

Section 3. That the contractor shall have full and complete charge and control of all operations upon said Sections 4 and 9 and shall continue in control during the life of this agreement and during the term of said permit, and of any lease or leases which may be issued to the owner, as well as of any extension or extensions, renewal or renewals of said permit, lease or leases in whole or in part.

Section 4. That on that part of the lands operated under this agreement embraced in said permit which shall be leased to the owner at the minimum royalty of five per cent. (5%), the contractor for its services and expenditures hereunder shall be entitled to retain eighty-seven and one-half per cent. (87½%) of the total amount of all oil and/or gas produced and saved therefrom. Of the remaining twelve and one-half per cent. (12½%) of said total amount, five per cent. (5%) shall by the contractor be turned over or its value paid to the United States as its royalty, and the balance of seven and one-half per cent. (7½%) shall belong to the owner. On that part of the lands embraced in said permit as to which the royalty fixed and charged by the Government shall be twelve and one-half per cent. (12½%) or in excess of that amount, two and one-half per cent. (2½%) of the amount of all oil and/or gas produced and saved therefrom shall belong to the owner, and after turning over to the United States its royalty or the value thereof, the contractor for its services and expenditures hereunder shall be entitled to retain the balance of the total amount of all oil and/or gas produced and saved therefrom. In computing total production for the purpose of this section, the contractor shall not be charged for oil or gas used either in development or production operations upon any part of said lands, or unavoidably lost.

Section 5. That the owner shall not declare the rights of the contractor under this agreement forfeited for any cause whatever unless the owner 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 or forfeiture within sixth (60) days from the service of such notice.

Section 6. That the contractor may, at any time hereafter, surrender and abandon all or any part 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 owner at least 30 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 him in order to protect his rights from forfeiture because of the surrender and abandonment by the contractor. And in case of such surrender by the contractor or in case of 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. The contractor shall have and is hereby given the exclusive right and option to purchase at the current market price in the field at the time of production for oil and/or gas of similar character, all oil and/or gas belonging or to belong to the owner under this agreement.

IN CONSIDERATION WHEREOF, the contractor covenants and agrees with the owner as follows:

ARTICLE II

Section 1. That subject to the reservations and right to surrender hereinafter set out, the contractor shall within the time specified therefor, do and perform upon said premises embraced in this agreement 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 paying quantities, the contractor, subject to the right of surrender hereinafter 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; 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 embraced in this agreement 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 test of said lands shall have been made.

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 books shall be open during all reasonable hours to the inspection of the owner.

Section 4. That upon discovery of oil or gas in paying quantities upon any of said lands, the Contractor shall have the right to designate one-quarter of the area embraced within said permit, and in the name of the owner shall thereupon apply to the Secretary of the Interior for a lease thereon at a royalty of five per cent. (5%); and shall at the same time and in like manner apply for a lease upon the entire balance of said permit area upon such royalty as the Secretary may fix, and shall thereafter take all necessary steps to obtain the granting of such leases and any necessary renewals thereof.

ARTICLE III

Section 1. That this agreement and each and every of its terms, provisions and conditions shall be binding upon the heirs to the benefit of the heirs, personal representatives, successors and assigns of the parties hereto.

Section 2. Said Fred J. Hischer represents and warrants that he is the owner of the above permit, Serial No. Evanston 0755, and that he has not entered into any agreement with any other person or persons, firm or corporation affecting the lands embraced in said permit, and that no other person or persons, firm or corporation has acquired any rights under said permit or to said lands; and the party of the first part agrees to protect the party of the second part against any expense, loss or damage arising as the result of claims or rights asserted by other persons in or to said permit or the lands embraced therein.