the oil produced and saved from said lands less the costs and expenses of development and operation thereof. The term "costs and expenses of development and operation" means the sum of;

(aa) All royalties and rentals to the United States.

(bb) The overriding royalties specified in paragraph (11).

(cc) A charge of 7½% of the total of the items mentioned in sub-paragraphs (dd) and (ee) to cover overhead and administrative expenses, which shall be the sole charge in that behalf.

(dd) All taxes upon said lands, upon the oil produced therefrom, upon the buildings and improvements thereon, and upon the material, equipment and other property on or near said lands, connected with or pertaining to their development and/or operation, and any excise or license tax or fee imposed upon the business or privilege of producing oil therefrom; and also all premiums for insurance (including workmen's compensation and/or employers' liability insurance, insurance upon oil or other property, and all other proper insurance).

(ee) The costs and expenses of drilling, constructing, equipping, maintaining, and operating wells, run tanks, pipe lines from wells to run tanks, water lines, boiler houses, pump houses, power stations, field offices, warehouses, camps, local telephone lines, garages, and other plants, improvements, and buildings on or near said lands used for or in connection with their development and/or operation; and all other costs and/or expenses of no matter what kind or character incurred for labor (including the compensation of the foreman or other agent of TEXAS having direct local supervision of said lands, of the field clerk, and of the local warehouseman), for equipment, for materials, and for any other proper purpose pertaining to the development and/or operation of said lands; and the specification of particular costs and expenses herein shall not be deemed exclusive.

(g) Where any expenditure embraced in sub-paragraphs (dd) and (ee) is applicable to said lands and also to other lands in which TEXAS is interested but in which SCOVILLE is not interested, an apportionment of such expenditure shall be made upon the basis of the ratio which the compensation for the calendar month in question of the employees working solely and directly upon the above-described lands bears to the compensation for such calendar month of the employees working solely and directly upon such other lands.

(h) Notwithstanding anything contained in this paragraph, no charge shall be made, either as a part of the costs and expenses of development and operation or otherwise, on account of the free development provided for in paragraph (7).

(i) Whenever any physical property shall be removed from said lands, whether in connection with abandonment as hereinafter provided or prior to abandonment, proper credit shall be given to SCOVILLE for his proportion of the then fair value of such property to be determined by mutual agreement of the parties, if possible, and, if not possible, then by three disinterested appraisers, one appointed by each of the parties and the third to be selected by the two appraisers appointed by the parties.

(j) The gross proceeds arising from the sale of oil credited, and the expenditures charged, under paragraph (8) shall be excluded in calculating net proceeds under this paragraph.

(k) The term "oil" as used in this contract includes also casinghead and other gas.

(11) It is understood that said lands or various parts thereof are subject not only to the rentals and royalties to the United States under the permits aforesaid and the leases into which they may ripen, but also to the overriding royalties herein below specified.

(l) As to the lands described in sub-paragraph (a) an overriding royalty of 8% of of the production in favor of Herschel Bondurant and George W. Danley;

(m) As to that part of the lands described in sub-paragraph (b) which shall be leased by the United States at a royalty to it of 5% of the production, an overriding royalty of 7½% of the production in favor of LaBarge Oil Company and also an overriding royalty of 2½% of the production in favor of Wyotah Oil and Gas Company; and as to the rest of the lands described in sub-paragraphs (b), an overriding royalty of 2½% of the production in favor of LaBarge Oil Company.

(n) As to one hundred twenty (120) acres of the land described in sub-paragraph (c), to be leased by the United States at a royalty to it of 5% of the production, an overriding royalty of 7½% of the production in favor of Kemmerer-LaBarge Oil Company and also an overriding royalty of 2½% of the production in favor of Wyotah Oil and Gas Company; and as to the rest of the lands described in sub-paragraph (c), an overriding royalty of 2½% of the production in favor of Kemmerer-LaBarge Oil Company.

(o) As to the lands described in sub-paragraphs (d) and (e), an overriding royalty of 10% of the production in favor of First Chance Oil Company and Annie Carlin Smith, and also an overriding royalty of 2½% of the production in favor of E. L. Smith.

(12) TEXAS shall exclusively dispose of all the oil produced and saved from said lands; and in that connection shall have the right to appropriate such oil at the wells to its own use and to account for such oil for the benefit of both parties at the field market price currently prevailing at the time of production; provided, however, that if at any time a responsible person shall bona fide offer to buy such oil during a period of not less than six (6) months nor more than twelve (12) months at a field market price higher than that which TEXAS shall be paying for such oil, then in that event TEXAS shall, during the period specified in such offer, either pay for such oil the price thus offered or sell such oil at the price thus offered to the person making the offer.

(13) During each calendar month TEXAS shall render to SCOVILLE a statement showing for the preceding calendar month the gross proceeds arising from the sale of oil, the