

machinery, construction equipment and apparatus acquired or used (including rental charges for machinery, equipment or apparatus hired) for or in connection with the construction and completion of the Third Permian-San Juan Project, whether or not constituting or to constitute a part thereof when completed, and whether or not such costs are charged or chargeable to fixed property accounts of the Company; and

(c) all overhead costs applicable to the construction period including, without limiting the generality of the foregoing, taxes, licenses, excises and assessments, surety bond premiums and insurance premiums, whether or not charged or chargeable to fixed property accounts; and interest during construction and that proportion of any discount on bonds or other securities issued to provide funds for the acquisition or construction and completion of the Third Permian-San Juan Project properly chargeable to the account of interest during construction in accordance with sound accounting practice;

provided, however, that no moneys shall be withdrawable from the Third Permian-San Juan Construction Fund under this Section 6E.03 or otherwise in reimbursement to the Company of the cost of acquisition of any gas leasehold estates (as distinguished from the cost of wells and appurtenant lease equipment located on acreage covered by such gas leasehold estates acquired by the Company).

Unless an event of default shall have happened and be continuing, the Corporate Trustee shall pay out of the Third Permian-San Juan Construction Fund from time to time to the Company, or as directed in the certificate of the Company provided for in subdivision (1) below, an amount equal to expenditures made or indebtedness incurred as aforesaid on account of the cost of acquisition or construction and completion of the Third Permian-San Juan Project, as certified to the Corporate Trustee, upon receipt by the Corporate Trustee of:

(1) a certificate of the Company stating in substance

(i) that a stated amount of expenditures and/or indebtedness has been made or incurred by the Company on account of the cost of acquisition or construction and completion of the Third Permian-San Juan Project, specifying in reasonable detail the items of such expenditures and/or indebtedness,