

and the party of the third part shall have a period of five (5) days after receipt of the abstract for examination thereof. If any title requirements are made, an additional period of not to exceed ten (10) days time shall be granted for correcting the title to the satisfaction of attorneys for third party. If merchantable title be found in parties of the first and second parts to the oil lease covering said lands, then the parties hereto shall proceed faithfully to perform the terms and conditions of this agreement; but if merchantable title is not found in parties of the first and second parts to said leases, then the parties hereto shall forthwith be relieved of any and all liability hereunder. COMPARED

SECOND; Within twenty (20) days from date hereof, the party of the third part shall commence the drilling of a well at a location selected by third party, in the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4) of said Section 26, and at its own expense, free of all cost to parties of the first and second parts, shall drill and complete said well to a depth of twenty-four hundred (2400) feet unless oil or gas in paying quantities be found at a less depth. If said well shall be a dry hole, the same shall be plugged at the expense of third party, in the manner required by law; if said well shall be a paying oil well, the same shall be completed and equipped by party of the third part up to but not including tankage, the parties hereto in their respective proportions as hereinafter set forth, shall thereafter bear the cost of tankage and of the further development, equipment and operation of said leases.

THIRD; The party of the first part agrees to permit the party of the third part to use his rig, casing, tanks, and all other equipment now located on the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4) of said Section 26, in the drilling of said well, provided that if said well is a dry hole, no rental payment shall be made for the use of any of the materials excepting a rental of ten cents (10¢) per foot for casing used by party of the third part and if any of the materials should be destroyed or damaged beyond use, then the third party shall pay to first party thereafter at the rate of fifteen per cent (15%) off the present list price thereof. If said well shall be a paying oil or gas well and it be necessary to retain the rig now located thereon, then party of the third part shall pay to first party the sum of One Thousand (\$1,000.00) Dollars for the rig and shall pay for such casing and tubing as is retained in the well and such other materials as may be retained by it at the rate of Fifteen per cent (15%) off the present list price, and shall then deliver the remainder of the materials not used to first party on the lease; If an oil well is encountered then the party of the third part shall buy for the joint use of the parties hereto the five tanks of first party located on said lands, at a price not to exceed Eighteen Hundred and Thirty (\$1,830.00) Dollars.

FOURTH; It is understood that the party of the first part owns the entire oil and gas lease or leases covering the South Half (S/2) of the Southeast (SE/4) of Section 26, and that the party of the first part owns an undivided five-eighths interest, and the party of the second part an undivided three-eighths interest in and to the oil and gas lease or leases covering the Northeast Quarter (NE/4) of the Southeast Quarter (SE/4) of Section 26. In consideration for the drilling of said well as aforesaid, the party of the first part agrees forthwith to assign to the party of the third part, an undivided one-half interest in and to the eighty acre tract, and an undivided three-eighths interest in and to the forty acre tract, and the party of the second part agrees forthwith to assign to party of the third part, an undivided one-eighth interest in the forty acre tract, so as to vest in the party of the third part, an undivided one-half interest in and to the one hundred and twenty acres above described.

FIFTH; The party of the third part shall have charge of the operation and development