

Dollars, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of lessee to be ^{paid} kept and performed, has granted demised, leased and let and by these presents does grant, lease and let unto the said lessee for the purpose and with the exclusive right of exploring, drilling, mining and operating for, producing, and owning oil, gas, sulphur and all other minerals and of laying pipe lines and of building tanks, telephone lines, power stations and other structures thereon to produce, save, treat, and take care of said products, and housing its employes, all that certain tract of land situated in the County of Lavaca, State of Texas, described as follows, to-wit:

Being seventy five acres (75 ac.) of land out of and a part of the S. Martin Survey. Bounded on the northwest by the B. F. Pearce land; on the southwest by the D. G. McManus land; on the southeast by the Julia Bailey McDonald et al land; and on the northeast by the Julia Bailey McDonald land.

2. For the purpose of determining the amount of any money payment hereunder, said land shall be considered to comprise 75 acres even though it actually comprises more or less, but it is lessor's intention to lease, and he does lease hereby, in addition to the land above described, all of the land and interests in land owned by lessor in said sections, grants, leagues and surveys as shown by the records of said County or Parish and all other land and interests in land owned by lessor in said sections, grants, leagues and surveys and adjoining sections, grants, leagues and surveys and lessor expressly agrees to deliver to lessee any supplemental instrument deemed necessary or requested by lessee for more complete or accurate description of said land and interests.

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.

4. In consideration of the premises, lessee covenants and agrees:

(A) To deliver to the credit of lessor, free of cost, 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 of the posted market price of such one-eighth part of such oil as of the day it is run to the pipe line or storage tanks.

(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. 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 13th day of June, 1934, this lease shall terminate as to both parties