

the production of oil need not conform in area with any unit formed for the production of gas. Immediately after formation of any such unit, Grantee shall furnish to the Owner of the Production Payment a true copy of the pooling agreement, declaration of pooling or other instrument creating such unit, in such number of counterparts as the Owner of the Production Payment may reasonably request. The interest in any such unit attributable to any of the Subject Interests (or any part thereof) included therein shall become a part of the Subject Interests and shall be subject to the Production Payment in the same manner and with the same effect as though such unit and the interest of the Grantee therein were specifically described in Exhibit A.

Section 12. Reports to the Owner of the Production Payment. So long as the Production Payment remains in force and to the extent the information is available to Grantee, Grantee, at its own expense, shall furnish to the Owner of the Production Payment the following, in such number of counterparts as the Owner of the Production Payment may reasonably request:

A. Upon request of the Owner of the Production Payment, but not more than once a year, reports prepared by or for Grantee concerning (1) the quantity of Subject Hydrocarbons recoverable from the Subject Interests, (2) the projected income and expense attributable to the Subject Interests, and (3) the expediency of any change in methods of treatment or operation of all or any wells productive of Subject Hydrocarbons, any new drilling or development, any method of secondary recovery by repressuring or otherwise, or any other action with respect to the Subject Interests, the decision as to which may increase or reduce the quantity of Subject Hydrocarbons ultimately recoverable from the Subject Interests, or the rate of production therefrom, or which may shorten or prolong the period of time required for liquidation of the Production Payment.

B. Monthly, a report showing the gross proceeds from sale of Subject Hydrocarbons (including any thereof taken by Grantee, or its lessees, for Grantee's, or its lessees', own use), the quantity of Hydrocarbons sold, the Production Taxes deducted from or paid out of such proceeds, the amounts applied on the Production Payment, the number of