

not required for the payment in cash or in kind of royalties, overriding royalties or other burdens on production shall be owned seventy-five per cent (75%) by Continental and twenty-five per cent (25%) by Malco. Certain initial drilling obligations are provided for in Section XII of said Malco Agreement, the costs and expenses of which are to be free to Malco. Malco's proportionate share, one-fourth (1/4), of all other costs and expenses of operation and development under such agreement are, however, chargeable to Malco, payable, however, only out of production.

This agreement and any interest in said lands and leases hereinafter conveyed to El Paso pursuant hereto shall be subject to said Malco Agreement as hereinafter provided. El Paso shall not, however, have any interest in nor shall this agreement ever be construed as an assignment to El Paso of any interest in the Malco Agreement.

Each of the parties hereto shall, in the conduct of their respective operations on said lands, comply with any applicable provisions of said Malco Agreement. El Paso shall conduct its operations in such manner and, with respect to operations in gas reservoirs and to all operations prior to discovery (other than operations voluntarily undertaken by Continental), do whatever is necessary so as not to breach the terms of the Malco Agreement. El Paso, to the extent only as expressly provided by this agreement, and to the extent implied in conducting development and producing operations in a reasonably prudent and careful manner, assumes certain obligations of Continental imposed by the Malco Agreement, but does not otherwise assume Continental's obligations thereunder. Likewise, Continental shall conduct its operations and with respect to operations in oil or joint interest reservoirs do whatever is necessary so as not to breach the terms of the Malco Agreement.