

said premises and the operations of the "Contractors" 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 required to do so by the "Contractors", apply to the Secretary of the Interior for a maximum period of time from and after the date of such extension within which to comply with the requirements of said permit as so extended; such application for extension to be prepared by the "Contractors", and, after execution by the "Owner", to be by the "Contractors" submitted to the Secretary of the Interior. Provided, however, that the provisions of this paragraph and/or the compliance therewith by the "Owner" shall not in any event be construed as a consent on the part of the "Owner" to any violations on the part of the "Contractors" of their obligations hereunder assumed.

Section 3. That the "Contractors" shall have full and complete charge and control of all the operations upon said lands and shall continue in control during the life of this agreement, and during the terms of said permit, and of any lease or leases which may be issued to the "Owner", covering the lands herein above described, as well as any extension or extensions, renewal or renewals of said permit, lease or leases, in whole or in part, subject to the provisions of Section 1 of Article I hereof.

Section 4. That if oil or gas shall be found, discovered and marketed from what is known as the shallow sands under said lands, that is to say, those sands lying at a lesser depth than 2000 feet, there shall first be paid to the Government a royalty of 5 per cent on that portion of the lands, if any, embraced in said permit which shall be leased to the "Owner" at the minimum royalty of 5 per cent, and on said 5 per cent royalty lands the "Owner" shall be paid a royalty of 8 1/2 per cent of all oil and gas produced and saved and the "Contractors" shall be entitled to retain and shall retain all the rest and remainder of the oil and/or gas produced and saved from said 5 per cent royalty lands; if oil or gas is found, discovered and marketed from the deeper sands, that is to say, from the sands lying at depth of more than 2000 feet, then there shall be paid to the Government a royalty of 5 per cent on that portion of the lands, if any, embraced in said permit which shall be leased to the "Owner" at the minimum royalty of 5 per cent and on said 5 per cent royalty lands the "Owner" shall thereupon be paid a royalty of 10 per cent of all oil and gas produced and saved, and the "Contractors" shall be entitled to retain and shall retain all the rest and remainder of the oil and/or gas produced and saved therefrom; in other words, the true intent of this paragraph as above set out is that the "Owner" shall receive from the shallow sands of any preferred 5 per cent acreage and over-riding royalty of 8 1/2 per cent and an over-riding royalty of 10 per cent from any preferred 5 per cent lands where the oil is produced from the deeper sands; on all other acreage not embraced in nor a part of the 5 per cent preferred lands, the Government shall be paid such royalty as it may require and the "Owner" shall then be paid a 2 1/2 per cent royalty, and all the rest and remainder of the oil and/or gas produced and saved shall be retained by the "Contractors".

That in addition to the \$5000.00 this day paid to the "Owner" there shall be paid to the "Owner" by the "Contractors" out of their share of any oil and/or gas produced and saved from said above described premises the sum of \$25,000.00, providing however, said sum of \$25,000.00 shall be paid only out of the share of the oil and gas produced and saved belonging to the "Contractors" as follows: The "Contractors" shall first retain out of their share of the oil and/or gas produced and saved, oil and/or gas of the value of \$10,000.00; thereafter out of the "Contractors" share of all oil and/or gas produced and saved, there shall be paid to the "Owner" 25 per cent of said oil and/or gas so produced and saved, until the "Owner" shall have been paid oil and/or gas equal to the total sum of \$25,000.00.

In computing total production under this Agreement the "contractors" shall not be charged for oil or gas used in development or productive operations on the above acreage or for oil and gas unavoidably lost from the above acreage.

Section 5. That the "Owner" shall not declare the rights of the "Contractors" under this Agreement forfeited for any cause whatsoever unless the "Owner" shall notify the "Contractors" in writing of the existence and exact nature of the cause of forfeiture, and unless the "Contractors" shall fail to remedy or remove such cause within 60 days from the service of such notice.

Section 6. The "Contractors" may at any time hereafter, surrender and abandon any part of the above described lands and thereby be relieved of all future obligations of whatever kind or nature in respect thereto except if any wells are commenced or drilled thereon they shall be left in such manner as may be required by the Bureau of Mines. And provided further that such right to surrender shall be exercised in such manner as to allow the "Owner" at least 60 days prior to the expiration of any extension which may be hereafter granted within which to comply with any drilling requirements which would be encumbrant upon the "Owner" in order to protect his rights from forfeiture because of the surrender and abandonment by the "Contractors". And in case of such surrender by the "Contractors" or in case of forfeiture or other termination of this agreement, the "Contractors" may at any time remove all equipment and other movable property placed by them on said lands; providing further that the "Owner" may retain any or all casing in wells by paying to the "Contractors" the second hand price of such casing.

Section 7. That during the life of this agreement, the "Contractors" agree to purchase at the well or wells where produced all the royalty oil belonging to the owner, and to pay therefore the current market price paid in the La Barge field for the same grade and gravity of oil, which price shall in no event be less than the price paid to the United States for its royalty oil produced and saved from the same or similar lands.

IN CONSIDERATION WHEREOF, The "Contractors" covenant and agree to and with the owner as follows:

ARTICLE II

Section 1. That, subject to the reservations and right to surrender hereinbefore set out, the "Contractors" shall on or before July 11, 1927, place and erect on some point