

1831

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OTHER LOCATIONS  
HOUSTON  
FORT WORTH  
SAN ANTONIO

May 6, 1992

Ms. La Nelle Boehm  
Mineral Management Service  
Gulf of Mexico Division  
1201 Elmwood Parkway  
New Orleans, LA 70123

RECEIVED

MAY 11 1992

MINERALS MANAGEMENT SERVICE  
LEASING & ENVIRONMENT

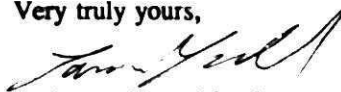
Re: Snyder Oil Corporation

Dear Ms. Boehm:

Pursuant to our conversation May 6, 1992, I have attached hereto: (1) a Collateral Mortgage and Security Agreement which should be filed in Lease Number OCSG - 2319, and (2) an Open End Mortgage, Deed of Trust, Security Agreement, Financing Statement and Assignment of Production which should be filed in Lease Number OCSG - 1831.

I have enclosed a check in the amount of \$50.00 to cover the filing costs. Please call me if you have any questions.

Very truly yours,

  
A. Lamar Youngblood

210637  
Encl.

**RECEIVED**  
 APR 14 1992

WELLS FARGO BANK, N.A.  
 TRUSTEE & ASSIGNMENT

**Mortgage Amount: \$150,000,000.00 Maturity Date: December 31, 1995**

**OPEN END  
 MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT,  
 FINANCING STATEMENT AND ASSIGNMENT OF PRODUCTION**

**FROM  
 SNYDER OIL CORPORATION, Mortgagor  
 TO  
 Rex C. Walker, Trustee**

**AND**

**WELLS FARGO BANK, N.A.  
 agent for the Banks**

**Dated as of December 13, 1991**

**THIS INSTRUMENT IS A MORTGAGE OF BOTH REAL AND PERSONAL PROPERTY AND IS, AMONG OTHER THINGS, A MORTGAGE OF CHATTELS, A SECURITY AGREEMENT AND A FINANCING STATEMENT.**

**THIS INSTRUMENT CONTAINS AFTER ACQUIRED PROPERTY PROVISIONS.**

**MORTGAGOR BORROWER OWNS A RECORD INTEREST IN THE MORTGAGED PROPERTY.**

**THE OIL AND GAS INTERESTS OR ACCOUNTS INCLUDED IN THE MORTGAGED PROPERTY WILL BE FINANCED AT THE WELLHEADS LOCATED ON THE LANDS DESCRIBED IN EXHIBIT A HERETO, AND THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS.**

**A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS MORTGAGE.**

**THIS INSTRUMENT WAS PREPARED BY, AND RECORDED COUNTERPARTS SHOULD BE RETURNED TO:**

**JACKSON & WALKER  
 901 Main Street  
 Suite 6000  
 Dallas, Texas 75202  
 Attention: Mr. William D. Young**

**MORTGAGE, DEED OF TRUST,  
SECURITY AGREEMENT, FINANCING STATEMENT  
AND ASSIGNMENT OF PRODUCTION**

THIS MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT, FINANCING STATEMENT AND ASSIGNMENT OF PRODUCTION (this "Mortgage") is from SNYDER OIL CORPORATION, a Delaware corporation, as Mortgagor ("Mortgagor"), to Rex C. Walker of Dallas, Dallas County, Texas, as Trustee ("Trustee"), for the benefit of WELLS FARGO BANK, N.A., a national banking association, as Agent for the Banks (as defined in that certain Third Restated Credit Agreement dated November 8, 1991, by and among Mortgagor, Wells Fargo Bank, N.A., as Agent and the Banks named therein). In its capacity as Agent for the Banks, Wells Fargo Bank, N.A. is hereinafter referred to as "Mortgagee". The addresses of Mortgagor and Mortgagee are set forth in Section 7.14 hereof.

**R E C I T A L S:**

**ARTICLE I**

**DEFINITIONS**

1.1 Certain Defined Terms. For all purposes of this Mortgage, unless the context otherwise requires:

"Accounts and Contract Rights" shall mean all accounts (including accounts in the form of joint interest billings under applicable operating agreements), contract rights and general intangibles of Mortgagor now or hereafter existing, or hereafter acquired by, or on behalf of, Mortgagor, or Mortgagor's successors in interest, relating to or arising from the ownership, operation and development of the Mortgaged Property and to the production, processing, treating, sale, purchase, exchange or transportation of Hydrocarbons produced or to be produced from or attributable to the Mortgaged Property or any units or pooled interest units in which all or a portion of the Mortgaged Property forms a part, together with all accounts and proceeds accruing to the Mortgagor attributable to the sale of Hydrocarbons produced from the Mortgaged Property or any units or pooled interest units in which all or a portion of the Mortgaged Property forms a part.

"Code" shall mean the Uniform Commercial Code in effect in each of the jurisdictions where the Mortgaged Property or a portion thereof is situated.

"Credit Agreement" shall mean the \$150,000,000.00 Third Restated Credit Agreement, dated November 8, 1991, between Mortgagor, Wells Fargo Bank, N.A., as Agent and the Banks named therein, as amended or restated from time to time.

"Effective Date" shall mean 7:00 a.m. on December 13, 1991.

"Exhibit A" shall mean, unless specifically indicated otherwise, Exhibit A attached hereto and incorporated herein by reference for all purposes.

"Hydrocarbons" shall mean oil, gas, casinghead gas, drip gasoline, natural gasoline and condensate and all other liquid or gaseous hydrocarbons and any other substances associated with the production of same, including, without limitation, sulphur.

"Lands" shall mean the lands described in Exhibit A and shall include any lands, the description of which is contained in Exhibit A or incorporated in Exhibit A by reference to another instrument or document, including, without limitation, all lands described in the Oil and Gas Leases, and shall also include any

lands now or hereafter unitized, pooled, spaced or otherwise combined, whether by statute, order, agreement, declaration or otherwise, with lands the description of which is contained in Exhibit A or is incorporated in Exhibit A by reference.

**"Loan Papers"** shall mean this Mortgage, the Credit Agreement, and all other certificates, documents or instruments delivered in connection with the Credit Agreement, as the foregoing may be amended from time to time.

**"Mortgaged Property"** shall have the meaning stated in Article II of this Mortgage.

**"Net Revenue Interest"** shall mean Mortgagor's share of all Hydrocarbons produced from the Lands, after deducting the appropriate proportionate part of all lessors' royalties, overriding royalties, production payments and other payments out of or measured by production which burden Mortgagor's share of all such production, subject to non-consent provisions contained in joint operating agreements.

**"Notes"** shall mean collectively, (a) the Promissory Note dated December 13, 1991 in the original principal amount of \$52,500,000.00 executed by Mortgagor and payable to MCNB Texas National Bank, (b) the Promissory Note dated December 13, 1991 in the original principal amount of \$60,000,000.00 executed by Mortgagor and payable to Wells Fargo Bank, N.A., and (c) the Promissory Note dated December 13, 1991 in the original principal amount of \$37,500,000.00 executed by Mortgagor and payable to Bank One, Texas, N.A.

**"Obligations"** shall mean all present and future indebtedness, obligations and liabilities, and all renewals and extensions thereof, or any part thereof, of Mortgagor or any of its Subsidiaries to any Bank arising pursuant to the Loan Papers, and all interest accrued thereon and costs, expenses, and attorneys' fees incurred in the enforcement or collection thereof, regardless of whether such indebtedness, obligations and liabilities are direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several or joint and several.

**"Oil and Gas Leases"** shall mean, oil, gas and mineral leases, oil and gas leases, oil leases, gas leases, other mineral leases, subleases, top leases, any rights resulting in an ownership interest in Hydrocarbons and all operating rights relating to any of the foregoing (whether operated by virtue of such leases, or assignments or applicable operating agreements), and all other interests pertaining to any of the foregoing, including, without limitation, all royalty and overriding royalty interests, production payments and net profit interests, mineral fee interests, and all reversionary, remainder, carried and contingent interests relating to any of the foregoing and all other rights therein which are described and/or to which reference may be made on Exhibit A and/or which cover or relate to any of the Lands.

