

2.4 Mortgagor agrees that if Mortgagor fails to perform or take, or to pay any money which hereunder Mortgagor is to perform or take, such act or take such action of name, or its own name, may, but shall not be obligated to perform or cause to be performed, such act or take such action of pay such money and any expenses so incurred by the Mortgagee and any money so paid by the Mortgagee shall be a demand obligation owing by Mortgagor, and shall bear interest from the date of making such payment until paid, at the same rate as provided in the Note(s) for interest on past due principal and shall be a part of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness and the Mortgage, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment.

ARTICLE III — ASSIGNMENT OF PRODUCTION, ACCOUNTS, CONTRACT RIGHTS AND PROCEEDS

3.1 For the purpose of additionally securing the payment of all secured indebtedness and to facilitate the discharge of all such indebtedness and as cumulative of any and all rights herein provided for, Mortgagor hereby warrants, bargains, conveys, sells, transfers, assigns, sets over and delivers unto Mortgagee, its successors and assigns, all oil, gas, casinghead gas and other hydrocarbons produced from or allocated to the mortgaged property which accrue after the 3rd day of September, 1992, at 7:00 o'clock a. m. to Mortgagee's interest in said property, and all proceeds therefrom, and all accounts and contract rights of Mortgagor under which such proceeds may arise, all such accounts and contract rights and proceeds being hereinafter referred to as the "proceeds of runs"; and Mortgagee directs and instructs any and all purchasers of oil, gas, casinghead gas and other hydrocarbons produced from or to be produced from or allocated to the mortgaged properties to pay directly to the Mortgagee all of the proceeds of runs accruing to Mortgagee's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that the liens evidenced hereby have been released; and the Mortgagee authorizes the Mortgagee to receive and collect all sums of money derived from the proceeds of runs assigned hereunder and no purchaser of the production attributed to the mortgaged property shall have any responsibility for the application of any funds paid to the Mortgagee. The receipt of Mortgagee for money so paid to it shall be a full and complete release, discharge and acquittance to any such purchaser, company or other purchaser to the extent of all sums so paid. This instrument shall be and constitute full and complete authority for Mortgagee, or any other person liable therefor, to make payment to the Mortgagee, its successors or assigns, of accounts and contract rights concerning the mortgaged property are kept in the address shown opposite the signature of Mortgagor to this mortgage, and Mortgagor agrees that the place where such records are kept will not be changed without the prior consent of Mortgagee.

3.2 Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by the Mortgagee or that may be required by any purchaser of the production from the mortgaged properties or allocated thereto for the purpose of effectuating the payment of the proceeds of the runs to the Mortgagee. If, under any existing sales agreements, other than such existing agreement payment cannot be made of such proceeds to the Mortgagee, Mortgagor's interest in all proceeds of runs under such sales agreements and all other proceeds of runs which, for any reason, may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall immediately be paid over to the Mortgagee.

3.3 Should any person now or hereafter purchasing or taking oil, gas, casinghead gas and other hydrocarbons attributed to the mortgaged properties, or allocated thereto, fail to make payment promptly to the Mortgagee of the hereby assigned proceeds of runs, the Mortgagee shall have the right to make or require Mortgagor to make a change of connection and the right to designate or approve the purchaser, with whose facilities a new connection shall be made, without liability or responsibility in connection therewith so long as ordinary care is used in making such designations, and Mortgagor agrees to pay to the Mortgagee, on demand in writing therefor from the Mortgagee, the amount of any proceeds of runs not promptly paid to the Mortgagee by any person having responsibility therefor.

3.4 The Mortgagee and its successors and assigns are hereby absolved from any liability for failure to enforce collection of proceeds of runs and all other responsibility in connection therewith, except the responsibility to account to Mortgagor for funds actually received. Should the Mortgagee, in its sole discretion, elect to permit the proceeds of runs to be paid in whole or in part to the Mortgagor, Mortgagor, nonetheless, directs and instructs any purchasers of oil, gas, casinghead gas and other hydrocarbons produced from or allocated to the mortgaged properties to mail all checks in full payment therefor to the Mortgagee in care of the Mortgagee, and to continue to make payments in the above stated manner until otherwise directed in writing by said Mortgagee. The payment of the proceeds of runs as aforesaid, or the release to the Mortgagee of any of the proceeds of runs which would otherwise be applicable hereunder to the secured indebtedness shall not affect or impair Mortgagor's right thereafter to retain in full all such payments or in anywise impair or affect the lien of this mortgage and the priority thereof or any of Mortgagee's rights hereunder or the amount of the indebtedness secured hereby.

3.5 Mortgagor agrees to indemnify and hold harmless the Mortgagee, its successors and assigns, against any and all liabilities, actions, claims, judgments, costs, charges and attorney's fees by reason of the assertion that it received, either before or after the payment in full of the secured indebtedness, funds from the production of oil, gas, casinghead gas and other hydrocarbons claimed by third persons, and Mortgagee shall have the right to defend against any such claims or actions, employing attorneys of its selection, and if not furnished with indemnity satisfactory to it the Mortgagee shall have as herein provided, all amounts paid by such claims, actions and judgments, and in addition to the right to be indemnified, judgment, and all court costs, attorney's fees and other expenses incurred by Mortgagee pursuant to the provisions of this section shall be a demand obligation owing by Mortgagor and shall bear interest from date of expenditure until paid at the same rate as is provided in the note(s) for interest on past due principal, and shall be part of the secured indebtedness and shall be secured by this mortgage and by any other instrument securing the secured indebtedness.

3.7 Nothing herein contained shall detract from or limit the absolute obligation of Mortgagor to make prompt payment of all principal and interest owing on the note and all other secured indebtedness when and as the same becomes due, regardless of whether the proceeds of runs herein assigned are sufficient to pay the same, and the rights of this assignment shall be cumulative of all other security of any and every character now or hereafter existing to secure the payment of the mortgage and all other secured indebtedness.

ARTICLE IV — WAIVER AND PARTIAL RELEASE

4.1 The Mortgagee may at any time and from time to time in writing (a) waive compliance of Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing; and (b) consent to Mortgagor doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor failing to do any act which Mortgagor hereunder is required to do to the extent and in the manner specified in such writing. No such act shall in any way impair the rights of the Mortgagee hereunder, except to the extent specifically agreed to by Mortgagee in such writing.

4.2 The lien and other security rights of the Mortgagee hereunder shall not be impaired by any indulgence, including but not limited to (a) any renewal, extension or modification which the Mortgagee may grant with respect to any secured indebtedness; (b) any surrender, compromise, release, renewal, extension, exchange or substitution which the Mortgagee may grant in respect of any item of the mortgaged properties or any part thereof, or interest therein, or any of the proceeds of runs, and (c) any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

ARTICLE V — POSSESSION UNTIL DEFAULT, DEFEASANCE

5.1 Unless a default specified in Section 6.1 hereof shall occur and be continuing, Mortgagor shall retain full possession of the mortgaged properties, except the proceeds of runs as provided under Article III above, and shall manage, operate, develop and use the same and every part thereof; subject, however, to the terms and provisions of this mortgage.

ARTICLE VI — REMEDIES IN EVENT OF DEFAULT

6.1 The term "default" as used in this Mortgage shall mean the occurrence of any of the following events:

- (a) The failure of Mortgagor to make due and punctual payment of the note(s) or of any other secured indebtedness or of any installment of principal or interest or any part of either, as the same shall become due and payable.
- (b) The failure of Mortgagor to pay over to the Mortgagee within five (5) days after receipt of written demand, any proceeds from the sale of the oil, gas, casinghead gas or other hydrocarbons produced, saved and sold from or allocated to the mortgaged properties which are paid to Mortgagor rather than to Mortgagee.
- (c) The failure of Mortgagor to timely and properly observe, keep or perform any covenant, agreement, warranty or condition herein required to be observed, kept or performed;
- (d) Mortgagor becomes insolvent or makes an assignment for benefit of creditors;
- (e) Institution of receiver proceedings against the Mortgagor or involving any of the mortgaged property, or in the event of the institution of any proceedings by or against the Mortgagor under the Federal Bankruptcy Act as now existing or hereafter amended;