

election, pay all of such rentals, and in such event, Western shall reimburse Pfaff-Quealy for one-half of the rentals so paid by Pfaff-Quealy. Pfaff-Quealy shall not be required to reimburse Western for any rentals paid by Western which are recoverable by Western by crediting the amount thereof against accruing royalty payments.

9. PAYMENTS:

The operating rights herein granted by Western to Pfaff-Quealy are subject to a production payment reserved by Western in that certain general operating agreement between Western and Pfaff-Quealy dated June 23, 1954, and recorded in Book 10, Page 80, of the Oil and Gas Lease Records of Sublette County, Wyoming, covering, among other lands, the lands covered by this agreement, said production payment so reserved being payable out of five per cent (5%) of the oil, gas and other hydrocarbon substances produced, saved and sold from the "Deep Zones" in and under all the lands covered by the said general operating agreement including, among other lands, the lands covered by this agreement, until Western shall have received from such proceeds the sum of Two Hundred Thousand Dollars (\$200,000.00), exclusive of production, severance and other similar taxes.

Pfaff-Quealy agrees to pay or cause to be paid to Western on account of said production payment an amount equal to five per cent (5%) of the oil, gas and other hydrocarbon substances produced, saved and sold from the "Deep Zones" in and under the above described lands, and to continue such payments until Western shall have received from the proceeds accruing to said production payment from the lands above described and the other lands covered by said production payment the total sum of Two Hundred Thousand Dollars