**"Operating Equipment"** shall mean all personal property and fixtures pertaining, affixed or incidental or situated upon, or used or useful in connection with, all or any part of the Mortgaged Property, including, without limitation, all surface or subsurface machinery, equipment, facilities or other property of whatsoever kind or nature (excluding drilling rigs, trucks, automotive equipment or other property taken to the premises to drill a well or for other similar temporary uses) now or hereafter located on any of the Lands which are useful for the production, treatment, storage or transportation of oil or gas, including, but not by way of limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumping units and engines, Christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for gathering, treating and compression), water systems

(for treating, disposal and injection), power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telegraph, telephone and other communication systems, roads, loading racks and shipping facilities.

**"Permitted Encumbrances"** means with respect to the Mortgaged Property:

(a) Liens securing the Notes in favor of the Banks;

(b) Minor defects in title which do not secure the payment of money and otherwise have no material adverse effect on the value or operation of the Mortgaged Property, and, for the purposes of this Mortgage, a minor defect in title shall include (i) those instances where record title to an Oil and Gas Lease is in a predecessor in title to Mortgagor, but where Mortgagor, by reason of a farmout or other instrument is presently entitled to receive an assignment of its interest or other evidence of title and the appropriate Person is proceeding diligently to obtain such assignment, and (ii) easements, rights-of-way, servitudes, permits, surface leases and other similar rights in respect of surface operations, and easements for pipelines, streets, alleys, highways, telephone lines, power lines, railways and other easements and rights-of-way, on, over or in respect of any part of the Mortgaged Property that are customarily granted in the oil and gas industry; so long as, with respect to any of such minor defects in title, the same are minor defects which are customary and usual in the oil and gas industry and which are customarily accepted by a reasonably prudent operator dealing with its properties;

(c) Inchoate statutory or operators' liens securing obligations for labor, services, materials and supplies furnished to the Mortgaged Property, which are not delinquent (except to the extent permitted by Section 8.16 of the Credit Agreement) and which in any event cover a billing period not exceeding sixty (60) days;

(d) Mechanic's, materialmen's, warehouseman's, journeyman's and carrier's liens and other similar liens arising by operation of law or statute in the ordinary course of business which are not delinquent (except to the extent permitted by Section 8.16 of the Credit Agreement) and which in any event cover a billing period not exceeding sixty (60) days;

(e) Production sales contracts (so long as the amount of any production paid for but not delivered is specifically disclosed in writing to the Mortgagee) and joint operating agreements;

(f) Liens for Taxes or assessments not yet due or not yet delinquent, or, if delinquent, that are being contested in good faith in the normal course of business by appropriate action, as permitted by Section 8.16 of the Credit Agreement;

(g) All rights to consent by, required notices to, filings with, or other actions by, governmental entities in connection with the sale or conveyance of Oil and Gas Leases or interests therein if Mortgagor is entitled to such consent, to the extent the same are customarily obtained subsequent to such sale or conveyance and the appropriate Person is proceeding diligently to obtain such consent, notice or filing;

(h) The terms and provisions of any of the Oil and Gas Leases;

(i) Lease burdens payable to third parties which are deducted in the calculation of discounted present value of the Related Assets set forth in the Related Asset Report including, without limitation, any royalty, overriding royalty, net profits interest, production payment, carried interest or reversionary

working interest and which have been disclosed to Mortgagee in writing; provided, however, that Mortgagor shall not be required to disclose such lease burdens unless the same are not customarily and usually found in the oil and gas industry or unless the same are lease burdens which obligate Mortgagor in a fashion not customarily and usually found in the oil and gas industry;

(j) All applicable laws, rules and orders of governmental authorities having jurisdiction of the affairs of Mortgagor; and

(k) Liens securing Debt incurred to finance the acquisition of the Mortgaged Property (to the extent permitted by Section 8.5 of the Credit Agreement).

"Section" and "Article" shall mean and refer to a section or article of this Mortgage, unless specifically indicated otherwise.

"Subject Interests" shall have the meaning stated in Article II of this Mortgage.

"Trustee" shall mean the trustee identified in the first paragraph of this Mortgage and any other person who may, from time to time, be serving as duly appointed substitute trustee hereunder. Alternatively, and only with respect to any jurisdictions which require Mortgagor to convey that portion of the Mortgaged Property situated in such jurisdictions directly to Mortgagee, "Trustee" shall mean the Mortgagee and its successors, legal representatives and assigns.

"Well Data" shall mean all logs, drilling reports, division orders, transfer orders, operating agreements, contracts and other agreements, abstracts, title opinions, files, records, memoranda and other information in the possession or control of Mortgagor or to which Mortgagor has access that is not in breach of any confidentiality provisions relating to the Lands and/or any wells located thereon.

1.2 Other Terms. Unless otherwise defined herein, all terms with their initial letter capitalized shall have the meaning given such term in the Credit Agreement.

## ARTICLE II

### GRANTING CLAUSE MORTGAGED PROPERTY

Mortgagor, for and in consideration of the premises and of the Banks' agreement to make Loans under the Credit Agreement, has GRANTED, BARGAINED, SOLD, WARRANTED, MORTGAGED, ASSIGNED, TRANSFERRED and CONVEYED, and by these presents does GRANT, BARGAIN, SELL, WARRANT, MORTGAGE, ASSIGN, TRANSFER and CONVEY with warranties and covenants of title only to the extent provided herein:

(i) unto Trustee and to Trustee's substitutes and successors in this trust; or

(ii) alternatively, and only with respect to jurisdictions which require Mortgagor to convey directly to Mortgagee that portion of the Mortgaged Property (hereinafter defined) situated in such jurisdictions, unto Mortgagee and Mortgagee's successors, legal representatives and assigns;

with power of sale (if permitted by applicable law), for the benefit of Mortgagee, all of Mortgagor's right, title and interest, whether now owned or hereafter acquired, in all of the hereinafter

described properties, rights and interests; and, insofar as such properties, rights and interests consist of equipment, general intangibles, accounts, contract rights, inventory, goods, chattel paper, instruments, documents, money, fixtures, proceeds and products of collateral or any other personal property of a kind or character defined in or subject to the applicable provisions of the Code, Mortgagor hereby grants to Mortgagee a security interest therein, whether now owned or hereafter acquired, namely:

(a) all of those certain Oil and Gas Leases, Lands, interests and other properties (all such Oil and Gas Leases, Lands, interests and other properties being herein called the "Subject Interests", as hereinafter further defined) which are described in Exhibit A and/or to which reference may be made in Exhibit A and/or which cover any of the Lands described in Exhibit A and/or which are covered by any of the leases described on Exhibit A, which Exhibit A is made a part of this Mortgage for all purposes, and is incorporated herein by reference as fully as if copied at length in the body of this Mortgage at this point;

(b) all rights, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to (i) any and all properties now or hereafter pooled or unitized with any of the Subject Interests, and (ii) all presently existing or future operating agreements and unitization, communication and pooling agreements and the units operated thereby which include all or any part of the Subject Interests, including, without limitation, all units formed under or pursuant to any applicable laws (the rights, titles, interests and estates described in this paragraph (b) also being included within the term "Subject Interests" as used herein);

(c) all presently existing and future agreements entered into between Mortgagor and any third party that provide for acquisition by Mortgagor of any interest in any of the properties or interests specifically described in Exhibit A or which relate to any of the properties and interests specifically described in Exhibit A;

(d) the Hydrocarbons (including inventory) which are in, under, upon, produced or to be produced by or attributable to the Lands;

(e) the Accounts and Contract Rights;

(f) the Operating Equipment;

(g) the Well Data;

