

OIL: The quantity and gravity of the oil shall be determined in accordance with A.P.I. Bulletin No. 25 in its then latest revision.

The value of the oil shall be computed on the basis of the posted prices of Standard Oil Company, Ohio Oil Company, Continental Oil Company, Socony-Vacuum Oil Company, or General Petroleum Corporation, or any of them, whichever may be highest, applicable for oil of like quality and gravity at the well in the field where produced, at the time of production. If the oil produced from said lands shall require treatment or dehydration to render it marketable, Assignor shall pay Assignee, as agreed compensation for handling such oil, at the rate of Five Cents (5¢) per barrel on Assignor's share of royalty oil, which Assignee may currently deduct from any monthly payments or settlements to Assignor.

GAS: The value of gas shall be computed on the basis of the price actually received by Assignee per thousand (1,000) cubic feet of gas in its natural state at the well, and in event Assignee shall deliver the gas to a purchaser at a place off the premises, Assignee shall be entitled to deduct from the price actually received by Assignee an amount equal to the cost of transporting the gas from the well to the place of delivery. Assignor shall not be entitled to receive any royalty on gas produced in the absence of a market therefor.

GASOLINE: If natural gasoline is manufactured by Assignee from gas produced from said lands, then the royalty payable to Assignor shall be an amount equal to One Per Cent (1%) of Forty Per Cent (40%) of the value of natural gasoline so manufactured. If gas is sold by Assignee for the purpose of manufacturing natural gasoline on a basis whereby a royalty is reserved to Assignee, then Assignor shall only be entitled to an amount equal to One Per Cent (1%) of the value of the said royalty so reserved by Assignee. The value of the gasoline shall be computed on the basis of the price per gallon received by Assignee, or the prevailing market price at the plant where manufactured and produced.

Nothing in this paragraph contained shall require Assignee to market or dispose of gas or gasoline in the absence of a market therefor and Assignee shall incur no liability to Assignor for failure to market or dispose of gas or gasoline.

The overriding royalties retained and reserved by Assignor shall be payable in cash and not in kind on or before the 25th day of each calendar month, based upon production for the preceding month.

The overriding royalty retained and reserved by Assignor shall bear its pro rata share of any production, severance, franchise or licensing tax or any other tax computed, measured or based upon production of oil and/or gas which may be imposed by the Federal Government, the State of Wyoming or any of its political subdivisions. Assignee is hereby authorized to and at its option may pay all taxes of Assignor and to deduct Assignor's share so paid from the amount of royalties which shall become due.

Assignee shall pay all rentals from and after the date of this Assignment accruing under said Lease to the Government, and shall pay or deliver all royalties due the Government under said lease.

Assignee shall have the use, without payment of royalty, of so much of the oil, gas and other hydrocarbon substances and water produced on said lands as may be required in Assignee's operations thereon.

Assignor hereby represents and warrants that Assignor is the owner, without encumbrance, of the entire interest in said lease, and that Assignor has not heretofore sold, assigned, transferred, encumbered or conveyed said lease, or any right, title or interest therein, and has full right, power and authority to enter into this Assignment with respect to said lease.