

(\$200,000.00), exclusive of production, severance and other similar taxes. The payments on account of said production payment shall be made at the same time and in the same manner as Lessor's royalty is paid.

With respect to the "Deep Zones" under the above lease, if the same are segregated for computing government royalty, payments on account of the production payment hereinabove described and set out shall be suspended to the extent that the production payment hereinabove set out when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States shall exceed 17-1/2% if and when the average production per well per day from said "Deep Zones" averaged on the monthly basis is (a) as to oil, fifteen (15) barrels or less, and (b) as to gas, one-half million cubic feet or less. It is specifically agreed, however, that Pfaff-Quealy, its successors and assigns, shall at all times operate its portion of the above described lease in good faith and in accordance with good oil field practice and the applicable regulations; and it is further agreed that, subject to good oil field practice and the applicable regulations, Pfaff-Quealy, its successors and assigns, shall not manipulate production or marketing from its zones under the above described lands in order to deprive Western of any rights under its production payment above set out.

In the event the lands above described are included in any approved cooperative or unit, communization or other production or development plan, then the said production payment shall be computed on the basis of the production allocated to the above described lands under such plan.