

ARTICLE ONE

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(a) ASSIGNOR expressly excepts herefrom and reserves unto itself, its successors and assigns, a production payment payable out of the following percentages of ASSIGNOR'S interests in production from only those properties described in Exhibits B-1, B-2 and B-3, to-wit:

Exhibit B-1 properties: 85% of ASSIGNOR'S interests, but only down to the base of the Dakota Formation

Exhibit B-2 properties: 75% of ASSIGNOR'S interests

Exhibit B-3 properties: 40% of ASSIGNOR'S interests

so that; subject to the further terms, limitations and condition hereof, ASSIGNOR shall continue to own in place and be entitled to receive, sell and dispose of if, as and when produced, saved and sold, the percentages specified above of ASSIGNOR'S interests in the properties described in Exhibits B-1, B-2 and B-3 only in the oil, gas, gas condensate and other liquid or gaseous hydrocarbons (herein collectively referred to as oil and gas) produced from, saved and sold or run from or accruing to the account or credit of the undivided interests in said properties herein conveyed from and after the effective date and hour hereof, which, but for this reservation, would have gone to ASSIGNEE; provided that when, as and if ASSIGNOR, its successors and assigns, has received under and by virtue of this production payment reservation, oil and gas of the value of \$900,000.00 from production on and after such date and hour, plus an amount equivalent to that which interest would produce when computed at the rate of seven and three-eighths percent (7-3/8%) per annum from the date of this instrument upon the balances of said \$900,000.00 remaining from month to month unsatisfied (excluding from such value all transportation charges and all gross production, severance and similar taxes imposed with respect to such production whether imposed by laws now in effect or laws hereafter enacted), so that ASSIGNOR shall be entitled to receive oil and gas of the full value of \$900,000.00 plus an amount equivalent to that which interest would produce when computed at the rate and in the manner above specified, all over and above the amounts required to pay transportation charges, and gross production, severance and similar taxes imposed with respect to the production of oil and gas received by ASSIGNOR under this production payment reservation; provided that, when said amounts have been received, then ASSIGNOR, its successors and assigns, shall have no further interest in the production accruing to the properties described in Exhibits B-1, B-2 and B-3 insofar as this reserved production payment is concerned, as further provided in Paragraph (b) below;