

in the fixed property accounts of Pacific immediately prior to such merger shall be deemed to be the cost thereof to Pacific. The gross retirements in respect of any gas well or other gas production property (other than Pacific acreage, as defined in Section 1.13A, or any such property located thereon) 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. The gross retirements in respect of any Pacific acreage or any gas well or other gas production property located thereon retired shall be an amount equal to the net depreciated and/or depleted book value of such property (estimated if not separately shown) as shown or reflected on the books of Pacific or Northwest Production Corporation immediately prior to the acquisition of such property by the Company, plus an amount equal to any gas production expenditures made by the Company subsequent to such acquisition in respect of such property to the extent that such gas production expenditures shall have been made the basis for any credit under this Indenture of the character referred to in the next preceding sentence." ; and

(b) by changing the period at the end of the first sentence of the sixth paragraph of said Section to a semi-colon and by inserting immediately after said semi-colon the following:

"provided, however, that no transfer by the Company to El Paso Gas Transportation Corporation of mortgaged property, subject to the continuing lien of this Indenture, under the circumstances contemplated in the second paragraph of Section 7.03, shall, whether or not such property shall have been recorded as retired on the books of the Company, be deemed a retirement of such property by the Company for the purposes of this Indenture, and no deduction need be made under this Section or under any other provision of this Indenture with respect to the retirement of any such property so transferred unless and until such property is retired by said corporation or unless and until said corporation ceases to be a subsidiary, as defined in Section 1.02."