

and pertain to the said "Shallow Zones", and agrees to save and hold Belco harmless of and from any liability, claim or demand which may accrue thereunder with respect to said "Shallow Zones". 387

4. COVENANTS

Western, in its operations of the "Shallow Zones" granted to it herein, shall comply with all orders of the United States Geological Survey of the Department of the Interior, and/or other governmental agency having or claiming to have jurisdiction over operations of the above described land, and shall save and hold Belco harmless of and from any and all liability, claim or demand with respect to or growing out of said operations. In this regard, Western shall pay or cause to be paid, all royalties reserved by the United States upon all products produced by Western hereunder, which royalty payments shall be made directly to the United States, and shall pay or cause to be paid all royalties reserved to other persons and parties, upon all products produced by Western hereunder, such royalties to be paid directly to the parties thereunto entitled.

5. RENTALS

Rentals shall be paid and borne 50 percent by Western and 50 percent by Belco.

6. ROYALTIES RESERVED TO BELCO AND RELEASED BY WESTERN

This grant of operating rights is in consideration of the payment to Belco by Western of 6-1/4% of the 8/8ths of the gross production of the "Shallow Zones" from, or allocated to, the lands described in Paragraph A hereof, and to implement said consideration, Belco hereby reserves and Western specifically agrees to pay an overriding royalty of 6-1/4% of 8/8ths of the gross production from the "Shallow Zones", which are the subject of this agreement as hereinbefore described in Paragraph A hereof.

It is further agreed that, in consideration of this grant of operating rights, the royalty of 6% reserved by Western in the operating agreement of May 16, 1962, is hereby specifically released and terminated and merged with the operating rights insofar as the said royalty applies to the lands described in Paragraph A hereof. Said royalty shall not be affected insofar as the same applies to other lands in said agreement of May 16, 1962.