

the total amount of all oil and gas produced and saved therefrom. The owner agrees with the contractor that all the lands embraced in the lands designated in Section 1 of Article 1, shall be declared to be "A" of "Primary" ground from which the Government of the United States shall be paid a minimum royalty of 5% and that the owner shall receive a royalty of 10%. In computing total production for the purpose of this Section the contractor shall not be charged for oil and gas used either in development or production operations upon any part of said lands, or unavoidably lost.

Section 5. That if it should subsequently develop that other parties have and claim an interest in the aforesaid lands the owner shall defend and protect the rights of the contractor herein, and that in no case shall the royalty paid to the contractor be less than 8%, and that if any other parties should claim and prove any interest in the aforesaid lands their right, title and interest shall be deducted from the 10% royalty herein agreed to be paid to the owner.

Section 6. 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 ninety (90) days from the service of such notice.

Section 7. 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 thirty (30) days prior to the expiration of any extensions which may hereafter be granted, within which to comply with any drilling requirements which would be encumbent upon him in order to protect his rights from forfeiture because of such surrender and abandonment by the contractor. 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.

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

ARTICLE 2.

Section 1. That subject to the reservations and right to surrender hereinabove 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 extensions thereof, or by said Act and the rules and regulations promulgated thereunder.

Section 2. That the contractor agrees with the owner to commence drilling on the aforesaid lands within thirty (30) days and shall drill to a depth of 2,000 feet unless oil or gas is discovered in commercial and paying quantities at a lesser depth. That if oil and gas shall be discovered upon said premises in paying quantities the contractor subject to the right of surrender hereinabove 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 (3) 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 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 all oil and gas therefrom or proceeds thereof, and said books shall be open during all reasonable hours to the inspection of the owner.

ARTICLE 3.

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

Section 2. That L. W. Davis represents and warrants that he is the owner and entitled to possession of the lands embraced in this agreement and that he has not entered into any agreement with any other person or persons, firm or corporation, effecting 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. That 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.

Section 3. That nothing herein contained shall be construed as being in any manner in derogation of any of the terms, conditions or provisions of the Act of Congress under and by virtue of which said permit was issued, or any regulations of the Department of the Interior of the United States, lawfully promulgated thereunder, but, on the contrary this agreement shall, in all particulars, be deemed amendable to reformation to eliminate or modify any portions thereof found to be in contravention of the provisions of said act or such regulations or against public policy, and shall remain and be in full force and effect as to all provisions not so eliminated or modified.

IN WITNESS WHEREOF, the party of the first part has hereunto affixed his hand and seal, and the party of the second part has also hereunto affixed his hand and seal.

K. S. Albert

L. W. Davis

Party of the First Part.

Geo. W. Sanderson
Witnesses as to signature of Party
of the First Part.

D. R. Shidler
Party of the Second Part.