

the California "submerged lands" interests which they, or any of them, may have until such time as Second Party shall have been returned the sum to which Second Party may be entitled as provided in said paragraph III or in said paragraph IV, as the case may be.

It is expressly recognized that the sum returnable to Second Party as in paragraph III provided or the sums returnable to Second Party as in paragraph IV provided may be returned through the specified payment in relation to gas produced and/or through sales by First Parties of interests in Big Piney Gas Field lands, or leases, and/or through sums received by First Parties from their California "submerged lands" interests. Nothing herein is to be construed as entitling Second Party to more than the return to be made as in said paragraph III provided, or as in said paragraph IV provided, as the case may be, whatever may be the source of the return.

VI.

Second Party hereby expressly agrees that in the event Second Party shall conduct operations upon the lands hereinabove described, First Parties shall have the right to purchase any and all gas produced from said lands, and to which Second Party shall be entitled, at a price of \$.05 per M.C.F. at the well.

VII.

First Parties expressly warrant that they were the owners of United States Oil and Gas Lease Evanston 021299 at the date of the expiration of said lease, and that they are the owners of said application Evanston 026038 and that their rights under said application and under any lease or leases which may be issued pursuant thereto as to the lands hereinabove described are not subject to any overriding royalties, burdens, encumbrances or obligations other than as provided by the pertinent Federal laws, rules and regulations, and as may be provided by the terms of any lease or leases issued pursuant to said application.

First Parties expressly agree that in the event a new preferential United States oil and gas lease shall not be issued pursuant to their said above mentioned application Evanston 026038 as to the lands hereinabove described, or in the event there shall be any defect in or encumbrance upon the title of First Parties as to such lease or leases which shall adversely affect the rights or interests acquired or to be acquired by Second Party hereunder, insofar as the same cover the lands hereinabove particularly described, First Parties will, upon demand of Second Party, repay to Second Party in cash the sum of Eighty-Five Hundred Dollars (\$8,500).

The obligation of First Parties to make repayment under the conditions stated in this paragraph shall be jointly and severally binding upon First Parties.

First Parties expressly agree that any rights or claims of F. Salathe and /or R. A. Barnsley shall be chargeable against and shall be satisfied solely out of the rights and benefits to accrue to First Parties under and according to the terms of this Agreement.

VIII.

This Agreement shall inure to the benefit of and shall