the end of the second month after the end of such lease year, or the lease will terminate by its own terms. Minimum royalty will be calculated using the highest rental per acre set out in paragraph 3 below.

2.3 Diligent Operations. Upon and after expiration of the primary term, where Lessee holds the lease by approved diligent operations, Lessor may review and determine as of each anniversary of the Effective Date whether Lessee is engaged in diligent operations sufficient to maintain this Lease in effect. Lessee shall be considered to be engaged in diligent operations notwithstanding any temporary cessation of operations for a period of no more than ninety (90) consecutive days or a cumulative period of 180 days in one calendar year.

2.4 Paying Quantities. For purposes of this Lease "produced in paying quantities" shall mean the production of Leased Substances sufficient to yield royalties in an amount at least equal to twice the highest annual delay rental provided for in paragraph 3 of this lease during a lease year. In the event that the Lease is in production, but production royalties generated and paid to the Lessor during the lease year do not total an amount equal to at least twice the highest annual delay rental provided for in paragraph 3 of this lease during such lease year, Lessee may maintain this lease in force by tendering the difference in cash to Lessor before the end of the second month after the end of such lease year, or the lease will terminate by its own terms.

2.5 Shut-In Wells; Lease Extension. If Lessee has completed a natural gas well on the Leased Premises that is capable of producing natural gas in paying quantities, but is prevented from producing natural gas by market conditions or lack of a pipeline connection for disposition of the natural gas, Lessee shall be deemed to be engaged in diligent operations for the purposes of extending this Lease beyond the primary term, subject to payment of annual minimum royalties pursuant to paragraph 2.2 of this Lease. The determination of whether a shut-in well is capable of producing in paying quantities, or whether market conditions or lack of pipeline connections prevent production, shall be vested in Lessor in its sole discretion. Lessee shall pay minimum royalties for a properly shut-in natural gas well for so long as the Lease is in effect. Any natural gas well that remains shut-in for five (5) consecutive years beyond the end of the primary term of this Lease shall be plugged and abandoned in accordance with the applicable regulations of the Utah State Division of Oil Gas and Mining, and this lease shall terminate, unless Lessee

requests a further extension at least 90 days prior to the end of such five (5) year period, and Lessor, in its sole discretion, elects to grant an extension.

2.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor, subject to Lessor's right to disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to Lessor, if the Lease is otherwise not in good standing, or if any un-reclaimed surface disturbance or an abandoned and unplugged well exists on the Leased Premises. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Relinquishment shall relieve Lessee of all future rental obligations as to the relinquished lands, but shall not relieve Lessee from any continuing obligations to the extent provided in Paragraph 10.2 of this Lease.

3. DELAY RENTAL PAYMENT. If before the first anniversary date hereof operations for the drilling of a well for oil or gas or other leased substances have not been commenced on the Leased Premises or lands pooled or unitized therewith, or if there is no production in paying quantities from the Leased Premises or lands pooled or unitized therewith, then subject to Paragraph 2 above, this lease shall terminate as to both parties unless Lessee before that date pays to the Lessor at its principal place of business, a minimum rental payment of FORTY Dollars (\$40.00) or the sum of TWO Dollars (\$2.00) per acre or fractional part thereof contained within the Leased Premises as rental during the first five years of this Lease or thereafter, where the computation of minimum royalties or other lease payments are calculated based on this paragraph, whichever is greater. Said rental payment shall support the privilege of deferring the commencement of operations for the drilling of a well for a period of 12 months from said anniversary date. In like manner and upon like payments, the commencement of operations for the drilling of a well may be further deferred for one or more twelve-month periods during the primary term of this lease.

4. ROYALTIES.

4.1 Production Royalty - Oil. Lessee shall pay Lessor a production royalty, free of all costs and expense, of sixteen and two-thirds per cent (16 2/3%) of the gross proceeds received by Lessee for oil produced and saved from the Leased Premises. For all oil sold pursuant to an arm's length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such oil. Gross proceeds shall include all bonuses, premiums, allowances or other consideration of any nature received by Lessee for oil produced or contracted from the Leased Premises. For any oil that is sold or disposed of other than by arm's length contract, including any oil sold or transferred by Lessee to itself or an affiliate, royalties shall be calculated on the basis of the highest market price, including any premium associated therewith, then prevailing on the dates the same is sold or disposed of, in the same field for production of similar grade and gravity (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price).

