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other costs and expenses of every kind whatsoever, and over and above all gross production, severance, gathering, pipeline regulating and other taxes and assessments (other than taxes on or measured by the income or profits of the Grantee) imposed with respect to or measured by or charged against the oil or gas accruing to the Production Payment herein conveyed, the sum of seven million (\$7,000,000) dollars (hereinafter called "Primary Amount") plus an amount (hereinafter called "Secondary Amount") equal to five and one-quarter ( $5\frac{1}{4}\%$ ) per cent per annum on the outstanding balances on the Primary Amount from time to time remaining unpaid, such Secondary Amount to be computed (on the basis of a 365 day year) from date hereof to June 30, 1965, and monthly thereafter, and plus an amount equal to all ad Valorem Taxes (or taxes imposed in lieu thereof) if any, assessed against the Production Payment herein conveyed which are paid by the Grantee, it being understood that such proceeds received by the Grantee each month shall be applied first to the Secondary Amount and then to the amount equal to said ad Valorem Taxes (or taxes imposed in lieu thereof) and the balance shall be applied against, and to that extent shall reduce, the Primary Amount or the unliquidated balance thereof then remaining. Where statutory and governmental regulatory provisions require it, all gross production, severance, gathering, pipeline regulating and other taxes and assessments imposed with respect to or measured by or charged against the oil or gas accruing to the Production Payment herein conveyed shall be deducted from such proceeds by the purchasers of such oil or gas in compliance with such provisions, and only the net proceeds remaining shall be applied in accordance with the foregoing provisions of this paragraph.

It is the intention of the Grantor and Grantee that the properties and operating rights subject to this production payment shall include all of the properties and operating rights of the Grantor, within the continental limits of the United States of America, owned by the Grantor on the date of this conveyance, which are producing oil and/or gas on the date of this conveyance or commence production of oil and/or gas subsequent hereto. Any such properties and operating rights, which are presently producing or which commence production subsequent hereto and which are not described in Exhibit "A" attached