

In no event will the royalties payable hereunder exceed ~~One-Eighth (12.5%)~~ of any governmentally-imposed sales price ceiling applicable to Lessee's sales or ~~One-Eighth (12.5%)~~ of the net amounts received by Lessee not subject to refund, whichever is the lesser; provided that any amounts held by Lessee subject to refund will be promptly distributed, without interest, when Lessee's sale price is finally determined by judicial or administrative authority.

4. **Delay Rental.** It is hereby agreed and acknowledged by Lessor and Lessee that this is a Paid-Up Oil and Gas Lease and all delay rentals due and payable under this agreement have been paid in advance and have been included in the consideration paid to Lessor by Lessee for this oil and gas lease.

It is agreed that Lessee may drill or not drill on the leased premises, as it may elect, and that the consideration and rentals paid constitute adequate compensation for such privilege. No implied covenant shall be read into this lease requiring Lessee to drill or to continue drilling on said land, or fixing the measure of diligence necessary on Lessee's part.

5. **Dry Hole Clause and Cessation of Production.** If during the last year of the primary term and prior to the discovery of oil or gas on said land, Lessee should drill a dry hole thereon, or, if after discovery of oil or gas either before or during the last year of the primary term, the production thereof should cease during the last year of said term from any cause, no rental payment or operations are necessary in order to keep this lease in force during the remainder of the primary term. If, at the expiration of the primary term, Lessee has commenced operations for drilling a new well or reworking an old well, this lease shall continue in force as long as such drilling or reworking operations continue, or if after the expiration of the primary term, production on this lease shall cease, this lease shall continue in force if drilling or reworking operations are commenced within 120 consecutive days after such cessation of production; if production is restored or additional production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than 120 consecutive days, this lease shall continue as long thereafter as oil or gas is produced and as long as additional drilling or reworking operations are continued without cessation for more than 120 consecutive days.

6. **Shut-in Royalty.** After expiration of the primary term hereof, when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of Twenty Five Dollars (\$25.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut-in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease. Notwithstanding any other provision to the contrary, this lease shall not terminate because of a failure to properly or timely make shut-in gas well payments unless Lessor shall have given Lessee written notice of such failure to properly or timely make such shut-in gas well payment and Lessee shall have failed for a period of sixty (60) days after receipt of such notice to tender such late payment or such payment in the proper amount, together with a late or improper payment penalty of \$100.00.

7. **Lesser Interest.** The respective amounts of all delay rentals, royalties, and other payments are to be calculated in proportion to Lessor's interest in such rights with respect to which each such payment is made; that is, in case Lessor owns less of an interest in any of such rights than the full and entire interest therein, then the payments in respect to such rights shall be paid to Lessor only in the proportion which Lessor's interest in such rights bears to the full and entire interest in such rights.

8. **Assignment.** The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns, of the parties hereto, but no change in division of ownership of the land, rentals, royalties, or other payments hereunder, or interest therein, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest herein, shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. Mail at Lessee's principal place of business with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance or sale of said rights. In the event of the assignment of this lease as to a segregated portion of said land, the shut-in royalties and other payments payable hereunder shall be apportioned among the several leasehold owners ratably according to the surface areas attributable to each, and default in shut-in royalties or other payments by one such leasehold owner or Lessee shall not affect the rights of the other leasehold owners or Lessees hereunder. In case Lessee assigns this Lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

9. **Surrender.** Lessee may, at any time or from time to time, execute and deliver to Lessor or place of record a surrender covering all or any part of the leased premises and thereupon shall be relieved of all obligations thereafter to accrue with respect to the leased premises so surrendered.

10. **Pooling.** Lessor grants unto Lessee the right to pool into a separate drilling or production unit(s), as to any one or more formations, said land or any part thereof and the leasehold estates in the vicinity of said land, whether contiguous or non-contiguous, held by Lessee or other mineral owners or lessees under other leases, when in Lessee's judgment, it is necessary or advisable to create such pools to develop and operate efficiently such lands. Any such pool shall not substantially exceed 80 acres each in area for oil and 640 acres each in area for gas, plus, in both instances, a tolerance of ten percent (10%); provided however, that larger pools may be created to conform to any well spacing or unit pattern prescribed by any governmental authority. The units formed by pooling as to any one or more formations need not conform in size or area with the unit or units into which the lease is pooled or combined as to any formation or formations, and oil units need not conform to the area within gas units. Lessee, alone or with other mineral owners or lessees under other leases, may form any pool before or after completion of a well thereon by recording in the county wherein the pooled land(s) are located, a declaration of such pooling. Neither the pooling nor the provisions hereof shall operate as a transfer to title of any interest in the leased premises. The commencement of a well, the conduct of other drilling operations, the completion of a well or dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except as to royalties) as if said well were located on, or such drilling operations were conducted upon the lands covered by this lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. The royalties provided for in Paragraph 3 hereof shall be tendered or paid to Lessor in the proportion that Lessor's acreage in the pooled area(s) bears to the total pooled area. Lessee shall have the right but not the obligation, to reduce, enlarge, or modify such pool(s) at any time. The royalties and such other payments tendered or paid thereafter shall then be based upon the proportionate acreage and interests in the revised pool. At any time the pool is not being operated as aforesaid, the declaration of pooling may be surrendered and cancelled of record. Such cancellation or surrender shall not affect a surrender or cancellation of this lease.