

LISKOW & LEWIS

ATTORNEYS AT LAW

New Orleans, 70139

January 4, 1979

CULLEN B. LEBROW 893-9711
AUSTIN W. LEWIS 911-1974

WILLIAM M. MEYERS
ROBERT T. JOULEN
CHARLES C. JRMILLON
GENE W. LAFITE
B. H. HINES
JAMES I. PELLETIER
THOMAS G. HARTMAN
L. LINTON MORGAN
JOHN M. KING
STEPHEN T. VICTORY
KENNETH E. GORDON, JR.
WILLIAM B. RITS
LEON J. REYNOLDS, JR.
J. BERRY ST. JOHN, JR.
DONALD B. ABANZA
JOHN M. WILSON
LAWRENCE B. SIMON, JR.
JAMES L. WILLIAMS II
FREDERICK W. SPADEY
KERRY M. MASSARI
B. JENE FENDLER
THOMAS F. GETTER
GEORGE H. ROBINSON, JR.
GEORGE J. DOMAS
REYNALD E. CASSBRY
MARILYN C. MALONEY
ROBERT W. BOOKSH, JR.
JOSEPH C. DIOLOU, JR.
LARRY M. ROEDEL

NEW ORLEANS, LA. 70139

ONE SHELL SQUARE
FIFTIETH FLOOR
TELEPHONE (504) 581-1979

LAFAYETTE, LA. 70505

321 TRAVIS ST.
P. O. BOX 52008 O. C. S.
TELEPHONE (518) 232-7424

RICHARD E. BERARD
WILLIAM M. HALL, JR.
OF COUNSEL

Mr. John L. Rankin
United States Dept. of Interior
Bureau of Land Management
Outer Continental Shelf Office
Hale Boggs Federal Building
Suite 841
500 Camp Street
New Orleans, Louisiana 70130

Re: Leases OCS-G 3061, 3243, 2388, 2389,
2719, 2428, 2019, 2238, 3299, 2865,
3400, 2280, 2281, 2282, 30, 3554

Dear Mr. Rankin:

By Mortgage, Deed of Trust and Assignment of Production, dated as of January 1, 1979, Transco Exploration Company granted a security interest to Marine Midland Bank and Richard D. Rein, as Trustees, affecting the interest of Transco Exploration Company in the following oil and gas leases:

- (1) Leases OCS-G 3061, affecting all of Block A-85, Mustang Island Area, East Addition, as shown on OCS Official Leasing Map, Texas Map No. 3A.
- (2) Lease OCS-G 3243, affecting all of Block A-492, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B.

January 4, 1979

LISKOW & LEWIS

PAGE 2

- (3) Lease OCS-G 2388, affecting all of Block A-563, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B.
- (4) Lease OCS-G 2389, affecting all of Block A-564, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B.
- (5) Lease OCS-G 2719, affecting all of Block A-582, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B.
- (6) Lease OCS-G 2428, affecting all of Block A-350, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.
- (7) Lease OCS-G 2019, affecting Block 576, West Cameron Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 1B.
- (8) Lease OCS-G 2238, affecting Block 633, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B.
- (9) Lease OCS-G 3299, affecting all of Block 263, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A.
- (10) Lease OCS-G 2865, affecting all of Block 22, Vermilion Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3.
- (11) Lease OCS-G 3400, affecting Block 310, Vermilion Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3B.

January 4, 1979

PAGE 3

- (12) Lease OCS-G 2280, affecting Block 130, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C.
- (13) Lease OCS-G 2281, affecting Block 131, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C.
- (14) Lease OCS-G 2282, affecting Block 132, South Marsh Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3C.
- (15) Lease OCS-G 2130, affecting all of Block 107, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C.
- (16) Lease OCS-G 3554, affecting all of Block 114, South Marsh Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3C.

Enclosed you will find 16 fully executed originals of the Mortgage, Deed of Trust, and Assignment of Production. In order that third parties will be put on notice as to the execution and efficacy of the above mentioned Mortgage, Deed of Trust and Assignment of Production, please file an original executed copy of the Mortgage, Deed of Trust and Assignment of Production and an original copy of this letter in the file in your office relating to each of the above mentioned OCS leases. By your signature in the space provided below, please acknowledge that the same has been accomplished pursuant to this request.

