

unliquidated balance thereof then remaining. Where statutory or governmental regulatory provisions require it, all gross production, severance, gathering, pipeline regulating or other taxes and assessments imposed with respect to or measured by or charged against said production or herein conveyed shall be deducted from such proceeds by the purchasers of such oil, gas, or other minerals in compliance with such provisions; but none of the amounts so deducted shall be credited upon or reduce said production payment, and only the net proceeds remaining shall be applied in accordance with the foregoing provisions of this paragraph.

2. If any of the proceeds from the sale of any of said production assigned hereunder or accruing to said production payment shall be withheld as a result of any adverse claim, then such production shall not be deemed to have accrued thereto until the proceeds from the sale thereof shall have actually been received by Grantee; or if prior to the receipt of the full net sum of said production payment, by reason of any such claim or failure of title, Grantee shall be compelled to pay the proceeds from the sale of such production theretofore received to a person claiming under a superior title, then such production shall not be deemed to have accrued to this production payment or to have been received by Grantee or applied in the manner set forth above.

3. The interests, rights, and said production assigned hereunder are and shall be free and clear of, and Grantors covenant and agree to pay the following: