

each. If the parties are unable to agree upon such proportionment it shall be arbitrated by three reputable geologists, each party selecting one arbitrator and the two so selected selecting a third, the conclusion of two of the three to be binding upon both parties.

8. That within sixty (60) days after the discovery of oil in commercial quantities as defined in paragraph 3 hereof, subject to such right of surrender, second parties shall commence or cause to be commenced, the actual drilling of an additional well on the lands the subject of this agreement, and at all times thereafter until a pipeline from said field to the railroad has been completed, second parties shall cause at least one string of tools to be working at all times upon the lands the subject of this agreement, provided that second parties shall not be required to complete more than four wells on said lands prior to the completion of said pipeline.

9. That after a pipeline from said field to the railroad has been installed, and during the time there is a market for the products of the lands the subject of this agreement, second parties, subject to such right of surrender, shall endeavor to complete on the lands the subject of this agreement at least two (2) wells each and every year after the completion of such pipeline until said lands shall have been fully developed, and to that end second parties shall use due diligence in an effort to complete said two wells each and every year after the completion of said pipeline until said lands shall have been fully developed.

10. That all wells drilled by second parties under the terms of this agreement shall be of sufficient diameter to conveniently and economically extract oil and gas from the sand in which production is reached, and the drilling of such wells and related operations shall be with adequate equipment, and shall be performed in a good and workmanlike manner and in accordance with approved methods and practices, and without cost or expense to first party.

11-a. That if and when and to the extent that the party of the first part's geologist or geologists consider it geologically and economically advantageous, having due regard to all the lands embraced in the permit, the parties of the second part shall have the right to designate for inclusion as a party of the primary acreage to be embraced in leases from the United States, all or any part of the lands which are subject to this agreement.

11-b. That on that part of the lands the subject of this agreement, the parties of the second part shall and will deliver to the United States and to the permittee Tasker, his heirs and assigns, all royalties to which under the law, under such lease or leases, and under said Exhibit "A" they are or shall be entitled, with respect to the lands which are the subject of this agreement.

11-c. After the payment of all government and other royalties mentioned in sub-division (b) of this paragraph, the parties of the second part shall pay to the party of the first part twenty-five per cent of the proceeds from production from the lands the subject of this agreement. Such twenty-five per cent (25%) payment shall be made and continue, in the event the parties of the second part do not obtain a well producing fifty (50) barrels or more under a thirty (30) day test, until the party of the first part shall have so been paid Twelve Thousand Five Hundred Dollars (\$12,500.00); and in the event the parties of the second part do obtain a well producing fifty (50) barrels or more under a thirty-day test, such twenty-five per cent payments shall continue until the party of the first part shall have so received an additional Twelve Thousand Five Hundred Dollars (\$12,500.00) or Twenty-five Thousand Dollars (\$25,000.00) in all. The party of the first part shall have and is hereby given a first lien upon said twenty-five per cent (25%) of the gross proceeds of production until said sum of sums shall have been fully paid.

12. That upon the discovery by second parties upon the lands the subject of this agreement of such valuable deposits of oil as would entitle the permittee to receive a lease for such lands, second parties shall immediately cause proper report of that fact to be made to first party, and thereafter, and at the proper time therefor, first party shall cause to be filed in the Interior Department, on forms to be furnished by first party, the necessary and proper applications for lease running to such permittee, his heirs and/or assigns, for one-fourth (1/4) of the area embraced in said permit at a minimum royalty to the United States of five per cent (5%), and shall at the same time and in like manner cause application to be made for a lease covering the balance of said permit area upon such royalty as may be fixed by the Secretary of the Interior. The party of the first part shall bear the cost of procuring said leases, but the parties of the second part shall pay the rental on the lands the subject of this agreement to be held and operated by them hereunder.

13. That at any time after the completion by second parties of the drilling obligations assumed by them under paragraph three hereof, provided they are not then in default in the performance of any of the other terms, covenants or provisions of this agreement by them to be kept and performed, second parties may surrender to first party, all of their rights and privileges under this agreement and all rights in and to the lands the subject of this agreement, or may surrender to first party all interest hereunder in and to the lands the subject of this agreement which may be embraced in any lease covering "secondary" acreage, or may surrender to first party all interests hereunder in or to the lands the subject of this agreement which may be embraced in any lease covering "primary" acreage, and in the event of such surrender second parties shall be released and relieved of all subsequently accruing obligations with respect to the lands so surrendered, such surrender, however, in order to be effectual to be made in such manner and within such time as to afford first party an opportunity of performing the drilling operations required by said permit and by any lease or leases issued pursuant thereto as well as the drilling operations contemplated by paragraph eight and nine hereof, within the time contemplated by said paragraphs, provided that prior to such surrender and abandonment second parties shall properly execute and deliver to first party the necessary instruments of transfer and conveyance and do all things necessary to be done in order to vest first party with exclusive possession and control of all lands and operating rights and privileges in and to the lands so surrendered and abandoned; but as to the lands not so surrendered and abandoned, all rights and obligations of second parties under this agreement shall remain in full force and effect.

14. For a period of thirty (30) days after such surrender or other termination of this agreement, first party shall have the right to purchase, at the fair cash market value thereof at that time, all casing in any hole drilled by second parties hereunder on the lands to be so surrendered, and to that end second parties agree to leave said hole or holes in good condition with casing intact until first party shall have had opportunity to exercise its right of purchase hereby granted. In the event of the exercise by first party of its right of purchase, if first party and second parties cannot agree as to the value thereof, they shall each name