

Notice of Sale by County of Limited Interest in Real Property
(Continued from page 3, section 2)
TOWNSHIP 7 NORTH, RANGE 4 WEST (T7N, R4W) WILLAMETTE MERIDIAN CONTINUED

thence North 53° West following boundary of said County road 2943 feet to an intersection with the East boundary line of Lucretia Barr D.L.C.; thence North 1062 feet to the North boundary line of said Section 22 and thence East 60 rods to the place of beginning.

- Section 24: The Northeast quarter; the East half of the Southeast quarter and 3.00 acres in the Southeast quarter of the Southwest quarter of the Southeast quarter as described in Book 48, Page 578, Deed Records of Columbia County, Oregon.
- Section 25: The North half of the North half of the Southwest quarter and that part of the Southeast quarter lying South of the County Road.
- Section 26: The Northwest quarter of the Southwest quarter of the Northeast quarter and the North half of the Southeast quarter of the Northwest quarter.
- Section 28: The North half of the Northwest quarter and the Southeast quarter of the Northeast quarter.
- Section 29: The North half of the Southwest quarter; the Southwest quarter of the Northwest quarter and the Southwest quarter of the Southwest quarter EXCEPT 4.00 acres in the West half of the Southwest quarter of the Southwest quarter as conveyed by Deed to Herbert Howe and recorded in Book 66, Page 533 of Deed Records of Columbia County, Oregon AND EXCEPT 1.00 acre in the Southeast quarter of the Southwest quarter of the Southwest quarter deeded to Clatskanie School District No. 5.
- Section 30: The West 30.50 acres in Govt. Lot 3, as described in Book 32, Page 208, Deed Records of Columbia County, Oregon; all of Govt. Lot 4 and the Southeast quarter of the Southwest quarter.
- Section 31: The Northeast quarter of the Southwest quarter; the East half of the Northwest quarter; the Southeast quarter of the Northwest quarter of the Southeast quarter and the Southwest quarter of the Southeast quarter of the Northeast quarter.
- Section 32: The Southwest quarter of the Southeast quarter; the Northeast quarter of the Southeast quarter; the Northeast quarter of the Southwest quarter; the Southeast quarter of the Northwest quarter; the North half of the Southeast quarter of the Northwest quarter of the Northwest quarter and the Northeast quarter EXCEPT the North half of the Northwest quarter of the Northeast quarter.

IN TOWNSHIP 7 NORTH, RANGE 5 WEST, (T7N, R5W) WILLAMETTE MERIDIAN.

- Section 10: The Northeast quarter of the Southwest quarter.
- Section 11: The Southeast quarter of the Southwest quarter.
- Section 13: The South half of the Southwest quarter; the Northwest quarter of the Southwest quarter and the Southwest quarter of the Northwest quarter.
- Section 14: The Northwest quarter of the Northeast quarter.
- Section 15: The West half.
- Section 22: The West half except the Northeast quarter of the Northwest quarter.
- Section 23: The Southwest quarter of the Southeast quarter.
- Section 24: The Northeast quarter.
- Section 25: The Northeast quarter; the North half of the Southwest quarter; the Southeast quarter of the Southwest quarter and the Southwest quarter of the Northwest quarter.
- Section 26: The South half of the Northeast quarter.
- Section 27: The South half of the Southwest quarter and the Northwest quarter of the Northwest quarter.
- Section 34: The East half of the Southeast quarter; the East half of the West half of the Southeast quarter and the West half of the Southwest quarter.
- Section 35: All of said Section EXCEPT the Northeast quarter of the Northeast quarter.
- Section 36: The North half of the Northeast quarter; the Southeast quarter of the Northeast quarter and the Northeast quarter of the Southeast quarter.

THE TOTAL AREA of all of the lands described above being 95,962.28 acres, more or less.

