

percentages (except for the percentages applicable to the Exhibit B Subject Interests and, insofar as they relate to the New Exhibit A Sands as hereinafter defined, to the Exhibit A Subject Interests) may be adjusted from time to time as set forth below (such Initial Production Payment Percentages, together with any adjustments thereof, being herein called the "Production Payment Percentages"), of all the Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue or be attributable to, the Subject Interests from and after the Effective Date and throughout the period specified in Section 1.3; *subject, however*, to the provisions of Section 1.2.

The Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue or be attributable to, the Subject Interests from and after the Effective Date and throughout the period specified in Section 1.3 are herein sometimes called the "Subject Hydrocarbons"; the Production Payment Percentages thereof so expressly excepted, reserved and retained are herein sometimes called the "Production Payment Hydrocarbons"; and the Production Payment Hydrocarbons, together with all other rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto, excepted and retained by the Grantor under this Conveyance are herein sometimes called the "Texas Pacific Production Payment".

If the cumulative amount deemed received and applied by the Grantor on or prior to any date specified below to the reduction of the unliquidated balance of the Primary Sum (as hereinafter defined) of the Texas Pacific Production Payment shall be at least equal to the amount specified below opposite such date:

<u>Date</u>	<u>Cumulative Minimum Amount</u>	<u>Date</u>	<u>Cumulative Minimum Amount</u>
April 1, 1964	\$ 10,000	October 1, 1966 ..	\$33,000,000
July 1, 1964	3,000,000	January 1, 1967 ..	37,000,000
October 1, 1964 ..	6,000,000	April 1, 1967	41,000,000
January 1, 1965 ..	10,000,000	July 1, 1967	45,000,000
April 1, 1965	13,000,000	October 1, 1967 ..	50,000,000
July 1, 1965	16,000,000	January 1, 1968 ..	55,000,000
October 1, 1965 ..	19,000,000	April 1, 1968	60,000,000
January 1, 1966 ..	22,000,000	July 1, 1968	65,000,000
April 1, 1966	25,000,000	October 1, 1968 ..	70,000,000
July 1, 1966	29,000,000	January 1, 1969 ..	75,000,000

<u>Date</u>	<u>Cumulative Minimum Amount</u>	<u>Date</u>	<u>Cumulative Minimum Amount</u>
April 1, 1969	\$ 80,000,000	October 1, 1972 ..	\$150,000,000
July 1, 1969	85,000,000	January 1, 1973 ..	155,000,000
October 1, 1969 ..	90,000,000	April 1, 1973	160,000,000
January 1, 1970 ..	95,000,000	July 1, 1973	165,000,000
April 1, 1970	100,000,000	October 1, 1973 ..	170,000,000
July 1, 1970	105,000,000	January 1, 1974 ..	175,000,000
October 1, 1970 ..	110,000,000	April 1, 1974	180,000,000
January 1, 1971 ..	115,000,000	July 1, 1974	185,000,000
April 1, 1971	120,000,000	October 1, 1974 ..	190,000,000
July 1, 1971	125,000,000	January 1, 1975 ..	196,000,000
October 1, 1971 ..	130,000,000	April 1, 1975	201,000,000
January 1, 1972 ..	135,000,000	July 1, 1975	206,000,000
April 1, 1972	140,000,000	October 1, 1975 ..	211,000,000
July 1, 1972	145,000,000	January 1, 1976 ..	216,000,000

then, commencing with the Accounting Period ending on the last day of the calendar month in which such cumulative minimum amount shall have been so deemed received and applied, the Initial Production Payment Percentage for any Subject Interest shall, if necessary, be automatically reduced for Subject Hydrocarbons produced during the last calendar month of such Accounting Period to such percentage as will result in the Gross Revenues from the sale or other disposition of Subject Hydrocarbons produced in such Accounting Period attributable to the Residual Operating Interest of the Grantee with respect to such Subject Interest being equal to the Operating Costs of the Grantee for such Subject Interest for such Accounting Period, and, subject to the provisions of the next sentence of this paragraph, for each subsequent Accounting Period a similar reduction in such Percentage shall, if necessary, be made for Subject Hydrocarbons produced during the last calendar month of each such Period; *provided, however*, that in no event shall any Production Payment Percentage applicable to any Subject Interest be reduced at any time to less than 20% of the Initial Production Payment Percentage applicable to such Subject Interest; and *provided further, however*, that during the continuance of a Remedial Event (as defined in Section 4.1) all Production Payment Percentages shall automatically revert to the Initial Production Payment Percentages, effective as of the first day of the calendar month in which the Grantor gives written notice to the Grantee of such reversion. If