Very truly yours,

LISKOW & LEWIS

By *Thomas J. Stettin*

Filed and Accomplished as Requested

John L. Rankin

 John L. Rankin, Manager
 Outer Continental Shelf
 Bureau of Land Management

January 4, 1979

**Mortgage, Deed of Trust
and
Assignment of Production**

Dated as of January 1, 1979

**TRANSCO EXPLORATION COMPANY
P.O. Box 1396
Houston, Texas 77001**

TO

MARINE MIDLAND BANK

AND

Richard D. Rein

TRUSTEES

**THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A UTILITY
THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS**

Return Recorded Counterparts to:
Richard D. Rein
Marine Midland Bank
250 Park Avenue
New York, New York 10017

TABLE OF CONTENTS

	<u>Page</u>
PARTIES	1
RECITALS	1
GRANT OF MORTGAGES	1
ARTICLE I	
AUTHENTICATION OF NOTES, INDEBTEDNESS SECURED, PREPAYMENTS	
SECTION 1.1. Authentication of Notes	3
SECTION 1.2. Indebtedness Secured	3
SECTION 1.3. Mandatory Prepayments	4
SECTION 1.4. Optional Prepayments	4
SECTION 1.5. Notice of Prepayment	4
SECTION 1.6. Partial Prepayments	4
ARTICLE II	
DEFINITIONS	
SECTION 2.1. Definitions	5
ARTICLE III	
REPRESENTATIONS AND WARRANTIES	
SECTION 3.1. Representations and Warranties of the Company	9
ARTICLE IV	
ASSIGNMENT OF PRODUCTION	
SECTION 4.1. Assignment, Etc.	10
SECTION 4.2. Prior to Occurrence of Event of Default	10
SECTION 4.3. After Occurrence of Event of Default	10
SECTION 4.4. Application of Moneys	11
SECTION 4.5. Authority Granted to the Trustee	11
SECTION 4.6. No Responsibility to Enforce Collection	11
SECTION 4.7. Indemnification	11
ARTICLE V	
COVENANTS OF THE COMPANY	
SECTION 5.1. Corporate Standing	12
SECTION 5.2. Further Assurances	12
SECTION 5.3. Recordation and Re-Recordation	12
SECTION 5.4. Maintenance of Operating Equipment	12
SECTION 5.5. Enforcement of Agreements	13
SECTION 5.6. Defense of Title to Mortgaged Property	13
SECTION 5.7. Marketing	13

	<u>Page</u>
SECTION 5.8. Operation of the Mortgaged Property	14
SECTION 5.9. Maintenance of Insurance	15
SECTION 5.10. Performance of Obligations	16
SECTION 5.11. Limitations on Loans, Advances and Investments	16
SECTION 5.12. Dividends, Redemptions, Etc.	16
SECTION 5.13. Sale or Disposition of Assets	17
SECTION 5.14. Issuance of Stock	17
SECTION 5.15. Change in Business	17
SECTION 5.16. Mergers and Consolidations	17
SECTION 5.17. Transmission Lines and Processing Plants	17
SECTION 5.18. Record Keeping	17
SECTION 5.19. Reports to the Trustee	17
SECTION 5.20. Inspection of Properties	18
SECTION 5.21. Failure to Perform	18
SECTION 5.22. Condemnation	19
SECTION 5.23. Additional Security	19

ARTICLE VI

POSSESSION, USE AND RELEASE OF PROPERTY

SECTION 6.1. Possession of and Dealing with Property	19
SECTION 6.2. Certain Agreements Relating to and Dispositions of Mortgaged Property	21
SECTION 6.3. Release upon Exercise of Right Not to Participate	21
SECTION 6.4. Confirmatory Instruments	21
SECTION 6.5. Purchaser Protected	21
SECTION 6.6. Lien on Remaining Mortgaged Property	21

