

after be granted by the United States to said Owner under or by virtue of said application, for the purpose of prospecting or drilling for, developing, producing and marketing all oil and/or gas therefrom, and shall have full and complete charge and control of all operations upon said lands and shall continue in such control during the life of this agreement; subject, however, to the right of the Owner, personally or by agent, to enter upon said premises at any and all reasonable times for the purpose of inspecting the same and the operations of the Contractor thereon.

Section 2. That under and pursuant to the provisions of the Act of Congress granting to the Secretary of the Interior authority to extend the time within which to begin drilling operations or to complete the same, the Owner shall, if and when requested so to do by the Contractor, apply to the Secretary of the Interior for a maximum period of time from and after the date of the granting of such extension or extensions within which to comply with the requirements of said permit, as so extended, such applications for extensions to be prepared by the Contractor, and, after execution by the Owner, to be by the Contractor submitted to the Secretary of the Interior.

Section 3. That on that part of the above lands which may be embraced in any permit hereafter issued to the Owner and which shall be leased by the Government 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-five per cent (85%) of the total amount of all oil and/or gas produced and saved therefrom. Of the remaining fifteen per cent (15%) 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 ten per cent (10%) 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, three per cent (3%) 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.

3½. That in addition to the one thousand dollars bonus paid to the Owner at the date of the signing of this agreement, the Contractor, upon the issuance to the Owner of a permit covering the lands embraced in her said application, shall pay to the Owner an additional bonus of Two Thousand Dollars (\$2,000.00); and upon the bringing in by the Contractor of a well on said permitted lands yielding oil in commercial quantities, the Contractor shall pay to the Owner out of twenty-five per cent (25%) of the production from said lands an additional sum of Seventy-five hundred Dollars (\$7,500.00), which sum shall be payable as and when the oil from said land shall be produced, saved and marketed.

Section 4. 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 of forfeiture within sixty (60) days from the service of such notice.

Section 5. That at any time after the complete performance by the Contractor of the drilling requirements specified in Section 8 hereof, the Contractor may surrender and abandon all or any part of the above described lands and thereby be relieved of all obligations of whatsoever kind or nature in respect to the lands so abandoned and surrendered, but as to the lands not abandoned and surrendered, the rights of the Contractor hereunder shall remain in full force and effect; 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 the said lands.

Section 6. 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.

Section 7. Upon receipt by the Owner of a permit, the Owner shall immediately notify the Contractor in writing of such fact, transmitting said permit to the Contractor for its inspection, and in order that it may obtain copy of the same; and failure to promptly notify the Contractor of the issuance and receipt of said permit shall excuse the Contractor for failure to perform any of the acts or things by it required to be performed under this agreement, until compliance by the Owner with the requirements of this section.

Section 8. The Contractor shall within the time specified therefor, do and perform upon said premises such drilling operations as may be required by the permit so to be issued, or by said Act and the Rules and Regulations promulgated thereunder; and the Contractor expressly agrees that, weather conditions permitting, it will within sixty (60) days after the issuance of said permit to the Owner and the receipt by the Contractor of said permit and notice in writing from the Owner that said permit has been issued, as aforesaid, commence the drilling of a deep test well on the above described lands, and thereafter continuously and diligently prosecute the drilling of the same until a depth of thirty-five hundred (3500) feet shall have been attained, unless oil and/or gas in commercial quantities be sooner encountered; provided, however, that the Contractor shall not be chargeable with any delays resulting from causes beyond its control. If weather conditions do not permit the commencement of said well within sixty days after the issuance of said permit, then the same shall be commenced as soon thereafter as weather conditions do permit; provided always that if for any reason this issuance of the permit to the Owner shall be so delayed that the Contractor shall have in the meantime completed a well on some part of the lands embraced within the structure upon which the above described lands are situated, to a depth of 3500 feet, and said test well shall have been drilled at such a place and to such a depth as reasonably to prove the productivity or unproductivity of the Owner's land, then and in that event, and that event only, shall the Contractor be relieved from the requirement as in this paragraph provided for the drilling of a deep test well on the lands embraced within the application of the Owner for permit, as herein described; provided, however, that the Contractor may not exercise the right of surrender as in this agreement provided so as to relieve it from the performance of the drilling requirements of said permit.