

pro rata share of the direct expenses of operating said property. In the event ASSIGNEE desires to surrender, abandon or release a property or properties under the provisions of this paragraph, ASSIGNOR reserves the right, at its election, to take over the operation of any such property or properties and shall have the right to use, without any charge therefor, all equipment, machinery and materials then located upon said property and pertaining to the production and marketing of oil or gas therefrom. All costs and expenses incurred by ASSIGNOR in so operating such properties shall be borne by it, and the amount received from the sale of oil and gas produced from any such property; that is, from the undivided interest conveyed to ASSIGNEE herein and the interest herein reserved to ASSIGNOR, after deducting all expenses and costs incurred, shall be applied towards reduction of the production payment reservation herein reserved by ASSIGNOR. When and if said production payment is fully satisfied or ASSIGNOR has permanently abandoned producing operations on such property, possession thereof shall be redelivered to ASSIGNEE.

(h) The surrender, abandonment or release by ASSIGNEE of any lease subject to the reserved production payment or any part thereof, under the provisions of Paragraph (g) of this Article One, will not reduce the amount of the production payment and such production payment shall continue in full force and effect as to all other properties described in Exhibits B-1, B-2 and B-3 until the full amount thereof has been paid.

(i) In the event that ASSIGNEE should surrender, abandon or release any lease subject to the reserved production payment or any part thereof, without ASSIGNOR'S consent or without first affording ASSIGNOR the right to take over the operation thereof, as provided in Paragraph (g) of this Article One, or in the event that there shall be a judicial cancellation or forfeiture of any such lease, the production payment herein reserved shall apply to any new lease taken by ASSIGNEES, upon all or any portion of the land covered by such lease so surrendered, abandoned, released, canceled or forfeited within a period of one (1) year after such surrender, abandonment, release, cancellation or forfeiture. The production payment herein excepted and reserved shall also apply to any renewal, amendment or extension obtained by ASSIGNEE of any lease, or leasehold interest herein conveyed, or any part or portion thereof covering the lands described in Exhibits B-1, B-2 and B-3.

(j) For so long as any part of the production payment interest hereby reserved and retained by ASSIGNOR is outstanding and unsatisfied, or until a property