4.2 Production Royalty - Gas. Lessee shall pay Lessor a production royalty, free of all costs and expense, of sixteen and two-thirds per cent (16 2/3%) of the gross proceeds received by Lessee for all gas (including condensate and constituent substances) produced from the Leased Premises, including residue gas and constituent substances at the tailgate of any plant through which gas produced from said lands may be processed, or gas used or sold off the Leased Premises. For all gas sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such gas. Gross proceeds shall include all bonuses, premiums, allowances or other consideration of any nature received by Lessee for gas actually produced. For any gas that is sold or disposed of other than by arm's length contract, including any gas sold or transferred by Lessee to itself or an affiliate, royalties shall be calculated on the basis of the highest market price, including any premium associated therewith, then prevailing on the dates the same is sold or disposed of, in the same field for production of similar grade (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price).

- 4.3 Production Royalty - Other Substances. Lessee shall pay Lessor a production royalty of six and one quarter percent ( $6\frac{1}{4}\%$ ) of the market value of all other hydrocarbon substances produced or saved from the Leased Premises. The value of other hydrocarbon substances shall be based upon the gross proceeds received by Lessee at the point of sale by arm's-length contract, without deduction of extraction or processing costs. In the event that Lessee sells production to an affiliate, or otherwise sells or transfers such substances by non-arms-length contract, valuation shall be based upon reasonable fair market value of the substances, to be determined by the Lessor after consultation with Lessee. After Lessee has produced other hydrocarbons from the Leased Premises in paying quantities for ten years, Lessor may in its discretion escalate the royalty rate for such materials by one per cent (1%) per annum to a maximum of sixteen and two-thirds percent ( $16\frac{2}{3}\%$ ). In the event that Lessee produces sulfur from the Leased Premises, Lessee shall pay Lessor a production royalty of sixteen and two-thirds percent ( $16\frac{2}{3}\%$ ) of the reasonable market value of such product produced from the Leased Premises.
- 4.4 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of oil and gas for royalty purposes under this Lease be consistent with federal regulations governing the valuation of federally owned oil and gas and associated hydrocarbons (including but not limited to federal law and regulations with respect to the Lessee's obligation to place oil and gas into marketable condition prior to royalty settlement), except where this Lease expressly provides otherwise. In no event shall the value of oil or gas used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations in existence at the time of production applied in the calculation of royalties and applicable deductions under this Lease.
- 4.5 Reporting and Payment. For all oil and substances other than gas produced and sold or transported from the Leased Premises during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next month of production. For all gas and condensate produced and sold or transported from the Leased Premises during a particular month, Lessee shall pay royalties to Lessor on or before the end of the second month after the month of production. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of Leased Substances sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of any deductions, and any other information reasonably required by Lessor to verify production and disposition of the Leased Substances.
- 4.6 Royalty-In-Kind. Lessor expressly reserves the right but not the obligation to take its royalty share of production of any or all of the Leased Substances in kind after not less than thirty (30) days written notice to Lessee. For gas, Lessee shall deliver Lessor's royalty share of production, free of costs or deductions, into the pipeline or transmission system to which the wells of Lessee are connected. For oil, Lessee shall deliver Lessor's royalty share of production, free of costs or deductions, into Lessor's storage tanks. In the event that Lessor's royalty oil must be delivered into Lessee's tanks, Lessee shall not be required to furnish storage for Lessor's royalty oil for more than thirty (30) days following the month of production.
- 4.7 Royalty Reduction. Lessor may, in its sole discretion, reduce the royalty rate payable under this Lease for any Leased Substances if Lessee demonstrates that it is otherwise uneconomic to operate the Leased Premises. As a condition of any such reduction, Lessor reserves the right to proportionately reduce all overriding royalty interests existing under this Lease.
- 4.8 Settlements. Lessor shall own and/or be paid a undivided sixteen and two-thirds percent ( $16\frac{2}{3}\%$ ) of all gas contract settlements, take or pay settlements, awards, payments and/or benefits (Settlements) which arise out of, relate to or concern gas produced from or attributable to the Leased Premises. In no event shall the royalty provided for herein for royalty purposes ever bear, directly or indirectly, any deduction for gas contract, take or pay credit, amelioration, allocation, deduction, recoupment or makeup which is not a direct result of take or pay settlement and/or benefit in which Lessor has fully participated to the extent of its undivided sixteen and two-thirds percent ( $16\frac{2}{3}\%$ ) royalty share. However, it is agreed that if there were actual costs and expenses paid by Lessee directly in connection with attaining such Settlements, Lessee may deduct Lessor's sixteen and two-thirds percent ( $16\frac{2}{3}\%$ ) proportionate share of

such costs and expenses out of Lessor's sixteen and two-thirds percent (16 2/3%) share of such Settlements.

