

In cases where natural gas is produced and the natural-gas gasoline extracted therefrom only one royalty shall be paid, except in the event the residue of dry gas shall be marketed it shall then constitute a separate commodity and a royalty shall be paid thereon as above provided.

Natural gas actually used for operating purposes upon the land and gas returned to said land for stimulating the production of oil shall be royalty free.

(e) DISPOSITION OF ROYALTY OIL. To deliver to the lessor, or to such individual, firm or corporation as the lessor may designate, all royalty oil and gas free of charge on the premises where produced; or, at the option of the lessor, and in lieu of said royalties in kind, the lessee agrees to pay the lessor the field market price or value of all royalty oil produced and saved.

When the lessor elects to take its royalty oil in kind, such oil shall be good merchantable oil, and the lessee shall if necessary furnish storage therefor free of charge for thirty (30) days after the end of the calendar month in which the oil is produced, upon the leased premises, or at such place as the lessor and the lessee may mutually agree upon, provided, however, that the lessee shall not be held liable for loss or destruction of royalty oil so stored from causes beyond his control.

The free storage of oil as agreed upon by the last above paragraph, to apply only as long as the said oil is the property of the lessor.

(f) MEASUREMENTS OF PRODUCTION. To gauge, measure and correct for temperature all production from said lands in conformance with the Rules and Regulations adopted by the Board of Land Commissioners and report said production to the lessor in accordance therewith.

To keep books, records and reports pertaining to the production from the land herein leased as well as those pertaining to the production from offset wells operated by the lessee, his operator or sub-lessee, on other lands, which shall be opened at all times for the inspection of any duly authorized agent of the lessor.

To furnish the lessor with original pipe line reports showing the day, month, year, amount, gravities and temperatures of all oil run and with monthly reports showing the month, year, amount and price at which all gas and natural-gas gasoline produced from the land herein leased was sold.

(g) MONTHLY PAYMENTS AND STATEMENTS. To make payment on or before the twentieth (20th) day of the calendar month succeeding the month of production for all oil or gas produced from said land, and to furnish sworn monthly statements therewith showing in detail the quantity and quality of the production (per well if required where practical) from the land hereby leased, and the quantity and the quality of the production (per well where practical) from offset wells upon cornering or contiguous lands operated by the lessee, his operator or sub-lessee, and such other information as may be called for in the form of report prescribed by the lessor.

(h) DEVELOPMENT PRIOR TO DISCOVERY. Within two years from the effective date of this lease, and beginning on or before the 16th day of December, A. D. 1948, to erect on the leased premises a good and sufficient drilling rig and equipment and commence the actual drilling of a well to properly test the structure; provided, that the lessor may, upon proper application by the lessee in writing, made prior to the expiration of the aforesaid date, grant relief from the above drilling requirements in such manner and for such period of time as conditions may warrant, and which appear to be to the best interests of the State; provided further, however, that should oil or gas be discovered or produced on lands adjoining or upon the same geologic structure on which the leased lands are situated, or should the lessor deem that the lessee is holding said lands for speculative purposes only, or is otherwise delaying or inhibiting the development of said lands or other lands on the same geologic structure, the lessor reserves the right to require the commencement of a well within a certain specified time, which shall be not less than ninety days after notification.

(i) WELLS TO BE DRILLED. To drill and operate effectively all wells necessary to reasonably offset wells upon and production from adjoining lands.

To drill such additional wells at such times or places as are necessary and essential to the proper development and commercial production of the oil and gas content of said land.

(j) LOG OF WELLS AND REPORTS. To keep a log, in the form approved by the lessor, of all the wells drilled by the lessee on the lands leased, showing the strata and character of the formations, water sands and mineral deposits penetrated by the drill, amount of casing, size and where set, and such other information as the lessor may require, which log or a copy thereof shall be furnished to the lessor.

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To file progress reports, in the form prescribed by the lessor, at the end of each thirty (30) day period while each well is being drilled.

To file annually, or at such times as the lessor may require, maps showing the development of the structure and the location of all wells, pipe lines and other works used in connection with the operations of the lessee upon said land.

To make such other reports pertaining to the production and operations by the lessee on said land, and report such other information as may be possessed by the lessee on the wells, production, or operations of others on lands on the same geologic structure that may be of importance in effecting proper development and operation of the lands herein leased, as may be called for by the lessor.

(k) PRODUCTION. To operate the wells upon the land herein leased in a competent and efficient manner in an endeavor to recover all the oil and gas economically possible from said land, and to prevent the undue drainage of the oil and gas thereunder by wells operated by the lessee or others on cornering or contiguous lands to those leased herein. All plans or methods for the purpose of stimulating or increasing production on lands herein leased other than those in common use shall first be presented to the lessor for approval before being put in actual operation.

(l) DILIGENCE--PREVENTION OF WASTE. To exercise reasonable diligence in drilling, producing, and operating of wells on the land covered hereby, unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil and gas, or the entrance of water to the oil or gas bearing sands or strata to the destruction or injury of such deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely in an approved manner any well before abandoning it, and not to abandon any well without permission of the lessor; not to drill any well within two hundred (200) feet of any of the outer boundaries of the land covered hereby, unless to protect against drainage by wells drilled on lands adjoining less than 200 feet from the property lines thereof; to conduct all operations subject to the inspection of the lessor; to carry out at the lessee's expense all reasonable orders and requirements of the lessor relative to the prevention of waste and preservation of the property, and the health and safety of workmen, and on failure of the lessee so to do the lessor shall have the right, together with other recourse herein provided, to enter on the property to repair