ARTICLE VII

REMEDIES IN THE EVENT OF DEFAULT

SECTION 7.1. Events of Default	21
SECTION 7.2. Rights and Powers	23
SECTION 7.3. Trustees' Right to Enter and Take Possession, Operate and Apply Income	23
SECTION 7.4. Exercising Power of Sale	24
SECTION 7.5. Protection of Purchasers	25
SECTION 7.6. Reasonable Notice; Public Sale	25
SECTION 7.7. Proceeds of Sale of Mortgaged Property	25
SECTION 7.8. Holders of Notes as Purchasers	25
SECTION 7.9. Appointment of Receiver	26
SECTION 7.10. Proceedings by Holders of Notes	26
SECTION 7.11. Direction of Proceedings	26
SECTION 7.12. Additional Remedies	27

	<u>Page</u>
SECTION 7.13. Resort to Security	27
SECTION 7.14. Limitations on Pleading Waiver	27
SECTION 7.15. Special Provisions – Texas	27
SECTION 7.16. Laws Subsequently Repealed	28

ARTICLE VIII

CONCERNING THE TRUSTEES

SECTION 8.1. Duties and Responsibilities of Trustees	28
SECTION 8.2. Reliance on Documents, Opinions, etc.	29
SECTION 8.3. Trustees Not Liable for Defects in Mortgaged Property, etc.	30
SECTION 8.4. Trustees, etc., May Offset Funds	30
SECTION 8.5. Moneys to be Held in Trust	30
SECTION 8.6. Compensation and Expenses of Trustees	31
SECTION 8.7. Officers' Certificates as Evidence	31
SECTION 8.8. Eligibility of Trustees	31
SECTION 8.9. Resignation or Removal of Trustees	31
SECTION 8.10. Acceptance by Successor Trustee	32
SECTION 8.11. Succession by Merger, etc.	33
SECTION 8.12. The Individual Trustee	33
SECTION 8.13. Co-Trustees and Separate Trustees	34
SECTION 8.14. Conflict of Interests	35

ARTICLE IX

SPECIAL MORTGAGE IN LOUISIANA

SECTION 9.1. Construction of General Language: Special Provisions	35
SECTION 9.2. Notes Paraphed	36
SECTION 9.3. Waiver: Release of Notary	36

ARTICLE X

DEFEASANCE

SECTION 10.1. Defeasance	36
--------------------------	----

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. No Waiver	36
SECTION 11.2. Notices	36
SECTION 11.3. Severability of Provisions	37
SECTION 11.4. Substitution and Subrogation	37
SECTION 11.5. Successors and Assigns	37

	<u>Page</u>
SECTION 11.6. Mortgage as Granting Security Interest by a Utility	37
SECTION 11.7. As to Interest	37
SECTION 11.8. Waivers and Amendments	38
SECTION 11.9. Denominations	38
SECTION 11.10. Exchanges of Notes	39
SECTION 11.11. Registration and Transfer of Notes	39
SECTION 11.12. Regulations as to Exchanges and Transfers, Charges	39
SECTION 11.13. Ownership of Notes	39
SECTION 11.14. Trustee's Authentication Certificate	39
SECTION 11.15. Lost, Stolen, Destroyed or Mutilated Notes	39
SECTION 11.16. Home Office Payment Agreements	40
SECTION 11.17. Notes Acquired by the Company	40
SECTION 11.18. Headings	40
SECTION 11.19. References	40
TESTIMONIUM	40
EXECUTION	41
ACKNOWLEDGEMENTS	42
SCHEDULE I - Property Descriptions	
SCHEDULE II - List of Notes	
ANNEX A - Form of Series A Note	
ANNEX B - Form of Series B Note	
ANNEX C - Form of Series C Note	

THIS MORTGAGE DEED OF TRUST AND ASSIGNMENT OF PRODUCTION dated as of January 1, 1979 from **TRANSCO EXPLORATION COMPANY**, a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 2700 South Post Oak Road, Houston, Texas and whose mailing address is Post Office Box 1396 Houston, Texas 77001, to **MARINE MIDLAND BANK**, a banking corporation organized and existing under the laws of the State of New York, having its principal corporate trust office in the Borough of Manhattan, The City and State of New York (herein called the "Trustee") and **RICHARD D. REIN**, residing at 25 Wheeler Place, West Nyack, New York 10994 (herein called the "individual trustee"), as trustees (the Trustee and the individual trustee herein called the "Trustees").

