

2. Said overriding royalty shall be paid as and when the Lessor's royalty is payable under said lease and shall be computed in the same manner and upon the same basis as Lessor's royalty is computed under said lease, and shall be subject to all of the charges and deductions proportionately to which the Lessor's royalty is subject under said lease. Assignee shall have the right to sell or dispose of all oil and gas produced from said lands, and all derivatives therefrom, and said overriding royalty shall be payable in cash and not in kind. No overriding royalty shall be paid or shall accrue on any oil and gas used for operating, development or production purposes upon said lands or unavoidably lost.

3. Assignee shall deduct and retain from said overriding royalty four per cent (4%) of

- (a) all taxes levied and/or assessed against petroleum mineral rights in said lands, and
- (b) all license, severance, production and/or other taxes levied and/or assessed by the United States, the state, county, municipality and/or other governmental authority and/or agency, on said oil and gas produced from said lands and/or on the production thereof and/or on the right to operate on said lands, and
- (c) all other taxes attributed to and/or arising out of Assignee's ownership of said lease and/or operations on said lands exclusive of taxes on personal property owned by Assignee.

4. Said overriding royalty shall be paid by mailing or delivering a check therefor to Assignor at 170 North 5th Street, Laramie, Wyoming. Should it become necessary for any reason to issue more than one (1) check monthly in payment thereof, Assignee may withhold payment thereof unless and until furnished with an instrument executed by all owners of said overriding royalty designating a collecting agent to receive payment and give acquittance