5. RESERVATIONS TO LESSOR. Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges:
  - 5.1 Rights-of-Way and Easements. Lessor reserves the right to establish rights-of-way and easements upon, through, and across the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, and any other purposes deemed reasonably necessary by Lessor.
  - 5.2 Other Mineral Leases; Multiple Mineral Development. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than the Leased Substances, under terms and conditions that will not unreasonably interfere with operations under this Lease. Lessor further reserves the right to impose reasonable stipulations upon operations under this Lease to permit multiple mineral development of the Leased Premises.
  - 5.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease in paragraph 7.1, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor reserves the right to charge for, negotiate and coordinate with other surface owners, land management agencies or governmental agencies regarding mitigation or impact fees and shall coordinate the collection and expenditure of such fees, if any, that are imposed or collected. Notwithstanding any other provision of this Lease, Lessor reserves the right to permit third parties to undertake surface activities associated with seismic, geophysical, and geochemical exploration for oil and gas (such activities being considered by Lessor to be a surface use) without compensation or other obligation to Lessee so long as such activities do not unreasonably interfere with Lessee's operations.
  - 5.4 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.
6. LEASE OPERATIONS.
  - 6.1 Plan of Operations/Applications for Permit to Drill. Lessee does not have the right to conduct surface disturbing operations, or any operations that have the potential to affect historic properties, without first obtaining Lessor's approval pursuant to *Utah Administrative Code* R850-21-700. Lessee, no less than sixty (60) days prior to commencing such activities on the lease, shall submit a plan of operations and reclamation. Prior to commencing any drilling operations on the Leased Premises, Lessee shall file and receive approval of an Application for Permit to Drill ("APD") with the Utah Division of Oil, Gas & Mining ("UDOGM"), or any successor regulatory agency. Lessee shall file a copy of the APD with Lessor at the time it files the original APD with UDOGM. Lessor may condition its consent to the approval of the APD by UDOGM upon Lessee's agreement to comply with reasonable measures for the prevention of waste, protection of mineral and surface resources, protection of cultural resources, reclamation, and other measures deemed necessary by Lessor.
  - 6.2 Compliance With Applicable Law. Lessee, shall comply with all applicable federal, state and local statutes, regulations, and ordinances, whether now in effect or enacted in the future, including without limitation the rules and regulations of UDOGM, statutes and regulations governing the management of school and institutional trust lands, applicable statutes and regulations relating to safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances, cultural resources, and environmental protection.
  - 6.3 Prudent Operator. After discovery, and subject to the right of relinquishment provided by this Lease, Lessee shall exercise reasonable diligence in drilling, operating, producing and marketing oil and gas

from the Leased Premises. Lessee shall conduct drilling and production operations as a prudent operator in accordance with standard industry methods and practices, having due regard for the prevention of waste of oil and gas, the protection of Lessor's interest with respect to the Leased Premises and the production of oil and gas therefrom; the preservation and conservation of the property and productive strata therein for future operations, the health and safety of workers and employees and such other practices that are recognized within the industry.

