

That the Contractor shall have, and is hereby given exclusive right of possession and occupation of the above described part of said lands covered by said permit during the time of said permit, and all leases, or extensions or renewals of said permit or leases that may hereafter be granted by the United States to said Owner, under or by virtue of said permit, for the purpose of prospecting or drilling for, developing, producing, and marketing oil and/or gas therefrom; subject, however, to the right of the Owner 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 the Contractor shall have full and complete control and charge of all operations upon said lands, and shall continue in control during the life of this agreement, and during the term of any permit, lease, or leases which may be issued to the Owner.

Section 3:

That on that part of the land above described which shall be leased to the Owner at the minimum royalty of 5%, the Contractor, for its services and expenditures hereunder shall be entitled to retain 87-1/2 per cent of the total oil or gas produced and saved therefrom. Of the remaining 12-1/2 per cent of the said total amount, 5 per cent shall be turned over by the Contractor, or its value paid to the United States as royalty, and the balance of 7-1/2 per cent shall belong to the Owner and be delivered to the Owner at the pipe line or tanks to which the Contractor connects its wells; on that part of the land above described on which a royalty of 12-1/2 per cent or more, is paid to the United States Government, 2-1/2 per cent of all oil and gas produced and saved therefrom shall belong to the Owner, and be paid as royalty in the same manner. In computing total production, the Contractor shall not be charged for oil or gas used in development or production operations upon said lands, or unavoidable losses.

Section 4:

That the Owner shall not declare the rights of the Contractor under this agreement forfeited for any cause, 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 20 days from the service of such notice.

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 comply with all the provisions of the said permit, or any leases granted thereunder, and affecting the lands covered by this contract; provided, however, that it is hereby understood and agreed that an application for an extension of time is being made by the Owner, and that the Contractor shall be required to comply only with the terms provided by such extension of time, except that the Contractor must place a drilling rig and equipment capable of drilling a well to a depth of 1000 feet on said land, before the 15th day of October, 1925, and commence the drilling of an oil and gas well on said land with the same, before the 1st day of November, 1925, and must drill the said well to a depth of 500 feet on or before June 30, 1926, and must drill wells of a total depth of 1000 feet on said land before November 30, 1926, unless oil or gas in commercial quantities is sooner encountered.

Section 2:

That the Contractor shall keep books containing all production data, and a log of all wells drilled on said premises, and the distribution of oil and gas therefrom, and said books shall be open during all reasonable hours to the inspection of the Owner. That upon the discovery of oil or gas in paying quantities upon any of said lands, the Contractor shall have the right to designate 80 acres of the above described land, to be leased at a royalty of 5 per cent, and the Owner shall thereupon apply for a lease of said lands upon said royalty basis, and shall at the same time apply for a lease upon the entire balance of said contract area, upon such royalty as the Secretary of the Interior may fix, and shall thereafter take all necessary steps to obtain the granting of such lease, and any necessary renewals thereof, the Contractor agreeing to furnish the bond required by the United States Government in connection with such leases.

Section 3:

That the Contractor may at any time hereafter surrender and abandon all, or any part of the above described land, and thereby be relieved of all future obligations of whatsoever kind or nature in respect to the lands so abandoned; provided, however, that such right to surrender shall be exercised in such manner as to allow the Owner at least 60 days within which to comply with any Government requirements which it would be incumbent upon him to comply with under the terms of said permit or leases.

Section 4:

In case the Contractor fails to commence drilling at the time above mentioned, or fails to place said rig on said land, or fails to drill to the depth hereinabove required, within the respective times stipulated therefor; time shall be considered of the essence of this contract in regard to such matters, and all rights of the Contractor hereunder shall be forfeited by reason of such default, and the said lands shall thereupon be surrendered to the Owner, together with the casing in any wells theretofore drilled on the said lands.

Executed in triplicate the day and year first above written. (SIGNED:)