WITNESSETH:

WHEREAS, contemporaneously with the execution and delivery of this instrument, the Company is entering into Note Purchase Agreements (said agreements, as the same may at any time be amended, modified or supplemented being herein collectively called the "Note Agreements") dated as of January 1, 1979 with each of the institutional purchasers named in Exhibit A thereto (said institutional purchasers being herein collectively called the "Purchasers" and individually a "Purchaser") providing for the purchase by the Purchasers of the Company's 9 3/4% Secured Notes in the aggregate principal amount of \$200,000,000 (said secured notes and any notes delivered in substitution or exchange thereof being herein called collectively the "Notes" and individually a "Note"); and

WHEREAS, the Notes are to be issued as (i) Series A Secured Notes in the aggregate principal amount of \$140,000,000 due December 31, 1983 (herein called the "Series A Notes" or "Series A Note"), (ii) Series B Secured Notes in the aggregate principal amount of \$10,000,000 due December 31, 1983 (herein called the "Series B Notes" or "Series B Note") and (iii) Series C Secured Notes in the aggregate principal amount of \$50,000,000 due June 30, 1983 (herein called the "Series C Notes" or "Series C Note"), each such Series A Note, Series B Note and Series C Note to be in substantially the respective forms of Annex A, Annex B and Annex C hereto, registered in the names and in the principal amounts specified in the Note Agreements, with interest thereon as therein provided and in an aggregate principal amount of \$200,000,000, which Notes, as originally issued, are numbered consecutively number R-1 through number R-7 and are payable to the respective Purchasers in the respective principal amounts set forth in Schedule II attached hereto; and

WHEREAS, the purchase of the Notes by the Purchasers under the Note Agreements is conditioned upon the execution and delivery by the Company of this instrument; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this instrument and of the Notes have been complied with.

NOW, THEREFORE, to secure the payment of the indebtedness hereinafter in Section 1.2 described, and the performance of the covenants in the Notes, the Note Agreements and herein contained, and in consideration of the purchase of the Notes by the Purchasers as hereinbefore recited, the Company by these presents does hereby grant, bargain, sell, convey and deliver, mortgage, create a security interest in, hypothecate, pledge, assign, transfer and convey unto the Trustees and to their successors in this trust and their assigns, with power of sale, the following described properties, rights and interests (which properties, rights and interests are herein sometimes collectively called the "Mortgaged Property"):

FIRST: The undivided interests specified in Schedule I in, to and under the oil and gas leases specifically described in Schedule I and the leasehold estates created thereunder and, without limiting the foregoing, all interests of the Company in, to and under or derived from the oil and gas leases which are specifically described in Schedule I and the offshore property described in, covered by and subject to said oil and gas leases, even though such interests of the Company may be incorrectly described or referred to in, or a description thereof may be omitted from, Schedule I, as the Company's interests in, to and under or derived from each of said oil and gas leases and the offshore property described therein and covered thereby may be constituted from time to time after the execution and delivery of this instrument and as such interests may be enlarged by the discharge of any

payments out of production or by the removal of any charges or encumbrances, together with the Company's interests in, to and under or derived from all renewals and extensions of any of said leases, it being specifically intended hereby that any new oil and gas lease (i) in which an interest is acquired by the Company after the termination or expiration of any oil and gas lease the interests of the Company in, to and under or derived from which are subject to the lien and security interest hereof, and (ii) which covers all or any part of the offshore property described in and covered by such terminated or expired lease, shall, to the extent, and only to the extent, such new oil and gas lease may cover such offshore property, be considered a renewal or extension of such terminated or expired lease (all of the oil and gas leases described or referred to above being herein called the "Leases" and all offshore property described in, covered by and subject to the Leases being herein called the "Leased Property").