(h) the rights and security interests of Mortgagor held by Mortgagor to secure the obligation of the first purchaser to pay the purchase price of the Hydrocarbons, including, without limitation, those accruing to Mortgagor pursuant to Section 9.319 of the Code, as enacted in Texas as the Business and Commerce Code;

(i) all surface leases, rights-of-way, franchises, easements, servitudes, licenses, privileges, tenements, hereditaments and appurtenances now existing or in the future obtained in connection with any of the aforesaid, and all other things of value and incident thereto which Mortgagor may, at any time, have or be entitled; and

(j) all and any different and additional rights of any nature, of value or convenience in the enjoyment, development, operation or production, in any wise, of any property or interest included in any of the foregoing clauses, and in all revenues, income, rents, issues, profits and other benefits

arising therefrom or from any contract now in existence or hereafter entered into pertaining thereto, and in all rights and claims accrued or to accrue for the removal by anyone of Hydrocarbons from, or other act causing damage to, any of such properties or interests:

all the aforesaid properties, rights and interests, together with any and all substitutions, replacements, corrections or amendments thereto, or renewals, extensions or ratifications thereof, or of any instrument relating thereto, and together with any additions thereto which may be subjected to the lien of this Mortgage by means of supplements hereto, being hereinafter called the "Mortgaged Property".

Subject, however, to (i) Permitted Encumbrances; and (ii) the condition that neither Trustee nor Mortgagee shall be liable in any respect for the performance of any covenant or obligation of Mortgagor with respect to the Mortgaged Property.

TO HAVE AND TO HOLD the Mortgaged Property unto (i) Trustee, and his successors and substitutes in this trust, forever, subject to Section 7.3 hereof, for the benefit of Mortgagee, or (ii) alternatively, and only with respect to any jurisdictions which require Mortgagor to convey directly to the Mortgagee that portion of the Mortgaged Property situated in such jurisdictions, unto the Mortgagee and its successors, legal representatives and assigns, forever, subject to Section 7.3 hereof; to secure, in each such instance, the payment of the Obligations and to secure the performance of the obligations of Mortgagor contained herein.

### ARTICLE III

#### INDEBTEDNESS SECURED

This Mortgage is given to secure the principal amount of \$150,000,000.00 and all of the Obligations under and as described in the Credit Agreement, including, without limitation,

(a) Interest on all principal outstanding under the Credit Agreement at one or more of the following rates in accordance with the Credit Agreement (i) a rate of interest equal to Mortgagee's prime rate of interest, (ii) a rate of interest approximately equal to the rate at which deposits in dollars are offered to Mortgagee on the London interbank market plus one and one fourth percent (1-1/4%), or (iii) a rate of interest approximately equal to the rate at which certificates of deposit are offered to Mortgagee in the secondary certificate of deposit market plus one and three eighths percent (1-3/8%); it being acknowledged and agreed that (i) the rate(s) of interest applicable to the secured indebtedness shall fluctuate from time to time, (ii) the exact rate(s) in effect at any given time are determined in accordance with the Credit Agreement, (iii) that the foregoing rates are those in effect prior to default, and (iv) a higher rate shall be applicable to the secured indebtedness after default, all as more particularly set forth in the Credit Agreement.

(b) the Obligations evidenced by the Notes and any renewals or replacements thereof;

(c) Any sums advanced as expenses or costs incurred by, or on behalf of, Mortgagee or any of the Banks (or any receiver appointed hereunder) which are made or incurred pursuant to, or permitted by, the terms of this Mortgage or any other Loan Papers, plus interest thereon at the Maximum Lawful Rate from the date of advance or expenditure until reimbursed; and



(d) All other and additional debts, obligations and liabilities of every kind and character of Mortgagor now existing or hereafter arising in connection with any of the Loan Papers.

#### ARTICLE IV

##### COVENANTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF MORTGAGOR

Mortgagor hereby covenants, represents, warrants and agrees that:

4.1 Payment of Indebtedness. Mortgagor will duly and punctually pay or cause to be paid when due all of the Obligations.

4.2 Warranties. (a) The Oil and Gas Leases are valid, subsisting leases, superior and paramount to all other oil and gas leases respecting the properties to which they pertain; (b) Mortgagor, to the extent of the interests specified in Exhibit A, has good and indefeasible title subject to Permitted Encumbrances to each property right or interest constituting the Mortgaged Property and has a good and legal right to make the grant and conveyance made in this Mortgage; (c) Mortgagor's present Net Revenue Interest in the Mortgaged Property is not less than that specified in Exhibit A; (d) the Mortgaged Property is free from all Liens other than Permitted Encumbrances. Mortgagor will warrant and forever defend the Mortgaged Property unto Trustee and Trustee's successors or substitutes hereunder, for the benefit of Mortgagee against every person whomsoever lawfully claiming the same or any part thereof, and Mortgagor will maintain and preserve the Lien hereby created so long as any of the Obligations remains unpaid.

4.3 Further Assurances. To the extent required by the Credit Agreement, Mortgagor will execute and deliver such other and further instruments and will do such other and further acts as in the sole opinion of Trustee or Mortgagee may be necessary or desirable to carry out more effectively the purposes of this Mortgage, including, without limiting the generality of the foregoing, (a) prompt correction of any defect which may hereafter be discovered in the title to the Mortgaged Property or in the execution and acknowledgment of this Mortgage, any Notes, or any other document used in connection herewith or at any time delivered to Mortgagee in connection with any Obligations, and (b) prompt execution and delivery of all division or transfer orders that in the sole opinion of Trustee or Mortgagee are needed to transfer effectively the assigned proceeds of production from the Mortgaged Property to Mortgagee.

4.4 Taxes. To the extent required by the Credit Agreement, Mortgagor will promptly pay all Taxes legally imposed upon this Mortgage or upon the Mortgaged Property or upon the interest of Trustee or Mortgagee therein, or upon the income, profits, proceeds and other revenues thereof.

4.5 Operation of the Mortgaged Property. So long as the Obligations or any part thereof remains unpaid:

(a) The Mortgagor shall maintain, develop and operate the Subject Interests in a good and workmanlike manner and will observe and comply with all of the terms and provisions, express or implied, of all Oil and Gas Leases relating to the Subject Interests so long as such Oil and Gas Leases are capable of producing Hydrocarbons in paying quantities, to the extent that the failure to so observe and comply could have a material adverse effect on the consolidated financial condition or operations of the Mortgagor;

(b) The Mortgagor shall comply in all material respects with all material contracts and agreements applicable to or relating to the Mortgaged Property or the production and sale of Hydrocarbons therefrom;

(c) The Mortgagor shall, at all times, maintain, preserve and keep all Operating Equipment used with respect to the Mortgaged Property in proper repair, working order and condition, and make all necessary or appropriate repairs, renewals, replacements, additions and improvements thereto so that the efficiency of such Operating Equipment shall at all times be properly preserved and maintained, provided that no item of Operating Equipment need be so repaired, renewed, replaced, added to or improved, if the Mortgagor shall in good faith determine that such action is not necessary or desirable for the continued efficient and profitable operating of the business of the Mortgagor;

(d) With respect to any portion of the Mortgaged Property of the Mortgagor which is operated by operators other than the Mortgagor, the Mortgagor shall not be obligated itself to perform any undertakings contemplated by the covenants and agreements contained in this Section 4.5 which are performable only by such operators and are beyond the control of the Mortgagor, but shall be obligated to seek to enforce such operators' contractual obligations to maintain, develop and operate the Mortgaged Property subject to such operating agreements;

(e) The Mortgagor shall not enter into any operating or management agreement with any third party other than a Subsidiary of Mortgagor or otherwise transfer management of the gas processing and transportation facilities owned by Mortgagor and located in Weld, Adams, and Morgan Counties, Colorado to any third party other than a Subsidiary of Mortgagor unless legally required to do so or such third party is approved by Required Banks, such approval to not be unreasonably withheld.

