

2. "Production Payment" - the meaning stated in Section 1.

PART I

CONVEYANCE OF OIL AND GAS PROPERTIES AND
RESERVATION OF PRODUCTION PAYMENT

Section 1. Conveyance. Grantor, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) to Grantor in hand paid by Grantee, the receipt and sufficiency of which is hereby acknowledged, and in further consideration of the covenants and agreements herein made by Grantee by these presents does grant, sell, convey, assign, deliver and set over unto Grantee, subject to the Production Payment hereinafter reserved, the following:

A. All of the oil, gas and mineral leases covering lands in Lavaca and DeWitt Counties, Texas, described in Exhibit A attached hereto and made a part hereof.

B. All of Grantor's undivided royalty and mineral interests in and to lands located in Lavaca and DeWitt Counties, Texas, and described in Exhibit A.

C. All of Grantor's right, title and interest in, to and under, or derived from, all of the presently existing and valid unitization and pooling agreements and the properties covered and the units created thereby (including all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental agency having jurisdiction), which are described in Exhibit A or which relate to any of the lands described in Exhibit A.

D. All of Grantor's right, title and interest in, to and under, or derived from, all of the presently existing and valid oil, casinghead gas and gas sales, purchase, exchange and processing contracts and agreements, and all other contracts, agreements and instruments which relate to any of the properties and interests specifically described in Exhibit A.

E. Without limiting the foregoing, all of Grantor's right, title and interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to the lands specifically described in Exhibit A, even though Grantor's interests in said lands be incorrectly described in, or a description of such interests be omitted from, Exhibit A; and all of Grantor's right, title and interest (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under, or derived from, all oil, gas and mineral leases,