

this production payment free and clear of all liens, encumbrances and adverse claims. The Grantor further covenants that it has complied with and will duly comply with and fulfill all covenants required to be fulfilled in order to prevent any forfeiture or reversion of any acreage described in Exhibit "A" pursuant to an agreement entered into between J. H. Morgan, Sr. and Clarence I. Justheim and Arthur B. Belfer dated August 29, 1952 (as amended by Supplemental Agreement dated September 23, 1952). The Grantor further covenants that it will at its own cost and expense recover, produce and deliver to Grantee's credit in the pipelines to which the wells on the 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 Contracts with El Paso Natural Gas Company dated July 24, 1953, August 26, 1955, and June 8, 1956, all as amended, and the Grantor will not, without prior written consent of the Grantee, be a party to or consent to any termination of said Contracts 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 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 sixty (60) days prior to the termination or expiration of such lease it will serve the Grantee and other parties of interest with a written notice sent by registered mail offering to assign to such parties without cost all of the Grantor's right, title and interest in and to such lease, and to assign to such parties, in proportion to their interest, for the salvage value thereof such of the leasehold equipment and other personal property owned by the Grantor