

if and when the average production per well per day from said lease or said segregated zone or portion of said lease averaged on the monthly basis is (a) as to oil 15 bbl. or less, and (b) as to gas 500,000 cu. ft. or less. It is the intention of this provision to comply with the statute limiting overriding royalties and production payments on federal leases and shall be deemed amended so as to fully comply with such statute in the event it does not do so.

The balance of the purchase price for the production payment amounting to \$500,000 is payable in instalments of \$100,000 each on April 15, May 15, June 15, July 15 and August 15, 1954. In the event that any payment is not made when due, and continues to remain unpaid for a period of 30 days after demand therefor is made by the Grantor upon the Grantee, then the Grantor at his option shall have the right to terminate this production payment by serving notice thereof upon the Grantee, and upon the service of such notice this production payment shall cease and terminate. Upon receipt of said instalments in accordance with the provisions of this agreement, the Grantor will execute and deliver to the Grantee simultaneously with the receipt of the final instalment, an instrument in recordable form certifying that all of the instalments provided for by this agreement have been paid by the Grantee, and that the Grantor shall have no further right to terminate this production payment.

When Grantee shall have received in the aggregate from the proceeds of the production payment the amounts of