

Assignee's concurrence, a final recapitulation settlement to account for all production proceeds received by Assignor and all necessary and reasonable capital costs, taxes, including federal and state income taxes, expenses and royalties paid by Assignor attributable to the Property after the Effective Date. Assignee shall have the right, within thirty (30) days after receipt of the final recapitulation settlement, to audit and take exceptions to the reconciliation of all financial activity. Any disagreements shall be resolved on a best efforts and good faith basis by Assignor and Assignee.

(d) Within one year after the execution of this Sale and Assignment by Assignor and Assignee, Assignor or Assignee may, at its own expense and by appointment only, audit the other party's books, accounts and records relating to such production proceeds, capital costs, taxes, expenses and royalties relating to this transaction. Such audit shall be conducted so as to cause a minimum of inconvenience to the audited party.

#### 4. CALL ON PRODUCTION

Assignor reserves, on behalf of Texaco Trading and Transportation Inc. (TTTI), the right from time to time to purchase, for the equivalent or greater price to be paid to Assignee by any bona fide third party purchaser, the oil and other liquid hydrocarbons produced and saved from the Leases. Assignor's election to purchase said oil and other liquid hydrocarbons shall be given to Assignee in writing at least thirty (30) days prior to the time purchases shall begin, and notice of discontinuance of purchases shall be given in a like manner. The option given hereby shall apply separately as to oil and other liquid hydrocarbons, and Assignor may purchase the oil and other liquid hydrocarbons, or any one or more of them, without purchasing the remaining products.

#### 5. LAWS AND REGULATIONS

All the terms and provisions of this Sale and Assignment are hereby expressly made subject to all federal, state, and local laws and to all orders, rules, regulations and standards issued thereunder by all duly constituted political subdivisions and agencies having jurisdiction, and Assignee hereby warrants and covenants that it will comply with same. Further, Assignee specifically warrants and covenants that it will comply with any and all laws, orders, rules, regulations and standards of all federal, state and local political subdivisions and agencies applicable to (1) all exploration, drilling, production, plugging, and abandonment procedures and operations, and (2) the control, regulation and prevention of pollution, including, but not limited to, salt water discharge and contamination.

#### 6. PLUGGING AND ABANDONMENT OF WELLS

Assignee expressly agrees to and shall assume all obligations and responsibilities with respect to the plugging, replugging and abandonment obligations of Assignor relative to any unplugged Wells all in full compliance with any and all applicable federal, state and local laws, orders, rules, regulations and standards. Assignee further expressly agrees to and shall assume the surface restoration obligations relative to the Property. Assignee agrees to and shall fully protect, indemnify and hold Assignor harmless from and against any expense, claim or cause of action brought against Assignor or Assignee by any third party arising from Assignee's failure to comply with the plugging, replugging, abandonment, or surface restoration obligations set forth herein and under the Property.

#### 7. ASSUMPTION OF OPERATORSHIP

(a) Assignee shall assume operatorship of the Property conveyed herein at 7:00 A.M. local time on September 1, 1992, and shall perform all duties required in the course of business, including, but not by way of limitation, changing operatorship with all regulatory bodies, paying royalties and severance taxes, pumping and gauging wells, working over wells, drilling new wells, filing all necessary reports required by law or otherwise, and performing maintenance and/or repair work on the Property. Assignor will operate the Property for Assignee from the Effective Date until 7:00 A.M. local time on September 1, 1992.

(b) Assignee agrees that it shall remove all signs bearing the name "Texaco" from the premises within thirty (30) days of the closing date hereof.