

-2-

market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay two hundred (\$200.00) Dollars per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof.

5. This lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in the State Bank of Big Piney Bank at Big Piney, Wyoming, or its successors, which bank and its successors are the lessor's agent, and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of One hundred and 50/100 Dollars (\$ 150) per acre for the land covered by this lease for a period of one year thereafter.

This lease shall likewise terminate as to both parties unless the lessee shall pay to lessor the further sum of \$ 150 per acre annual advance rental on or before the 23<sup>rd</sup> day of June 1963 and the same amount per acre on or before the 23<sup>rd</sup> day of June of each year thereafter during the life of this lease both before and after discovery. However, after discovery of oil or gas on the lease any payment of annual rental shall be applied to reduce by the amount of the payment any royalty becoming due on production during the year following the payment. All payments or tenders may be made by check or draft of lessee or any assignee