

corner of same at 778.2 varas being the upper west corner of the C. B. McManus 160.00 acre tract, thence continuing with the same course with a southwest line of the said McManus 160.00 acre tract a total distance of 783.7 varas to a corner of same; THENCE NORTH 43°46' EAST with a line of the said McManus 160.00 acre tract a distance of 5.0 varas to an inside corner of same; THENCE SOUTH 45°25' EAST with a southwest line of the said McManus 160 acre tract a distance of 160.9 varas to a point for corner; THENCE SOUTH 44°11' WEST parallel with the southwest line of the Alexander Adams Survey a distance of 978.2 varas to a point on the upper northeast line of the Leslie Carroll 111.75 acre tract; THENCE NORTH 45°25' WEST with the upper north east line of the said Carroll tract a distance of 239.4 varas to an angle corner of same; THENCE NORTH 46°06' WEST continuing on with the northeast line of the said Carroll tract a distance of 233.5 varas to the north corner of same; THENCE SOUTH 42°29' WEST with a line of the Carroll tract a distance of 7.1 varas to a corner of same; THENCE NORTH 45°26' WEST with a line of the said Carroll tract a distance of 3.2 varas to a corner of same; THENCE NORTH 44°34' EAST a distance of 43.7 varas to a point for corner; THENCE NORTH 45°34' WEST with a line which is a southeasterly projection of the northeast line of the Sebastian Martin Survey, Abstract No. 327, a distance of 463.5 varas to a point for corner on the southeast line of the Julia Bailey McDonald 160 acre tract; THENCE NORTH 43°51' EAST with the southeast line of the said McDonald 160 acre tract a distance of 940.9 varas to the PLACE OF BEGINNING and containing 160 acres of land more or less.

2. For the purpose of determining the amount of any bonus, rental or other payment hereunder, the leased premises shall be considered to comprise 160 acres of land whether they actually contain more or less, and lessor accepts the bonus as a lump sum and likewise agrees to accept the rentals as specified as a lump sum as full and complete consideration for this lease and all rights and options hereunder.

3. It is agreed that this lease shall remain in force for a term of five (5) years from this date, hereinafter called "primary term" and as long thereafter as either (1) oil, gas, sulphur or other mineral is produced from said land by lessee, whether or not in paying quantities, or (2) this lease is continued in force under the provisions of a subsequent paragraph hereof.

4. As royalty, 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 on gas and casinghead gas produced from the leased premises and sold or used by lessee off the leased premises or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of the gas or casinghead gas so used or sold. On all gas or casinghead gas sold at the well, the royalty shall be one-eighth of the amounts realized from such sales. While gas from any well producing gas only is being used or sold by lessee, lessor may have enough of said gas for all stoves and inside lights in the principal dwelling house on the leased premises by making lessor's own connections with the well and by assuming all risk and paying all expense.

(c) To pay lessor One Dollar (\$1.00) per long ton (2240 pounds) on all sulphur produced and marketed by lessee from the leased premises.

(d) To pay lessor on all other minerals mined and marketed by lessee from the leased premises, one-eighth either in kind or value at the well or mine at lessee's election.