

pay to the United States, as they accrue, all rentals upon the lands affected hereby, and will pay all premiums on bonds required by the Department of the Interior, and First Party immediately upon receiving notice thereof agrees to notify Second Party in writing of all such rentals becoming due and as they become due.

9. Second Party may at any time and from time to time surrender its rights hereunder as to all or any part of the lands hereinbefore described as to which the option herein granted has not been exercised by giving notice in writing to First Party of such election to surrender. Second Party may at any time, and from time to time, release and surrender directly to the United States, without notice to First Party, the oil and gas lease hereinbefore mentioned insofar as the same covers all or any part of the lands as to which the option herein granted has theretofore been exercised. Upon any such surrender, Second Party shall thereupon be relieved of any and all liabilities or obligations with respect to the lands so surrendered and this agreement shall terminate as to the lands so surrendered.

10. In the event Second Party from time to time exercises its option herein granted, in whole, in part, or as to an undivided interest, then, as to the lands upon which the option is exercised, the following terms and provisions shall thereupon become effective and operative, to-wit:

(a) This agreement, when filed in the appropriate Land Office for approval of the Secretary of the Interior or his duly authorized representative as an assignment of said oil and gas lease, shall thereupon and at all times thereafter and for all purposes, with respect to all lands included in the notice of exercise of the option, 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, casinghead gas and other minerals produced thereunder, subject to the payment of the overriding royalties or other payments out of production, if any, hereinbefore specifically set forth and subject to the payment to First Party of the overriding royalty hereinafter provided, containing covenants of warranty that First Party has full right and authority to so assign and transfer