(f) The Mortgagor shall cause the Mortgaged Property to be kept free and clear of all Liens other than Permitted Encumbrances;

(g) The Mortgagor shall maintain or cause to be maintained insurance with such insurers, in such amounts and covering such risks as shall be required by the Credit Agreement; and

(h) The Mortgagor shall not sell, convey, trade or exchange any portion of the Mortgaged Property or any of Mortgagor's rights, titles or interests therein or thereto, except as specifically permitted in the Credit Agreement.

**4.6 Recording.** To the extent and at the times required by the Credit Agreement, the Mortgagor will promptly and at Mortgagor's sole cost and expense, record, register, deposit and file this Mortgage and every other instrument in addition or supplemental hereto in such offices and places and at such times and as often as may be necessary to preserve, protect and renew the lien and security interest hereof as a first lien and security interest on real or personal property, as the case may be, and the rights and remedies of Trustee and of Mortgagee, and otherwise will do and perform all matters or things necessary or expedient to be done or observed by reason of any law or regulation of any state or of the United States or of any other competent authority, for the purpose of effectively operating, maintaining and preserving the lien and security interest hereof on the Mortgaged Property.

4.7 Records, Statements and Reports. Mortgagor will keep proper books of record and account in which complete correct entries will be made of Mortgagor's transactions in accordance with sound accounting principles consistently applied and will, to the extent required by the Credit Agreement, furnish or cause to be furnished to Mortgagee (a) all reports required under the Loan Papers, and (b) such other information concerning the business and affairs and financial condition of Mortgagor as Mortgagee may from time to time reasonably request.

4.8 No Government Approvals. Mortgagor warrants that no approval or consent of any Person, with the exception of the Banks, is necessary to authorize the execution and delivery of this instrument, or any of the other Loan Papers or the Notes, or to authorize the observance or performance by Mortgagor of the covenants herein or therein contained.

4.9 Right of Entry. To the extent required by the Credit Agreement, Mortgagor will permit Trustee or Mortgagee, or the agents or designated representatives of either of them, to enter upon the Mortgaged Property, and all parts thereof, for the purposes of investigating and inspecting the condition and operation thereof.

## ARTICLE V

### ADDITIONS TO MORTGAGED PROPERTY

5.1 Additions to Mortgaged Property. It is understood and agreed that, pursuant to the terms of the Credit Agreement, the Mortgagor may periodically subject additional properties to the lien and security interest of this Mortgage. In the event that additional properties are to be subjected to the lien and security interest hereof, the parties hereto agree to execute a supplemental mortgage, satisfactory in form and substance to the Mortgagee, together with any security agreement, financing statement or other security instrument required by the Mortgagee, all in form and substance satisfactory to the Mortgagee and in a sufficient number of executed (and, where necessary or appropriate, acknowledged) counterparts for recording purposes. Upon execution of such supplemental mortgage, all additional properties thereby subjected to the lien and security interest of this Mortgage shall become part of the Mortgaged Property for all purposes.

## ARTICLE VI

### ENFORCEMENT OF THE SECURITY

6.1 General Remedies. Upon the occurrence and during the continuance of an Event of Default, Mortgagee may, subject to and in accordance with any applicable provisions of the Credit Agreement and to any mandatory requirements or limitations of applicable law then in force:

(a) Exercise all of the rights, remedies, powers and privileges of Mortgagor with respect to the Mortgaged Property or any part thereof, give or withhold all consents required therein which with respect to the Mortgaged Property or any part thereof Mortgagor would otherwise be entitled to give or withhold, and perform or attempt to perform any covenants in this Mortgage which Mortgagor is obligated to perform; provided that, no payment or performance by Mortgagee shall constitute a waiver of any Event of Default, and Mortgagee shall be subrogated to all rights and liens securing the payment of any debt, claim, tax or assessment for the payment of which Mortgagee may make an advance or pay;

(b) Appoint as a matter of right a receiver or receivers for all or any part of the Mortgaged Property, whether such receiver ship be incident to a proposed sale thereof or otherwise, and Mortgagor does hereby consent to the appointment of such receiver or receivers and does hereby agree not to oppose any application therefor by Mortgagee;

(c) Execute and deliver to such person or persons as may be designated by Mortgagee appropriate powers of attorney to act for and on behalf of Mortgagor in all transactions with any Federal, state or local agency with respect to any of the Mortgaged Property; and

(d) Exercise any and all other rights or remedies granted to Mortgagee pursuant to the provisions of any of the Loan Papers;

provided, that Mortgagee shall have no obligation to do or refrain from doing any of the acts, or to make or refrain from making any payment, referred to in this Section 6.1.

**6.2 Power of Sale.** Mortgagee may, where permitted by law, request Trustee to proceed with foreclosure, and in such event Trustee is hereby authorized and empowered, and it shall be his special duty, upon such request by the Mortgagee, to sell the Mortgaged Property, or any part thereof, at public action to the highest bidder or bidders for cash, at the courthouse door of the county (or judicial district thereof) in the state wherein the Lands then subject to the Lien hereof are situated, provided that if the Lands are situated in more than one county (or judicial district thereof), and if permitted by applicable law, such sale of the Mortgaged Property, or part thereof, may be made in any county in the state wherein any part of the Lands then subject to the Lien hereof are situated. Any such sale shall be made at public outcry, on the day of any month, during the hours of such day, and after written notices thereof have been publicly posted in such places and for such time periods and all persons and entities entitled to notice thereof have received such notice, all as required by applicable law. If the applicable law in force as of the Effective Date hereof should hereafter be amended to require a different notice of sale applicable to sales of property of the nature of the Mortgaged Property under power of sale conferred by mortgages or deeds of trust, Trustee may, in his sole discretion, and to the extent permitted by applicable law, either give the notice of sale required by applicable law in effect on the Effective Date or the notice of sale required by the amended law; and nothing herein shall be deemed to require Mortgagee or Trustee to perform, and Mortgagee and Trustee shall not be required to do, any act other than as required by applicable law in effect at the time of such sale. After such sale, Trustee shall make to the purchaser or purchasers thereunder good and sufficient deeds and assignments, in the name of Mortgagor or Trustee, as required by applicable law, conveying the Mortgaged Property, or any part thereof, so sold to the purchaser or purchasers with appropriate warranties of title on behalf of Mortgagor, unless such warranties are prohibited by applicable law. Sale of a part of the Mortgaged Property shall not exhaust the power of sale, and sales may be made from time to time until the Obligations are paid and performed in full. It shall not be necessary to have present or to exhibit at any such sale any of the personal property. In addition to the rights and powers of sale granted under the preceding provisions of this Section 6.2, if default is made in the payment of any installment of, or performance of, the Obligations, Mortgagee, at its option, at once, or at any time thereafter while any matured installment remains unpaid, without declaring the entire indebtedness to be due and payable, may orally or in writing direct Trustee to enforce this trust and to sell the Mortgaged Property subject to such unmatured Obligations and the Liens securing its payment, in the same manner, on the same terms, at the same place and time, and after having

given notice in the same manner, all as provided in the preceding provisions of this Section 6.2. After such sale, Trustee shall make due conveyance to the purchaser or purchasers. Sales made without maturing the Obligations may be made hereunder whenever there is a default in the payment of any installment of the Obligations without exhausting the power of sale granted hereby, and without affecting in any way the power of sale granted under this Section 6.2 or the unmatured balance of the Obligations (except as to any proceeds of any sale which Mortgagee may apply as a prepayment on the Obligations) or the Liens securing payment of the Obligations. It is intended by each of the foregoing provisions of this Section 6.2 that Trustee may, where permitted by law, after any request or direction by Mortgagee, sell not only the Subject Interests but also all items constituting a part of the Mortgaged Property, or any part thereof, together with the Lands, or any part thereof, all as a unit and as a part of the single sale, or may sell any part of the Mortgaged Property separately from the remainder of the Mortgaged Property. It is agreed that, in any deed or deeds given by Trustee, any and all statements of fact or other recitals therein made as to the identity of Mortgagee, or as to the occurrence or existence of any Event of Default, or as to the acceleration of the maturity of the Obligations, or as to the request to sell, notice of sale, time, place, terms and manner of sale and receipt, distribution and application of the money realized therefrom, or as to the due and proper appointment of a substitute Trustee, and, without being limited by the foregoing, as to any other act or thing having been duly done by Mortgagee or by Trustee, shall be taken by all courts of law and equity as prima facie evidence that such statements or recitals are for all purposes correct statements of the facts and are without further question to be so accepted, and Mortgagor does hereby ratify and confirm any and all acts that Trustee may lawfully perform by virtue hereof. In the event of the resignation or death of Trustee, or his failure, refusal or inability, for any reason, to make any such sale or to perform any of the trusts herein declared, or, at the option of Mortgagee, without cause, Mortgagee may appoint, in writing, a substitute Trustee, who shall thereupon succeed to all the estates, titles, rights, powers and trusts herein granted to and vested in Trustee. Such appointment may be made on behalf of Mortgagee by any person who is then the president, or vice president, or the cashier or secretary, or any other duly authorized officer or agent, of Mortgagee. In the event of the resignation or death of any substitute Trustee, or his failure, refusal or inability to make any such sale or perform such trusts, or, at the sole option of Mortgagee, without cause, successive substitute Trustees may thereafter, from time to time, be appointed in the same manner.

**6.3 Foreclosure as a Mortgage or by Judicial Proceedings.** This mortgage shall be effective as a mortgage as well as a deed of trust and may be foreclosed as to any of the Mortgaged Property covered hereby in any manner permitted by the laws of any state in which any part of the Mortgaged Property is situated. This Mortgage may be foreclosed by advertisement and sale pursuant to the power of sale granted in Section 6.2 hereof, or by any foreclosure suit brought by Trustee or by Mortgagee. Upon occurrence of an Event of Default, Trustee or Mortgagee, in lieu of or in addition to exercising the power of sale hereinabove given, may proceed, where permitted by law, by a suit or suits in equity or at law, whether for a foreclosure hereunder, or for the sale of the Mortgaged Property, or for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy.

**6.4 Certain Aspects of a Sale.** Any of the Banks shall have the right to become the purchaser at any sale of the Mortgaged

Property held by Trustee or by any court, receiver or public officer, and Mortgagee shall have the right to credit upon the amount of the bid made therefor, the amount payable out of the net proceeds of such sale to any such Bank. Recitals contained in any conveyance made to any purchaser at any sale made hereunder shall conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, interest accrued on and fees payable in respect of, the Obligations after the same have become due and payable, and advertisement and conduct of such sale in the manner provided herein or appointment of any successor Trustee hereunder.

**6.5 Receipt to Purchaser.** Upon any sale, whether made under the power of sale herein granted and conferred or by virtue of judicial proceedings, the receipt of Trustee, Mortgagee or of the officer making such sale under judicial proceedings shall be sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers, or his or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of Trustee, Mortgagee or of such officer therefor, be obligated to see to the application of such purchase money, or be in any wise answerable for any loss, misapplication or non-application thereof.

**6.6 Effect of Sale.** Any sale or sales of the Mortgaged Property or portions thereof, whether under the power of sale herein granted and conferred or by virtue of judicial proceedings, where permitted by law, shall operate to divest all right, title, interest, claim and demand whatsoever either at law or in equity, of Mortgagor of, in and to the premises and the property sold, and shall be a perpetual bar, both at law and in equity, against Mortgagor, and Mortgagor's successors, legal representatives or assigns, and against any and all persons claiming or who shall hereafter claim all or any of the property sold by, through or under Mortgagor, or Mortgagor's successors, legal representatives and assigns. Nevertheless, Mortgagor, if requested by Trustee or Mortgagee to do so, shall join in the execution and delivery of all proper conveyances, assignments and transfers of the properties so sold.

**6.7 Application of Proceeds.** The proceeds of any sale of the Mortgaged Property, or any part thereof, whether under the power of sale herein granted and conferred or by virtue of judicial proceedings, shall be applied in the manner required by the Credit Agreement.

**6.8 Mortgagor's Waiver of Appraisal, Marshalling, etc. Rights.** Mortgagor agrees, to the full extent that Mortgagor may lawfully so agree, that Mortgagor will not at any time, insist upon or plead or, in any manner whatever, claim the benefit of any appraisal, valuation, stay, extension or redemption law now or hereafter in force, (including but not limited to all rights of appraisal, sale and redemption allowed under any law or laws of the State of Arkansas or of any other jurisdiction and especially redemption under Act No. 153 of the General Assembly of the State of Arkansas approved May 8, 1899 and acts amendatory thereto) in order to prevent or hinder the enforcement or foreclosure of this Mortgage or the absolute sale of the Mortgaged Property or any portion thereof or the possession thereof by any purchaser at any sale made pursuant to any provision hereof, or pursuant to the decree of any court of competent jurisdiction; but Mortgagor and all who may claim through or under Mortgagor, so far as Mortgagor or those claiming through or under Mortgagor now or hereafter lawfully may hereby waives the benefit of all such laws provided, however, that appraisal of any Mortgaged Property located in the State of Oklahoma is hereby expressly waived or not waived, at the sole option of Mortgagee and/or Trustee, such option to be exercised prior to the time judgment is rendered in any foreclosure

hereof. Mortgagor, or Mortgagor and all who may claim through or under Mortgagor, waives, to the extent that Mortgagor may lawfully do so, any and all right to have the Mortgaged Property marshalled upon any foreclosure of the lien hereof, or sold in inverse order or alienation, and agrees that Mortgagee or Trustee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety. If any law in this Section 6.8 referred to and now in force, of which Mortgagor or Mortgagor's successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the operation or application of the provisions of this Section 6.8.

**6.9 Shortening Period of Redemption.** THE BANKS AND MORTGAGOR SPECIFICALLY AGREE THAT WITH RESPECT TO ANY PART OF THE PREMISES LOCATED IN THE STATE OF NEW MEXICO, THAT PURSUANT TO NMSA SECTION 39-5-19 (1978), THE PERIOD OF REDEMPTION SHALL BE ONE MONTH RATHER THAN NINE MONTHS. MORTGAGOR ACKNOWLEDGES THAT BUT FOR THIS PROVISION, THE PERIOD OF REDEMPTION WOULD BE NINE MONTHS, AND MORTGAGOR FURTHER ACKNOWLEDGES THAT THIS PROVISION WAS BARGAINED FOR BETWEEN MORTGAGOR AND THE BANKS, AND FORMS A MATERIAL PART OF THE LOANS AND OF THIS MORTGAGE.

**6.10 Mineral Leasing Act.** Notwithstanding any other provisions of this Mortgage, any Oil and Gas Leases covered by this Mortgage which are subject to the Mineral Leasing Act of 1920, as amended, and the regulations promulgated thereunder, shall not be sold or otherwise disposed of to any party other than citizens of the United States, or to associations of such citizens or to any corporation organized under the laws of the United States, or any state or territory thereof that are qualified to own or control interests in such Oil and Gas Leases under the provisions of such Act and regulations, or to persons who may acquire ownership or interest in such Oil and Gas Leases under the provisions of 30 U.S.C. § 182(g), if applicable, as such Act or regulations are now or may be from time to time in effect.

**6.11 Costs and Expenses.** All costs, expenses (including attorneys' fees) and payments incurred or made by Trustee or Mortgagee in protecting and enforcing its rights hereunder, shall constitute a demand obligation owing by Mortgagor to the party incurring such or making costs, expenses or payments and shall bear interest at a rate per annum equal to the Maximum Lawful Rate, all of which shall constitute a portion of the Obligations.

**6.12 Operation of the Mortgaged Property by Trustee or Mortgagee.** Upon the occurrence of an Event of Default and in addition to all other rights herein conferred on Trustee or Mortgagee, Trustee or Mortgagee (or any person, firm or corporation designated by Mortgagee) shall, to the extent permitted by applicable law, have the right and power, but not the obligation, to enter upon and take possession of any of the Mortgaged Property, and to exclude Mortgagor, and Mortgagor's agents or servants, wholly therefrom, and to hold, use, administer, manage and operate the same to the extent that Mortgagor shall be at the time entitled to do any of such things and in Mortgagor's place and stead. Trustee or Mortgagee (or any person, firm or corporation designated by Trustee or Mortgagee) may operate the same without any liability or duty to Mortgagor in connection with such operations, except to use ordinary care in the operation of such Mortgaged Property, and Trustee or Mortgagee or any person, firm or corporation designated by Trustee or Mortgagee, shall have the right to collect and receive all Hydrocarbons produced and sold from the Mortgaged Property, to make repairs, purchase machinery and equipment, conduct workover operations, drill additional wells and to exercise every power, right and privilege of Mortgagor with respect to the Mortgaged Property. When and if such expenses of such operation and development (including costs of unsuccessful workover

operations or additional wells) have been paid and the Obligations paid, such Mortgaged Property shall, if there has been no sale or foreclosure thereof, be returned to Mortgagor.

## ARTICLE VII

### MISCELLANEOUS

7.1 Advances by Mortgagee. Each and every covenant herein contained shall be performed and kept by Mortgagor solely at Mortgagor's expense. If Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this Mortgage, Mortgagee, any Bank or any receiver appointed hereunder, may, but shall not be obligated to, make advances to perform the same on Mortgagor's behalf, and Mortgagor hereby agrees to repay such sums upon demand plus interest at a rate per annum equal to the rate of interest applicable to principal outstanding on the Notes. No such advance shall be deemed to relieve Mortgagor from any Event of Default hereunder.

7.2 Defense of Claims. Mortgagor will notify Mortgagee, in writing, promptly of the commencement of any legal proceedings affecting or which could adversely affect the lien and security interest hereof or the status of or title to the Mortgaged Property, or any part thereof, and will take such action, employing attorneys agreeable to Mortgagee, as may be necessary to preserve Mortgagor's and Trustee's or Mortgagee's rights affected thereby; and should Mortgagor fail or refuse to take any such action, Trustee or Mortgagee may take such action on behalf and in the name of Mortgagor and at Mortgagor's sole cost and expense. Moreover, Trustee or Mortgagee may take such independent action in connection therewith as it may, in its sole discretion, deem proper without any liability or duty to Mortgagor except to use ordinary care, Mortgagor hereby agreeing that all sums advanced or all expenses incurred in such actions plus interest at a rate per annum equal to the rate of interest applicable to principal outstanding on the Notes, will, on demand, be reimbursed to Trustee, Mortgagee or any receiver appointed hereunder.

7.3 Defeasance. If the Obligations shall be paid and discharged in full, then, and in that case only, this Mortgage shall be null and void and the interests of Mortgagor in the Mortgaged Property shall become wholly clear of the lien and security interest created hereby, and such lien and security interest shall be released in due course at the cost of Mortgagor. Trustee and/or Mortgagee will, at Mortgagor's sole expense, execute and deliver to Mortgagor all releases and other instruments reasonably requested of the lien and security interest created hereunder. Otherwise, this Mortgage shall remain and continue in full force and effect.

7.4 Renewals, Amendments and Other Security. Renewals and extensions of the Obligations may be given at any time and amendments may be made to this Mortgage, the Loan Papers and any other agreements relating to any part of the Obligations, and Trustee or Mortgagee may take or may hold other security for the Obligations without notice to or consent of Mortgagor. Any amendment of this Mortgage shall be by written instrument and need be executed only by the party against whom enforcement of such amendment is asserted. Trustee or Mortgagee may resort first to such other security or any part thereof or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action shall not be a waiver of any rights conferred by this Mortgage, which shall continue as a first lien and security interest upon the Mortgaged Property not expressly released until all Obligations secured hereby are fully paid.



**7.5 Instrument and Assignment, etc.** This Mortgage shall be deemed to be and may be, enforced from time to time as an assignment, chattel mortgage, contract, deed of trust, financing statement, real estate mortgage, pledge or security agreement, and from time to time as any one or more thereof; and to the extent that any particular jurisdiction wherein a portion of the Mortgaged Property is situated does not recognize or permit Mortgagor to grant, bargain, sell, warrant, mortgage, assign, transfer or convey Mortgagor's rights, titles and interests to Trustee for the benefit of Mortgagee in the manner herein adopted, then, with respect to the Mortgaged Property located in such jurisdiction, Mortgagor does hereby grant, bargain, sell, warrant, mortgage, assign, transfer and convey unto Mortgagee, with power of sale (if permitted by applicable law), the Mortgaged Property to secure the Obligations and the obligations of Mortgagor contained herein.

**7.6 Limitation on Interest.** Regardless of any provision contained in this Mortgage or any of the other Loan Papers, the Banks shall never be entitled to receive, collect, or apply, as interest on the Loans, any amount in excess of the Maximum Lawful Rate, and in the event Banks ever receive, collect or apply as interest any such excess, such amount which would be deemed excessive interest shall be deemed a partial prepayment of principal and treated hereunder as such; and if the Loans are paid in full, any remaining excess shall promptly be paid to the Mortgagor. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Lawful Rate, the Mortgagor and the Banks shall, to the extent permitted under applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof and (c) amortize, prorate, allocate and spread, in equal parts, the total amount of the interest throughout the entire contemplated term of the Notes, so that the interest rate is the Maximum Lawful Rate throughout the entire term of the Notes; provided, however, that if the unpaid principal balance thereof is paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Lawful Rate, the Banks shall refund to the Mortgagor the amount of such excess and, in such event, the Banks shall not be subject to any penalties provided by any laws for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Lawful Rate.

**7.7 Unenforceable or Inapplicable Provisions.** If any provision of this Mortgage or in any of the other Loan Papers is invalid or unenforceable in any jurisdiction, the other provisions hereof or of any of the other Loan Papers shall remain in full force and effect in such jurisdiction, and the remaining provisions hereof shall be literally construed in favor of Trustee and/or Mortgagee in order to effectuate the provisions hereof, and the invalidity of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction. Any reference herein contained to statutes or laws of a state in which no part of the Mortgaged Property is situated shall be deemed inapplicable to, and not used in, the interpretation hereof.

**7.8 Rights Cumulative.** Each and every right, power and remedy herein given to Trustee or Mortgagee shall be cumulative and not exclusive; and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by Trustee or Mortgagee, as the case may be, and the exercise, or the beginning of the exercise, of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time and thereafter, any other right, power or remedy. No delay or omission by Trustee or Mortgagee in the exercise of any right, power or remedy shall impair any such right,

power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

7.9 Waiver by Mortgagee. Any and all covenants in this Mortgage may, from time to time, by instrument in writing signed by Mortgagee, be waived to such extent and in such manner as Mortgagee may desire, but no such waiver shall ever effect or impair Mortgagee's rights and remedies or liens and security interests hereunder, except to the extent specifically stated in such written instrument.

7.10 Successors and Assigns. This instrument is binding upon Mortgagor, and Mortgagor's heirs, devisees, successors, personal and legal representatives and assigns, and shall inure to the benefit of Trustee and Mortgagee, and their respective successors, legal representatives and assigns, and the provisions hereof shall likewise be covenants running with the Lands.

7.11 Article and Section Headings. The article and section headings in this instrument are inserted for convenience and shall not be considered a part of this Mortgage or used in its interpretation.

7.12 Counterparts. This Mortgage may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all of which are identical except that, to facilitate recordation in any particular county or parish, counterpart portions of Exhibit A which describe properties situated in parishes or counties other than the county or parish in which such counterpart is to be recorded may be omitted.

7.13 Special Filing as Financing Statements. This Mortgage shall likewise be a credit agreement, security agreement and a financing statement and Mortgagor, as Debtor, hereby grants to Mortgagee, its successors, legal representatives and assigns, as secured party, a security interest in all personal property, fixtures, accounts, contract rights, general intangibles, inventory, goods, chattel paper, instruments, documents and money described or referred to in granting clauses (a) through (j) of Article II hereof and all proceeds and products from the sale, lease or other disposition of the Mortgaged Property or any part thereof. The addresses shown in Section 7.14 hereof are the addresses of the Debtor and Secured Party and information concerning the security interest may be obtained from the Secured Party at its address. Without in any manner limiting the generality of any of the foregoing provisions hereof: (a) some portion of the goods described or to which reference is made herein are or are to become fixtures on the Lands described or to which reference is made herein; (b) the minerals and the like (including oil and gas) included in the Mortgaged Property and the accounts resulting from the sale thereof will be financed at the wellhead(s) or minehead(s) of the well(s) or mine(s) located on the Lands described or to which reference is made herein; and (c) this Mortgage is to be filed of record, among other places, in the real estate records of each county in which the Lands, or any part thereof, are situated, as a financing statement, but the failure to do so will not otherwise affect the validity or enforceability of this instrument.

7.14 Notices. Whenever this Mortgage requires or permits any consent, approval, notice, request or demand from one party to another, such consent, approval, notice or demand shall, unless otherwise required under applicable laws, be given in accordance with the provisions of the Credit Agreement, addressed to the party to be notified at the address stated below (or such other address as may have been designated in accordance with the provisions of the Credit Agreement):

Snyder Oil Corporation  
777 Main Street, Suite 2500  
Fort Worth, Texas 76102  
Attention: Peter E. Lorenzen

Wells Fargo Bank, N.A.,  
420 Montgomery Street  
San Francisco, California 94103  
Attention: Cherri Rodgers

7.15 GOVERNING LAW. THIS MORTGAGE IS INTENDED TO BE PERFORMED IN THE STATE OF TEXAS AND THE SUBSTANTIVE LAWS OF SUCH STATE AND/OR THE UNITED STATES OF AMERICA SHALL GOVERN THE VALIDITY, CONSTRUCTION, ENFORCEMENT AND INTERPRETATION OF THIS MORTGAGE, UNLESS OTHERWISE SPECIFIED HEREIN OR UNLESS THE LAWS OF ANOTHER STATE REQUIRE THE APPLICATION OF THE LAWS OF SUCH STATE.

7.16 Prior Liens. This Mortgage renews, extends and carries forward for all purposes all liens and security interests covering the properties described in Exhibit A which liens and security interests have heretofore been granted by Mortgagor in favor of Mortgagee, including, without limitation, all liens and security interests created by the Existing Mortgages identified in Schedule One attached hereto.

7.17 Future Advances. This Mortgage covers not only the proceeds of the Loans, but all advances hereafter made by the Banks to or for the benefit of Mortgagor (the "Future Advances"), including, without limitation, any amounts advanced by the Banks in satisfying, on Mortgagor's behalf, any of Mortgagor's Obligations, and any advances made by Lender to protect its security, and any other advances by Lender which shall not, in the aggregate exceed \$250,000,000.00. The maximum amount secured hereby may be advanced and repaid, and again advanced and repaid from time to time, in the Banks' sole and absolute discretion, and this Mortgage shall become enforceable upon recording and shall have priority over all other parties whose rights arose after the recording hereof, with respect to all funds advanced by the Banks to Mortgagor, regardless of whether such funds were advanced before or after the arising of such other party's rights. Nothing herein shall be interpreted as requiring the Banks to make any future advances hereunder.

## ARTICLE VIII

### ASSIGNMENT OF PRODUCTION

8.1 Assignment. For the purpose of further securing the Obligations and the performance of Mortgagor's covenants hereunder, Mortgagor does hereby TRANSFER, ASSIGN, AND CONVEY unto Mortgagee any and all of the interests of Mortgagor in and to the oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and other minerals in, to and under, and that may be produced from, or attributable to, the Mortgaged Property together with the proceeds of the sale thereof and attributable thereto on and after the Effective Date. This assignment is made upon the following terms and conditions: (a) Pipeline companies and others purchasing the oil, gas, minerals and other substances listed above produced and to be produced from said property are hereby authorized and directed to pay directly to Mortgagee the interests of Mortgagor in and to the proceeds of the sale of the oil, gas, minerals and other substances listed above produced, to be produced and attributable to said property, and to continue such payments until they have been furnished with a release hereof executed in writing by Mortgagee, and the receipt of Mortgagee for monies so paid to it shall be a full and complete release, discharge and acquittance to any such pipeline company or other purchaser, to the extent of all amounts so paid. (b) Mortgagee is hereby authorized to receive and collect the proceeds of the sale of the oil, gas, minerals and other substances listed above assigned to it hereunder, and to apply the funds so received first toward the payment of the expenses, if any, incurred in the

collection thereof, then in such order as Mortgagee, in its sole discretion, shall elect toward the payment of the Obligations, any balance remaining after the full and final payment of the Obligations to be held subject to the order of Mortgagor. (c) Mortgagee shall have the right, at its sole option, at any time, and from time to time, to release to, or on the order of, Mortgagor all or any portion of the funds assigned to Mortgagee hereunder, and no such releases shall affect or impair the lien of this deed of trust or the validity and effect of the assignment contained in this Article VIII. (d) Mortgagee shall never be under any obligation to enforce the collection of the funds assigned to it hereunder, nor shall it ever be liable for failure to exercise diligence in the collection of such funds, but it shall only be accountable for the sums that it shall actually receive. (e) Mortgagor covenants to cause all pipeline companies or other purchasers of the oil, gas, minerals and other substances listed above produced from and attributable to said property, to pay promptly to Mortgagee, at the office of Mortgagee at the address of Mortgagee stated above, the interests of Mortgagor in and to the proceeds of the sale thereof. (f) Upon the full and final payment of the secured indebtedness, Mortgagee, at the request of Mortgagor, and at Mortgagor's sole cost and expense, shall execute and deliver to Mortgagor a reassignment hereof, without recourse, representations or warranties.

**8.2 Power of Attorney.** In consideration of the loan evidenced by the Notes, Mortgagor hereby designates and appoints Mortgagee as Mortgagor's true and lawful agent and attorney-in-fact (with full power of substitution, either generally or for such limited periods or purposes as Mortgagee may, from time to time, prescribe), with full power and authority, for and on behalf and in the name of Mortgagor, to execute, acknowledge and deliver all such division orders, transfer orders, certificates and any and all other documents of every nature as may, from time to time, be necessary or proper to effectuate the intent and purpose of the assignment contained in Section 8.1 hereof. Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any such division order, transfer order, certificate or other documents. The powers and authorities herein conferred on Mortgagee may be exercised by Mortgagee through any person who, at the time of the execution of a particular instrument, is the president, a senior vice-president or a vice-president of Mortgagee. The power of attorney conferred by this Section 8.2 is granted for a valuable consideration and hence is coupled with an interest and is irrevocable so long as the Obligations, or any part thereof, shall remain unpaid. All persons dealing with Mortgagee, any officer thereof above designated or any substitute thereof, shall be fully protected in treating the powers and authorizations conferred by this paragraph as continuing in full force and effect until advised by Mortgagee that all of the Obligations are fully and finally paid.

IN WITNESS WHEREOF, Mortgagor has executed this Mortgage as of December 13, 1991.

