

324

Pfaff-Quealy shall not be required to reimburse Western for any rentals which are recoverable by Western by crediting the amount thereof against accruing royalty payments.

9. REQUIRED NEW OPERATIONS

In the event either party or its assigns neglects or refuses to begin and thereafter diligently pursue any new drilling operations required to be done by it in its own designated zone of operations, pursuant to the direction or order of the United States Geological Survey or any other governmental agency having or claiming to have jurisdiction over the operations, and such new drilling operations are necessary to keep the said oil and gas leases or operating agreements in good standing, then the other party may at its election any time during the Fifteen (15) days before the expiration of the time fixed by such governmental agency, or any extension thereof, drill such required well to the designated zone, and shall have the exclusive right to produce any oil, gas and/or other hydrocarbons from the said designated zone in the area surrounding such "required well", which area shall be the legal subdivision of forty (40) acres if the "required well" shall produce oil, and the legal quarter section of One Hundred and Sixty (160) acres surrounding the "required well" if the said well produces gas only.

10. REMEDIAL WORK

In the event either party or its assigns fails, neglects or refuses to begin, and thereafter to diligently prosecute remedial work or operations and/or fails to make any payment or do any act required to be done by it in its own designated zone of operations, pursuant to the direction or order of the United States Geological Survey, or other governmental agency having or claiming to have jurisdiction over the operations, and such remedial work, payment or act is necessary to keep said oil and gas lease or operating agreement in good standing, then the other party may at its election, within Fifteen (15) days following written notice to the defaulting party, effect such remedy, perform such act, or make such payment on behalf of the defaulting party, and may collect from the defaulting party One Hundred Percent (100%) of the sum expended thereon, plus Six Percent (6%) annual interest on the unpaid balance thereof. The parties hereto, upon receipt of any notice or demand concerning remedial work or operations, shall forthwith send a copy thereof to the other party.

11. RIGHT OF SURRENDER

Pfaff-Quealy may at any time, and from time to time, surrender to Western all or any portion of the lands herein described from the effect of this agreement, whereupon all obligations and rights of Western as to such surrendered lands shall cease and terminate, except for obligations which have theretofore accrued upon royalties or under the provision of Paragraph 10 hereof, and/or for the completion of operations then in progress, and/or proper abandonment of wells theretofore drilled. In the event of any partial surrender contemplated herein, the same shall be by legal subdivisions.

12. UNITIZATION

Western agrees to execute any and all instruments necessary or proper to unitize said oil and gas leases under any unit plan approved by the Secretary of the Interior insofar