

without limitation an independent engineer's report relating to the matters specified in clause (3) of *Subsection 4* above) as are necessary to complete the forms, statements, valuation reports and other papers required by, and to meet the requirements and satisfy the requests of, the Committee on Valuation of Securities, National Association of Insurance Commissioners.

C. Within 60 days after the end of each calendar month, a report showing, for such calendar month, the Gross Revenues attributable to Subject Hydrocarbons produced during such calendar month from the Subject Interests, the quantities of Subject Hydrocarbons from which such Gross Revenues were derived, the taxes deducted from or paid out of such Gross Revenues, the net proceeds of Production Payment Hydrocarbons receivable by the Grantor out of such Gross Revenues, the number of wells operated, drilled and abandoned and such other information as the Grantor may reasonably request.

D. Within 60 days after the end of each calendar month, a report showing with respect to each Subject Interest, for such calendar month and for the Accounting Period through the end of such calendar month, the Subject Hydrocarbons produced during such month and during such Accounting Period, the Gross Revenues attributable thereto, the *ad valorem* taxes and the Production Taxes imposed or assessed upon the Texas Pacific Production Payment or upon the Production Payment Hydrocarbons, the Operating Costs of the Grantee, the Gross Revenues attributable to the Residual Operating Interest of the Grantee, and the net proceeds of Production Payment Hydrocarbons receivable by the Grantor. For purposes of any report required by this Subsection, a "Subject Interest", with respect to any Exhibit B Subject Interest shall be determined in accordance with the customary accounting practices of the Grantee.

E. Annually commencing on November 1, 1964, a report showing as to the preceding fiscal year of the Grantee the number of units into which any of the Subject Interests (or any portion thereof) have been pooled or combined under the authorization contained in *Section 7.3* or otherwise, the location and description thereof, the records, and the volumes and pages thereof, in which the pooling or communization agreements, unit designations or other instruments required by *Section 7.3* have been filed and recorded, the number of field-wide unitizations to which any of the

Subject Interests (or any portion thereof) have been made subject by the specific authorizations of the Grantor and the Grantee and their locations and descriptions and other data pertinent thereto, and the number, location and description of any secondary recovery operations affecting any of the Subject Interests (or any portion thereof), and summarizing any other transactions which in the sole opinion of the Grantee constitute items of major importance affecting the Subject Interests.

F. Annually, commencing on November 1, 1964, a report showing as to the preceding fiscal year of the Grantee, an accurate description by metes and bounds of each Exhibit B Subject Interest which during such fiscal year became capable of producing Hydrocarbons, together with opinions of counsel acceptable to the Grantor as to the Grantee's interest in such Subject Interest, including the extent to which such interest is free and clear of all liens, charges and encumbrances other than those specified or referred to in *Subsection I* of *Section 3.1*, and the extent to which curative action is necessary to make the Grantee's interest in such Subject Interest free and clear of all liens, charges and encumbrances other than those specified or referred to in *Subsection I* of *Section 3.1*.

In the event the Grantor desires at any time within six months after the receipt of any report covering a semi-annual or annual Accounting Period pursuant to *Subsection D* of this Section, it may cause the matters covered or required to be covered by any such report to be audited, at the expense of the Grantee, by an independent public accountant or accountants designated by the Grantee and approved by the Grantor.

SECTION 3.4. *Titles to Exhibit B Subject Interests.* The Grantee shall use its best efforts to obtain good and marketable title to each Exhibit B Subject Interest prior to commencement of production therefrom, or promptly thereafter, free and clear of defects and irregularities of title (except such as do not interfere materially with the operation, value or use of any such Subject Interest or materially affect title thereto) and free and clear of all liens, charges and encumbrances other than those specified or referred to in *Subsection I* of *Section 3.1*.