

7. (MM-95-G) Lease dated July 10, 1930, from Magnolia Petroleum Company to Shell Petroleum Corporation, recorded in Book 18 at Page 157 of the records of Lea County, New Mexico.

insofar and only insofar as each of the above listed leases covers the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 25-238-36E, Lea County, New Mexico, 40 acres, more or less.

Reference is hereby made to the above leases and the record thereof for this and for all other purposes.

There is excepted from this assignment and reserved unto Magnolia Petroleum Company, assignor herein, its successors and assigns, all rights, titles, estates and interests in the oil and oil rights at all depths and the gas and gas rights, below the depth of 4,000 feet, in the above described leases, or any modifications, renewals or extensions thereof.

There is excepted from this assignment and reserved unto Magnolia Petroleum Company, its successors and assigns, a free overriding royalty of $\frac{8}{128}$ ($\frac{1}{2}$ of $\frac{1}{8}$ or $\frac{8}{8}$) of all gas that may be produced and saved from the premises as herein assigned, under and by virtue of the above described leases or any modifications, renewals or extensions, thereof above the depth of 4,000 feet.

The overriding royalty herein reserved shall be received by the assignor herein, its successors and assigns, as a free perpetual overriding royalty without cost or expense of production.

Said overriding royalty herein reserved shall be measured on the basis of the market value thereof at the well.

Fuel gas for operating the premises shall be deducted before computing said overriding royalty.

Insofar as the overriding royalty interest herein reserved is concerned, Magnolia Petroleum Company hereby agrees that the assignee, its successors and assigns, may consolidate the leasehold estate hereby assigned with a similar area described as the North Half of the Northwest Quarter and the Southeast Quarter of the Northwest Quarter of Section 25-238-36E, Lea County, New Mexico, in order to form a 160 acre unit for the production of gas, and in the event of such consolidation, Magnolia Petroleum Company's proportion of the gas production from the consolidation unit by virtue of its ownership of said overriding royalty shall be