**MORTGAGOR:**

SNYDER OIL CORPORATION, a Delaware corporation

ATTEST:

  
Julie Rodgers,  
Assistant Secretary

By:

  
Peter E. Lorenzen  
Senior Vice President

(SEAL)

**ATTEST:**

**MORTGAGEE:**

WELLS FARGO BANK, N.A., as  
Agent for the Banks

*Ann E. Elliott*  
Ann E. Elliott,  
Assistant Secretary

By: *Rex C. Walker*  
Rex C. Walker,  
Assistant Vice President

(SEAL)

**SIGNED AND ACKNOWLEDGED  
IN THE PRESENCE OF:**

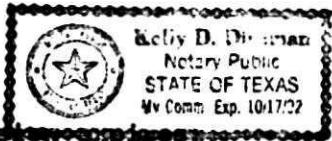
Witnesses  
(as to all signatures)

*Jan M. Gallagher*  
Jan M. Gallagher

*Holly Bauber*  
Holly Bauber

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13th day of December, 1991, by Peter E. Lorenzen, Senior Vice President of Snyder Oil Corporation, a Delaware corporation, on behalf of said corporation.



Kelly D. Dishman  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13th day of December, 1991, by Rex C. Walker, Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, on behalf of said association.



Kelly D. Dishman  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(States of Kansas and New Mexico Acknowledgements)

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13th day of December, 1991, by Peter E. Lorenzen, Senior Vice President of Snyder Oil Corporation, a Delaware corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13th day of December, 1991, by Rex C. Walker, Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, on behalf of said association.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of Ohio Acknowledgements)

STATE OF TEXAS        §  
                          §  
COUNTY OF DALLAS    §

BEFORE ME, a notary public in and for said county, personally appeared Peter E. Lorenzen known to me to be the person who, as Senior Vice President of Snyder Oil Corporation, a Delaware corporation, the corporation which executed the foregoing instrument, signed the same, and acknowledged to me that he did so sign said instrument in the name and upon behalf of said corporation as such officer, that the same is the free act and deed as such officer, and the free and corporate act and deed of said corporation; that such officer was duly authorized thereunto by its board of directors; and that the seal affixed to said instrument is the corporate seal of said corporation. In testimony whereof, I have hereunto subscribed my name, and affixed my official seal, at \_\_\_\_\_ o'clock \_\_.M., this 13th day of December, 1991.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS        §  
                          §  
COUNTY OF DALLAS    §

BEFORE ME, a notary public in and for said county, personally appeared Rex C. \_\_\_\_\_ known to me to be the person who, as Assistant Vice President of \_\_\_\_\_ Fargo Bank, N.A., a national banking association, executed the foregoing instrument, signed the same, and acknowledged to me that said officer did so sign said instrument in the name and upon behalf of said association as such officer; that the same is the free act and deed as such officer, and the free and corporate act and deed of said association; that such officer was duly authorized thereunto by its board of directors; and that the seal affixed to said instrument is the corporate seal of said association. In testimony whereof, I have hereunto subscribed my name, and affixed my official seal, at \_\_\_\_\_ o'clock \_\_.M., this 13th day of December, 1991.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of Pennsylvania Acknowledgements)

STATE OF TEXAS §  
COUNTY OF DALLAS §

On this the 13th day of December, 1991, before me, Kelly Dishman, the undersigned officer, personally appeared Peter E. Lorenzen, who acknowledged himself to be the Senior Vice President of Snyder Oil Corporation, a Delaware corporation, and that he, as such Senior Vice President being authorized so to do executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Senior Vice President.

In witness whereof I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS §  
COUNTY OF DALLAS §

On this the 13th day of December, 1991, before me, Kelly Dishman, the undersigned officer, personally appeared Rex C. Walker who acknowledged himself to be the Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, and that he, as such Assistant Vice President, being authorized so to do executed the foregoing instrument for the purposes therein contained by signing the name of the association by himself as Assistant Vice President.

In witness whereof I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of Pennsylvania certificate of residence)

The undersigned hereby certifies that the precise residence of the Mortgagee for the purposes hereof is \_\_\_\_\_



(State of Arkansas Acknowledgements)

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

On December 13, 1991, before me, a notary public, personally appeared Peter E. Lorenzen known to me to be the Senior Vice President of Snyder Oil Corporation and acknowledged that he has executed the foregoing instrument for the purposes therein contained.

In witness whereof, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

On December 13, 1991, before me, a notary public, personally appeared Rex C. Walker known to me to be the Assistant Vice President of Wells Fargo Bank, N.A. and acknowledged that he/she has executed the foregoing instrument for the purposes therein contained.

In witness whereof, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of Wyoming Acknowledgements)

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 13th day of December, 1991 by Peter E. Lorenzen, Senior Vice President of Snyder Oil Corporation, a Delaware corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS       §  
                              §  
COUNTY OF DALLAS   §

This instrument was acknowledged before me on this 13th day of December, 1991 by Rex C. Walker, Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, on behalf of said association.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of Colorado Acknowledgements)

STATE OF TEXAS       §  
                              §  
COUNTY OF DALLAS   §

The foregoing instrument was acknowledged before me on this 13th day of December, 1991, by Peter E. Lorenzen, the Senior Vice President of Snyder Oil Corporation, a Delaware corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

STATE OF TEXAS       §  
                              §  
COUNTY OF DALLAS   §

The foregoing instrument was acknowledged before me on this 13th day of December, 1991, by Rex C. Walker, the Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, on behalf of said association.

\_\_\_\_\_  
Notary Public-State of Texas

My commission expires: \_\_\_\_\_

(State of South Dakota Acknowledgements)

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

On this the 13th day of December, 1991, before me, Kelly Dishman, the undersigned officer, personally appeared Peter E. Lorenzen, who acknowledged himself to be the Senior Vice President of Snyder Oil Corporation, a Delaware corporation, and that he, as such Senior Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as Senior Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires: \_\_\_\_\_

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

On this the 13th day of December, 1991, before me, Kelly Dishman, the undersigned officer, personally appeared Rex C. Walker, who acknowledged himself to be the Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, and that he, as such Assistant Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as Assistant Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires: \_\_\_\_\_

(State of Mississippi Acknowledgments)

STATE OF TEXAS §  
                                  §  
COUNTY OF DALLAS §

Personally appeared before me, the undersigned authority in and for the said county and state, on this 13th day of December, 1991, within my jurisdiction, the within named Peter E. Lorenzen, who acknowledged that he is Senior Vice President of Snyder Oil Corporation, a Delaware corporation, and that for and on behalf of the said corporation, and as its act and deed he executed the above and foregoing instrument, after first having been authorized by said corporation so to do.

\_\_\_\_\_  
NOTARY

My Commission Expires:  
\_\_\_\_\_

STATE OF TEXAS §  
                                  §  
COUNTY OF DALLAS §

Personally appeared before me, the undersigned authority in and for the said county and state, on this 13th day of December, 1991, within my jurisdiction, the within named Rex C. Walker, who acknowledged that he is Assistant Vice President of Wells Fargo Bank, N.A., a national banking association, and that for and on behalf of the said association, and as its act and deed he executed the above and foregoing instrument, after first having been authorized by said corporation so to do.

\_\_\_\_\_  
NOTARY

My Commission Expires:  
\_\_\_\_\_

183322

## EXHIBIT "A"

**HIGH ISLAND BLOCK 206 PROSPECT - 092301  
OUTER CONTINENTAL SHELF  
OFFSHORE TEXAS**

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Lease No. 92301-001 (OCS-G 1831):

Oil & Gas Lease dated July 1, 1968, between the United States of America, Lessor, and Texaco Inc. and Humble Oil & Refining Company, Lessee, bearing Serial Number OCS-G 1831, covering Block 206, High Island Area, Official Leasing Map, Texas Map No. 7, comprising 5,760 acres, more or less, INSOPAR ONLY as to all depths commencing from the surface down to the stratigraphic equivalent of 100 feet below the base of the "N" sand, such sand being identified by electric log interval in Texaco's OCS-G 1831 Well No. 7 (A-1) at 8,560 feet to 8,590 feet.

<u>Well Name</u>	<u>Working Interest</u>	<u>Revenue Interest</u>
High Island 206 Well A-11	.17438700	.14227100
<u>Offshore Texas</u>		