SECOND. All rights, titles and interests of the Company in, to and under or derived from the operating, farmout and bidding agreements, assignments and subleases specifically described in Schedule I to the extent, and only to the extent, that such agreements, assignments and subleases (i) cover or include the undivided interests specified in Schedule I in, to and under the respective Leases, described in Schedule I or in the Hydrocarbons (as hereinafter defined) produced from or attributable to such Leases, or (ii) cover or include any other undivided interests now or hereafter held by the Company in, to and under the Leases and included under clause FIRST hereof or in the Hydrocarbons produced from or attributable to such Leases, without limiting the foregoing, all rights, titles and interests of the Company in, to and under or derived from any future operating, farmout and bidding agreements, assignments, subleases and pooling, unitization and communitization agreements and the units created thereby (including, without limitation, all units formed under orders, regulations, rules or other official acts of any Federal or State governmental body or agency having jurisdiction), to the extent, and only to the extent, that such agreements, assignments, subleases or units cover, include or allocate production on the basis of the Company's interests in the Leases or any of them or in the Hydrocarbons produced from or attributable to such Leases, and all the Company's rights, title and interests in, to and under or derived from all extensions, renewals, amendments, supplements and substitutions of or to any agreement, assignment, sublease or unit described or referred to above in this clause SECOND, to the extent, and only to the extent, such extensions, renewals, amendments, supplements and substitutions cover, include or allocate production on the basis of the Company's interests in the Leases or any of them or in the Hydrocarbons produced from or attributable to such Leases (all such interests in, to and under or derived from the above-described operating, farmout and bidding agreements, assignments, subleases and pooling, unitization and communitization agreements and units created thereby, being herein collectively called the "Pooling and Unitization Interests", and together with the interests of the Company in, to and under the Leases, being herein called the "Subject Interests").

THIRD. All rights, titles and interests of the Company in, to and under or derived from all presently existing and future advance payment agreements, oil, casinghead gas and gas sales, exchange and processing contracts and agreements, including, without limitation, those contracts and agreements which are described in Schedule I, to the extent, and only to the extent, those contracts and agreements cover or include any of the Subject Hydrocarbons (as hereinafter defined) and all rights, titles and interests of the Company in, to and under or derived from all extensions, renewals, amendments, supplements and substitutions of or to any of the contracts or agreements described or referred to above in this clause THIRD, to the extent, and only to the extent, that such extensions, renewals, amendments, supplements and substitutions of or to such contracts and agreements cover or include any of the Subject Hydrocarbons.

FOURTH. All rights, titles and interests of the Company in and to all machinery, equipment and other tangible personal property and all fixtures and improvements now or hereafter both (a) situated upon the Leased Property and (b) used or useful in connection with the exploration, development or operation of the Leased Property or the production or marketing of Hydrocarbons therefrom, including, but not by way of limitation, all drilling and production platforms, wells, casing, tubing, derricks, tanks, tank batteries, boilers, separators, rods, pumps, flow lines, water lines, gas

lines, building, gas processing plants, pipelines, power lines, telephone and telegraph lines and other appurtenances, but only so long as such machinery, equipment and other tangible personal property and fixtures and improvements are both (a) situated upon the Leased Property and (b) used or useful in connection with the exploration, development or operation of the Leased Property or the production or marketing of Hydrocarbons therefrom (all such machinery, equipment and other tangible personal property and fixtures and improvements being herein called "Operating Equipment");

FIFTH. All rights, titles and interests of the Company in, to and under or derived from all existing and future permits, licenses, easements and similar rights and privileges which relate to or are appurtenant to any of the Leased Property, but only to the extent that the Company's rights, titles and interests in, to and under or derived from such permits, licenses, easements, rights and privileges relate to or appertain to any of the Leased Property and only to the extent permitted by the terms thereof and by applicable law;

SIXTH. There is, however, expressly excepted and excluded from the lien, security interest and operation of this Mortgage the following described property of the Company, now owned or hereafter acquired; all automobiles, trucks and similar vehicles; all airplanes, airplane engines, propellers, rotors and other flight equipment; all boats and vessels; and all Hydrocarbon transmission lines (other than gathering lines and related facilities situated upon the Leased Property).

TO HAVE AND TO HOLD the Mortgaged Property unto the Trustees and unto their respective successors and assigns, forever.

SUBJECT, HOWEVER, to the restrictions, exceptions, reservations, liens, charges, conditions, limitations, interests, contracts, agreements, instruments and other matters set forth in Schedule I and to Permitted Encumbrances (as hereinafter defined).

SUBJECT, FURTHER, to the grant of a security interest, pledge and assignment of production contained in Article IV hereof.

BUT IN TRUST, NEVERTHELESS, for the benefit and security of the holders of the Notes and upon the trusts and subject to the covenants and conditions hereinafter set forth.

ARTICLE I

AUTHENTICATION OF NOTES, INDEBTEDNESS SECURED, PREPAYMENTS

SECTION 1.1. Authentication of Notes. After the execution and delivery of this Mortgage, Series A Notes in an aggregate principal amount not exceeding \$140,000,000, Series B Notes in an aggregate principal amount not exceeding \$10,000,000 and Series C Notes in an aggregate principal amount not exceeding \$50,000,000 (exclusive in each case of notes executed and delivered as provided in Sections 11.10, 11.11 and 11.15) shall be executed by the Company pursuant to the Note Agreements and delivered to the Trustee. Upon receipt of such Notes, the Trustee shall authenticate the same and deliver them upon receipt of an Officers' Certificate of the Company requesting authentication of the same and certifying that no Event of Default or event the occurrence of which would, with the lapse of time or the giving of notice or both, constitute an Event of Default has occurred and is continuing and that such Notes to be authenticated are to be issued pursuant to one or more of the Note Agreements. All such Notes shall be dated the date of issue thereof.

SECTION 1.2. Indebtedness Secured. This instrument is made by the Company irrevocably in trust, with power of sale, to secure and enforce its indebtedness below described:

A. The indebtedness evidenced by the Notes with interest thereon as therein provided.

B. All other indebtedness of the Company arising pursuant to the provisions of this Mortgage and the costs and expenses of enforcing this Mortgage and the Notes, including, without

limitation, reasonable attorneys' and collection fees, court costs and expenses of operating, preserving and selling the Mortgaged Property.

C. All extensions, in whole or in part, of the Notes and/or of any other indebtedness of the Company described in this Article I.

SECTION 1.3. *Mandatory Prepayments*

A. **Series A.** On June 30, 1982, December 31, 1982 and on June 30 and December 31 in each year thereafter until the Series A Notes shall be paid in full, the Company shall apply to the prepayment of the Series A Notes, without premium, the sum of \$35,000,000, and such principal amounts of the Series A Notes, together with interest thereon to the prepayment dates, shall become due on such prepayment dates. Any prepayment made by the Company pursuant to any other provision of this Article I shall not reduce or otherwise affect its obligation to make any prepayment required by this subsection A of this Section 1.3.

B. **Prepayment in Case of Insufficient Security.** In the event that the Company is required to deliver a Security Deficiency Notice and if a holder of any Note, within 10 days following the date of delivery of the Security Deficiency Notice to such holder, notifies the Company of its election to require prepayment of such Note pursuant to this subsection B of this Section 1.3, then in each such event within 15 days after receipt by the Company of such notification, the Company shall apply to the prepayment of such Note, without premium, an amount equal to 60% of the amount required to be set forth in the Security Deficiency Notice multiplied by a fraction the numerator of which is an amount equal to the unpaid principal amount of such Note and the denominator of which is the aggregate unpaid principal amount of Notes the holders of which have made the election provided for in this subsection B of this Section 1.3.

SECTION 1.4. *Optional Prepayments*

A. **Series A Notes and Series B Notes.** The Series A Notes and Series B Notes shall be subject to prepayment, without premium, in whole or from time to time in part (in multiples of \$1,000) at the option of the Company, at any time after September 30, 1983.

B. **Series C Notes.** The Series C Notes shall be subject to prepayment, without premium, in whole or in part (in multiples of \$1,000) at the option of the Company, at any time after March 31, 1983.

SECTION 1.5. *Notice of Prepayment.* The Company shall give written notice of each prepayment other than prepayments pursuant to Section 1.3 not less than 30 days prior to the prepayment date to the holders of the Notes of the series to be prepaid (with a copy of such notice to the Trustee) specifying such prepayment date, the principal amount of the Notes, and of the Note held by each holder, to be prepaid on such date and the Section pursuant to which such prepayment is to be made. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the date of prepayment, shall become due and payable on the prepayment date.

