

SECTION 1. It is understood that said lease is subject to

No prior lease burden

(write "no prior lease burdens" if there are none)

SECTION 2. Assignee agrees to pay to Assignor an overriding royalty of

One-half of one per cent (1/2 of 1%)

of the value at the well or if marketed, of the proceeds from the sale at the well of all oil, gas, casinghead gas and other minerals produced, saved and marketed by it from said lands under the provisions of said oil and gas lease or allocated thereto under the provisions of any Unit Agreement (as herein defined) to which said lease (as to the above lands) may be committed, which overriding royalty, payable in money only, shall constitute said Assignor's only share in any and all production of oil, gas or any minerals produced from or allocated to said lands.

It is agreed that no overriding royalty payable hereunder shall be payable or accrue, or be computed, upon any production of oil, gas, casinghead gas and other minerals unavoidably lost or which is used for operating, development or production purposes (including gas and casinghead gas used for recycling or repressuring operations), on any of the lands covered by said lease or on any lease or other lands covered by any such Unit Agreement to which said lease is committed. In computing the amount of any overriding royalty payable hereunder, Assignee shall have the right to deduct from the value of the oil, gas, casinghead gas and other minerals or the proceeds thereof on which such overriding royalty is computed, as aforesaid, the full proportionate amount of truck transportation charges, if any, and also any taxes required to be paid or which may be levied or assessed thereon, or on the value thereof, for or on account of production, severance, sale or proceeds thereof, or any part thereof.

Said overriding royalty is to be paid on or before the last day of each month succeeding that in which said oil, gas, casinghead gas and other minerals are marketed, or at such time as may be provided by the terms of any such Unit Agreement to which such lease or portion thereof is committed, and when so paid, shall constitute full settlement with Assignor by Assignee on account of all oil, gas or other minerals produced from or so allocated to said lands or for the value or proceeds thereof as the case may be. Small overriding royalty payments may be deferred until they aggregate at least \$10.00 for the account of any one individual.

The term "Unit Agreement" as used herein shall refer to such cooperative or unit plans or other agreements as are authorized by Part 226 of Title 30 of the Code of Federal Regulations. Assignee during the life of said lease shall have the right to and may join with the owners of other leases and interests and commit said lease, including said overriding royalty interest, to any such Unit Agreement and such Unit Agreement may, among other things, provide for the allocation of production.

Without limiting the foregoing, it is agreed that upon written request by Assignee, Assignor shall join with Assignee or with the owner or owners of oil and gas leases or mineral interests, and commit the above mentioned overriding royalty interest to any such Unit Agreement. Any such Unit Agreement, when approved by the Secretary of the Interior, shall bind all of the above mentioned overriding royalty. Assignee may, at any time, without notice to Assignor and without consulting Assignor or obtaining Assignor's consent, terminate or join with others in terminating any such Unit Agreement.

No change in the ownership of said overriding royalty or any interest therein shall be binding upon Assignee, unless and until Assignee shall be furnished with the original or a certified copy of the recorded instrument evidencing such change of ownership, together with such other legal evidence as may be required by Assignee.

As between the parties hereto the full control and discretion as to the location and drilling of wells, the extent and manner of operating and developing said lands as to each and every part thereof for oil and gas purposes, and all production and operation practices and all decisions with respect thereto, shall at all times be vested in Assignee. Nothing herein contained shall be deemed, as between the parties hereto, to obligate Assignee to keep or maintain such lease in force.

The obligation to pay Assignor an overriding royalty is dependent upon the ownership by the United States of America of the fee simple title to the oil and gas minerals in the lands above described, free of all prior claims, and is subject to the unqualified right of the United States to execute and deliver said oil and gas lease upon the lands, and if, for any reason, the title of the United States fails, there shall be no obligation upon Assignee to pay or account to Assignor for the overriding royalty provided for hereinabove.

It is agreed that without in any wise limiting the effect of the foregoing, Assignee may, whenever it, in its sole discretion, determines that there exists or may exist any purported claims or clouds of any kind on the title to said lands, leases or overriding royalty, and without being liable for interest, withhold the payment of such overriding royalty affected thereby until such claims or clouds are barred or removed by an action or actions filed and prosecuted in any court, department or tribunal having jurisdiction thereof, or until amicably settled to the satisfaction of Assignee. Assignee may institute, maintain or cause to be instituted and maintained either in Assignee's own name or in the name of Assignor, or in the joint name of Assignor and Assignee, any action in any court, department or tribunal having for its purpose the barring or removal of such claims or clouds of title, and Assignee shall not incur any liability to Assignor by instituting or maintaining any such action or by reason of the outcome of such action or by reason of anything connected therewith.

If any portion of the leasehold title shall fail the overriding royalty provided for shall be reduced proportionately.

The undersigned agree that the obligation to pay as created herein any overriding royalties or payments out of production of oil, which when added to overriding royalties or payments out of production of oil as previously created and to royalty payable to the United States, aggregate in excess of seventeen and one-half per cent (17½%) shall, as to such excess be suspended when the average production per well per day averaged on the monthly basis is 15 barrels or less; provided, however, if such lease be committed to a Unit Agreement and all or a portion of said lease be within a participating area, the above mentioned average production per well per day shall be the average production per well from all the wells within such participating area.