

renewal oil and gas lease upon the issuance thereof, to the same extent as though the extension of said lease or such preference right, new, extension, or renewal oil and gas lease were in existence at the execution and delivery of this agreement.

Second Party may exercise said option by giving to First Party, by one of the methods for serving notice on First Party as specified in Section "C" above, notice in writing of Second Party's exercise of said option, and of Second Party's intention and desire to purchase and acquire said oil and gas lease and have this option agreement treated as an assignment of said lease, (including any extension, renewal, new, substitute, or other lease issued pursuant to or by reason thereof), as to all or any part of the lands covered in said notice of exercise. Said notice shall describe the lands as to which said option is exercised, and when such notice has been so served this option agreement as to the lands described in said notice shall constitute, operate and be treated as an assignment of said lease. Multiple copies of said notice, together with multiple copies of this option agreement, shall be filed, under applicable regulations, with or under the supervision of the Secretary of the Interior of the United States for approval, and upon approval thereof, this agreement shall constitute an assignment of said lease as to the lands included in such notice.

First Party agrees that Second Party shall also have the right to exercise such option by the additional method, to-wit: by giving the notice in the manner and method specified above, and with such notice, demand from First Party an assignment of such lease as to the lands described in such notice, whereupon First Party shall execute and deliver to Second Party a good and sufficient deed of assignment, assigning to Second Party said lease as to the lands included in such notice.

Upon any exercise of the option to acquire such lease, Second Party will pay to First Party the sum of \$0.10 (ten cents).

PER ACRE

for the lands described in the notice of exercise of such option. Thereafter, no payments with respect to such lands shall accrue to or be payable to First Party except such overriding royalty payments, if any, as may be provided in Section "TWELFTH" following herein.

The payment of any sum herein required upon the exercise of any option herein contained, may be made by check payable jointly to all of the persons, firms and corporations, designated as First Party herein, and may then be delivered to any one of the persons, firms or corporations included in the name "First Party" and upon whom the notice of the exercise of such option may be served, and when made, shall be for the benefit of all persons included within the meaning of the term "First Party", and Second Party owes no duty or obligation to see to the proper distribution of such payment among the persons lawfully entitled thereto.

SECOND: In addition to the options as granted above, and for the same consideration, Second Party, for the duration of such option period above stated, shall have the right to enter into and commit all or any part of said lands (whether or not an option may have been exercised thereon under Section "FIRST") with other lands to the terms and provisions of a Co-Operative or Unit Plan or other agreement acceptable to Second Party, and providing for the operation and development of said lands so committed as a single pool or area for oil and gas purposes and for the conservation of such minerals underlying said lands, or to enter into any other agreement or agreements of a similar nature, including the right in Second Party, from time to time to modify, change or terminate any such plan or agreement. Said plan or other agreement may designate Second Party, or its nominee, as the oil and gas operator of all lands embraced therein, including any part or all of the lands covered and embraced in said oil and gas lease as hereinabove described. Second Party may, during such option period, exercise the rights and option granted under this section, either by submitting to First Party for signature said Co-Operative or Unit Plan or other agreement and obtaining the signature of First Party thereon, or by executing said Co-Operative or Unit Plan or other agreement as attorney in fact for First Party and enclosing a copy thereof in an envelope addressed to First Party at the address of First Party as stated above and depositing the same in the United States mails with postage thereon prepaid. In either case such Co-Operative or Unit Plan or other agreement shall describe the land or lands, lease or leases to be subjected thereto. Upon the approval of said Co-Operative or Unit Plan or agreement by the Secretary of the Interior, the Operator so designated shall be entitled to all the rights, privileges and benefits of, and be charged with the duties and obligations of the Unit Operator as therein provided as to all lands embraced therein, for the full term of said Co-Operative or Unit Plan or other agreement and lease, including the full term of any and all extensions, renewals, preferential-new leases or substitute leases issued in lieu thereof; however, it is understood that notwithstanding such approval of said Co-Operative or Unit Plan or agreement, this agreement shall not operate as an assignment of said lease until Second Party shall have exercised its option to acquire under Section "FIRST" said lease as to said lands included within such Co-Operative or Unit Plan or agreement.

First Party does hereby make, constitute and appoint Second Party and Second Party's substitute, severally and each one of them, irrevocably as attorney in fact for First Party, in First Party's name, place and stand at any time and from time to time, to commit said lease and said land, or any part thereof, to the extent of First Party's interest therein, to any such Co-Operative or Unit Plan or other agreement acceptable to Second Party and to execute the same on behalf of First Party, subject to the approval thereof by the Secretary of the Interior, and to execute all instruments and do all things necessary to make such agreement effective as fully as First Party could or might otherwise do and perform in First Party's individual capacity if personally present with full power of substitution and revocation, and First Party hereby expressly ratifies and approves all acts and things done and performed by Second Party or substitute thereof, with respect to the matters and things in this section set forth. The powers and rights authorized by this section, being coupled with an interest, shall be irrevocable during the aforesaid option period. Upon request of Second Party, First Party agrees to join in any such Co-Operative or Unit Plan or agreement, or similar agreement which is acceptable to Second Party, subject, however, to the approval of the Secretary of the Interior.

THIRD: First Party does hereby authorize Second Party in the name of First Party and/or each or either of them (and without becoming liable to First Party) to cause any attorney or attorneys at law, to institute, maintain and prosecute to final judgment, in behalf of First Party, any action or cause of action in or before any court, department or tribunal, having for its purpose the confirming or quieting of the title of First Party in and to said oil and gas lease, or the barring of or cancellation of, or removal of purported claims, or clouds of any kind on the title of First Party to said oil and gas lease or any part thereof, and in so doing, Second Party agrees to pay all the attorneys fees, court costs, and expenses of conducting and prosecuting such action or actions; provided, however, Second Party shall not in any wise become liable to First Party for or on account of the outcome or result of any such action or cause of action or anything connected therewith.

FOURTH: The respective options as hereinabove granted shall continue in full force and effect for the full term of the option period as provided above and Second Party may exercise such continuing options from time to time, and as often as it may desire to do so and may thus likewise commit said lands or lease and/or likewise acquire said oil and gas lease as to any part or all of the lands therein not previously so committed and/or acquired; provided, however, each additional exercise of option to acquire said oil and gas lease as to any additional lands covered thereby shall be exercised in the manner and form set forth above and by the payment to First Party of a like sum per acre.

FIFTH: At all times during the life of the agreement Second Party will pay all bond premiums on bonds required by the Department of the Interior, to maintain said lease in force, and Second Party further agrees that, without incurring any liability for failure so to do, it will undertake to pay to the United States, as they accrue, all rentals under said lease upon the lands affected hereby; provided, however, First Party, immediately on receiving notice thereof, notifies Second Party in writing of all such rentals so becoming due, and as they become due.

At all times prior to the issuance of such lease and at all times thereafter, though not less than thirty (30) days prior to the anniversary date of such lease, Second Party may cancel this agreement as to said lands or any part of the lands covered hereby by serving written notice of such cancellation upon First Party.

If such lease has issued and any option hereunder has been exercised by Second Party to acquire such lease as to all or any part thereof, Second Party may cancel this agreement as to all or any of the lands covered hereby by serving written notice thereof upon First Party. If, within fifteen (15) days after such notice of cancellation is so served, First Party shall notify Second Party that First Party (or either of them) desire that such lease as to such lands included in such notice be reassigned to First Party (or either of them), then Second Party will, without warranty, reassign such lease to First Party (or to such of them as so desire reassignment); but if within such fifteen (15) days First Party (or any of them) shall fail to so notify Second Party that First Party (or either of them) so desire reassignment, Second Party may, if it so desires, surrender to the United States such lease as to the lands described in such notice.

All such cancellations whether or not so stated shall be subject to the provision of any Co-Operative or Unit Plan or other agreement and to overriding royalties or production payment burdens affecting said lease as to said lands.

