

due diligence in the commencing and drilling of an offset well upon the Southwest Quarter of the Southwest Quarter of Section Five (5) Township Nineteen (19) North, Range Twelve (12) East, it being understood that the original lease is on the departmental form prescribed by the Secretary of the Interior, and said offset well shall be drilled so as to comply with the terms of said lease.

The party of the second part further covenants and agrees with the party of the first part that in the event the well now being drilled by it in the Southeast Quarter of the Southeast Quarter of Section Six (6) Township Nineteen (19) North, Range Twelve (12) East is a dry hole, that is to say does not produce oil in paying quantities, it shall within a period of six (6) months from the completion of said well commence the drilling of a well on the Southwest Quarter of the Southwest Quarter of Section Five (5) Township Nineteen (19) North, Range Twelve (12) East, it being understood and agreed that the failure of the party of the second part so to commence the drilling of said well upon the said Southwest Quarter of the Southwest Quarter of Section Five (5) Township Nineteen (19) North, Range Twelve (12) East, shall work a forfeiture of this assignment.

It is understood and agreed that all casinghead gas produced upon the Southwest Quarter of the Southwest Quarter of Section Five (5) Township Nineteen (19) North Range Twelve (12) East shall be and become the property of the party of the first part, and shall be delivered to it by the party of the second part free of cost, upon its making all necessary connections therefor.

It is further understood and agreed in case any gas shall be discovered above the top of the Mississippi Lime, reasonable care shall be used in mudding off said gas, and the said party of the first part shall have the right to go upon said lease and prospect and produce any gas found above the Mississippi Lime. If oil be found by party of the first part in any such well as drilled party of the second part shall have the option of taking over said well and paying the cost thereof.

In the event gas in paying quantities is encountered below the top of the Mississippi Lime and above the Wilcox series of oil sand then said gas shall be Braden-headed off at the expense of the party of the first part and sold to it at the rate of Three Cents per One Thousand cubic feet. In the event a paying gas well and not a commercial oil well is encountered in the Wilcox series of sand, then said well shall be completed as a gas well and the product therefrom sold to the party of the first part at the rate of Three Cents per One Thousand cubic feet. But in no event is said gas to be Bradenheaded off when such Bradenheading shall interfere with the drilling and completion of said well for oil.

It is hereby mutually agreed that party of the second part shall have the right to use gas produced by it on said Southwest Quarter of the Southwest Quarter of Section Five (5) Township Nineteen (19) North, Range Twelve (12) East, for operations on said last described premises, free of cost at its own risk and by making its own connections.

It is hereby agreed that this contract is executed simultaneously with an Assignment by Mary Oil & Gas Company to Thompson & Black, Inc., of an oil and gas mining lease covering said real estate and premises above described, and that the assignment of said oil and gas mining lease is made subject to the terms and conditions of this contract, and title to the working interest (7/8) of the oil produced) guaranteed by said party of the first part to be conveyed by said assignment.

It is further provided that the provisions of this contract shall extend to and be binding upon the successors and assigns of the parties hereto.

The General Warranty in the assignment of said lease this day made and herein referred to is modified as follows: