

its possession. Within ten (10) days after receipt of such notice and materials and data, Continental shall notify El Paso whether it elects to take over such well. If Continental elects to take over such well, the operation of such well shall be turned over to Continental but El Paso shall own such well and be entitled to receive all production therefrom not required for payment in cash or in kind of royalties, overriding royalties, or taken in kind by Malco, until El Paso has received out of such production at the fair market value thereof and from payment by Continental of the value of any production taken in kind by Malco an amount equal to the cost of operating such well and equipping and completing it and two hundred per cent (200%) (or, in the case of a second or subsequent well to a known oil reservoir, 100%) of El Paso's cost of drilling said well to the depth of the deepest oil reservoir capable of producing oil in paying quantities. Thereafter, such well, all equipment and facilities relating thereto and all production therefrom shall be owned by the oil interests. In the event that Continental elects not to take over such well, then Continental shall relinquish and assign to El Paso all of Continental's interest in said well, the production therefrom and equipment and facilities relating thereto, together with all right, title and interest of Continental in and to the oil reservoir in which the well is completed in the legal governmental subdivision comprising the forty (40) acres upon which such well was drilled or in such acreage as is attributable to such well under the applicable spacing regulations, subject to all outstanding royalties, overriding royalties and the Malco interests.