SIXTH: Upon Second Party's exercise of any option or options granted hereby to acquire said oil and gas lease as to said land, or any part or parts thereof, in the manner and form as hereinabove set forth, this agreement, when approved by the Secretary of the Interior (under applicable regulations) as an assignment of said oil and gas lease, shall, at all times thereupon, thereafter, and for all purposes with respect to all lands included in the notice of exercise, be treated, construed and operate as an assignment and transfer by First Party to Second Party of said oil and gas lease, including the oil, gas and other minerals produced thereunder, containing full covenants of warranty as to the title of First Party in and to said oil and gas lease and the right of First Party to so assign and transfer the same, and that said oil and gas lease and oil, gas and other minerals which may be produced therefrom are free and clear of all claims, liens and encumbrances, which covenants First Party agrees to defend against all persons whomsoever at his sole cost and expense, subject, however, to the terms and conditions of said lease.

SEVENTH: First Party represents to and covenants with Second Party that First Party has not heretofore sold, assigned, transferred, encumbered or conveyed said oil and gas lease or said application or offer, or any right, title or interest therein, and that any sale, assignment, transfer, conveyance or encumbrance hereafter made by First Party affecting the overriding royalty (if any) hereafter mentioned will expressly refer to and be subject to the terms and provisions hereof; and First Party represents to Second Party that First Party has full power, right and authority to execute this agreement, which during the life hereof is exclusive as to all the provisions herein contained; and First Party covenants and agrees that First Party will not surrender or relinquish said application, offer or lease without the consent in writing of Second Party being first had and obtained.

First Party hereby certifies that neither First Party nor any member of First Party's family resides upon or owns or claims any homestead or other exemption rights in the above described lands under the laws of any state. For all the purposes hereof, First Party and each and all persons named therein, and their respective spouses joining herein, hereby waive, release and relinquish unto Second Party, all rights of dower, dower rights, and rights in lieu thereof, and hereby release and waive all homestead, homestead exemptions, and all other exemptions, rights and privileges in and to the aforesaid application, offer, lease and lands under all homestead and exemption laws of the State where said lands are located.

EIGHTH: It is agreed that in the event all or any part of the lands covered hereby are included in a Co-Operative or Unit Plan or other similar agreement, as is provided by Section "SECOND" hereof, and such plan or agreement is duly executed and submitted to the Secretary of the Interior for final approval prior to the expiration of the aforesaid option period, then as to that part of the land covered hereby which is included in said Co-Operative or Unit Plan or agreement, said option period, specified in Section "FIRST" hereof, shall not expire until a date thirty (30) days after the date of final approval or disapproval by said Secretary of said Co-Operative or Unit Plan or agreement.

NINTH: Notwithstanding that the approval or approvals of the Secretary of the Interior, when required under the provisions hereof, may not be secured during the aforesaid option period, nevertheless the rights, titles, interests, estates, equities, privileges and benefits intended to be transferred and conveyed hereby upon any approval of the Secretary of the Interior shall, upon said approval, and each of them, be treated as between the parties hereto, as having been respectively transferred and conveyed within and during said option period. All such required approval may be had either during or after such option period.

TENTH: With respect to the lands included in any exercise of option to purchase and acquire such lease, as provided hereby, the following and succeeding sections hereof shall also be in full force and effect but not otherwise.

ELEVENTH: First Party agrees, from time to time, to execute any instruments and additional assurances as Second Party may request and as may be proper and necessary in order to vest in Second Party the full and complete title to said oil and gas lease or any part or parts thereof or any of the rights, titles, privileges and benefits granted hereby as Second Party may desire from time to time, to carry out the intent and provisions hereof.

TWELFTH: (here state and describe if and how said lease is subject to an overriding royalty previously reserved or created)

No overriding royalty previously reserved or created.

(If no overriding royalty is created by this agreement, then strike the remainder of this Section "TWELFTH").

As to the lands embraced in each and every exercise of option hereunder, Second Party agrees to pay to First Party

an overriding royalty of

1/2 of 1% (one-half of one per-cent)

of the value on the leased premises, or if marketed of the proceeds from the sale, at the well or wells on said land, of all oil, gas, casinghead gas and other minerals produced, saved and marketed therefrom by it under the provisions of said oil and gas lease including any extension or renewal thereof, which overriding royalty, payable in money only, shall constitute said First Party's only share or interest in any production of