

of independent accountants, counsel for PP Owner and counsel for lenders, all charges and expenses of any trustee or lender under any such mortgage or deed of trust and all expenses and taxes imposed on any lender by any state or any political subdivision thereof within which any Subject Interest is wholly or partially located which are attributable to the mortgaging of the Production Payment), not exceeding in the aggregate (exclusive of interest) \$100,000 during the entire term of the Production Payment, or (2) to any litigation, contest, settlement, release or discharge of any adverse claim or demand made by any person affecting in any manner whatsoever the Production Payment, the Production Payment Hydrocarbons or the other Subject Interests; plus

E. An amount equal to any franchise, income, sales or gross receipts taxes, including penalties and interest, if any, which are imposed on PP Owner (or if PP Owner is a partnership, on any partner thereof) by any state, or any political subdivision thereof, in which any of the Subject Interests are located, and which are payable on account of PP Owner's ownership or mortgaging of the Production Payment or on account of the receipt of Production Payment Hydrocarbons or other PP Proceeds, together with an amount equal to interest thereon at the then effective rate set forth in subsection B of this Section 2 from the date of payment thereof by PP Owner; provided, however, as follows:

(1) There shall be included in such amount any tax attributable to the gain from any sale or other disposition, in whole or in part, of the Production Payment, only to the extent that such gain is not attributable to any part of the consideration received upon such sale or disposition in excess of the unliquidated balance of the Primary Sum or, in the case of a partial sale or disposition, in excess of that portion of such unliquidated balance attributable to the part so sold or disposed of.

(2) No amount equal to such franchise or income taxes shall be included in the Production Payment to the extent that (a) the imposition of such taxes arises or results from (i) the acquisition or ownership of any property other than the