

(2) All rights and interests owned or held in connection or with respect to said interest of said production, and all proceeds, revenues, payments, and amounts accruing and to accrue, belonging and to belong, and payable and to be payable with respect to and/or at any time attributable to said percentages of production hereinbefore set forth in lettered paragraphs (a) and (b) hereof,

until such time as the net proceeds thereof amount to, and there shall be paid to and received therefrom by Grantee, his heirs, successors, and assigns, free and clear of all development, operating, and production costs, taxes (other than income taxes), and expenses and amounts and items hereinafter mentioned in paragraphs lettered (a) and (b) of paragraph 3 of Section I hereof, the full net sum of TWO MILLION FIVE HUNDRED THOUSAND & no/100 DOLLARS (\$2,500,000.00), hereinafter called "Primary Amount", plus an amount equal to five and one-quarter per cent (5-1/4%) per annum from and after the date that this instrument is hereinafter stated to be actually executed on the balance remaining unpaid on said Primary Amount on the 26th day of each and every calendar month hereafter, hereinafter called "Secondary Amount", and plus an amount equal to any and all ad valorem taxes (or taxes imposed in lieu thereof, if any), assessed and to be assessed against the production payment herein conveyed which are paid by Grantee (hereinafter called "said production payment"); it being understood that such proceeds derived by Grantee each month when received by Grantee shall be applied first to the Secondary Amount and then to the amount equal to said ad valorem taxes (or tax imposed in lieu thereof) and the balance shall be applied against and to that extent shall reduce the Primary Amount or the