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Provided, however, that the owner may at his option, upon giving ninety (90) days written notice of such intention to the contractor, be paid seven and one-half percent (7½%) royalty in kind, instead of in cash, as hereinbefore set forth.

Section 7. If no market exists or transmission pipe lines connecting to railway are lacking, contractor agrees to store said owners royalty oil for a period of 30 days free after which time storage for a period not exceeding ninety (90) days will be charged for at ruling prices until a market and transportation is established. Contractor shall not be required to produce and sell oil should the price on the field fail below One Dollars (\$1.00) per barrel.

Section 8. Said owner reserves to himself, his successors or assigns, the right and privilege, during the existence of this agreement, to go upon said lands and examine the wells or any oil tanks and other development work that may be found thereon, and to obtain from said contractor the log of any well drilled on said land; provided, however, that the said owner shall not unnecessarily interfere with the operations of said contractor on said land.

Section 9. Said owner reserves the right, if he deems advisable, to consolidate said permit lands with other permit lands within a six mile area and if such action be deemed advisable by said owner said contractor agrees to take such cooperative steps as may be necessary or proper in order to effect such consolidation if undertaken, and to take such steps as may be necessary to obtain the approval of the Secretary of the Interior of such consolidations whether as permit or leased lands.

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 hereinbefore set out, the contractor, shall within ninety (90) days from the date hereof, place and erect upon some point on said lands an adequate and suitable drilling rig and machinery, together with casing, pipe and the usual supplies that go with operations for drilling for oil; to immediately commence drilling and operations, and diligently continue the same in compliance with the terms of said permit or of any lease from the United States Government, and this operating contract thereon, and the rules and regulations of the Department of the Interior, to a depth of not less than 2500 feet, unless oil in paying and commercial quantities shall be discovered in such well at a lesser depth. Provided, that the continuous drilling herein provided for shall be subject to delays caused by weather and road conditions, and market conditions for the securing of necessary supplies and materials, but excepting for three winter months, no suspension of drilling operations shall exceed thirty days for any cause. Fishing jobs shall not be considered as delays.

Section 2. That if oil and/or gas shall be produced 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, but within the time of the term of said lease thereon, shall drill such additional wells and to such depths as may be necessary for the proper developments of said lands.

Section 3. The contractor shall keep books containing all production data on said premises and the distribution of oil and gas therefrom or process thereof, and said books shall be open during all reasonable hours to the inspection of the owner, and the contractor shall furnish to the owner monthly statements of all oil and/or gas produced from the lands the subject of this agreement, and upon request of the owner shall supply to the owner a copy of any and all records pertaining thereto; provided, that the owner shall have the right to employ at his own expense and maintain upon said lands, at the wells thereon, one or more checkers or gaugers, who shall have access to the wells where production is obtained, at any and all reasonable times, and shall be permitted by the contractor to check and gauge for the owner the amount of production of oil and/or gas obtained therefrom by the contractor.

#### ARTICLE III

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

Section 2. Said owner represents and warrants that he is the owner of the above permit, and that he has not entered into any agreement with any other person or persons, firm or corporation affecting the lands, the subject of this agreement, that no person or persons, firm or corporation has acquired any rights to said lands under said permit, and the said owner agrees to protect the said contractor against any expense, loss or damage arising as the result of claims or rights asserted by other persons in or to said lands under said permit.

Section 3. Nothing herein contained shall be construed as being in any manner in derogation of any of the terms, condition or provisions of the Act of Congress under and by virtue of which said permit was issued, or any regulations of the Department of the Interior lawfully promulgated thereunder; but, on the contrary, this agreement shall in all particulars be deemed amendable to reformation to eliminate or modify any portions thereof found to be in contravention of the provisions of said Act or such regulations or against public policy, and shall remain and be in full force and effect as to all provisions not so eliminated or modified.

Section 4. Of any taxes levied during the life of this agreement on or against production from the lands the subject of this agreement, the owner shall pay this proportionate share thereof, based upon his ownership of such production, and the contractor shall pay the balance of such tax.