

limitation or otherwise and located in said sections, grants, leagues and surveys, or adjoining sections, grants, leagues or surveys, and Lessor accepts the bonus as a lump sum and agrees to likewise accept the rentals as specified as a lump sum as full and complete consideration therefor, and Lessor expressly agrees to deliver to Lessee any supplemental instrument deemed necessary or requested by Lessee for a more complete or accurate description of said land.

3. It is agreed that this lease shall remain in force for a term of ten (10) years from this date, said term being hereinafter called "Primary Term," and as long thereafter as either oil, gas, sulphur or any other mineral is produced from said land by lessee, or drilling operations are prosecuted, as hereinafter provided.

4. In consideration of the premises lessee covenants and agrees: (A) To deliver to the credit of lessor, in the pipe line to which lessee may connect its or his wells, the equal one-eighth part of all oil produced and saved by lessee from the leased premises, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil. (B) To pay lessor, as royalty for gas from each well where gas only is found, while the same is being sold or used off the premises, one-eighth of the market price at the wells of the amount so sold or used, and where such gas is not so sold or used lessee shall pay to lessor \$50.00 per annum as royalty from each of such wells and while such royalty is so paid such well shall be held to be a producing well under paragraph "3" hereof. While gas from any well producing gas only is being used or sold by lessee, lessor may have enough of such gas for all stoves and inside lights in the principal dwelling house on said land by making lessor's own connections with the well at lessor's own risk and expense. (C) To pay lessor as royalty for gas produced from any oil well and used by lessee for the manufacture of gasoline, one-eighth of the market value of such gas at the wells. If such gas is sold by lessee, then lessee agrees to pay lessor, as royalty, one-eighth of the net proceeds derived from the sale of said casinghead gas at the wells. (D) To pay lessor Fifty Cents (50c) per long ton (2240 pounds) on all sulphur produced and marketed from the land hereby leased. (E) To pay lessor on all other minerals mined and marketed by lessee from the leased premises one-tenth either in kind or value at the well or mine at lessee's election.

5. If operations for drilling a well or excavating a mine be not commenced on said land on or before the 23rd day of October, 1940, this lease shall terminate as to both parties, unless lessee on or before that date shall pay or tender by the check or draft of lessee, to lessor, or to lessor's credit in the Farmers & Merchants State Bank at Shamrock, Texas or its successors, or in the First National Bank in Houston Bank at Houston, Texas or its successors, which shall continue as the depository, regardless of changes in ownership of rentals which may be paid hereunder, the sum of Thirty-seven & 50/100 Dollars, which shall operate as rental and cover the privilege of deferring commencement of operations for the drilling of a well or excavating a mine for twelve (12) months, from said date. In like manner and upon like payments or tenders the commencement of such operations may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein covers not only the privileges granted to the date when said first rental is payable as aforesaid, but also lessee's option of extending that period as aforesaid, and any and all other rights conferred.

6. If on any rental date there be neither operations in progress for the drilling of a well or excavating a mine on said land, nor production therefrom, because of voluntary shut-down or for any other reason, this lease shall terminate, unless lessee on or before said date