

including the Company's portion of all drilling expense, tangible or intangible, whether or not such drilling shall result in the production of any oil or gas and whether or not such drilling is on or relates to acreage of the Company included in any unitized or communitized tract which is being developed pursuant to an agreement providing for the sharing between the Company and others of production expenditures and of the benefits of development and with respect to which there exists no lien or other encumbrance which would prevent such sharing of the benefits of development; provided that there shall be excluded from production expenditures the cost of acquisition or development of any property identified, described or tabulated in Exhibit D annexed hereto which shall have been paid or shall have accrued prior to the time when such property shall become subject to the lien of this Indenture.

Production property:

The term "*production property*" shall mean all oil or gas leases, rights in and under oil or gas leases and interests or royalties therein, all oil or gas acreage and all equipment, appliances and other property used for the drilling for and production of oil or gas, including rigs, tanks, separators, drilling and cleaning equipment and all pipe casing, tubing and other materials in, on or used in connection with wells, inclusive of the outlet valve; including without limitation the leases and leaseholds identified, described or tabulated in Exhibit C annexed hereto.

Property additions:

The term "*property additions*" shall mean any real estate, rights-of-way, easements, plants, stations, buildings and structures, gathering systems, metering stations, regulating stations, compressor stations, transmission lines, delivery lines, field and well lines, water lines, distribution lines, supply systems, production property, production expenditures, gasoline extracting plants, dehydrating plants (but in the case of gasoline extracting and dehydrating plants, only to the extent that the aggregate cost to the Company thereof does not exceed \$4,000,000), and the machinery, appliances and equipment of any of