

3. (a) Lessee covenants and agrees that unless the open flow of gas as hereinafter named has already been developed on the leased premises he will within one year from and after the date of approval of this lease by the Secretary of the Interior expend the sum of at least One hundred thousand dollars in the development of the leased premises for natural gas, or will drill at least twenty wells to the Mississippi Line in the search of such gas, unless the expenditure of a less amount of money or the drilling of a less number of wells, or to a lesser depth, results in the development of gas wells with an open flow capacity of not less than twenty-five million cubic feet of gas per day, and not more than twenty percent of the open flow capacity of any such well shall be utilized unless otherwise authorized by the Inspector.

(b) Lessee also covenants and agrees that he will pay the royalty as herein provided on all gas utilized and removed from the leased lands, and that he will within six months from and after the date of approval of the lease as aforesaid utilize an annual average of not less than five million cubic feet of gas per day of twenty-four hours on the basis of not more than 20 percent of the open flow capacity, as determined by the Inspector, of any well, as provided in the foregoing paragraph, or will pay royalty on such quantity of gas during the period of this lease the same as if such volume of gas had been utilized and removed from the premises, except as hereinafter provided.

(c) Lessee further covenants and agrees that beginning on the day six months from the date of approval of this lease as aforesaid, he shall pay to the Superintendent of the Osage Agency, for the lessor, the sum of One hundred fifty dollars per day, in advance, for each and every day of the balance of the calendar month, and that on the first day of each and every calendar month thereafter during the full period of this lease, he shall pay to such Superintendent the sum of One hundred fifty dollars per day, in advance for each and every day of such calendar month, which monthly payments shall be a credit on the royalty on the gas so utilized and removed for the calendar year during which such advance monthly payments shall be accrued, and said advance payments shall not be refunded to the lessee because of any subsequent surrender or cancellation of the lease, nor shall the lessee be relieved of his obligation to pay such advance royalty monthly when due by reason of any subsequent surrender or cancellation of this lease, except as hereinafter set forth, Provided, That after the minimum of five million cubic feet of available gas per day shall have been developed, as provided in subdivision (b) of this section, the lessee shall pay for all gas sold or utilized under this lease on or before the 20th day of the month, succeeding that in which the gas is so utilized and sold, and the lessee shall file with the Superintendent on or before the 20th day of each month, a statement showing the amount of gas sold and utilized during the preceding month, and on January first of each year an adjustment shall be made whereby if the lessee has not taken during the preceding calendar year the amount of gas required under this contract, he shall pay royalty as herein provided for the difference between the quantity of gas utilized and sold and on which royalty shall have already been paid, and such minimum amount agreed to be taken or paid for under this lease.

(d) Lessee further covenants and agrees that he will expend annually not less than thirty thousand dollars in maintaining a production of five million cubic feet of available gas per day on the basis of a utilization of not more than 20 percent of the open flow capacity of any well as hereinafter set forth, unless the expenditures of a less sum be sufficient to maintain such production. It is understood and agreed, that in the event all the gas wells drilled in compliance with the requirements of this lease, but not until after the annual expenditures required in any year during the life of this lease as herein provided for have been made, shall fail to produce the minimum amount of available gas as hereinbefore specified, then the per diem payments hereinbefore provided for shall for the succeeding year