

proposed terms and conditions of any unit or group plan affecting said lands at least fifteen days before submitting the same to the Secretary of the Interior so as to enable the Permittee or an agent or attorney of the Permittee to present to the Secretary of the Interior a showing or argument with respect thereto.

## FOUR

Subject to the right of surrender hereinafter given and subject to and in compliance with any plan of group or unit exploration development or operation approved by the Secretary of the Interior and any production limitation and control approved by the Secretary of the Interior, the Operator agrees that it will at its sole cost and expense comply with and perform each and every obligation and requirement of said permit (as hereafter extended) and of the leases and any renewal thereof.

Likewise subject to said right of surrender, the Operator agrees that it will commence or cause to be commenced drilling operations within \_\_\_ months from the date hereof at a well location to be selected by it in \_\_\_ and that unless prevented by strikes, acts of God or other circumstances beyond the control of the Operator it will thereafter diligently continue or cause to be diligently continued such drilling operations, keeping or causing to be kept not less than one string of tools continuously operating in said area, until a test well shall have been drilled upon the \_\_\_ structure, of which said lands are for the purposes of this paragraph considered a part, to a depth of \_\_\_ feet or to the \_\_\_ sands unless oil and/or gas in paying quantities is discovered in said test well at a lesser depth.

## FIVE

(a) The Operator shall pay any and all rentals and royalties reserved by the United States upon said lands, and shall also pay the royalties if any specified in Paragraph One hereof.

(b) The Operator shall pay to the Permittee a royalty of One per cent of the oil and/or gas (or at the option of the operator a royalty of \_\_\_ percent of the value, at the price hereinafter specified, of the oil and/or gas ) produced from the lands, the subject of this agreement, which shall be covered by the primary lease, or allocated or attributable to said lands under any approved plan of group or unit development or operation and not used for production purposes hereunder upon said lands or chargeable against said lands on account of use for production purposes under any approved plan of unit or group development, or unavoidably lost.

(c) The Operator shall pay to the Permittee a royalty of \_\_\_ per cent of the oil and/or gas (or at the option of the operator a royalty of \_\_\_ per cent of the value, at the price hereinafter specified, of the oil and/or gas ) produced from the lands, the subject of this agreement, which shall be covered by the secondary lease, or allocated or attributable to said lands under any approved plan of group or unit development or operation and not used for production purposes hereunder upon said lands or chargeable against said lands on account of use for production purposes under any approved plan of unit or group development, or unavoidably lost.

The Operator agrees, in the event of production, to keep books containing accurate and complete records of production and of the distribution of the same or the proceeds thereof and that such records shall be open at all reasonable hours to the inspection once each month of the Permittee or of the duly authorized agents of the Permittee.

The Value of the oil and/or gas, for the purpose of payment of royalty to the Permittee, shall be the field market price thereof, at the wells currently prevailing at the time of production. All payments of the money due hereunder to the Permittee for royalty on oil and/or gas produced during any calendar month shall be made by check or draft of the Operator mailed, postage prepaid, on or before the twenty-fifth day of the succeeding month, to the Permittee at the address hereinabove given or deposited to his credit in the \_\_\_ Bank of \_\_\_ which bank the Permittee hereby makes and constitutes the Permittee's agent to accept all payments due the Permittee hereunder. If six or more persons become owners of divided or undivided interests in the royalty reserved to the Permittee, they shall by sufficient written instrument designate some agent to receive payment for all, and the Operator shall not be required to make payments until such instrument is furnished. The word "gas" as used in this paragraph and elsewhere in this agreement includes casinghead gas in its natural state.

## SIX

The Permittee shall pay his proportion of the taxes, if any, upon the production (including any so-called "gross production" and/or "severance" taxes), and also his proportion of the expense of treating unmerchantable oil to render it merchantable as crude.

## SEVEN

The Permittee shall deliver to the Operator the originals of said permit, of all extensions thereof, of the leases, and of all renewals thereof, and the Operator shall, during the life of this agreement, retain and have the custody of said original documents.

## EIGHT

(a) The Operator may at any time before leases covering said lands have been issued by the United States upon the payment of \$10.00 surrender to the Permittee the Operator's right under this agreement to all or any part of the above described lands, provided there shall still remain at least thirty days before the termination of the life of said permit; however, if during the life of this agreement, application shall be made to the Secretary of the Interior for an extension (either initial or additional) of time within which to comply with any requirement of said permit, and such application shall be finally denied, then and in that event, the Operator shall have the right to promptly surrender to the Permittee all the Operator's rights under this agreement, irrespective of the then status of said permit. In case of such surrender the Operator shall be relieved of all of its obligations to the Permittee hereunder, except the obligation to pay any accrued royalty.

(b) The Operator may, at any time after the leases upon said lands shall have been issued by the United States, upon the payment of Five Dollars (\$5.00), surrender to the Permittee all the Operator's rights under this agreement as to all or any one or more legal subdivisions of said lands. In case of such surrender the Operator shall be relieved of all its obligations to the Permittee hereunder, except the obligation to pay any accrued royalty.

## NINE

The Operator agrees to pay and satisfy all claims for materials, supplies and labor in connection with the exploration development and operation of the oil and gas resources of said lands and to keep the said lands and interest of the Permittee therein free of liens or