- 6.4 Unitization. Upon written consent by Lessor, Lessee may commit the Leased Premises to a unit, cooperative or other plan of development with other lands. With the consent of Lessee, Lessor may alter or change the drilling, production and royalty requirements and terms of this Lease to conform to any such plan.
- 6.5 Measurement. All production shall be accurately measured using standards approved by Lessor and in compliance with UDOGM rules set out at *Utah Administrative Code* R649-2-8. All measuring devices shall be tamper-proof.
- 6.6 Disposal Wells. No well on the Leased Premises shall be used as a disposal or injection well without the prior written consent of Lessor.
- 6.7 Offset Wells. Lessee agrees to protect the Leased Premises from drainage by offset wells located on adjoining lands not owned by Lessor by: (i) drilling to completion on the Leased Premises all wells that would be deemed necessary by a prudent operator to protect the Lessor from drainage by offset wells; or (ii) paying Lessor compensatory royalties in an amount sufficient to compensate Lessor for production royalties that would have accrued had such drainage not occurred; or (iii) provide sufficient documentation to Lessor, upon Lessor's request, which will allow Lessor to determine that drainage from offset wells is not occurring.
- 6.8 Completion of Operations; Reclamation. Upon completion of operations, Lessee shall plug all wellbores located on the Leased Premises in accordance with UDOGM rules and standard industry practice, and reclaim all surface disturbances as prescribed by Lessor and UDOGM. At a minimum, Lessee shall return any disturbed areas to their approximate original contour, fill all reserve pits, remove all equipment and debris, redistribute any stockpiled topsoil, and revegetate the site with grasses and/or native plants as specified by Lessor. Lessee's right to remove casing shall be subject to the provisions of paragraph 9 of this Lease. All equipment and material not removed from the Leased Premises within ninety (90) days of completion of operations shall be deemed abandoned, and Lessor may remove or cause to be removed said equipment and material and sold to Lessor's account.
- 6.9 Cultural Resources. Prior to commencing any surface disturbing operations or any operations that have the potential to affect historic properties, Lessee shall complete a cultural resource inventory prepared in accordance with applicable laws and regulations, or otherwise provide evidence of compliance with *Utah Administrative Code* R850-60. Lessee shall provide such cultural resource compliance materials to Lessor prior to the approval of the APD. Lessor will review all cultural resource compliance materials provided by Lessee, and may approve, condition or deny its consent to the APD based upon impacts to cultural resources. Lessor may require Lessee to complete appropriate cultural resources mitigation measures as a condition of APD approval.

## 7. USE OF SURFACE ESTATE.

- 7.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease, Lessee may use such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold, subject to paragraph 6.1. Lessee may not use the surface estate of the Leased Premises prior to complying with the requirements of paragraph 6.1. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in Paragraph 5, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

- 7.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be governed by §53C-2-409 Utah Code Ann. (1953) as amended, governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall provide evidence of its right to access the surface of split-estate lands prior to approval of any APD, unless this condition is waived by Lessor. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.
8. BONDING. Before commencing operations on the Leased Premises, Lessee shall execute and post with UDOGM a surety bond or other financial guarantee in an amount and form as set forth in *Utah Administrative Code R649-3-1 et seq.* in order to guarantee Lessee's performance of all covenants and obligations under this Lease, including but not limited to, Lessee's obligations to plug any abandoned well(s) and reclaim the Leased Premises. A separate bond shall be posted with the Lessor as required by *Utah Administrative Code R850-21-800* to assure compliance with the payment of royalties and all remaining terms of the Lease not covered by the bond posted with UDOGM. Lessor may in its reasonable discretion require Lessee to furnish additional bonding for assuring compliance with the terms of this Lease upon thirty (30) days written notice.
9. WATER. In drilling any wells on the Leased Premises, Lessee shall note all water-bearing strata in the well log, and shall promptly give notice to Lessor. Such notice shall include an estimate of the flow and quality of said water. Lessor reserves the right to require that all or any part of the casing shall be left in any nonproductive well to maintain the well or wells for water production. Lessor shall pay Lessee the reasonable salvage value of casing required to be left in any well pursuant to this paragraph. If Lessee initiates any water right on the Leased Premises, such water right shall be filed in the name of Lessor, shall become an appurtenance to the Leased Premises, and shall become the sole property of Lessor on termination of this Lease. In drilling, operating and plugging any well on the Leased Premises, Lessee shall take reasonable precautions to prevent contamination of any water-bearing strata by migration of petroleum, brines or other substances from other strata.
10. DEFAULT.
- 10.1 Notice of Default; Termination. Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify the then current Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee. Failure to pay delay rentals or minimum royalties is not a breach of covenants but rather a failure of condition and shall cause the Lease to expire pursuant to its own terms.
- 10.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the State of Utah to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, whenever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to plugging of abandoned wells, reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.
11. RIGHT OF ACCESS; RECORDS.
- 11.1 Production Reporting; Records. Lessee shall promptly report all production from the Leased Premises to UDOGM in accordance with UDOGM rules, and shall maintain all records pertaining to production, marketing, transportation and disposition of the Leased Substances; all contracts for transportation,

processing, sale or other disposition of the Leased Substances; and all documents pertaining to the calculation of royalties, for a period of at least seven years after the date of production to which the documents pertain.

- 11.2 Inspection; Audit. Lessor's employees and authorized agents shall have the right to enter the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 11.1, whether such documents are located on the Leased Premises or elsewhere. Lessee shall furnish all conveniences necessary for any inspections or audits; provided, however, that such inspections or audits shall be conducted in a manner that is in conformance with all applicable safety regulations and does not unreasonably interfere with Lessee's operations.
- 11.3 Geologic Information. Upon reasonable notice to Lessee, Lessor may inspect seismic and geophysical information, core samples, well logs, and proprietary geologic data and evaluations concerning the Leased Premises. Any such documents and geologic data and evaluations may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute, and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.

## 12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES; OTHER AGREEMENTS .

- 12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, assignments of record title interests or transfer of operating rights, but not overriding royalties or payments out of production, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall be void and have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.
- 12.2 Limitation on Overriding Royalties. Lessor reserves the right to disallow the creation of an overriding royalty or payment out of production that would have the effect of reducing the net revenue interest under this Lease by more than twenty percent (20%), including any production royalty set out in this Lease.
- 12.3 Limitation on Other Agreements. Lessee shall not enter into any agreement limiting, restricting, prorating, or otherwise affecting the natural production from the Leased Premises in any way or in any event without the prior written consent of Lessor.

## 13. MISCELLANEOUS PROVISIONS.

- 13.1 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences.
- 13.2 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure. If Lessor owns an interest less than the whole and undivided fee estate in the underlying Leased Substances, the royalties provided herein shall be paid to Lessor in the proportion which Lessor's interest bears to the whole and undivided fee estate.



- 13.3 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. Less ee's address set forth above shall be conclusively deemed to be correct unless Lessor has received written notice of change of address from Lessee.
- 13.4 Indemnity. Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, environmental damage or remediation, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.
- 13.5 Interest. Interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise. The accrual and payment of interest does not constitute a waiver or satisfaction of any penalty that may apply under the Lessor's Rules.
- 13.6 Governing Law; Consent to Suit; Jurisdiction. This Lease shall be governed by the laws of the State of Utah. Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah. Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act. Service of process in any such action is hereby agreed to be sufficient if sent by certified mail to Lessee at the last known address appearing in Lessor's records.
- 13.7 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such breach.
- 13.8 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
- 13.9 Special Stipulations . The special stipulations, if any, set forth in Exhibit "A" to this Lease are hereby incorporated into and made an integral part of this Lease.
- 13.10 Entire Lease. This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by both parties.
- 13.11 Binding Effect. This Lease shall be binding upon, and shall inure to the benefit of the parties to it and their respective legal representative, successors, and assigns.
- 13.12 Certification. Lessee certifies that by signing this Lease, it is qualified to do business in the State of Utah and is not in default under the laws of the state of Utah relative to qualification to do business within the state or not in default of any previous obligation with the Lessor.

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  
SCHOOL AND INSTITUTIONAL TRUST LANDS  
ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

BY \_\_\_\_\_  
LAVONNE J. GARRISON  
ASSISTANT DIRECTOR/OIL & GAS

APPROVED AS TO FORM  
MARK L. SHURTLEFF  
ATTORNEY GENERAL

By \_\_\_\_\_  
Special Assistant Attorney General

Form Approved: November 29, 2010

\_\_\_\_\_

BY: \_\_\_\_\_  
LESSEE

ITS: \_\_\_\_\_

STATE OF UTAH )  
:  
COUNTY OF SALT LAKE )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared before me LAVONNE J. GARRISON, the ASSISTANT DIRECTOR of Oil and Gas of the School and Institutional Trust Lands Administration of the State of Utah (SITLA), who, her identity and position having been satisfactorily established to me, affirmed to me upon oath that the governing body of SITLA, has authorized her to execute the foregoing instrument, and did duly acknowledge in my presence having executed the same for the purpose stated therein.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF )  
:  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared before me \_\_\_\_\_, signer(s) of the above instrument, personally known to me, or whose identity has been satisfactorily established to me, who did duly acknowledge to me that (he) (she) (they) voluntarily executed the foregoing instrument for the purpose stated therein.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF )  
:  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared before me (name) \_\_\_\_\_ the (title) \_\_\_\_\_ of (entity) \_\_\_\_\_ and vesting, who, his/her identity and position having been satisfactorily established to me, affirmed to me upon oath that the governing body of said entity, has authorized him/her to execute the foregoing instrument, and did duly acknowledge in my presence having executed the same for the purpose stated therein.

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public