

Phillips does hereby convey, grant and assign to Second Party without representation or warranty of title either express or implied all of Phillips' right, title and interest in and to the working and operating rights in, to, under and held in connection with the above-described oil and gas lease, insofar as it covers and pertains to the above-described lands and any renewals, modification or extensions of said oil and gas lease issued or to be issued in lieu thereof, and any exchange, consolidated or other character of lease issued or to be issued as a result thereof, the rights and interests so granted and assigned being all of Phillips' right and privilege to explore and drill for, mine, extract, produce, remove, treat, handle, dispose of and market oil and/or gas or any other minerals or substances covered by said oil and gas lease and contained in the lands described above, provided; however, that the rights and interest hereby assigned are limited to such rights and interests under said lease and in said lands, insofar and only insofar as said lease covers and pertains to the oil, gas, casinghead gas and other minerals, and all rights pertaining thereto, in said lands from the surface of the ground down to and only down to the stratigraphic equivalent of 1,087 feet below the top of the Mesaverde formation; (for the purposes hereof, the top of the Mesaverde formation is defined as that point found at a drill depth of 7,740 feet in the Phillips No. 1 Lookout Mountain Unit well, SE/4 NW/4 Section 25-35N-115W, 6th P.M.) Phillips hereby expressly reserving unto itself, its successors and assigns, all rights of every kind and character in and to said lease covering said lands not assigned to Second Party herein. Phillips also reserves and retains unto itself, its successors and assigns, as an overriding royalty, $1/32$ of $8/8$ of all oil, gas and casinghead gas produced and saved from said lands from the surface of the ground down to and only down to the stratigraphic equivalent of 1,087 feet below the top of the Mesaverde formation. Whenever the average production of oil from the lease shall be 15 barrels per day or less, averaged on the monthly basis, the obligation to pay overriding royalty hereunder, as to oil production only, shall be reduced to the extent necessary so that the total of such overriding royalty and all previously created additional overriding royalties aggregate no more than a total of 5% of $8/8$ of the oil produced and saved from said lands or allocated thereto under a Unit Agreement, and for so long as such condition prevails. The overriding royalty herein retained by Phillips shall not be reduced because of the fact that Phillips is assigning to Second Party less than