

SAID LEASE shall be on the following terms and conditions:

1. The lease shall continue for a period of Five Years from and after the date hereof and so long thereafter as drilling operations on said premises are being conducted, or deferred under provisions herein, and should production of one or more of the products specifically mentioned in the next succeeding paragraph result from said drilling operations, then this lease shall remain in force so long thereafter as one or more of said products are producible from said premises, subject to compliance with the terms and conditions hereof.

2. The Lessee shall have the sole and exclusive right of prospecting demised premises and drilling for, producing, extracting, treating, removing and marketing oil, gas, natural gasoline and other hydrocarbon substances therefrom, and to establish and maintain on said premises such tanks, boilers, houses, engines and other apparatus and equipment, power lines, pipe lines, roads and other appurtenances which may be necessary or convenient in the production, treatment, storage and/or transportation of any and all of said products from and on said property, or property in the vicinity operated by Lessee, or an assignee or subsidiary of Lessee.

Lessee shall have the right during the life of the lease to drill for and develop such water on said premises as it may require in its operations.

2a. The word "gas," as used herein, shall be construed to cover and embrace any and all kinds of gas, including helium and carbon dioxide, produced or producible from beneath the surface of demised premises.

3. The Lessee agrees to start the drilling of a well for oil within one year from the date of this agreement, and to continue the work of drilling such well, after commencing the same, with due diligence until a depth of _____ feet has been reached, unless oil is discovered in paying quantities at a lesser depth, or unless such formations are encountered at a lesser depth as will indicate to the geologist of the Lessee that further drilling would be unsuccessful. If said well, or any subsequent well prior to completion of a paying well, be abandoned for mechanical reasons, or for any other reason, this lease shall remain in full force and effect if a new well is started within ninety days from date of such abandonment; provided that, in lieu of starting such new well, Lessee shall have the right to defer drilling in accordance with paragraph 8 hereof upon payment of rental as therein provided.

4. Upon discovery of oil in paying quantities in any well drilled on demised premises, the Lessee shall commence the drilling of another well within ninety days thereafter, and shall thereafter continuously operate not less than one well drilling outfit, allowing ninety days between completion of one well and commencement of the next succeeding, until eight wells shall have been drilled, including offset wells; provided that, upon failure to find oil in paying quantities in the first or any subsequent well drilled under the terms hereof, this lease shall remain in full force and effect, at the option of the Lessee, if Lessee elects (without forfeiture of any right to subsequently drill for and produce oil) to operate any such well or wells as natural gas wells and operate the premises for natural gas development purposes, in which event the drilling obligations hereinabove in this paragraph contained shall be reduced to one-fourth the number of wells specified. Nothing herein shall be construed to limit the number of wells which the Lessee may drill, should it so elect, in excess of the number hereinabove specified, nor limit the depth to which any well may be drilled or deepened by Lessee should it desire to drill below the depth specified. The Lessee shall have the right at all times to operate, deepen, redrill and maintain all producing oil and/or gas wells upon said property.

5. Lessee may at any time, and from time to time, either before or after discovery of oil and/or gas on the demised premises, quitclaim the said premises, or any part thereof, to the Lessor, his successors or assigns. Upon the quitclaiming of any part of the land to the Lessor, his successors or assigns, all rights and obligations of the parties hereto, one to the other, shall cease and determine as to the portions of the premises quitclaimed (except that the Lessee may continue to enjoy such easements on the surrendered premises as may be in use at the time of the surrender) and the drilling requirements hereunder shall be reduced pro rata according to acreage retained by the Lessee. Except as herein provided, full right to said land shall revert in the Lessor free and clear of all claims of the Lessee, except that the Lessor, his successors or assigns, shall not drill any well on said surrendered land within 330 feet of any producing oil well or within 660 feet of any gas well on land retained by Lessee.

6. In the event of the discovery of oil in any well on adjacent properties within one hundred fifty feet of the boundary line of the demised premises, and the production of oil therefrom in paying quantities as herein defined, then the next well to be drilled hereunder shall be so placed to offset said well on the adjacent property; or, if no well is being drilled and the total well requirements of this lease have not been fulfilled, then within ninety days thereafter a well shall be commenced by the Lessee to offset such producing well on the adjacent property. It is agreed that a well on demised premises shall be construed to be an offset to one or more wells on adjacent properties if such well is located at a distance not greater than one hundred fifty feet from the boundary line between the herein leased premises and the land containing the well or wells to be offset and at a distance not to exceed one hundred fifty feet from either side of a line drawn from a well so to be offset through the nearest point in said boundary line; provided that a well then producing or drilling on demised premises within one hundred fifty feet of the offset location herein defined shall be construed to fulfill this offset provision. The obligation to offset wells shall be applicable only to the exterior boundary lines of the demised property and the offset obligation shall not be increased by reason of any division of ownership of demised property by Lessor which may occur during the life of this lease, or present existing multiple ownership.

7. Drilling and/or producing operations may be suspended or curtailed on said property only in the event that they are prevented by the elements, accidents, strikes, lockouts, riots, delays in transportation, conservation or curtailment agreements, or interferences by municipal, state or federal action, or the action of other governmental officers or bodies, or other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes herein specifically mentioned, and when there is no market for the oil, or so long as the established and posted market price offered by the major oil purchasing companies for oil of the quality produced on said premises, in