

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*; AND FURTHER EXCEPTING AND RETAINING unto the Grantor, all right, title and interest in, to and under, or derived from, all contracts and agreements for the sale of "*Subject Hydrocarbons*" (as defined below), or any portion thereof, whether presently existing or hereafter entered into in accordance with *Section 1.4* (said contracts and agreements being hereinafter collectively called the "*Production Sales Contracts*"), in so far, and only in so far, as the Production Sales Contracts cover the sale of "*Production Payment Hydrocarbons*" (as defined below).

The Hydrocarbons in and under, and which may be produced and saved from, and 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 below specified undivided percentages thereof so expressly excepted 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 (including, without limitation, all right, title and interest in the Production Sales Contracts excepted and retained as aforesaid), are herein sometimes called the "*Texas Gulf Production Payment*".

Said specified undivided percentages of the Subject Hydrocarbons are the applicable percentages set forth in the Tabulation below:

TABULATION OF PERCENTAGES OF SUBJECT HYDROCARBONS EXCEPTED

Attributable to			
Schedule I Exhibit A Subject Interests	Schedule II Exhibit A Subject Interests	Schedule III Exhibit A Subject Interests	Schedule IV Exhibit A Subject Interests
92%	84%	77%	65%
		Exhibit A New Sands	Exhibit B Subject Interests
		50%	50%

For all purposes of this Conveyance, "*Exhibit A New Sands*" referred to in the Tabulation above shall mean any sand or formation forming a single and natural reservoir of Hydrocarbons characterized

by a single pressure system which contains Hydrocarbons attributable to any Exhibit A Subject Interests and which was not, as of the Effective Date, capable of producing (whether by primary or secondary methods) Subject Hydrocarbons from a well then completed in such reservoir.

AND THIS CONVEYANCE FURTHER WITNESSETH that, for the consideration aforesaid, Grantor by these presents does, as of the Effective Date, grant, bargain, sell, convey, assign, transfer, set over and deliver unto Grantee all of Grantor's right, title and interest (said rights, titles and interests as to each Subject Interest other than in the case of a unit or communitized area, being not less than the applicable fraction or percentage of the operating interest owned by Grantor in such Subject Interest as described in *Exhibit A* and *Exhibit B*) in and to all personal property, improvements, easements, permits, licenses, servitudes and rights of way situated upon or used or useful or held for future use in connection with the exploration, development or operation of the Subject Interests, or of any unit or communitized area that includes any of the Subject Interests, or the production, treating, storing or transportation of Hydrocarbons or other minerals, including, but not by way of limitation, all wells, casing, tubing, derricks, tanks, tank batteries, boilers, separators, rods, pumps, flow lines, water lines, gas lines, buildings, fixtures, machinery and other equipment, pipe lines, power lines, telephone and telegraph lines, roads and other appurtenances, all such property, improvements, easements, permits, licenses, servitudes and rights of way being herein called the "*Assigned Appurtenances*".

To HAVE AND TO HOLD the properties, rights, titles, interests, estates, powers, privileges and appurtenances hereby granted, bargained, sold, conveyed, assigned, transferred, set over and delivered as aforesaid unto the Grantee, its successors and assigns forever.

SECTION 1.2. *Certain Provisions Governing Production Payment Hydrocarbons.* All the provisions of this Conveyance shall be subject to the following:

A. Unless the context otherwise requires, the words "*Subject Hydrocarbons*" and "*Production Payment Hydrocarbons*"