

Hydrocarbons for the best prices obtainable when marketed, but never for less than the fair market value thereof when produced. The proceeds from the sale of Production Payment Hydrocarbons so taken in kind and marketed by the Owner of the Production Payment during any calendar month (but not less than the fair market value thereof at the wellhead when produced), less the amount of any production taxes thereon, shall be applied in the manner specified in Section 3 on the first day of the calendar month next succeeding the month in which such proceeds are received by the Owner of the Production Payment, but in no event later than the first day of the second calendar month following the month in which such Production Payment Hydrocarbons are taken in kind by the Owner of the Production Payment. Such taking by the Owner of the Production Payment shall not obligate Grantee, or its lessees, to incur any additional expense by reason thereof.

C. All obligations of Grantee, and its lessees, hereunder shall be subject to the applicable provisions of the Natural Gas Act, and all applicable rules and regulations of the Federal Power Commission. Rates permitted, under the Natural Gas Act and said rules and regulations, to be paid for gas included in Production Payment Hydrocarbons shall be controlling if varying from prices established in Production Sale Contracts or if different from the fair market value at the wellhead. Grantee and its lessees shall be entitled to use their reasonable discretion in making filings with the Federal Power Commission affecting gas included in the Production Payment Hydrocarbons.

D. Any contract hereafter made by Grantee or its lessees covering the sale of any Production Payment Hydrocarbons shall be limited in duration to the minimum needs of the industry, but in no case shall exceed one year.

Section 7. Protection to Purchasers. No pipeline company or other person purchasing or taking or processing Production Payment Hydrocarbons shall be required to take notice of, or to keep informed concerning, termination of the Production Payment, until actual receipt of written notice advising such company or person of such termination.

Section 8. Taxes. Grantee shall pay, promptly when due, together with interest and penalties thereon, if any, all production, severance or ad valorem taxes ( or taxes