

IT IS AGREED by and between Assignors and Assignee as follows:

1. In the event that Assignee drills for, produces and saves any of said substances from said lands pursuant to said lease or any of said substances shall be allocated to said lands under any such unit plan, Assignee shall pay to Assignors the overriding share of the value of said substances determined as follows:

(a) For oil: The overriding share of (i) the price posted and paid by any major producing and purchasing company other than Assignee for oil of like quality and gravity produced in the field in which said lands are located on the date of removal of oil from storage (or the average of unlike prices if more than one price is so posted), or (ii) if no such price is posted, the reasonable market value of the oil at the well in the field of production, taking into account all costs of transportation and handling; Assignee shall have the right to deduct and retain from any payments accruing to Assignors the overriding share of a reasonable charge for dehydration and treatment of oil to render it marketable pipeline oil.

(b) For gas: The overriding share of the following (i) 40% of the market value of any natural gasoline and other liquid hydrocarbons extracted and saved from any gas produced in pursuance of said lease which Assignee may process in his own plant either on or off said lands; (ii) any net proceeds received by Assignee from the sale of residual dry gas remaining after such extraction; (iii) any net proceeds of sale by Assignee of such gas in the natural state as so produced; (iv) the market value of any natural gasoline and other liquid hydrocarbons extracted from such gas by a third party pursuant to contract with Assignee less the cost (in cash or products) of such extraction charged Assignee; and (v) any net proceeds received by Assignee from the sale of residual gas re-delivered to Assignee by such third party. The "market value" for the purposes of this paragraph (b) shall be determined in a similar manner as the price for oil is hereinabove determined and as of the date of extraction by Assignee or of re-delivery to him. In case such gas is commingled with other gas, Assignors' overriding share shall be computed on an appropriate fraction of the commingled gas.

Assignee shall be entitled to the free use, without obligation to pay overriding royalty thereon, of any of said substances in any operations hereunder, including without limitation, gas actually consumed or lost in the operation of an extraction plant, and gas used for injection purposes anywhere in said lands or in lands included in any unit or cooperative plan embracing all or any part of said lands; provided, however, that if Assignee shall become entitled to credit for or receive an allocation of gas as to said lands under any such unit or cooperative plan in lieu of all or any part of such gas so injected Assignors shall be entitled to their overriding royalty share thereof.

In no event shall Assignee be responsible to Assignors, for overriding royalty or otherwise, on account of Assignee's failure or inability to save or utilize any of said substances or for shrinkage