

5. Operator hereby agrees to account for and pay to Lessee, on or before the 20th day of each month, on the sale value or net proceeds received by Operator from oil and gas produced from said land, or, in the event said land is included in any approved co-operative or unit, communitization or other production or development plan, from oil and gas allocated to said land under said plan:

- (1) A sum representing the "sale value", as hereinafter defined, of _____% of all oil produced from, or allocated to, said land and saved and marketed during the preceding calendar month; and
- (2) A sum representing _____% of the net proceeds received by Operator from the sale of all gas produced from, or allocated to, said land and saved and marketed during the preceding calendar month;

provided, that no such payments shall be made or shall accrue upon any oil or gas used for operating, development or production purposes upon said land or any land included therewith in any approved co-operative or unit, communitization, or other production or development plan, or unavoidably lost, and no sums shall be payable upon gas used for recycling or repressuring operations benefiting said land. In the event Operator shall elect to pay compensatory royalties to the United States in lieu of drilling, Operator agrees to pay and Lessee agrees to accept payment for Lessee's share of the sale value of oil and the fair market value at the well of gas computed on the same amount of oil and gas as that on which compensatory royalty to the United States is paid. The term "sale value" as applied to oil under the provisions hereof shall mean: (a) the price for which Operator sells Operator's oil produced from the same field, less any costs of marketing such oil as crude, including costs of handling, transportation to point of sale, treating unmerchantable oil to render it merchantable as crude and other applicable costs; or (b) in the event that Operator does not sell such oil as crude, the fair market value, prevailing in the field where such oil is produced, for oil of like character, gravity, and quality. Lessee agrees to pay or to reimburse Operator for a percentage of any and all taxes levied upon the mineral rights in said land and upon the severance or production or sale of oil and gas extracted therefrom, equivalent to Lessee's percentage of the sale value and net proceeds, as above set forth.

6. No change of ownership in the interests of Lessee hereunder, shall be binding on Operator until after notice thereof to Operator and Operator has been furnished with the written transfer or assignment, or a certified copy thereof, and such change of ownership shall have received any approval required under any applicable law or regulation.

7. No implied covenants shall be read into this agreement requiring Operator to drill or to continue drilling upon said land, or fixing the measure of diligence therefor. Nothing herein contained shall be deemed to obligate Operator to produce, sell or otherwise dispose of oil or gas from said land.

8. Operator agrees during the term of this agreement and subject to Operator's rights of surrender herein expressly granted that Operator will comply with and perform each and every obligation and requirement of said lease, including the payment of rentals in so far as such obligations and requirements relate and pertain to said land. Operator agrees to indemnify and hold harmless Lessee from any liability to third parties arising out of operations by Operator on said land. It is expressly understood and agreed that Operator is not hereby assuming any obligations to Lessee in excess of those set forth in the said lease applicable to said land, and any co-operative or unit, communitization, or other production or development plan entered into covering the land included therein; and it is further understood and agreed that Operator shall have the right from time to time, at Operator's election, acting on Operator's own behalf and as Lessee's Agent and Attorney in Fact, to apply for or take advantage of any drilling, production, rental, or other relief which may be authorized or permitted by any applicable laws, rules or regulations.

9. For the consideration expressed in this operating agreement, Operator shall have and is hereby given the right to terminate this agreement and to surrender all of Operator's rights hereunder at any time or from time to time as to all or any part of said land. Notices of termination and surrender shall be deemed sufficient and binding upon Lessee if made in writing and sent by either regular or registered mail addressed either to Lessee at Lessee's address hereinabove stated, or to Lessee's Agent at Lessee's Agent's address, as stated in paragraph 13 hereof. Provided however, that if a bond shall have been filed under said lease, in connection with which bond Operator shall have assumed any liability, then Operator may, at its election, give Lessee thirty (30) days' notice of Operator's election to terminate this agreement and its liability in connection with such bond. If within 30 days after mailing of such notice, Lessee has arranged to relieve Operator of all liability in connection with such bond, then Operator shall terminate this operating agreement as above provided. If Lessee has not, within said 30-day period, arranged to relieve Operator of liability under such bond, then Operator shall have and is hereby granted the full and irrevocable power-of-attorney, acting as Lessee's Agent and Attorney in Fact, to surrender and relinquish said lease to the United States as to all or any part of said land, without incurring any liability whatsoever to Lessee.

10. Operator shall have the right to remove from time to time from said land all machinery, rigs, piping, casing, pumping stations and other property and improvements belonging to, or furnished by, Operator, provided that such removal shall be completed within a reasonable time after the surrender, forfeiture or other termination of this agreement.

11. Lessee agrees that Lessee will not surrender or relinquish to the United States said land or the oil or gas deposits therein, or any part thereof, or surrender or relinquish said lease, in so far as the same may affect any of said land, without the consent in writing of Operator first had and obtained. Lessee also agrees that Lessee will not commit any act which will furnish cause for forfeiture or cancellation thereof and that immediately upon the receipt of any notice or communication pertaining thereto from the United States Government or from any other person, Lessee will transmit such notice or communication, or a copy thereof, to Operator.

12. Neither of the parties hereto shall be liable to the other for loss or damage to property or from the loss of any interest in said lease, or for delay or default in the performance of any obligation hereunder or under any co-operative or unit, communitization, or other production or development plan, when such loss, damage, delay or default is caused by strike, labor difficulty, fire, flood, tornado, act of God, war, or conditions resulting from war, (such as inability to secure men, materials and transportation), or other cause beyond the reasonable control of such party, whether similar to those herein specified or not.

13. Lessee hereby appoints _____ whose address is _____

_____, as Lessee's agent, with full power, in the name and on behalf of Lessee and the successors in interest of Lessee, and of each and every one of them, (a) to receive and receipt for all payment hereunder, (b) to examine said lands and the operations thereon, (c) to grant all consents required from Lessee, (d) to give all notices required to be given by Lessee to Operator, (e) to receive all notices required to be given to Lessee by Operator under this agreement, (f) to execute and deliver division orders concerning, and to act in all matters involving said payments to be made by Operator to Lessee hereunder, and (g) to name and advise Operator of any bank to be used as a depository for any payments to be made hereunder. The power and authority of such Agent shall continue until all of the owners and holders of Lessee's interest in said land shall, in writing, elect another such agent and shall notify Operator, in writing, at Operator's address given above, of the name and address of such new Agent. The delivery of any and all payments by Operator to said Agent or to any bank designated by said Agent and the transaction of any business by Operator with said Agent, which business said Agent may be authorized to transact hereunder, shall be a full acquittance and discharge of Operator of and from any and all liability to Lessee and to the heirs, executors, administrators, representatives and assigns of Lessee, and each of them, for or on account of any such payment or such business. Operator shall not be required to recognize or act upon any orders, directions or requirements of Lessee, and the successors in interest of Lessee, in any matter or thing concerning which said Agent is authorized to act. All notices to be given to Operator hereunder shall be addressed to Operator at Operator's address hereinabove stated, provided that Operator shall, by notice in writing addressed to Lessee or to Lessee's Agent, have the right to change such address.