

## 2. GENERAL COVENANTS

(a) This Sale and Assignment shall be subject to, and shall include all of the rights and obligations of Assignor in, to, and under all existing contracts and agreements of every kind and character affecting or relating to said Leases and the operation thereof, Wells and Equipment as defined herein and the production from said Leases, both recorded and unrecorded, including, but not limited to, those contracts listed on Exhibit "B", attached hereto and made a part hereof for all intents and purposes. As of the Effective Date hereof, Assignee assumes all rights and obligations of Assignor under, with respect to, and resulting from all instruments, contracts, agreements and understandings affecting the interests of Assignor hereby conveyed.

(b) Assignor has assigned herein all assignable rights-of-way affecting or appertaining to the Property, including those listed in attached Exhibit "A", provided, however, Assignor expressly retains and reserves the right to use any such rights-of-way where needed for the development of retained rights, if any, or access to nearby or adjoining Assignor owned or controlled properties.

(c) As soon as practical after the execution of this Sale and Assignment by Assignor and Assignee, Assignor shall provide Assignee with copies of Assignor's files, at Assignee's sole cost and expense, pertaining to the Property conveyed herein, but Assignor shall not be obligated or required to provide any interpretive seismic, geological or geophysical data or other proprietary information relating thereto. It is further acknowledged by the parties hereto that Assignor does not make any warranty whatsoever as to the reliability, correctness or accuracy of any such materials, data, or information furnished. Assignor, at any time hereunder, shall have the right to review any such files and material furnished to Assignee.

## 3. RECAPITULATION

(a) Prior to the Effective Date, Assignor shall:

- (1) Have the right to all revenues resulting from the operations performed in connection with and production from the Leases, and be obligated for all liabilities attributable to such operations;
- (2) Pay all necessary and reasonable capital costs, taxes, expenses and royalties incurred against operations performed in connection with the Leases, use of the Wells and Equipment, whether invoiced or not;
- (3) Be entitled to and receive all accounts receivable balances (if any), and any and all funds held in suspense, deferred or escrowed;
- (4) Be entitled to and receive all production, whether similar or dissimilar, from the Wells located on and/or attributable to the Leases, and all proceeds resulting from or attributable to such production from the Leases and sale thereof; and
- (5) Be entitled to and receive delivery of all oil in the tanks above the pipeline connection since such remains and shall be the property of Assignor, and Assignor shall be entitled to all proceeds from the sale thereof.

It is the intent of the parties that all items set forth in (1) through (5) aforesaid shall be and remain the property of Assignor. Further, Assignor and Assignee shall provide one another with written notification in the event documentation is obtained to justify release of impounded monies.

(b) As of the Effective Date, Assignee shall be responsible for the payment of all necessary and reasonable capital costs, taxes, including federal and state income taxes, expenses and royalties incurred against and/or applicable to the operation of the Leases, and use of the Wells and Equipment, whether invoiced or not. Further, all production from such Wells located on and/or attributable to the Leases, and all proceeds from and/or attributable to production from the Leases and sale thereof shall be the property of and belong to Assignee as of the Effective Date.

(c) Within one hundred fifty (150) days after execution of this Sale and Assignment by Assignor and Assignee, Assignor shall provide to Assignee, for