

the wellhead of the PP Hydrocarbons used in the making of such products.

D. The Monterey Production Payment shall not be dischargeable out of any bonus which WIO shall receive for any future lease, sublease or assignment of any of the Subject Interests, or out of any delay rental paid to WIO for the privilege of deferring the commencement of a well on any of the Subject Interests.

E. The percentage amount of the PP Hydrocarbons shall be computed upon the basis of the net amount of Hydrocarbons which shall accrue or be attributable to the Subject Interests.

F. The PP Hydrocarbons shall not include any Hydrocarbons produced and saved from any Subject Interest and used by WIO in conformity with sound field practices for drilling operations conducted on such Subject Interest or for other production or development operations conducted on such Subject Interest, or any Hydrocarbons unavoidably lost in the production thereof.

G. The provisions of 43 Code of Federal Regulations 192.83 being recognized, and so long as and to the extent that the same may be required by applicable laws or regulations, in the case of any lease from the United States of America included in the Subject Interests, whose average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the right of PPO to receive the proceeds of oil produced from such lease shall be suspended until said average production of oil per well per day exceeds said minimum amount; *provided, however*, that during the period of any such suspension the amount of the PP Hydrocarbons produced, saved and sold from the other Subject Interests shall be increased by an amount sufficient to equal in value the amount of the proceeds whose payment is so suspended, *except* that the amount of the PP Hydrocarbons produced, saved and sold from said other Subject Interests shall in no event be increased to more than 72% of the Subject Hydrocarbons accruing or attributable to said other Subject Interests.

§ 1.3. *Amount, Term and Discharge of Monterey Production Payment.* The Monterey Production Payment shall continue and remain in full force and effect until PPO shall have received and realized, out of the PP Hydrocarbons, the full aggregate sum of the