That the interest so to be sold is the exclusive right to explore for, drill for, produce, and take oil, gas, and other hydrocarbons from the subject lands, and the right thereon to install, maintain, operate, use, repair, replace, and remove pipe lines, telephone and power lines, roads, tanks, derricks, machinery, appliances, buildings, and other structures useful, necessary, or proper in carrying on such operations and with rights of ingress and egress over, upon, and across subject lands for said purposes, also the right to take and use water from said premises for use in said operations;

SAVING AND RESERVING, however, unto the County, its successors and assigns, one eighth (1/8th), hereinafter referred to as the "reserved share," of all oil, gas, and other hydrocarbons produced and saved by the purchaser or assigns from subject lands, the same to be handled and accounted for by such purchaser as hereinafter provided;

But subject to the following conditions, which the purchaser shall in writing accept and agree to perform, the term "Grantee," where hereinafter used, having reference to the purchaser at said sale:

1. The reserved share of oil shall be delivered by Grantee into tanks on subject lands provided by County or into a pipe line thereon designated by County. If County shall so elect, Grantee shall purchase the reserved share of said oil at the same price per barrel as that currently being paid at time of removal from subject lands for oil of like gravity delivered at the well in the field from which such oil is produced, after customary deductions for water and other impurities; provided that written notice of such election shall be given to Grantee at least sixty (60) days before its effective date and that an election once made shall continue for at least one (1) year. A proportionate part of the cost of treating unmerchantable oil to render it merchantable shall be a charge upon the reserved share of the oil, and a sufficient amount may be withheld therefrom to meet such charge. Oil consumed in operations on subject lands or lost through evaporation or leakage shall not be included in the amount on which the reserved share is computed.

2. The reserved share of the natural gas shall be handled and disposed of by Grantee for the account of County, and as and for the County's share of the proceeds thereof Grantee shall pay County the reserved share of:

(a) The net proceeds received by Grantee from the sale of all gas from subject lands (whether such sale be in the natural state or in the form of residual dry gas after extraction of gasoline). Gas treated at a plant not owned or operated by Grantee and for which Grantee receives a royalty shall be deemed sold in its natural or raw state for an amount equal to the market value of such royalty. Except as otherwise provided herein, gas consumed by Grantee elsewhere than on subject lands shall be deemed sold for the market value thereof. The value of gas consumed in processing gas from subject lands, or consumed in operations thereon, or used for repressuring any oil-bearing formation from which oil is produced by a well thereon, shall not be included;

(b) The market value at the extraction plant of all gasoline extracted and saved from said natural gas as a result of processing such gas at a plant owned or operated by Grantee, less sixty per cent (60%) of said value as an allowance for the cost of such processing;

(c) The market value, at the plant where extracted, of all gasoline received by Grantee as a result of the processing of said natural gas at a plant not owned or operated by Grantee (unless such processing is on a royalty basis), less the cost to Grantee of such processing.

There shall be no obligation to treat or process natural gas or to save, sell, or otherwise dispose of gas unless there is a market therefor at the well at an adequate price and under reasonable conditions, and no accounting need be made for gas which is neither sold nor used.

3. Payments hereinafter provided for shall (except as otherwise provided in paragraph 5) be made by Grantee monthly and not later than the 25th day of the calendar month next following the date of accrual thereof, each payment to be accompanied by a monthly statement showing the computations.

4. Commencing one (1) year after the date of the conveyance to Grantee and annually thereafter, there shall be paid to County the sum of fifteen cents (15c) multiplied by the number of acres of subject lands in which the interest so sold by County has not been reconveyed to or revested in County; provided that the amount of each annual payment which falls due after the commencement of drilling operations shall be reduced by three hundred seventy-five dollars (\$375) for each well previously drilled or then being drilled or for which drilling operations are in progress; and provided further that the part of each annual payment which is based on acreage as to which County's title is subject to an adverse claim shall be payable only as provided in the next-following paragraph.

