

described in (a) to (g), inclusive, above, to be excluded, shall only be excluded to the extent that the same has been constructed or acquired or used as a basis for the purposes set forth in (a) to (g), inclusive.

SECTION 6. So long as any Bonds of Series "A" are outstanding, Residue Bonds may be issued under Section 5 of this Article from time to time only upon and subject to the following conditions and restrictions:

1. Residue Bonds may be authenticated and delivered for an amount of principal equal to not more than 50% of the actual cost or fair value (whichever shall be less) to the Company or to a Subsidiary Company of the property described in Subdivision 1 of Section 5 of this Article and to not more than 50% of the actual cash cost of additions of the kind described in such Subdivision; and for an amount of principal equal to not more than 65% of the actual cost or fair value (whichever shall be less) to the Company or to a Subsidiary Company of additional property, permanent improvements, extensions or additions of the kind described in Subdivision 2 of Section 5 of this Article; and for an amount of principal equal not more than 50% of the actual cost or fair value (whichever shall be less) to the Company or to a Subsidiary Company of securities of the kind described in Subdivision 3 of Section 5 of this Article, if more than one-half in value of the assets of the corporation whose securities are being acquired consists of oil or gas property described in Subdivision 1 of Section 5 of this Article; and for an amount of principal equal to not more than 65% of the actual cost or fair value (whichever shall be less) to the Company or to a Subsidiary Company of such securities, if less than one-half in value of the assets of the corporation whose securities are being acquired consists of oil or gas property described in Subdivision 1 of Section 5 of this Article.

Provided that Bonds may be issued to the full extent permitted by this Subdivision 1 only if all such additional property, permanent improvements, extensions or additions shall be free and clear of all liens and encumbrances except the Underlying Mortgages, Farm Mortgages, current taxes and liens securing indebtedness pledged with the Trustee under this Indenture and only if all corporations whose securities shall be acquired shall have their property free and clear of all liens and encumbrances except as hereinbefore enumerated and only if such corporations shall also have outstanding no preferred stock, except preferred stock which shall have been pledged with the Trustee.

2. In case the property, improvements, extensions or additions described in Subdivisions 1 and 2 of Section 5 of this Article should be subject to any lien or encumbrance other than those specified in Subdivision 1 of this Section 6, the actual cost of such property, improvements, extensions or additions within the meaning of said Subdivision 1 of this Section 6 shall be deemed to be the sum of the amounts paid by the Company or a Subsidiary Company for the property so subject to such lien and for the permanent improvements, extensions or additions thereto, together with the face amount of the indebtedness secured by any such lien; and Bonds may be authenticated and delivered on account of said property, permanent improvements, extensions or additions to an amount at par value equal;

(a) to the extent, if any, which 50% or 65% (whichever percentage is applicable), of the actual cost of said property, permanent improvements, extensions or additions as above defined, exceeds the face amount of such indebtedness, or

(b) to the extent, if any, which 50% or 65% (whichever percentage is applicable) of the fair value of such property, permanent improvements, extensions or additions other than additions of the nature described in Subdivision 1 of Section 5 of this Article