

election, at any time cease further drilling, and if said full number of wells shall not have been drilled, the Lessee shall thereupon surrender, and this lease shall thereupon terminate as to, all of said land except such portion of said lease as Lessee and/or his assigns shall elect to retain by the payment of the rentals herein provided and except forty (40) acres surrounding each producing or drilling well, which the Lessee may hold free of further drilling obligations as long as oil or gas is produced therefrom, with rights-of-way for pipe and pole lines upon all of the land hereby leased and for passage over and upon and across same and ingress and egress to and from such retained parcels.

9. In the event that wells are drilled and oil produced in paying quantities upon adjoining property and within two hundred (200) feet of the exterior limits of any land at the time embraced in this lease, the Lessee agrees to offset such wells by the commencement of actual drilling within one hundred twenty (120) days after the production of oil in paying quantities from such wells. Such offset well or wells, if any shall be considered the equivalent in all respects of any other well required to be drilled hereunder.

10. The Lessee agrees to operate each completed well with reasonable diligence and in accordance with good oil field practice, so long as such well shall produce oil in quantities deemed paying quantities by the Lessee, while this lease is in force as to the portion of said land on which such well is situated. There shall be no obligation on the part of the Lessee to drill, pump or operate said premises so long as the price of oil of the quality produced on said property shall be less than seventy-five cents (75¢) per barrel at the well.

11. The obligations of the Lessee hereunder shall be suspended while, but only so long as, the Lessee is prevented from complying therewith, in part or in whole, by strikes, lockouts, acts of God, unavoidable accidents, delays in transportation, interference by State or Federal action, or other matters beyond the control of the Lessee, whether similar to the matters herein specifically enumerated or not.

12. It is expressly understood and agreed that the consideration paid herefor shall include all rental for the first year of the term hereof. Commencing with the second year of the term hereof whether the Lessee, his successors or assigns have not theretofore commenced drilling on said adjacent land or on the land herein demised or shall have completed a commercial well thereon or terminated this lease as herein provided, the Lessee may pay or tender to the lessor in advance as rentals the sum of One Dollar (\$1.00) per acre until drilling is commenced on said demised land or this lease terminates as herein provided. The payment of the foregoing rental by the Lessee shall secure to the Lessee, his successors and assigns, the privilege of deferring the commencement of all drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders at the beginning of succeeding years, the beginning of drilling operations may be further deferred for like periods successively for a term of four (4) years. All payments or tenders may be made by check or draft of the Lessee or any assignee thereof mailed or delivered to the Lessor or Lessor's agent on or before the rental paying date. It is the intent hereof that rentals shall not be paid except for the purpose of deferring drilling.

13. Upon the termination of this lease, an appropriate instrument of surrender shall be executed and delivered to the Lessor or the agent of the Lessor hereinafter designated and the Lessee shall quit said land and shall thereafter be relieved of all further obligations hereunder.

14. The Lessee shall pay to the Lessor as royalty and rent for said land, in addition to the other considerations hereof, the one-eighth (1/8th) part of all oil, asphaltum and other hydrocarbons extracted and saved therefrom.

15. For all gas produced and saved and sold from said land by the Lessee, the Lessee shall pay as rent and royalty one-eighth (1/8th) of the proceeds received by the Lessee from the sale thereof; provided nothing herein contained shall be deemed to obligate the Lessee to produce, save, sell or otherwise dispose of gas from said land. For the purpose of having gasoline extracted from gas produced from said land, the Lessee may transport, or cause to be transported, to a gasoline extraction plant located either on said land or on other lands, all or any portion of such gas where it may be commingled with gas from other properties. Lessee shall meter such gas so transported and such meter readings, together with analyses of the gasoline content of such gas made at approximately regular intervals, at least once in every month, shall furnish the basis for computation of the amounts of gasoline and residue gas to be credited to this lease. Gas actually and reasonably used and consumed, or lost in the operations of any such plant shall be free of charge, and Lessee shall not be held accountable to the Lessor for such proportion thereof as the total amount of gas transported from this lease bears to the total amount of gas treated at such plant.

16. Any gasoline derived from gas produced from said land may be returned to the oil produced therefrom and in that event shall be treated as a part thereof.

17. The Lessee shall not be required to account to the Lessor for or pay rent or royalty on oil, gas or water produced by the Lessee from said land and used by him in his operations hereunder, but may use such oil, gas and water free of charge.

18. Water produced by the Lessee may, if and while the same is not used by him in his operations hereunder, be used by the Lessor for surface operations on said land.

19. The Lessor's oil royalty, if taken in kind, shall be delivered as produced and saved into tanks maintained on said land for that purpose by the Lessee, and shall be stored in such tanks free of charge to the Lessor for a period of thirty (30) days. If the Lessor elects to sell said royalty to the Lessee, the Lessee agrees at any time and from time to time during the term of this lease, to contract to purchase all of such royalty at the price or prices and upon the terms applying at the time to purchases of crude oil of like gravity and quality from producers in the same vicinity.

20. The rent and royalty aforesaid shall be ascertained, computed and paid monthly, and for the purpose of ascertaining the amount and account thereof, the Lessee shall keep true and correct books of account showing the production of said substances from said land, and the Lessee shall furnish to the Lessor monthly written