5. If, at the time any payment herein provided for becomes due, litigation is pending in any court involving County's title to the subject lands or any part thereof or the right to receive annual payments or payments with respect to production therefrom, then so much of each annual payment as is based upon acreage of the land involved and all payments to County with respect to production therefrom may be withheld from County until such title and the right to receive such payments is clear. During such litigation, the reserved share of the oil produced from the land involved shall be sold to and purchased by Grantee and the price therefore withheld in the same manner. If it be finally determined that County had no title or was estopped from asserting title, then, and in that event, the amount so withheld need not be paid and the land as to which the title of County has failed shall no longer be considered in connection with Grantee's obligations hereunder. If it be finally determined by a court of competent jurisdiction that County had no title or was estopped from asserting title to any of the lands involved in litigation and Grantee is thereby obliged or required to make payments to any third party for the same amounts of annual and production payments or any part thereof made by Grantee to County prior to such litigation, then, in that event, County agrees that Grantee shall have the right to deduct the total amount so paid by it to any third party from subsequent annual and production payments accruing to County hereunder. The title herein referred to is the County's title, at the date of the conveyance to Grantee, to oil and gas and the right to drill therefor and produce the same, and has no relation to title to surface rights other than such as are necessary for such operations. If the interest hereby conveyed is reconveyed to County as to all subject lands, or as to a part or parts thereof title to which is involved in litigation, Grantee shall be relieved of the obligation to pay such money as may have been withheld because of the condition of the title to the lands in which such interest is reconveyed, if, at the end of two (2) years from the date of such reconveyance, County's title to such last-mentioned land is not clear. Such title shall be considered clear as to any parcel whenever, by final decree of a court of competent jurisdiction binding on all actual and potential adverse claimants, the title of County is upheld or when, by voluntary conveyance from such claimant, the rights of the latter have been acquired by County. At any time, and from time to time, while moneys are so being withheld, if County shall designate a national bank doing business in the State of Oregon which is ready and willing to accept and hold as trustee the moneys withheld by Grantee pursuant to the provisions of this paragraph pending the determination of the right of County thereto, and shall in writing notify Grantee to deposit such withheld money in such bank, Grantee will make such deposit with irrevocable instructions to said bank to hold such money as such trustee and pay the same to County or Grantee according as the one or the other may ultimately become entitled thereto. In the event of such deposit, the reasonable charges of the bank for the services rendered by it are to be deducted by it from the amount of the deposit before payment of the remainder to the party entitled thereto.

6. Within one (1) year after the date of the conveyance to Grantee, Grantee shall in good faith commence, at some point on subject lands or elsewhere within one half (1/2) mile of a boundary of subject lands, the installation of a derrick and rotary drilling rig adequate in all respects for the drilling of a well to a depth of at least seven thousand five hundred (7,500) feet and thereafter and without unnecessary delay complete such installation and commence and carry on the drilling of a well at such place diligently and in good faith until oil or gas is encountered in paying quantities, or volcanic, igneous or metamorphic rock is encountered, or a depth in excess of five thousand (5,000) feet is attained, or the expenditures for such work shall exceed sixty thousand dollars (\$60,000), whichever event shall first occur; provided, however, that if, after commencement of such drilling, Grantee desires to change said location before the foregoing condition is satisfied, a new well at another location conforming to the above requirements may be substituted for the original well, provided that operations for the drilling thereof shall be commenced within three (3) months after the abandonment of the attempt to complete the original well and that such new well be drilled to such depth as would have satisfied the requirements for the first well or until the total expenditure for both wells exceeds sixty thousand dollars (\$60,000) before such depth is reached. If the work required under this paragraph is not commenced within the prescribed time, Grantee shall pay County the sum of sixty thousand dollars (\$60,000), and the interest conveyed to Grantee by County shall ipso facto revert to and revest in County. If, after such commencement, the work is not prosecuted as herein provided until full performance of the requirements of this paragraph, Grantee shall pay County the difference between the sum expended by Grantee and the sum of sixty thousand dollars (\$60,000), and the interest conveyed to Grantee by County shall, at the option of County, revert to and revest in it. This conveyance is not conditioned on any other or further work being done prior to the expiration of five (5) years from date of said conveyance to Grantee, except as required under the provisions of paragraphs 8 and 10 hereof.

7. After the expiration of five (5) years from date of conveyance to Grantee, if oil or gas in paying quantities has not sooner been discovered on subject lands, Grantee shall, at all times until such discovery, be continuously engaged in drilling operations on subject lands; provided, however, that not to exceed six (6) months may elapse between the completion or abandonment of any well and the commencement of operations for the drilling of the next well and that not more than one (1) well need be drilled at the same time.

