

charge of the Production Payment, and Texas Pacific shall never be personally liable for the payment and discharge thereof; provided, however, that nothing in this paragraph or in paragraph 3.02 hereof shall relieve Texas Pacific of its liability to respond in damages for any breach of any of the covenants, agreements and undertakings herein made by Texas Pacific. If any manufacturing, processing or refining operation is conducted by or for the benefit of Texas Pacific with respect to any oil, gas, other hydrocarbons or other minerals which accrue either to the Production Payment or the Net Profit Overriding Royalty, only that portion of the proceeds received from the sale thereof which represents the fair market value at the well head or mine of such oil, gas, other hydrocarbons or other minerals shall be applied upon the Production Payment or the Net Profit Overriding Royalty.

4.04 When the full amount of the Production Payment as specified in Paragraph 1.01 hereof, plus any additional amounts which Prudential is entitled to receive under the provisions of Paragraph 3.02 hereof, has been received by Prudential as above provided, then, subject to the provisions of Paragraph 4.02 hereof, the Production Payment Interest shall terminate and vest in Texas Pacific, and in that event Prudential agrees, upon request, to execute and deliver all necessary and proper acquittances.

4.05 The provisions of 43 Code of Federal Regulations 192.83 being recognized, it is agreed (so long as said regulation, or one similar thereto, is in force and effect), with respect to any lease from the United States of America (or portion segregated for computing governmental royalties), an interest in which is included in the Woodson Properties, that the interest in such lease herein reserved as the Production Payment Interest shall, to the extent that such interest, when added to the overriding royalties or payments out of production of oil previously created and to the royalties payable to the United States, aggregate in excess of 17½ percent, be suspended as to oil when and so

long as the average production of oil per well per day from such lease (or such segregated portion) averaged on a monthly basis is 15 barrels or less.

4.06 All oil and gas leases or leasehold interests covering any of the Lands hereafter at any time acquired by Texas Pacific in extension, renewal or substitution for any of the leases specifically described in any exhibit hereto shall be included in the Woodson Interests and shall be subject to all of the terms and provisions hereof in the same manner and to the same extent as if such extension, renewal, or substitution leases or leasehold interests had been specifically described in an exhibit hereto.

4.07 This Conveyance and Agreement is made by Prudential specifically subject to all of the terms and provisions of all of the contracts, agreements and other instruments described or referred to in Exhibits A and Exhibits B insofar as they affect the Woodson Properties. Texas Pacific assumes all obligations of Prudential relating to the Woodson Properties under the leases, contracts and other instruments which are described or referred to in such exhibits to the extent that such obligations accrue after the effective date, and Texas Pacific agrees to hold Prudential harmless with respect thereto. This Conveyance and Agreement is made by Prudential without any warranty of title, either express or implied, but Texas Pacific shall be fully subrogated to all rights of Prudential under any covenants or warranties of title made by Prudential's immediate or remote predecessors in title.

4.08 The parties hereto agree to execute and deliver all additional lawful instruments as may be necessary or appropriate fully to effectuate the provisions hereof, including but not limited to such other and additional instruments as may be necessary to correctly or to more fully describe and identify the properties and interest herein intended to be conveyed.

4.09 Any notices, requests, demands, reports or other instruments at any time required or permitted to be given or furnished to or served upon