

lessee shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof.

5. This lease shall terminate as to both parties unless the lessee shall on or before one year from this date pay or tender to the lessor or for the lessors credit in State Bank of Big Pines Bank at Big Pines, Calif or its successors, which bank and its successors are the lessee's agent and shall continue as the depository of any and all sums payable under this lease, regardless of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of thirty three hundred Dollars (\$ 3300.00) which shall operate as a rental for one year and cover the right to drill for production on said land for a period of one year after said payment date.

The said lease shall likewise terminate automatically as to both parties unless the lessee shall make payments or tenders of the said sum of \$ 3300.00 each on or before the 10th day of August of each year thereafter during the life of this lease both before and after the discovery of oil and or gas in commercial quantities on said land. After discovery as aforesaid the said payments shall be considered as minimum royalty to be paid for the year following the payment date.

Any payment made as above provided after discovery of oil and or gas as aforesaid shall be applied to reduce by the amount of the payment any royalty becoming due on production during the year following the date of the payment to be so applied.

All payments or tenders may be made by honored check or draft of lessee or any assignee hereof, mailed or delivered on or before the rental or royalty paying date.

Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.

7. The lessee shall have the right to use, free of cost, gas, oil, and water found on said land for its operations thereon, except water from the wells of the