8. After oil or gas is found in paying quantities on the subject lands, the drilling of wells on subject lands shall be prosecuted as rapidly as one (1) string of tools working with reasonable diligence can complete the same, allowing not to exceed six (6) months between the completion or abandonment of one well and the commencement of operations for the next well, until there are completed or abandoned a number of wells, including offset wells, equal to the total number of acres divided by forty (40) if oil in paying quantities has been found, or divided by six hundred forty (640) if oil in paying quantities has not been found but gas in paying quantities has been found, plus, in either case, one (1) additional well for a remaining major fraction. A well drilled as an offset well under the provisions of paragraph 10 shall count as a well drilled under this paragraph. Nothing herein contained shall limit or restrict the number of wells permitted to be drilled, but additional wells shall be at the option of Grantee. Notwithstanding the foregoing provisions, if gas only is found, the number of wells in compliance herewith in any field need not exceed the number necessary to supply that part of the market demand for gas from such field which can fairly and reasonably be apportioned to such of the above described land as is in such field.

9. After completion of the first oil well, drilling for and production of oil (except in the case of offset wells when wells offset or to be offset are being operated) may be suspended while the price offered generally to producers in the same vicinity for oil of the quality produced from said land is seventy-five cents (75c) or less per barrel at the well, or when there is no available market for such oil at the well. Gas wells need not be operated when there is no market for gas at the well at an adequate price and under reasonable conditions.

10. If a well producing oil or gas in paying quantities (hereinafter called an "outside well") is drilled on adjoining land in which the County has no interest, and if the location of such outside well is within offset distance, as hereinafter defined, from a boundary of the above-described land, and if the required number of oil wells on subject lands has not been drilled, then, and in that event, drilling operations shall commence to offset such outside well within three (3) months after it is ascertained that the production from such outside well is in paying quantities; provided, however, that (a) said time shall be extended until three (3) months after the completion or abandonment of any well then being drilled on subject lands, and (b) if there already exists or is being drilled on subject lands a well at a suitable offset location, it shall take the place of the required offset well. The term "offset distance" as used herein means three hundred thirty (330) feet in the case of an oil well and thirteen hundred twenty (1,320) feet in the case of a gas well. A suitable offset location within the meaning hereof is one within offset distance from the boundary and within twice offset distance from a line drawn from outside well to the nearest point in said boundary and extended into the subject lands. Notwithstanding the foregoing, an offset well for gas need not be drilled if wells already existing on subject lands in the same gas field have sufficient productive capacity to produce such share of the total market demand for gas from said field as may fairly be apportioned to subject lands therein.

11. Time for performance of any condition hereof shall be extended for such time as such performance is prevented by law, war, riots, strikes, lockouts, action of the elements, accidents, inability to obtain materials in the open market or to obtain transportation therefor, court order, governmental rules and regulations, or any other cause beyond the control of the Grantee, whether similar or dissimilar to those herein specifically enumerated, and without regard to whether such cause exists at the date hereof or hereafter arises.

12. County shall not be denied the right at all reasonable times to inspect work done and in progress on subject lands and the production therefrom, or the right to examine the books kept by Grantee or assigns in relation to the amount and character of the production from subject lands and disposition thereof. On written request of County, it shall be furnished with copies of logs of all wells drilled on said land.

13. Payments shall be promptly made by Grantee for all labor performed and materials furnished in operations hereunder and the Grantee shall at all times protect County and save it harmless from all liability in connection therewith.

14. Grantee, until performance of the work provided for in paragraph 6 hereof, shall maintain a good and sufficient bond with a corporate surety in the name of County in an amount equal to the amount of Grantee's bid for the interest so to be sold but in no event less than sixty thousand dollars (\$60,000), and thereafter, and until the revesting in the County of all interests of Grantee acquired from the County, in an amount equal to the amount of said bid, which bond shall be conditioned on compliance by Grantee with each and all of the conditions and provisions hereof.

15. All machinery, derricks, structures, piping, casing, and other structures and improvements belonging to or furnished by Grantee, installed on or under or affixed to subject lands, shall be considered as personalty and may be removed by Grantee at any time, but not later than four (4) months after the reconveyance to, or revesting in, County of the interest acquired from the County in the land on which same is situated.

16(a). The interest of Grantee acquired from the County shall revert to and revest in County if any payment provided for herein is not made as herein provided and such default shall continue for fifteen (15) days after written demand by County; provided, however, that if there be a bona fide dispute as to the amount due, and all undisputed amounts are paid, said fifteen (15) day period shall be extended until five (5) days after such dispute is settled by final court decree or otherwise.

