

interest therein, plus interest as herein provided. Such right may be exercised at any time and from time to time after the occurrence of any of the above events until such time as the production payment has been liquidated and until ASSIGNOR has been reimbursed for all amounts expended; provided, that such right shall not be exercisable after the expiration of 20 years from the date hereof. By reason of the production payment, ASSIGNOR does not acquire any of ASSIGNEE'S undivided interest in the personal property or equipment located on or used in connection with said properties; but, if the right herein accorded ASSIGNOR to take over and manage said properties after occurrence of any of the above events is exercised, ASSIGNOR shall have the use of such personal property and equipment, free of rental costs or other charges, for the purpose of managing and maintaining those properties subject to the reserved production payment.

(1) ASSIGNOR agrees that ASSIGNEE shall be free to farm out all acreage listed in Exhibits B-1, B-2 and B-3, except producing wells, without the consent or joinder of ASSIGNOR so long as any farmouts or other arrangements pertaining to such acreage are made in good faith and retain an override or an oil payment or other interest, of which the percentages specified in Paragraph (a) above of the proceeds attributable thereto will be applicable to the production payment herein reserved. "Producing wells" as used above shall be defined as either producing oil wells or producing gas wells, together with that amount of acreage allocated thereto by the spacing rules of the appropriate governmental authority; or, if no field rules have been set up, it shall be deemed to include 40 acres around each oil well and/or 320 acres around each gas well.

ARTICLE TWO

All of the terms and provisions of this instrument shall be and shall be construed as covenants running with the land, binding everyone who may in any way succeed to any part of the undivided interests in the properties described in the Exhibits attached hereto.

ARTICLE THREE

Notwithstanding anything to the contrary contained herein, it is expressly understood and agreed that the production payment hereinbefore reserved by ASSIGNOR insofar as it affects the properties described in Exhibit B-1 only shall be limited to production from those formations found from the surface of the ground down to and including the base of the Dakota Formation in and under said leases. This production payment shall not apply to or affect production from below the base of the