

leases and interests described in Exhibit "A" may be connected, the aforementioned interests hereby conveyed of the oil and gas produced from said properties if, as and when the same are produced and sold, until the Grantee shall have received the full amount of this production payment.

The Grantor will duly perform and observe all of the obligations, covenants and conditions on its part to be performed or observed under the above-mentioned Gas Sales Contract with Pacific Northwest Pipeline Corporation dated August 26, 1955 as amended, and the Grantor will not, without the prior written consent of the Grantee, be a party to or consent to any termination of said Contract or to any alteration thereof, if such alteration would adversely affect the production payment herein conveyed.

The Grantor hereby agrees that it will furnish, or cause to be furnished, to the Grantee a detailed report each month with respect to the oil runs and gas deliveries from the interests hereby conveyed for the next preceding calendar month.

The Grantor further covenants that if any lease or interest set forth in Exhibit "A" is about to terminate or expire by its term and the Grantor does not intend to renew such lease, then at least 60 days prior to the termination or expiration of such lease it will serve the Grantee with a written notice sent by registered mail offering to assign to the Grantee without cost all of the Grantor's right, title and interest in and to such lease, and to assign to Grantee for the salvage value thereof such of the leasehold equipment and other personal property owned by the Grantor and then located on the property covered by such lease as the Grantee desires to acquire; it being understood that Grantor prior to serving such notice may remove all removable personal property and equipment from such property. The Grantee shall have a period of 20 days after receipt of such notice in which to serve the Grantor with a written notice sent by registered mail that the Grantee elects to receive such assignment. If the Grantee shall duly serve such notice upon the Grantor, then the Grantor agrees to deliver to the Grantee such assignment at the time and place set forth in the notice from the Grantee to the