

deemed to be the cost thereof to Pacific. The gross retirements in respect of any gas well or other gas production property (other than gas production property acquired by the Company from Pacific upon such merger or from Northwest Production Corporation under such circumstances) retired shall be an amount equal to any gas production expenditures made by the Company in respect of such property to the extent that such gas production expenditures 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 withdrawal of cash from any construction fund established pursuant to any provision of this Indenture, or the basis of any other credit on account of the cost of any special project established under this Indenture."

SECTION 5. Section 1.11 of the Mortgage is hereby modified by striking out the fifth paragraph of said Section and inserting in lieu thereof the following:

"In the event that, after the beginning of the twelve months' period covered by any net earnings certificate furnished to the Corporate Trustee but prior to the delivery to the Corporate Trustee of the application in connection with which such certificate is being furnished, the Company shall have commenced the delivery of natural gas to any of its customers pursuant to a then effective service agreement with such customer covering the delivery of not less than 50,000,000 cubic feet of gas per day and at a rate of delivery in excess of the rate (if any) at which gas was being delivered to such customer at the beginning of such twelve-months' period, then there may be included in such net earnings certificate, in lieu of the amount of net earnings, if any, actually derived by the Company during such twelve-months' period from sales of gas to such customer, an amount (which shall be separately stated) equal to the estimated aggregate net earnings from sales to such customer for the first twelve-months' period after the commencement of deliveries to such customer at such new or increased rate, provided that such estimated net earnings shall be based upon not more than the minimum contracted demand (calculated after giving effect to any load factor provided for in the service agreement in question) in effect at the date of such application under the terms of a then effective service agreement with such customer, and shall be determined after an allowance for depre-