SECTION 1.6. *Partial Prepayments.* Upon any partial prepayment of the Notes, the aggregate principal amount so prepaid shall be allocated (i) to all Notes in the case of a partial prepayment pursuant to Section 5.22, (ii) to all Series A Notes in the case of a partial prepayment pursuant to subsection A of Section 1.3, (iii) to all Notes, other than Notes the holder or holders of which have made the election provided for in Section 5.4, in the case of a prepayment pursuant to Section 5.4, (iv) to all Series A Notes and Series B Notes in the case of a partial prepayment pursuant to subsection A of Section 1.4 or (v) to all Series C Notes in the case of a partial prepayment pursuant to subsection B of Section 1.4, in each such case in proportion to the aggregate outstanding principal amounts thereof (including to the purpose of this Section 1.6 only, all Notes being prepaid acquired by the Company other than by prepayment in accordance with the terms of this instrument), but only in units of \$1,000, and to the extent that such proportionate allocation shall not result in an even multiple of \$1,000, adjustment may be made by the Company to the end that successive allocations shall result in sub-

stantially proportionate payments; provided, however, in the event that any Note is exchanged for Notes in smaller denominations pursuant to Section 11.10, the amount allocable to the Note exchanged shall be applied on all Notes issued in exchange therefor either *pro rata* or by lot in any manner approved by the Board of Directors of the Company. Upon any partial prepayment of any Note, such Note shall, at the option of the holder thereof, be either (i) surrendered pursuant to Section 11.10 in exchange for a new Note in a principal amount equal to the principal amount remaining unpaid on the Note surrendered, and otherwise having the same terms and provisions as the Note surrendered (and for purposes of the foregoing provisions of this Section 1.6 to be deemed to be the same Note), or (ii) made available to the Company or the Trustee at the principal office of the original holder of such Note for notation thereon of the portion of the principal so prepaid, except that, so long as a Purchaser shall hold any Note, the Company agrees that such Purchaser may make notation of any portion of the principal so prepaid on such Note or on its records.

ARTICLE II

DEFINITIONS

SECTION 2.1. *Definitions.* For all purposes of this instrument and of any instrument supplemental hereto (unless otherwise provided therein), the terms defined in this Section 2.1 (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the respective meanings set forth below, such definitions to be equally applicable to both the singular and the plural forms of any of the terms defined:

"*Affiliate*" means (i) a Person who directly or indirectly controls, is controlled by or is under common control with, the Company, or (ii) any officer, director or holder of 10% or more of the outstanding shares of any class of voting stock of the Company.

"*Appraisal*" means a report of Independent Petroleum Engineers required to be delivered pursuant to subsection A of Section 5.19.

"*Appraisal Date*" means the date as of which an Appraisal is dated.

"*Company*" means Transco Exploration Company, a corporation organized and existing under the laws of the State of Delaware and, subject to the provisions hereof, its successors and assigns.

"*Effective Date*" means January 5, 1979.

"*Event of Default*" is defined in Section 7.1.

"*Future Gross Revenue*" on any date of determination means that revenue reflected in the most recent Appraisal (except for purposes of the adjustment permitted to be made by the Company in clause (b) of subsection H of Section 5.8, subsection B of Section 5.13 and clause (b) of subsection E of Section 6.2) which, in the opinion of the Independent Petroleum Engineers (or the Company in the case of the adjustments permitted to be made by it pursuant to the provisions cited above), will accrue to the Mortgaged Property from the production and sale of Proved Reserves of Hydrocarbons attributable to the Mortgaged Property subsequent to the date of determination.

"*Future Net Revenues*" on any date of determination means Future Gross Revenues on such date less an amount equal to the sum of (i) the future estimated operating expenses (as defined in the Appraisal Report as of January 1, 1979 referred to in subsection A of Section 5.19) and (ii) the future capital costs (as referred to in the Appraisal Report as of January 1, 1979 referred to in subsection A of Section 5.19) required subsequent to the date of determination.

"*Guaranty*" means that certain Guaranty of Payment dated as of January 5, 1979 from Transco to the Trustees, as the same may at any time be amended, modified or supplemented and in effect.

"*Hydrocarbons*" means oil, gas and other liquid and gaseous hydrocarbons.

