

(c) pay or cause to be paid all royalties, delay rentals, gas rentals and shut-in royalties and payments with respect to Assignee's interest in each of the leases described in the Schedules hereto; and, subject to the provisions of Paragraph 7 and subparagraph (e) of this Paragraph 9, will, or will cause, all other obligations on the part of the lessee thereunder, whether expressed or implied, in and under each such lease, any assignment thereof or any sublease, to be duly and punctually kept, observed and performed, and do, or cause to be done, any and all acts and things necessary to prevent any breach, default, forfeiture or cancellation of any such leases and any rights appurtenant thereto;

(d) maintain, develop and operate or cause to be maintained, developed and operated (free and clear of all mechanics' and materialmen's liens for work, labor and material) all of the now or hereafter producing Properties and produce and market the Hydrocarbons therefrom, all in strict conformity with the terms and provisions of any agreements, contracts or instruments relating thereto, in a good and workmanlike manner and in accordance with the usual, customary and accepted oil and gas field practice in the area in which the respective Properties are located, to the end that each well now or hereafter located on the Properties capable of producing Hydrocarbons in paying quantities under generally approved, prudent and economical operation shall continue to produce and have marketed its maximum daily allowable or to the extent of its capacity and in compliance with all valid laws, rules, regulations and directives of all Federal, state and local legislative and administrative bodies, administrators and commissioners having jurisdiction over the Properties, the production of Hydrocarbons therefrom and the sale and marketing thereof, and protect or cause to be protected, at its cost and expense, each of the Properties against drainage;

(e) not abandon or permit the abandonment of any well now or hereafter located on any of the Properties unless:

(i) such well shall cease entirely to produce any Hydrocarbons for any reason not of a temporary nature, or

(ii) such well shall be incapable of producing any Hydrocarbons in paying quantities for any reason not of a temporary nature, and it has been reasonably determined in a report (furnished by Assignee at its cost and expense) by independent geologists or petroleum engineers, satisfactory to Assignor, that because of insufficient reserves of Hydrocarbons the recompletion of such well or the drilling and completion of an additional well would result in such well being incapable of producing Hydrocarbons in paying quantities, after recovery of the initial direct cost of recompleting such existing well or the drilling, completion and equipping of such additional well, and that in the opinion of such geologists or petroleum engineers, as shown in such report, no pressure maintenance or secondary recovery operations may be instituted with regard thereto which would result in the production of Hydrocarbons in paying quantities after the recovery of the initial costs of such pressure maintenance or secondary recovery operations.

For the purposes of this subparagraph (e), a well shall be deemed capable of producing Hydrocarbons in "paying quantities" as long as the aggregate value of such Hydrocarbons produced therefrom (less only the proportionate part of the royalties and overriding royalties attributable, at the date hereof, to the interest in such well assigned and conveyed hereby, but not deducting any part of the Hydrocarbons attributable to the PPI) equals or exceeds the direct costs (with a reasonable and customary charge for overhead) of operating such well and the preparation of the Hydrocarbons produced therefrom for marketing;

(f) maintain a modern system of accounting and furnish to the Assignor within 90 days after the close of each of Assignee's fiscal years an audit report prepared by independent certified public accountants satisfactory to Assignor, including balance sheets and profit and loss and surplus statements; and within 60 days after the close of each