

It is specifically provided that, in addition to any and all other royalties, overriding royalties, production payments and other burdens and encumbrances to which said Lease Acreage may be subject, Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty (hereinafter sometimes called "Assignor's Overriding Royalty") equal to the difference between the aforesaid royalties, overriding royalties, production payments and other burdens and encumbrances of record on July 3, 1972 and twenty-five percent (25%) of all of the oil, gas and other minerals produced and saved from the Lease Acreage. If Assignor owns less than the full leasehold interest in the Lease Acreage, then said overriding royalty shall be payable to Assignor in the proportion which the interest of Assignor therein bears to the full and undivided leasehold title.

Said overriding royalty shall be delivered to Assignor in the pipe line to which the well or wells on the Lease Acreage may be connected, free and clear of all risks incident to and all expenses of drilling, testing, developing, operating and maintaining the Lease Acreage, and free and clear of all liens, transportation charges and other charges and expenses, and free and clear of all taxes except that said overriding royalty interest shall bear its proportionate part of production taxes.

When the value of the total production from the F. B. Lacy, Inc. Brushy Creek Unit No. 1 Well (after deducting Assignor's Overriding Royalty and the royalties, overriding royalties, production payments and other burdens of record on July 3, 1972, against the Lease Acreage, production taxes and operating expenses) has equalled the cost of drilling, testing, completing and equipping the said well, Assignee shall notify Assignor in writing of such fact and shall also furnish an itemized statement of all production from the Lease Acreage, the disposition of same, and of all costs and expenses incurred in drilling, testing, completing, equipping and operating the said well. Assignor shall have the option for a period of thirty (30) days after receipt of such notice