

including the right to draw and remove casing, except as hereinafter provided.

Completion of a commercial well shall be the completion of a well producing on an average of not less than one hundred (100) barrels of oil per day for not less than thirty (30) days including the thirty days required for the test.

Lessee shall pay all taxes on its improvements and all taxes on its oil stored on said premises, and seven-eighths (7/8) of the increase of taxes on the demised premises or on such part thereof as may be retained by Lessee under this lease caused by the discovery of oil, gas or other substances herein mentioned thereon, and whether assessed upon said land or as mineral rights or otherwise, it being the intention of the parties hereto that any taxes levied or assessed due to the discovery and existence of any such substances shall be borne by the parties hereto in the proportion of seven-eighths (7/8) by Lessee and one-eighth (1/8) by Lessor.

All labor to be performed and materials to be furnished in Lessee's operations hereunder shall be at the cost and expense of Lessee, and Lessee shall protect said land against liens of every character arising from its operations thereon. Lessor shall have the privilege at all times of posting and maintaining upon said land notices that Lessor is not responsible for any debts contracted by Lessee.

Lessor may at all reasonable times examine said land, the work done and in progress thereon, and the production therefrom, and may inspect the books and records of production kept by Lessee. Lessee agrees on written request to furnish to Lessor copies of logs of all wells drilled by Lessee on said land.

In the event of discovery of oil in commercial quantities as herein defined, in any well on adjacent premises within three hundred (300) feet of the boundary line of the demised premises, then and in that event the next well to be drilled in accordance with provisions of this lease shall be so placed as to offset said well on adjacent property, or if no well is being drilled by Lessee on the leased premises and the total well requirements hereinbefore specified have not been fulfilled, then notwithstanding anything in this lease to the contrary contained, Lessee shall within ninety (90) days thereafter commence operations for the drilling of a well on the demised premises to offset such well on the adjacent premises and drill the same diligently to the same sand or producing horizon from which the well to be offset is producing.

Performance of the obligations imposed upon Lessee may be suspended during the time Lessee's compliance is prevented by the elements, accidents, strikes, lockouts, riots or interference by State or Federal action, or other matters or conditions beyond the control of Lessee, whether similar to the matters or conditions specifically enumerated herein or not. Lessee may suspend pumping or operating said property so long as the price of oil of the quality produced on said property shall be less than seventy-five (75¢) cents per barrel at the well.

Lessor hereby WARRANTS AND AGREES to defend the title to the land herein described and agrees that the Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the above described lands, and in the event it exercises on or against the above described lands, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

Lessee may at any time quitclaim this lease in its entirety or as to part of the acreage covered thereby, with the privilege of retaining twenty (20) acres surrounding each producing or drilling well, and thereupon Lessee shall be released from all further obligations and duties as to the area so quitclaimed, and all rental and drilling requirements shall be reduced pro rata; provided, however, that Lessee shall not be relieved from payment of any sums which shall be lawfully due Lessor at the time of such surrender. On the expiration or sooner termination of this lease, Lessee shall quietly and peaceably surrender possession of the premises to Lessor, and deliver to Lessor a good and sufficient quitclaim deed so as to effectually clear the title to said premises from any interest of Lessee therein under this lease. Lessee shall restore the surface of the ground to substantially its original condition.

Before removing the casing from any abandoned well, Lessee shall notify Lessor of his intention to do, and if Lessor within five (5) days thereafter shall inform Lessee in writing of Lessor's desire to convert such well into a water well, Lessee will leave therein such amount of casing as Lessor may require for said purposes, provided such procedure is lawful and will not violate any rule or order of any official, Commission or authority then having jurisdiction in such matters; and provided further, that Lessor shall pay to Lessee fifty per cent (50%) of the then market value of such casing which Lessee has allowed to remain in the well in excess of that portion of the casing which Lessee would be required to leave pursuant to said rule or order.

Upon the failure of Lessee to pay any rentals or royalties herein provided for, and the continuance of such failure for ten days after written notice thereof by Lessor, this lease shall terminate; and upon failure of Lessee to comply with any other covenants in this lease, and the continuance of such failure for ninety (90) days after written notice thereof from Lessor specifying the covenant or covenants which Lessee has failed to perform, this lease shall terminate and all rights and obligations hereunder shall cease.

In case Lessor owns a less interest in the above described land than the entire and undivided fee simple estate herein, then the royalties and rentals herein provided for shall be paid Lessor only in the proportion which his interest bears to the whole and undivided fee.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly granted, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written notice of transfer or assignment of a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall default in the performance of any covenant of this lease as applied to