

ant thereto and that any sale, assignment, transfer, conveyance or encumbrance hereafter made by First Party will expressly refer to and be subject to the terms and provisions hereof and that First Party has full power, right and authority to execute this agreement and which during the life hereof is exclusive as to all the provisions herein contained.

SEVENTH: As to the lands to which the aforesaid Paragraph "FIFTH" applies the following and succeeding paragraphs hereof shall also be in full force and effect but not otherwise.

EIGHTH: First Party agrees, from time to time, to execute any instruments and additional assurances as Second Party may request and as may be proper and necessary in order to vest in Second Party the full and complete title to said oil and gas lease or any part or parts thereof or any of the rights, title, privileges and benefits provided for hereinabove as Second Party may desire from time to time under the provisions hereof.

NINTH: As to the lands embraced in each and every exercise of option hereunder Second Party agrees to pay to First Party an overriding royalty of One-half of One per cent ( $\frac{1}{2}$  of 1%) of the value on the leased premises or if marketed of the proceeds from the sale, at the well or wells on said land, of all oil, gas, casinghead gas and other minerals produced, saved and marketed therefrom by it under the provisions of said oil and gas lease including any renewals or leases executed in lieu thereof - which overriding royalty, payable in money only, shall constitute First Party's only share or interest in any production of oil, gas and other minerals produced by Second Party from said lands. Said royalty, when payable, to be paid on or before the last day of each month next succeeding the month in which said oil, gas, casinghead gas and other minerals are marketed and when paid shall constitute full settlement with First Party by Second Party on account of all of said minerals produced from said lands or for the value or proceeds, as the case may be, of all of said production. It is distinctly understood and agreed that no royalty payable hereunder to First Party shall be payable or accrue upon any oil, gas, casinghead gas and other minerals produced from said lands which are used for operating, development or production purposes, including gas and casinghead gas used for recycling or repressuring operations, on any of the lands covered by such lease or leases or any said co-operative or unit plan or other agreements similar in nature or unavoidably lost.

If the lands above described or any part thereof are incorporated in a Co-operative or Unit Plan or similar agreement, as aforesaid, Second Party shall take into consideration any and all production allocated to the different portions of the lands covered thereby, as provided thereby, without regard to the lands from which said production is actually obtained and the production so allocated to all or any part of the tracts of land embraced in said oil and gas lease and said Co-operative or Unit Plan or similar agreement shall, for the purpose of calculating said overriding royalties to be paid First Party, control and be binding and conclusive upon the parties hereto as to the amount of production from said lands and be regarded as having been produced from the particular land to which it is so allocated and not from any other tract of land and the royalty payments to be made as hereinabove provided, subject to the provisions of Paragraph "TENTH" hereof, shall be based and paid only on such production as is so allocated to the lands covered hereby.

TENTH: In computing the amount of any overriding royalty payable to First Party hereunder, Second Party shall have the right to deduct from the value of the oil, gas, casinghead gas and other minerals or the proceeds thereof on which such overriding royalty is computed, as aforesaid, the full proportionate amount of any taxes required to be paid or which may be levied or assessed on such oil, gas, casinghead gas and other minerals or the value thereof, or for or on account of the production, severance, sale, proceeds and transportation thereof or any part thereof.

ELEVENTH: No change in the ownership of said overriding royalty or any interest therein shall be binding upon Second Party, unless and until Second Party shall be furnished with the original or certified copy of the instrument evidencing such change of ownership or of other legal evidence of such change of ownership as may be required by Second Party.

TWELFTH: As between the parties hereto the full control and discretion as to the location and drilling of wells, the extent and manner of operating and developing said lands as to each and every part thereof for oil and gas purposes and all production and operation practices and all decisions with respect thereto shall at all times be vested in Second Party subject only to the exercise of good faith, and nothing herein contained shall be deemed, as between the parties hereto, to obligate Second Party to produce, save or sell oil, gas, casinghead gas or any other production as to any given amount from any of said lands or to continue the production therefrom for the benefit of First Party.

THIRTEENTH: Second Party and its successors and assigns are hereby authorized by First Party for himself and his heirs and assigns to do and perform any and all acts, enter into any and all agreements, stipulations and modifications thereof, apply to the Secretary of the Interior for permission to drill and operate said lands for oil and gas purposes and for the suspension of any drilling and producing provisions of said oil and gas lease or any approved Cooperative or Unit Plan or any similar agreement and for any other relief from, or modification of, drilling or well spacing programs or any Cooperative or Unit Plans or similar agreements as may be approved, or for the suspension of any order, rule or regulation of the Department of the Interior relating thereto, which in the opinion of Second Party may be necessary or proper in the operation of said lands for oil and gas purposes, to make and enter any and all appearances and file any pleading necessary, desired or required in any proceeding in the name of First Party or Second Party with respect to any matter or thing relating to said oil and gas lease, including the execution of and filing releases and surrender as to any part or parts thereof, or the operation or development thereof, pending in court or before the Department of the Interior or any agency or representative thereof and to generally do and perform all acts with respect thereto and bind First Party thereunder, as fully as First Party could or might otherwise do and perform in his individual capacity if personally present, with full power of substitution and revocation, and First Party hereby expressly ratifies and approves all acts and things done and performed by Second Party with respect to the matters and things hereinabove set forth. The powers and rights granted and authorized by this paragraph being coupled with an interest shall be irrevocable during the life of this agreement.

FOURTEENTH: For the purpose of serving any notice hereunder the same shall be deemed to have been given when delivered in person at the address below or deposited in the United States mail with postage thereon prepaid or filed with any telegraph company with all charges thereon prepaid, and addressed as follows: