

12

labor in connection with its operations hereunder, and shall keep said lands and the interest of Western therein free of liens or encumbrances of any and every kind on account of any act of General.

8. RENTALS

General shall pay One-Half (1/2) of all rentals reserved under the terms of said leases accruing after the date hereof. Western shall pay the remaining One-Half (1/2) of said rentals; provided, however, that Western may at its election pay all of said rentals as the same become due. General will reimburse Western for One-Half (1/2) of such rentals within thirty (30) days from the receipt of statement of rentals so paid by Western. General shall not be required to reimburse Western for any rentals which are recoverable by Western by crediting the amount thereof against accruing royalty payments.

9. DRILLING

In the event General elects not to commence operations for the drilling of a well to test the "Deep Zones" in Townships 28 North and 29 North, Range 113 West, 6th P.M., on or before August 1, 1948, General shall pay all amounts then payable hereunder, and surrender all rights under this oil and gas operating agreement, and shall have no further right, title or interest therein or thereto, and shall upon demand execute a formal relinquishment and surrender of all rights secured hereunder. Upon the execution of such relinquishment and surrender General shall be relieved of all further obligations hereunder.

10. PAYMENTS

In the event oil, gas or other hydrocarbon substances in commercial paying quantities are produced by General from the "Deep Zones", as hereinbefore defined, General shall, subject to its right of surrender herein contained, pay Western an oil payment of One Hundred and No One Hundredths Dollars (\$100.00) per acre, payable in amounts equivalent to Five Percent (5%) of the oil, gas and other hydrocarbon substances produced, saved and sold from said "Deep Zones", or Five Percent (5%) of the production allocated to the area under any participating area created in such "Deep Zone" by or under any unit plan or agreement