

5. SUBJECT TO BURDENS:

This agreement and all rights granted to Pfaff-Quealy hereunder are expressly made subject to any and all royalty interests, oil payments, assignments, operating agreements, rental agreements, restrictions, conditions, obligations or financial burdens made, executed, suffered or incurred prior to the effective date of this agreement, but only as to those specifically set forth herein. Subject to Pfaff-Quealy's right to surrender expressly granted in Paragraph 12 hereof, Pfaff-Quealy does hereby assume and agree to perform all of the terms, covenants and conditions as contained in the oil and gas leases, operating agreements, and other instruments of title as set forth herein, insofar as such terms, covenants and conditions relate and pertain to said "Deep Zones", and agrees to save and hold Western harmless of and from any liability, claim or demand which may accrue thereunder with respect to said "Deep Zones".

6. COVENANTS:

Pfaff-Quealy in its operations of said "Deep Zones" shall comply with all orders of the United States Geological Survey of the Department of the Interior, and/or other governmental agency having or claiming to have jurisdiction over operations of the above described land, and shall save and hold Western harmless of and from any and all liability, claim or demand with respect to or growing out of said operations. In this regard, Pfaff-Quealy shall pay or cause to be paid all royalties reserved by the United States upon all products produced by Pfaff-Quealy hereunder, which royalty payments shall be made directly to the United States, and shall pay or cause to be paid all royalties reserved to other persons and parties, heretofore reserved, upon all products