

gas, and to occupy and use so much only of the surface of said land as may be reasonably necessary to carry on the work of prospecting for, extracting, piping, storing, refining, and removing such oil and natural gas, including also the right to obtain from wells or other sources on said land, by means of pipe lines or otherwise, a sufficient supply of water to carry on said operations, and including still further the right to use such oil and natural gas as fuel so far as it is necessary to the prosecution of said operations.

In consideration of which the party of the second part hereby agrees and binds itself, its successors and assigns, to pay or cause to be paid to the lessor as royalty the sum of ten per cent of the value, on the leased premises, of all crude oil extracted from the said land, and if the parties do not before the tenth day of the month succeeding its extraction, agree upon the value of the crude oil on the leased premises, the value thereof shall finally be determined under the direction of the Secretary of the Interior in such manner as he shall prescribe, and to so pay the royalty accruing for any month; on or before the twenty fifth day of the months succeeding and where the value of the crude oil fluctuates, the average value during the month shall constitute the criterion in computing the royalty; and to pay in yearly payments, at the end of each year, one hundred and fifty dollars royalty on each gas-producing well, to the lessor to have free the use of gas for lighting and warming his residence on the premises. But failure on the part of the lessee to use a gas producing well where the same cannot be reasonable utilized at the rate so prescribed shall not work a forfeiture of this lease so far as the same relates to mining oil; but if the lessee desires to retain gas-producing privileges it shall pay a royalty of fifty dollars per annum on each gas producing well not utilized, the first payment to become due and to be made within thirty days from the date of the discovery of gas, payments thereafter for such wells to be made in advance at the first of each succeeding year, dating from the first payment.

And the party of the second part further agrees and binds itself, its successors and assigns to pay or caused to be paid to the lessor as advanced annual royalty on this lease, the sums of money as follows, to-wit: Fifteen cents per acre per annum, in advance, for the first and second years; Thirty cents per acre per annum, in advance, for the third and fourth years and Seventy five cents per acre per annum in advance for the fifth and each succeeding year thereafter of the term for which this lease is to run; it being understood and agreed that said sums of money so paid shall be a credit on the stipulated royalties should the same exceed such sums paid as advanced royalty; and further, that should the party of the second part neglect or refuse to pay such advanced annual royalty for the period of sixty days after the same becomes due and payable, then this lease shall, at the option of the lessor be null and void, and all royalties paid in advance shall become the money and property of the lessor.

The party of the second part further covenants and agrees to exercise diligence in the sinking of wells for oil and natural gas on the lands covered by this lease; and to drill at least one well thereon within twelve months from the date of the approval of the bond by the Secretary of the Interior and should the party of the second part fail, neglect or refuse to drill at least one well within the time stated, this lease may, in the discretion of the secretary of the Interior be declared null and void, with the due notice to the