

has full right and authority to sell and convey, as herein provided, the Production Payment; that the oil, gas and mineral leases described in Exhibit A are valid and subsisting and in full force and effect, and that, at and until the execution and delivery of this Conveyance, Grantor has good title, free from all liens, charges and encumbrances to the leasehold interests, and royalty and mineral interests as are specified in Exhibit A, subject only to (a) the existing Production Sale Contracts, (b) the lien of ad valorem taxes not yet due and payable, (c) the liens, charges and encumbrances, if any, specified in Exhibit A, and (d) the unitization and pooling agreements and operating agreements, if any, described in Exhibit A; that all rentals and royalties due and payable under said leases have been duly paid, and no default now exists under said leases; that ownership of the leases, royalties and minerals entitles Grantor, at and until the delivery of this Conveyance, to receive not less than the interest specified in connection with each parcel included in Exhibit A; that Grantor is not obligated by virtue of any prepayment made under any Production Sale Contracts containing a "take or pay" clause or under any similar arrangement, to deliver Subject Hydrocarbons at some future time without then or thereafter receiving full payment therefor; and that Grantor will warrant and forever defend the Production Payment unto Production Payment Assignee against every person whomsoever now or at any time hereafter lawfully claiming the same or any part thereof. This Conveyance is made with full substitution and subrogation of Production Payment Assignee in and to all covenants and warranties by other heretofore given or made in respect of any of the Subject Interests or Assigned Appurtenances or any part thereof.

This Conveyance has been executed by or on behalf of W. C. English, Jr., as Grantor in both Part I and Part II hereof, and delivery hereof has been accepted and this Conveyance executed by Highland Oil Company, as Grantee in Part I hereof, which Part contains the covenants herein made by Grantee. Delivery hereof has been accepted by or on behalf of Kinkaid Resources, Inc., as Production Payment Assignee in Part II hereof. This Conveyance has been executed in several counterparts, each of which shall be deemed to be an original and all of which are identical.

IN WITNESS WHEREOF, this Conveyance has been executed or caused to be executed on their behalf by Grantor and