16(b). If Grantee shall fail to perform any condition imposed hereby other than for the payment of money or commencement or performance of the work required under paragraph 6, and if such failure shall continue for a period of three (3) months after written demand from County, the interest acquired by Grantee from the County shall revert to and revest in County, except as to an area of forty (40) acres which may be selected by Grantee for each oil well theretofore drilled or then being drilled on which there is no default, and except as to an area of six hundred forty (640) acres to be selected by Grantee for each gas well theretofore drilled or then being drilled as to which there has been no default, and, as to areas thus excepted by reason of gas wells, all oil-producing rights (including rights to produce gas associated with oil) shall revert to and revest in County. No default shall be deemed to have occurred, however, while work which when completed will constitute compliance with such condition is being carried on, and the three (3) month period in this paragraph referred to shall be extended while such work is in progress. Notwithstanding the foregoing provisions, there shall be excepted from any reversion or revesting in County such rights of way and easements as may be necessary or convenient for carrying on permitted operations on the said forty (40) acre or six hundred forty (640) acre areas.

17. The words "drilling operations" and "operations for drilling" include any work undertaken or commenced in good faith if followed diligently and in due course by the construction of a derrick or other necessary structures for the drilling of a well, and by the actual operation of drilling in the ground.

18. If Grantee or assigns shall tender to County a reconveyance of the interest acquired from County in and to all or any part or parts of the subject lands, excepting, however, in case of a partial reconveyance, such rights of way and easements as may be necessary or convenient for the conduct of permitted operations on land in which Grantee's interest is retained, County will accept such reconveyance, and the acreage of the remaining land will thereafter be considered the acreage on which annual payments are to be computed and which determines the number of required wells; and therefor the land as to which such reconveyance is made shall no longer be considered as subject lands. If Grantee or assigns shall tender to County a reconveyance of the right acquired from County to produce from subject lands, or any part thereof, oil (including the gas necessarily produced therewith) while reserving the exclusive right acquired from the County to produce all other gas from subject lands, or any part thereof, County will accept such reconveyance, and all conditions with respect to the drilling of oil wells and production of oil shall be deemed eliminated with respect to the land as to which said oil rights are reconveyed, and the number of oil wells required on the other land, if any, shall be reduced to such number as is required by the acreage of such other land, but the number of required gas wells shall remain unaltered. The reconveyance herein referred to shall not include any right, title, or interest other than such as may have been obtained from County, and Grantee or assigns may retain any right, title, or interest which it may have obtained from another source. No reconveyance to County before compliance with the provisions of paragraph 6 hereof shall relieve the Grantee or its surety of its obligations under said paragraph. After performance of the work required in paragraph 6, or the making of the payment to County provided for therein, the revesting in County of the entire interest derived by Grantee from the County shall terminate all obligations of Grantee, and its surety shall be absolved from further obligations under said bond, with the exception of such obligations as may have theretofore arisen.

19. The time for performance of any condition hereof, other than for performance of the work required under paragraph 6, may, for good cause shown, be extended by the County Court by order duly entered in its Journal.

20. If County's title as hereinbefore defined shall be only a fractional interest with respect to any parcel or parcels of subject lands or any lesser title or estate than a full and complete title, so much of the annual acreage payments as accrue with respect thereto shall be ratably reduced and the "reserved share," as hereinbefore defined, shall likewise be reduced.

21. Notwithstanding any other provision hereof, the interest hereby conveyed (if not theretofore reconveyed) shall revert to and revest in County at the end of twenty (20) years from the date of conveyance to the Grantee, if neither oil nor gas is then being produced from any of subject lands. If oil or gas is being produced twenty (20) years after the date of conveyance to the Grantee and thereafter wholly ceases, and if for a period of sixty (60) days after such cessation drilling operations for a new well are not commenced on subject lands and no repairs, redrilling, or other reworking operations are in progress, then and in that event the interest hereby conveyed shall revert to and revest in County.

22. All of the above terms and conditions shall be binding upon and shall inure to the benefit of the Grantee and its successors and assigns.

Dated January 17, 1945.

M. R. Calhoun,
Sheriff