

88

2. DEFINITIONS:

"Deep Zones", as used in this agreement, shall mean oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations underlying the real property the subject of this agreement below the depth of a stratigraphic zone fifteen hundred (1500) feet above the top of the Frontier formation.

3. GRANTING WORDS:

Pfaff-Quealy shall have and is hereby granted the sole and exclusive right to drill for, mine, extract, remove, use, process, dispose of and market all oil, gas and other hydrocarbon substances from the "Deep Zones" during the term of the leases and/or agreements hereinabove described, or any extension or renewal thereof, and during the term of any lease, or leases, or agreements subsequently issued to Western under a preference right to acquire new leases based on the ownership of the aforesaid leases and/or agreements covering the above described lands or any part thereof. Pfaff-Quealy is also granted the right to possess, enter upon and occupy the lands described in Paragraph 1 above for the purposes hereinabove set out in this Paragraph 3. Pfaff-Quealy shall have no right, title nor interest in or to any oil, gas, natural gasoline or associated fluid hydrocarbon substances that may be found in structures or measures other than those existing in the "Deep Zones", as herein defined.

All oil, gas and other hydrocarbon substances, except helium gas, produced from the "Deep Zones" in and under the above described lands while said lands are subject to this agreement, shall belong to Pfaff-Quealy as Pfaff-Quealy's full compensation for its expenditures and services in connection with operations under this agreement, subject, however, to the obligation of Pfaff-Quealy to pay upon all products produced by Pfaff-Quealy under this agreement