

Section 5. That the Owners shall not declare the rights of the Contractor under this agreement forfeited for any cause whatever unless the Owners shall notify the Contractor in writing of the existence and exact nature of the cause of forfeiture, and unless the Contractor shall thereafter fail to remedy said cause of forfeiture within Sixty (60) days from the service of such notice.

Section 6. That the Contractor may, at any time hereafter, surrender and abandon all of the above described lands and thereby be relieved of all future obligations of whatsoever kind or nature in respect thereto; provided, however, that such right to surrender shall be exercised in such manner as to allow the Owners at least sixty days prior to the expiration of any extension which may hereafter be granted within which to comply with any drilling requirements which would be incumbent upon them in order to protect their rights from forfeiture because of the surrender and abandonment by the Contractor. And in case of such forfeiture or other termination of this agreement, the Contractor may at any time thereafter remove all equipment and other removable property placed by it on said lands.

Section 7. During the life of this agreement the Contractor agrees to purchase and the Owners agree to sell at the well or wells where produced, all the oil belonging to the Owners produced and saved from the lands the subject of this agreement, at the current market price paid in the fields of Wyoming at the time of production for the same grade and gravity of oil, which price in no event shall be less than the price paid to the United States government for its royalty oil produced and saved from the lands the subject of this agreement, said payment to be made on the 20th day of each month for all oil produced and saved during the next preceding month.

ARTICLE II.

Section 1. That subject to the reservations and right to surrender hereinabove set out, the Contractor shall within the time specified therefor, do and perform upon said premises such development work as may be required by said permit, or any extension thereof, or by said Act and the rules and regulations promulgated thereunder.

Section 2. That if oil or gas shall be discovered upon said premises in commercial quantities, the Contractor, subject to the right of surrender hereinabove contained, shall continue in possession thereof, and, consistently with the then prevailing condition of the market for crude petroleum or other products of said lands, shall drill such additional wells as may be necessary for the proper development of the same, and shall drill all necessary wells fairly to offset the producing wells of others on adjoining lands; but in any event, subject to such right to surrender, said Contractor, within three months from and after bringing in on the structure on which the above described premises are located of a well producing oil in commercial quantities, shall, if it had not already done so, commence to drill a well on some part of said permitted lands which shall be of the kind required by said permit, or any extension thereof, and shall prosecute such drilling operations with reasonable diligence until a depth of two thousand five hundred feet has been reached, unless oil in commercial quantities be sooner encountered.

Section 3. That the Contractor shall keep books containing all production data on said premises and the distribution of oil and gas therefrom or proceeds thereof, and said book shall be open during all reasonable hours to the inspection of the Owners, or their duly authorized agent, or agents, and upon request of the Owners shall supply to them a copy of any record pertaining thereto.

Section 4. That upon discovery of oil or gas in paying quantities upon any of said lands, the Contractor, in the name of the Owners, shall apply to the Secretary of the Interior for a lease thereon upon such royalty as the Secretary may fix, and shall thereafter take all necessary steps to obtain the granting of such lease and any necessary renewals thereof.

Section 5. (a) It is understood by the parties hereto that subsequent to the filing of applications by the Owners for permits covering the lands the subject of this agreement, but before the issuance of said permit said lands were classified as lands within the geologic structure of a proven field, and it is the opinion of the parties hereto that such classification was erroneous and not justified, since said lands at that time were not productive of oil or gas in quantities sufficient to warrant such classification; and it is the belief of the parties hereto that such classification can be removed, and it is understood that the provisions of this agreement proceed upon the theory that upon proper showing being made to the officials of the Department of the Interior, such classification may be removed, and that as a result of such showing it will be found and held that at the time of the filing of said applications for permit and at the date of the issuance of said permit, said lands were of the kind and character subject to Government royalties provided for lands embraced in permits issued under and pursuant to section 13 of said Act, in which event any lease which hereafter may be issued to the Owners covering said lands should, and in all probability will, bear royalties as provided for lands embraced in permit issued under Section 13 of said Act.

(b) It is also understood that the provisions of this contract as to the payment of royalties by the Contractor to the Owners are based upon the assumption that unless such classification is removed or the said lands declared by the government of the United States to be of the kind and character subject to Government royalties provided for lands embraced in permits issued under Section 13 of said Act, or unless terms as to royalties can be obtained more favorable to the Owner than those provided for in Sub-division (c) of Section 19 (page 23) of the Rules and Regulations (reprint as amended to October 29, 1920, Circular No. 672) prescribed by the Secretary of the Interior for the administration of said Act, and the "tables for computing oil royalties under the Leasing Act of February 25, 1920, issued by the Department of the Interior, Albert B. Fall, Secretary, Bureau of Mines, H. Foster Bain, Director, prepared by H. C. Patterson and D. W. Moran, Washington Printing Office, 1921," any lease or leases to be issued by the Government of the United States covering said lands will bear the royalties provided for by Sub-division (c) of said Section 19, and will reserve to the Government of the United States the royalties prescribed in said tables.