

insofar as the matters referred to in (i) and (ii) above cover, affect or relate to the ownership, sale or marketing of the undivided interests herein excepted and reserved in the Hydrocarbons, and

(y) an undivided 50% of all of the Hydrocarbons in and under and that may be produced, saved, sold and marketed, and accruing to the undivided fractional interests of Assignor, set forth and described in Schedule 2 hereto in the Schedule 2 Properties, subject to the interests, exceptions and other matters set forth or referred to therein;

until and only until Assignor, and its successors and assigns, subject to the hereinafter mentioned terms, provisions and conditions relating to the PPI, shall have received and realized from the proceeds derived from the sale or marketing of the Hydrocarbons in the aggregate from all of the PPI (after deducting from such proceeds the amount of all production, severance, sale or other disposition, gathering, pipeline regulating and similar taxes thereon withheld or deducted by the producer or purchaser of such part of the Hydrocarbons attributable to the PPI) the aggregate of the following amounts, to-wit:

Item A. The primary sum of \$47,600,000 of which \$35,600,000 is hereinafter called the "5½% portion of the primary sum" and \$12,000,000 is hereinafter called the "5⅞% portion of the primary sum"; plus

Item B. An amount equivalent to any and all taxes and assessments, ad valorem or otherwise, levied and assessed against, measured by, or imposed with respect to the PPI and paid by Assignor; plus

Item C. An amount equal to all production, severance, sale or other disposition, gathering, pipeline regulating and similar taxes levied against, measured by, or imposed with respect to the Hydrocarbons and the production attributable to the PPI, or the value thereof, and paid by Assignor otherwise than by withholding by the producer or purchaser of such Hydrocarbons; plus

Item D. An amount equal to all state franchise taxes and state income taxes (including interest and penalties thereon, if any) which are paid by Assignor to any state in which any of the Properties are located and which taxes are attributable to Assignor's ownership of the PPI; plus

Item E. An amount equivalent to 5½% per annum (on a 365 day year basis) of the 5½% portion of the primary sum, or the portion thereof remaining from time to time unpaid, computed from and after October 31, 1962; plus

Item F. An amount equivalent to 5⅞% per annum (on a 365 day year basis) of the 5⅞% portion of the primary sum, or the portion thereof remaining from time to time unpaid, computed from and after October 31, 1962; plus

Item G. An amount equivalent to 6% per annum (on the basis of a 365 day year) of the amounts specified in Items B., C. and D. above, or the portion thereof remaining from time to time unpaid, from the date that such amounts are paid by Assignor until such amounts are reimbursed in full;

provided, however, that 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, an interest in which is included in the Properties, that the interest in such lease herein reserved as the PPI 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 royalty payable to the United States, aggregate in excess of seventeen and one-half per cent (17½%) of total production, be suspended as to oil when and so long as the average production of oil per well per day (averaged on the monthly basis) is 15 barrels or less, and such suspension shall apply separately to any zone or portion of a lease segregated for computing Government royalty; and provided, however, further, that the provisions of 25 Code of Federal