

and undeveloped acreage, may be appropriate to maintain and protect the Exhibit B Subject Interests which are not Proven Subject Interests (such Exhibit B Subject Interests, until they become Proven Subject Interests, being herein collectively called the "Unproven Subject Interests"); and

B. the Grantee's interest in the Unproven Subject Interests to be kept free and clear of liens, charges and encumbrances securing direct or contingent obligations of the Grantee for the payment of borrowed money other than those consented to in writing by the Grantor.

Anything herein to the contrary notwithstanding, however, until an Unproven Subject Interest shall hereafter be proven to be capable of producing Hydrocarbons in paying quantities, the Grantee may, at its sole discretion and without the consent of the Grantor, surrender, abandon, release, sell, convey, assign, lease or sublease such Unproven Subject Interest or any part thereof, and thereupon the same shall cease to be subject to the Texas Pacific Production Payment, except that any interest in such Unproven Subject Interest retained by the Grantee shall remain and be a part of the Subject Interests and shall be subject to the Texas Pacific Production Payment; *provided, however,* that the Grantee shall not surrender, abandon, release, sell, convert, assign, lease or sublease such Unproven Subject Interest or any part thereof to any affiliated person (as defined in *Section 1.4*) or in any transaction not at arm's length without the prior written consent of the Grantor; and *provided, further*, that, without the prior written consent of the Grantor, the cash consideration payable to the Grantee for all such surrenders, abandonments, releases, sales, conveyances, assignments, leases or subleases shall not exceed \$100,000 during the period of the Texas Pacific Production Payment. If assignment of an Unproven Subject Interest is property (other than any interest reserved by the Grantee in such Unproven Subject Interest), then for the purpose of applying the aforesaid monetary limitations, the fair market value of such property at the time of the assignment shall be deemed to be cash consideration received by the Grantee.

**Section 3.3. Reports to the Grantor.** While the Texas Pacific Production Payment remains in force and effect, the Grantee will, at its own expense, furnish to the Grantor, in such number of counterparts as the Grantor may reasonably request, the following:

A. Upon request of the Grantor, but not more than once in any calendar year (commencing with the calendar year 1964), reports prepared by or for the Grantee concerning (1) the productivity and the productive life of all wells included in the Subject Interests or covered by any pooling, unitization or communitization agreement to which any part of the Subject Interests may at the time be subject, (2) the quantity of the Hydrocarbons recoverable from the Subject Interests, (3) the projected date upon which the Texas Pacific Production Payment will be discharged and the estimated Gross Revenues and Operating Costs attributable to the Subject Interests on a fiscal year basis through such date and on an aggregate basis thereafter, (4) the expediency of any change in methods of treatment and operation of all or any wells included in the Subject Interests, any new drilling or development (including, to the extent available, an estimate of the reserves of Subject Hydrocarbons discovered by any new well), any proposed abandonment of a well, any plugging of any well and reopening the same at a different level, any method of repressuring in the field, or any other action with respect to the Subject Interests, the decision as to which may increase or reduce the volume of the Hydrocarbons ultimately recoverable from the Subject Interests, or the rate of production therefrom, or which may shorten or prolong the period of time required for the discharge of the Texas Pacific Production Payment, and (5) the actions (including, without limitation, drilling, repairing and maintaining of wells and institution of pressure maintenance and secondary recovery programs) taken since the Effective Date in compliance or attempted compliance with *Subsection C of Section 3.1* and, further, upon request of the Grantor (but not more often than once each calendar year commencing with the calendar year 1964), a report of an independent engineer designated by the Grantee and approved by the Grantor covering such of the matters mentioned in this Subsection (except for the matters referred to in clause (3) above) as shall be so requested.

B. Upon request of the Grantor, but not more than once in any calendar year, all such information and reports (including