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considerations, including the obligations assumed by second party under this contract, the first party does hereby transfer, assigns and convey unto the second party, subject, however, to the reservations and conditions hereinafter set forth, all its right, title and interest in, to and under the above described lease insofar as the same grants the right to develop and produce gas from the land above described. **COMPARE**

It is understood and agreed that the second party shall be responsible for and pay, as provided in said lease all royalties which become due the lessors in said lease, their heirs, executors or assigns, on account of any gas produced from any well drilled on said land by second party, or royalty on oil produced from any such well, where such oil well is owned by the party of the second part as hereinafter provided.

In addition to paying such rentals and royalties, second party agrees to pay first party a sum equal to  $1/16$  of the market value of all gas (other than casinghead gas), produced and sold, or used by second party (except gas used in his drilling operations on this land), and further agrees to deliver to the credit of the first party, free of cost, in the pipe line of which he may be able to connect his wells the equal  $1/8$  part of all oil produced and saved from the leased premises from any oil well owned and retained by the second party as hereinafter provided, and to pay first party a sum equal to  $1/8$  of the market value of any casinghead gas produced and sold, or used by second party in the manufacture of gasoline, from any such well. Payment for gas (both dry and casinghead) shall be made on or about the 20th day of each calendar month for the gas sold or used during the preceding calendar month.

For the consideration aforesaid, the party of the second part agrees to begin the drilling of a well on said land within 30 days from the date of this contract and prosecute the drilling of same with reasonable dispatch to the 1340 sand, which should be found at a depth, approximately 1375 sand, unless oil or gas is found in paying quantities at a lesser depth.

If second party shall drill any well on the land above described which is productive of oil in paying quantities, second party shall, as soon as such well is completed, notify first party of same in writing, and first party, at its option, may within 30 days from the date such notice is given take over any such well, or wells, in which event the first party shall pay second party the net cost of drilling same and the fair market value of the casing owned by second party and left in the well; but if the party of the first part shall fail to exercise its option, as herein provided, then said well and the oil produced therefrom shall be and remain the property of the party of the second part, subject to the terms of said lease, but the party of the second part shall pay to the party of the first part a royalty of  $1/8$  of all oil produced from said well and of all casinghead gas produced from said well, said royalty of  $1/8$  to be in addition to the royalty of  $1/8$  to be paid to the land owner.

If the first party shall hereafter drill any gas well on the above described land, second party shall for a period of 30 days after written notice of the completion thereof have the right to take same over, if and when any such well is taken over by the second party, he shall pay first party the net cost of drilling same and the fair market price of all first party's material left in and connected to said well and become the owner of said well, subject, however, to the obligation to pay the party of the first part a royalty of  $1/16$ ; but if said gas well should not be taken over by second party, said well and the gas produced therefrom shall remain and be the property of the party of the first part.

If the party of the second part shall drill a well on said land which is dry in the sand to which said well was drilled, and he elects to not drill such well deeper, then before