

ARTICLE I

Section 1. That the CONTRACTOR shall have and is hereby given exclusive right of possession and occupancy of all lands under 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, for the purpose of prospecting or drilling for, developing, producing and marketing all oil, gas, casing-head gas and kindred substances 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 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 requested so to do by the CONTRACTOR, apply to the Secretary of the Interior for a maximum period of time from and after the date of the granting 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 CONTRACTOR and after execution by the OWNER, to be by the CONTRACTOR submitted to the Secretary of the Interior.

Section 3. That the CONTRACTOR shall have full and complete charge and control of all operations upon said lands and shall continue in control during the life of this agreement and during the term of said permit, and of any lease or leases which may be issued to the OWNER, as well as of any extension or extensions, renewal or renewals of said permit, lease or leases in whole or in part.

Section 4. That on the part of the lands embraced in said permit which shall be leased to the OWNER at the minimum royalty of 5 per cent, the CONTRACTOR for their services and expenditures hereunder shall be entitled to retain 87½ per cent of the total amount of all oil and/or gas produced and saved therefrom. Of the remaining 12½ per cent of said total amount, 5 per cent shall by the CONTRACTOR be turned over or its value paid to the United States as its royalty, and the balance of 7½ per cent shall belong to the OWNER. In computing the total production for this section, the CONTRACTOR shall not be charged for oil or gas used either in development or production operations upon any part of the lands or unavoidably lost.

Section 5. 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 of forfeiture within (60) days from the service of such notice.

Section 6. That the CONTRACTOR may, at any time hereafter if not in default of any of the provisions of this agreement, 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 the permit or any extension thereof which may hereafter be granted within which to comply with any drilling requirements which would be incumbent upon him in order to protect his rights from forfeiture because of the surrender and abandonment by the CONTRACTOR; provided, further, however, that any application for extension which shall be made by the OWNER, shall be and is hereby a waiver of the CONTRACTOR'S obligation to give the owner notice as required within the meaning of this paragraph. And 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 buildings, derricks, machinery, casing, pipe, pipe lines, personal equipment and other removable property placed by them on said lands.

Section 7. The CONTRACTOR shall have and is hereby given the exclusive right and option to purchase, at the current market price, in the field at the time of production for oil and/or gas of similar character, all oil, gas, casing-head gas and kindred substances belonging to or to belong to the OWNER under this agreement.

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 herein set out, the CONTRACTOR shall within the time specified therefor, do and perform upon said premises such development work as may be required by said permit, or any extension thereof, or by said Act and the rules and regulations promulgated thereunder.

Section 2. That if oil or gas shall be discovered upon said premises in paying quantities the CONTRACTOR, subject to the right of surrender herein 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, of which condition the CONTRACTOR shall be the judge, shall drill such additional wells as may be necessary for the proper development of the same.

Section 3. That the CONTRACTOR shall keep books containing all production data on said premises and the distribution of oil and gas therefrom or proceeds thereof, and said books shall be open during all reasonable hours to the inspection of the OWNER.

Section 4. That upon discovery of oil or gas in paying quantities upon any of the lands above mentioned, the CONTRACTOR shall have the right to designate one-quarter of the area embraced within said permit, and the OWNER covenants that he will thereupon, on request of the CONTRACTOR, apply to the Secretary of the Interior for a preference lease thereon, at a royalty of 5 per cent, and at the same time, and in like manner, apply for a lease upon the entire balance of said permit area upon such royalty as the Secretary of the Interior may fix, and that the OWNER will sign all papers and take all necessary steps to obtain the granting of such leases and any renewals thereof requested by the CONTRACTOR.

ARTICLE III

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