

Woodson Interests or, if unitized, upon lands included in such unit (all of which lands are hereinafter sometimes called the "Lands") or which may be used in connection with oil and gas operations thereon, whether located on or off the Lands (all of which are hereinafter sometimes called the "Personal Property");

(iii) All interest of Prudential acquired from Woodson Oil Company in all permits, licenses, franchises, easements, servitudes and rights-of-way of every character which are useful or appropriate in exploring for, developing, operating, producing, gathering, treating, storing or transporting oil, gas and other minerals on or from the Lands; and

(iv) All interest of Prudential acquired from Woodson Oil Company in, to and under all pooling designations, pooling orders, pooling agreements, unitization agreements, operating agreements, hydrocarbon sales agreements and other instruments, contracts and agreements of every character (including but not limited to those described or referred to in Exhibits A or Exhibits B) insofar as they cover or affect the Woodson Interests or any other properties conveyed hereby or the production and marketing of oil, gas, other hydrocarbons or other minerals from any of the Lands;

all of the foregoing being hereinafter sometimes called the "Woodson Properties". The share of development and operating costs chargeable against each of the Woodson Interests, if an operating interest, is shown in Exhibits A and Exhibits B opposite the heading "Working Interest" under the description of each Woodson Interest, and the share of the oil, gas and other hydrocarbons produced from the Lands which accrue to each of the Woodson Interests, after deducting all royalties, overriding royalties, outstanding production payments and other interests now burdening the Woodson Interests is shown in Exhibits A and Exhibits B opposite the heading "Net Interest" under the description of each Woodson Interest.

To HAVE AND TO HOLD the Woodson Properties, together with all and singular all rights, privileges, hereditaments and appurtenances thereto in anywise belonging, unto Texas Pacific, its representatives, successors and assigns, forever, subject, however, to the terms, provisions,

conditions, exceptions, reservations, covenants and agreements herein set forth:

ARTICLE ONE

RESERVATION OF PRODUCTION PAYMENT INTEREST

1.01 Upon the terms and provisions and subject to the exceptions and limitations set forth in this Article One, there is excepted herefrom and Prudential reserves to itself, as the "Production Payment Interest" an undivided sixty-five per cent (65%) of the oil, gas and other hydrocarbons produced, saved and sold from the Lands that accrue after the effective date to the Woodson Interests, to be delivered to the credit of Prudential into the pipe lines to which the wells may be connected, free and clear of all operation, development and other costs whatsoever. The Production Payment Interest shall remain in effect until Prudential shall have received from the proceeds of the sale of the oil, gas and other hydrocarbons accruing to the Production Payment Interest, over and above all severance, production, or other taxes (except franchise, income and other taxes measured by profits) upon or measured by production, and over and above all compression, treating and transportation charges, the full net sum (hereinafter called "Production Payment") of Two Million Dollars (\$2,000,000.00).

1.02 The Production Payment Interest shall be suspended from and shall not in any manner affect the Woodson Interests in (a) any additional wells drilled after the effective date upon any of the Lands or (b) any wells existing at the effective date located upon leases or units affecting any of the Lands upon which there shall have been instituted after the effective date water flood operations, the production from which wells is or will be substantially affected by such water flood operations, from the respective dates of completion of such additional wells or the respective dates of inception of such additional water flood operations (which dates are hereinafter collectively referred to as the "cut-