

of any and all cost and expense whatsoever to party of the second part, except as herein provided. In the drilling and equipping of said well, the first party shall use good and sufficient materials and equipment and shall use only second run casing, or better, so as to avoid any loss of time by reason of defective materials. Said well shall be spudded in within fifteen (15) days from date hereof and shall be completed with due diligence to a depth of 2,300 feet, unless oil or gas in paying quantities be found at a less depth.

Third: If said well is an oil well, the party of the first part shall furnish flow lines, receiving tank and storage tank of not less than two hundred and fifty (250) barrels capacity, but if it be necessary to install tubing and rods, then the party of the second part shall be required to pay one-fourth ($\frac{1}{4}$) of the cost of tubing, rods, and installation of such power and engine as might be required.

Fourth: If said well shall be a dry hole, then the party of the first part of the first part shall be entitled to remove from the lease, all materials, and equipment used by him, as his own property, free of any claim thereon by second party, unless the first party shall have failed to pay all expenses in connection therewith herein agreed to be paid by first party. In that event, second party is hereby given a lien on said materials and equipment to secure the payment of such unpaid bills. If, however, said well shall be a paying oil or gas well, then the party of the second part shall have a one-fourth ($\frac{1}{4}$) interest in all the materials and equipment placed on said lands and used of that may be necessary in the operation of said well.

Fifth: Said escrow depository for the aforesaid assignment is hereby instructed to deliver said assignment to first party when notified by the parties hereto that the first party has completed the well above mentioned. Provided, however, if a paying well is found at a lesser depth than 2,300 feet, and after fifteen (15) days of pumping, is still producing fifteen (15) barrels per day, the escrow depository is hereby instructed to turn over to said first party said assignment held by them covering three-fourths ($\frac{3}{4}$) interest in said lease. Provided, if said well has not been completed by first party within two hundred (200) days from date hereof, then the party of the second part shall be entitled, upon demand of said bank, to the return of said assignment to him.

Sixth: If the party of the first part should encounter in any sand above 2300 feet, a well producing fifteen (15) barrels or more of oil per day after fifteen (15) days pumping or operating thereof, then said well may be saved as a paying well, all the expense thereof to be borne by first party, and in that event, within thirty (30) days after said fifteen day test, the party of the first part shall spud in a second well at a location to be agreed upon by the parties hereto and shall drill the same to the depth provided for in paragraph two hereof. The second party shall, upon the completion of the second well and payment by first party of all expenses in connection therewith, pay to the first party one-fourth ($\frac{1}{4}$) of the cost of drilling said well number 1 to the depth where it may be completed. The first party shall at the time of commencing said well number 1, notify second party of the drilling cost per foot so that second party may know what share of the cost of well number 1 he might be liable for under the provisions of this paragraph.

Seventh: After the completion of a paying oil or gas well on the above lands, and except as herein otherwise provided, the further development, equipment and operation of said leasehold estate shall be shared, three-fourths ($\frac{3}{4}$) by first party, and one-fourth ($\frac{1}{4}$) by second party, and no further drilling or extraordinary expenditures shall be incurred without the mutual consent of both parties. The party of the first part, except as herein modified shall have charge of the operation of said leasehold estate, and shall