

of the said leases as are held by such party. El Paso shall be designated Unit Operator of the proposed unit and the unit shall provide for the drilling of a well for oil and gas to a depth of ten thousand five hundred (10,500) feet. Malco shall, with the cooperation and assistance of the parties as above specified, assume primary responsibility for preparing the unit agreement, assembling commitments thereto and filing the same for final approval.

2. TITLES -

Novi represents and warrants that it holds the Novi leases shown on Exhibit A and the leases shown on Exhibit A-1 and that the same are good and valid leases. In the event that any such lease or leases are burdened by any royalty, overriding royalty or other burden on production other than the landowner's royalty and overriding royalties as set forth on said Exhibits A and A-1, Novi shall be responsible for, bear and pay any such additional burdens. Novi further represents that it will pay such rentals or comply with such other requirements as may be necessary to keep such leases in full force and effect until the assignment of all such leases to First Parties as hereinafter provided. Malco makes similar representations and warranties with respect to the leases shown on Exhibit A held by Malco or with respect to which Malco holds options. In the event and to the extent that the leases shown on Exhibit A (other than the Novi leases) are subject to burdens in excess of the landowner's royalty and the overriding royalties shown on