

ADDITIONAL PROVISIONS OF OPTION AGREEMENT

5. Operation of this Agreement as an Assignment. This instrument shall become operative and effective as an assignment and transfer of full legal title and all operating rights in and to the lease as to the optioned land, upon and in the event that Optionee files it for approval as an assignment with the authority having power to grant such approval, together with a copy of Optionee's notice of exercise of option and Optionee's application that this instrument be approved as an assignment. Such assignment and transfer shall be upon and subject to the terms and provisions contained in the form of assignment annexed hereto as Exhibit 1, and its date of execution shall be held and construed to be the date of execution of the notice of exercise of option. The right to file and secure the approval of this instrument as an assignment is in addition to the right to demand and receive the execution and delivery of an assignment from Optionor, and the filing and approval of this instrument shall not defeat or impair any right or remedy to the enforcement of Optionor's agreement and obligation to make, execute and deliver such assignment.

6. Exploration by Optionee. Optionee shall have the right to enter upon the optioned land and conduct exploratory operations thereon by geological and geophysical means. Optionee shall be under no obligation to disclose to Optionor any information or data obtained as a result of such operations. In the event of and effective upon Optionee's exercise of this option, Optionee shall have the right to conduct drilling operations upon the land covered by the exercise of option and to develop and operate the same for the production of oil and gas; and upon such event Optionor does hereby designate Optionee as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto, and on whom the Supervisor or his representative may serve written or oral instructions in securing compliance with the oil and gas operating regulations with respect to the land as to which the option is exercised. This designation of operator does not relieve Optionor of responsibility for compliance with the terms of the lease and the oil and gas operating regulations. Until Optionee exercises this option, Optionee shall have no right to produce oil or gas from the optioned land or any part thereof.

7. Payment of Rentals and Other Expenses. Optionee agrees to pay to Lessor all rentals, fees and other expenses necessary to continue the lease in force or to extend or renew the same insofar as it covers the optioned land. If the optioned land is not all of the land covered by the lease, Optionee may pay such rentals, fees and other charges as to all of the leased acreage and, if it does so, shall be reimbursed by Optionor for the proportionate part of the payments applicable to the acreage not covered by this option. If Optionor desires to avoid liability to Optionee for payments applicable to leased acreage not covered by this option, Optionor shall furnish Optionee, on or before thirty days prior to the due date of such rental, with a relinquishment of the lease as to such acreage or with proof satisfactory to Optionee of the payment or tender to Lessor of the rental for such acreage.

8. Refunds Received From Lessor. If the Lessor refunds to Optionor any fees, rentals or other moneys upon rejection of the offer for the lease or upon a cancellation of the lease after it is issued, Optionor agrees to pay to Optionee the proportion of such refund which is applicable to any portion of the optioned acreage included in the rejected or canceled acreage.

9. Commitment to Unit and Other Agreements. Optionee is hereby granted the right to commit the lease, in so far as it covers the optioned land, and the overriding royalty interest herein provided to be reserved to Optionor, in whole or in part, to any plan, contract or agreement for the prevention of waste and conservation and greatest ultimate recovery of leased substances which the Secretary of the Interior or his representative consents to, approves, or certifies, including, but not by way of limitation, (i) any cooperative or unit plan of development or operation, (ii) any operating, drilling or development contract, and (iii) any communitization or drilling agreement. Optionor agrees, upon request of Optionee, to execute any such plan, contract or agreement, and hereby constitutes and appoints Optionee the attorney in fact and agent of Optionor, with full power and authority for and on behalf of and in the name of Optionor to join in and execute any such plan, contract or agreement, or any instrument of consent thereto or ratification thereof.

10. Authority of Optionee to Secure, Maintain, Extend, and Renew Lease. Optionor hereby makes, constitutes and appoints Optionee the agent and attorney in fact of Optionor, with full power and authority in the name, place and stead of Optionor, or in its own name, to take any action that may be necessary and proper to secure prompt issuance of the lease, to maintain the same in good standing, to secure any extension or renewal of the same, and to secure the adoption and approval of any cooperative or unit plan of development or operation or any communitization or drilling agreement covering all or any part of the optioned land. Such authority shall extend, but not by way of limitation, to the execution and filing of documents and instruments, to the right of access to all files and communications relating to the lease or the offer therefor, the right to examine and copy the same, and the right to control and conduct any administrative or judicial proceedings, including the right to compromise or terminate the same by withdrawal of the offer or relinquishment of the lease, in whole or in part. Optionor agrees to transmit to Optionee, immediately upon receipt, the original or a photostatic copy of all notices and other communications from the Department of the Interior or any other source relating to the lease or offer or any proceeding or action concerning the same.

11. Release. Optionee may release, relinquish and surrender this option to Optionor in whole or in part, and be thereupon relieved of all obligation thereafter accruing as to the released acreage, by delivering or mailing a release to Optionor and, if this option has been recorded, by filing the same for record in the same office.

12. Assignment. All the terms and provisions hereof shall extend to and be binding upon the parties hereto, their heirs, administrators, executors, successors and assigns. The interest of Optionee may be assigned in whole or in part, and an assignment by Optionee shall, as to the extent of such assignment, relieve and discharge Optionee of all obligations not theretofore accrued. No assignment of the lease by Optionor shall be valid or binding upon Optionee without its written consent first had and obtained, and any such assignment shall expressly provide that it is subject to all rights of Optionee hereunder.

13. Notices and Addresses. All notices herein provided for shall be in writing and may be given in person or by registered or certified mail or by Western Union telegram. If given by mail or telegram, the same shall be sent, with the postage or charges prepaid, to the parties at their addresses given in the premises of this agreement or at such other address as either party may request by notice to the other party. Notice shall be complete upon mailing or delivery to the Telegraph Company and shall be deemed to have been given on the date of such mailing or delivery.

14. Covenants and Warranties. Optionor covenants and warrants that the lease and the offer therefor are valid and subsisting and in nowise void or voidable; that all fees, rentals and royalties due and payable have been duly paid; that Optionor has observed and performed, and will observe and perform, all requirements, covenants, and conditions necessary to secure prompt issuance of the lease, to maintain it in good standing and in full force and effect, and to renew and extend it; that the lease and offer are free and clear from all liens and encumbrances; and that Optionor will warrant and forever defend the same against the lawful claims and demands of all persons whomsoever.