

3. Rentals: Belco will make a bona fide effort to pay all rentals which become due the lessor under the terms of said lease as to said lands, but shall not be liable for inadvertent failure to pay such rentals and shall only be liable for bad faith or gross negligence in failing to make such payment. Chandler shall reimburse Belco for twenty-five (25%) percent of such payment within fifteen (15) days after demand therefor. If Chandler shall fail or refuse to so reimburse Belco within thirty (30) days after a demand therefor by registered mail, then at the option of Belco, Chandler rights hereunder shall cease and terminate and he shall reassign and surrender said premises to Belco. Chandler and Belco shall pay any royalty, including minimum royalty, due the lessor under the terms of said oil and gas lease by reason of production from the zone of each respective party, and each party shall do and perform any and everything relating to its zone that may be necessary to keep said lease in good standing with the lessor as to said lands. Belco shall promptly furnish Chandler with copies of all notices or demands received from the lessor as to the above described lands with respect to any default or nonperformance as to said lands.

4. Surrender: If at any time either party desires to cease paying rentals or to surrender or release his title to his respective zone hereunder, or if either party desires to abandon the last producing well located on said lands, which is the sole well validating and extending the terms of said oil and gas lease, then such desiring to so surrender or release said title or abandon said well shall be called "Assignor" and the other party shall be called "Assignee" for the purposes of this paragraph. Assignor shall give Assignee notice in writing by registered mail of intention to release or surrender said title or abandon said well at least sixty (60) days prior to the intended release date or abandonment date, but said date shall not be less than sixty (60) days prior to the next annual rental payment date, and thereupon Assignee shall have the option to receive an assignment from Assignor of the lands designated in said notice. Such notice shall designate at least the entire title of Assignor in such acreage of said lands as may be prescribed under the spacing or proration rules of the State Oil Conservation Commission, or equivalent body, for a well in the field, but in no event less than a fifty (40) acre legal subdivision. If Assignee elects to receive such assignment, Assignee shall so notify Assignor by registered mail within thirty (30) days after the mailing of said notice of intention to release by Assignor and as quickly as reasonably possible, Assignor shall deliver Assignee a good and sufficient assignment of said lease or title, and Assignor shall thereupon be released from all liability hereunder and under said oil and gas lease thereafter accruing as to said lands. If Assignee does not so timely notify Assignor of the election to accept such assignment, then Assignor shall be free to release or surrender said lease or title as to the designated lands and thereupon Assignor shall be released from all liability hereunder and under said oil and gas lease thereafter accruing as to said lands.

5. Salvage: In the event Assignee elects to receive such assignment and there shall be a well or wells thereon belonging to Assignor, then Assignee shall have the option to take over any such well or wells by paying the salvage value of all casing, tubing, materials and other equipment in and upon said well and used in connection with producing