

a right to purchase the same or recorded as retired on the books of the Company. In the case of gas production property, such term shall include any gas leasehold estate the Company's rights in respect of which shall have in any way been forfeited or terminated and any well or other gas production property located thereon. Expenses incurred in drilling a well which is completed as a dry hole or which is initially completed as, or subsequently becomes, an oil well shall not be included in computing retirements except to the extent that such expenses shall have been made the basis for the issuance of bonds or the withdrawal of cash pursuant to Section 4.03 or Section 4.06 or the basis for the withdrawal of cash from any construction fund established under any provisions of this Indenture or the basis for any other credit on account of the cost of any special project established under this Indenture.

When any application is made for the issuance of additional bonds pursuant to Section 4.03 or for the withdrawal of cash pursuant to Section 4.06 on the basis of bondable additions, there shall be included in or added to the certificate furnished pursuant to subdivision (a) of Section 4.03 a statement of the amount or amounts of net retirements required, pursuant to this Section, to be deducted from the cost or fair value to the Company, as the case may be, of the bondable additions certified to the Corporate Trustee in connection with such application, as well as a statement setting forth in reasonable detail the method by which the calculation of the amount or amounts of such net retirements was made. There shall also be included in such certificate or an exhibit thereto a description of any properties in respect of the retirement of which a deduction is required to be made, which description shall be by reference to the appropriate division or subdivision of the Company's property accounts or in such other reasonable detail, if any, as the Corporate Trustee shall require.

Wherever reference is made in this Indenture to expenditures or expenses made the basis for the issuance of bonds or the withdrawal of cash pursuant to Section 4.03 or Section 4.06, the amount of such expenditures or expenses made the basis for such issuance or withdrawal shall be deemed to be the amount of such expenditures or expenses which was requisite to procure the issuance of such bonds or the withdrawal of such cash.