

2. First Party hereby gives and grants unto Second Party and Second Party's successors in interest the right and option to acquire, by assignment or assignments as herein provided, the lessee's estate under said oil and gas lease, and any extension, renewal or new lease issued pursuant to the provisions of said lease, either as to all or as to only part of the land covered thereby. Such assignment or assignments shall be made and delivered to Second Party promptly upon the exercise of Second Party's option to receive same, and shall in form and substance conform to and contain, to the extent same are acceptable to the Secretary of the Interior, the conditions and agreements, including the provisions for the payment to First Party of a one % overriding royalty, evidenced by and set forth in the form of assignment hereto annexed, marked "Exhibit A", and shall be otherwise satisfactory and acceptable to the Secretary of the Interior and to Second Party and be free and clear of any liens, encumbrances or outstanding interests whatsoever, except as in said form set out. Two per cent overriding royalty has previously been reserved by Betty Lou Hurd.

The option in this paragraph numbered 2 granted may be exercised by Second Party at any time or from time to time within two years from the date hereof, and if all or any part of said above described land shall be included in a cooperative or unit plan (as defined in Section 192.20 of Title 43 of the Code of Federal Regulations) duly executed by the parties and submitted to the Secretary of the Interior for final approval prior to the expiration of said last mentioned period, then as to that part of said above described land which is included in such a cooperative or unit plan, this option may be exercised at any time until a date thirty (30) days after the date of final approval or disapproval by the Secretary of such cooperative or unit plan. If Second Party shall exercise said option for the acquisition of said lease as to only part of the land covered thereby, said option shall continue for the unexpired part of said above specified option period as to the remainder of said lease.

Unless exercised within the time above specified, said option shall terminate.

Notice in writing (describing the land as to which said lease is to be assigned to Second Party) by Second Party to First Party of Second Party's desire to exercise said option shall constitute the legal exercise thereof with respect to said lease insofar as it covers the land in such notice described, and until the assignment thereupon to be made, as herein provided, is delivered, shall without more be tantamount to and effect such assignment. Promptly upon receipt by Second Party of a proper assignment, Second Party shall execute the same, thereby signifying its assumption of the overriding royalty obligations above provided for.

3. Promptly upon receipt of any notice of rental hereafter becoming due, First Party shall deliver such notice to Second Party and Second Party shall either advance to First Party the amount required for the payment of all such rentals, or, on behalf of First Party, pay the same directly to the United States; PROVIDED, HOWEVER, that if Second Party shall, as herein permitted, surrender Second Party's rights hereunder as to all or any part of said lands, Second Party shall, as between the parties hereto, in no event be obligated to either advance or pay any rentals becoming due more than thirty (30) days from date of such surrender upon the lands with respect to which Second Party's rights have been so surrendered.

4. First Party hereby consents that the land above described, or any part of said land, and said lease, insofar as it may cover such land, may be committed to any unit or cooperative plan of development under the above mentioned Act of Congress, as amended, which may be prescribed or approved by the Secretary of the Interior. Any such plan may embrace, with or without other land, any area regarded by said Secretary, or his representatives, as logical for unitization; may provide for the pooling and allocation of production within such participating area or areas as may be established or approved by said Secretary, or his representative, upon a proportionate acreage or other equitable basis, as may be prescribed or approved by said Secretary, or his representative; may designate Second Party or his nominee as the unit operator, and may contain such other provisions as may be inserted therein at the discretion of said Secretary or of Second Party, with the approval of said Secretary. First Party agrees, when requested so to do by Second Party, at any time before or after the exercise of the option herein granted, to commit, in whole or in part, the above described land and said lease insofar as it may cover the above described land, or any designated part thereof, while same is subject to the option herein granted, to such unit or cooperative plan; to execute any such plan, and to execute all other instruments and do all things necessary to make said plan effective.