

pumping less than 100 barrels of oil per day, the reserved royalty shall be $2\frac{1}{2}\%$ of the value of such production saved and sold from the lands and not used by the Assignee for its operations thereon. The reserved royalty of Assignor shall only be payable in money and Assignor shall not have the right to take such royalty in kind.

The value of Assignor's royalty shall be determined as hereinafter set forth:

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 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 Five Per Cent (5%) of Forty Per Cent (40%) of the value of natural gasoline so manufactured. If gas is sold by