

Lessee, and the failure to remedy the same within ninety days after written notice from the Lessor so to do, then, at the option of the Lessor, this lease shall forthwith cease and determine, and all rights of the Lessee in and to said land be at an end.

20. Notwithstanding any forfeiture of this lease, the Lessee shall have the right to retain any and all wells being drilled, or producing or capable of producing oil or gas in paying quantities, at the time of such forfeiture, together with the aforesaid easements and appurtenances of said wells and sufficient land surrounding each well for the operation thereof. The wells so retained shall be subject to all the terms and conditions of this lease.

21. In case any action is brought at law or in equity by third parties claiming title to the land, in hostility to the Lessor, then, during the pendency of said action, until final decision thereof, the Lessee may discontinue operations on said lands, or if it operates wells, may deposit the royalties accruing under this lease in any national bank in the City of Los Angeles to the joint account of the Lessor and Lessee.

23. All material furnished or work done on said land by the Lessee shall be at the Lessee's sole cost and expense, except as herein otherwise provided, and Lessee agrees to protect said land and the Lessor from all claims of contractors, laborers and material men, and Lessor may post and keep posted on said land such notices as he may desire in order to protect said lands against liens.

24. Lessee at its option may pay and discharge any liens which may now or hereafter attach to the land herein demised, and pay and discharge any mortgages, trust deeds, or encumbrances of any kind or nature existing on or against the land herein demised, in which event Lessee shall be subrogated to the rights of the holder or holders thereof, and may, in addition thereto, at its option, reimburse itself by applying to the amount owing to it any royalties, rentals or other sums accruing to the Lessor under the terms and conditions of this lease.

25. Upon the expiration of this lease, or its sooner termination in whole or in part, the Lessee shall surrender possession of the terminated portion of the premises to the Lessor, and shall deliver to the Lessor a good and sufficient quitclaim deed or release. Within six (6) months after such expiration or termination, Lessee shall (subject to the rights and privileges granted the Lessee and to other provisions of this lease) remove from such premises so terminated all of its rigs, machinery and other property, and shall, so far as possible, fill all sump holes and other excavations made by Lessee.

26. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly granted, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written notice of transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall default in the performance of any covenant of this lease as applied to such portion so assigned such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands retained by the said Lessee or any assignee thereof upon which there is no default.

27. It is mutually agreed and understood that the terms and conditions, covenants and warranties herein expressed constitute the complete agreement of the parties hereto, and that there are no terms, conditions, covenants and/or warranties, either expressed and/or implied, other than those in this said indenture of lease contained.

28. Diversified ownership of divers parcels of land notwithstanding, it is understood and agreed that the herein leased premises shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be paid as provided in Paragraph 13 hereof for division among such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage, or as their rights and interests appear in Lessor's instructions to said depository.

29. Of production taxes charged and levied against production of oil and gas from said lands, each party hereto shall pay his proportionate part thereof, based on the ownership of such part as herein provided; and lessee shall pay to the proper tax collector the portion of such tax chargeable to lessor and shall deduct the same from any amount payable to lessor.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed the day and year first hereinabove written.

Witness to signature of
Charles P. Budd

Charles P. Budd

Cornelis Kelder

Albert Larson

On this 1st day of July, 1940, before me personally appeared - Charles P. Budd - to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.