"in paying quantities" (i) when used with reference to the producing capability of any well, shall mean a well which, in the light of conditions existing at the time of determination and which reasonably appear to be permanent, is producing or is or will (after any pressure maintenance or secondary recovery operations which may reasonably be instituted or carried out) be capable of producing Hydrocarbons whose aggregate value, less only the value of the Hydrocarbons accruing or attributable to all lessors' royalties, overriding royalties and payments out of production, exceeds or will exceed the direct costs of operation of such well, plus the direct costs of providing the necessary installations (to be installed in the future) for, and carrying out, any pressure maintenance or secondary recovery operations properly allocable to such well, and (ii) when used with reference to the producing capacity of any Lease or part thereof, shall mean a Lease or part thereof on which there is an existing well or with respect to which it has been determined that a well or an additional well may be completed thereon, capable of producing Hydrocarbons in paying quantities (as defined in clause (i) above) after repaying the initial direct costs thereafter to be incurred in drilling, completing and equipping such well.

"Indebtedness" means with respect to any Person (i) all indebtedness or other obligations of such Person for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business) and (ii) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services (A) which is or are secured by any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance upon or in property owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or other obligations or (B) for which such Person has assumed or otherwise become directly or contingently liable for the payment of such indebtedness or other obligations.

"Independent Petroleum Engineers", at any date, shall mean DeGolyer and MacNaughton, unless prior to the end of the preceding year every holder of a Note shall have objected in writing to the employment of DeGolyer and MacNaughton in which case "Independent Petroleum Engineers" shall mean another independent firm of petroleum engineers of recognized standing selected by the Company and acceptable to the holders of at least 75% of the aggregate unpaid principal amount of the Notes.

"individual trustee" is defined in the introductory paragraph hereto and includes any successor appointed pursuant to Article VIII hereof.

"Leased Property" is defined in the granting clauses hereof and shall also be deemed to include offshore property described in, covered by and subject to Leases which are, subsequent to the date of the execution and delivery of this instrument, subjected to the lien and security interest of this Mortgage at the time such Leases are so subjected to such lien and security interest.

"Leases" are defined in the granting clauses hereof, and shall also be deemed to include additional oil and gas leases, the Company's interests in which are subsequent to the date of the execution and delivery of this instrument subjected to the lien and security interest of this Mortgage at the time such interests are so subjected to such lien and security interest.

"Mortgage" means this instrument as originally executed or, if amended, modified or supplemented by any one or more instruments supplemental hereto, then as at the time so amended, modified or supplemented.

"Mortgaged Property" is defined in the granting clauses hereof and shall also be deemed to include all property which is, subsequent to the date of the execution and delivery of this instrument, subjected to the lien and security interest of this Mortgage at the time such property is so subjected to such lien and security interest.

"Note" and "Notes" are defined in the first recital hereof.

"Note Agreements" are defined in the first recital hereof.

"Officers' Certificate" means a certificate signed in the name of the Company by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company.

"Operating Equipment" is defined in the granting clauses hereof.

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

- A. Liens for taxes, assessments or governmental charges not due and delinquent;
- B. Liens for taxes, assessments or governmental charges already due, but whose validity is being contested at the time by the Company in good faith;
- C. Materialmen's, mechanics', repairmen's, employees', operators' or other similar liens or charges incidental to construction or current operations which have not been filed pursuant to law and any such liens, which although filed, relate to obligations not yet due or whose validity is being contested by the Company in good faith;
- D. The rights of any governmental or other public authority to control or regulate any of the Mortgaged Property or to use such property in any manner which does not materially impair the use of such property for the production of Hydrocarbons;
- E. Rights-of-way and easements granted over or in respect of any of the Leased Property: provided that the same will not materially impair the use of such property for the production of Hydrocarbons and will not be prejudicial in any material respect to the holders of the Notes;
- F. Encumbrances securing an obligation of the Company to pay its proportionate share of the costs of exploration, development and operation of the Mortgaged Property as an incident to any operating, joint venture, farmout, unitization, communitization, pooling or similar type agreement, entered into in accordance with Section 6.2;
- G. Encumbrances arising from the exercise by the Company of its rights not to participate in exploration or development activities under any of the types of agreements mentioned in clause F above, all in accordance with Section 6.1.
- H. Production Sales Contracts;
- I. Minor defects and irregularities in the title to, and encumbrances upon, any of the Mortgaged Property which do not in the aggregate materially impair the use or value of such property for the production of Hydrocarbons or materially affect title thereto;
- J. Any interests which other parties to any operating, joint venture, pooling, unitization, communitization, farmout or similar type agreement, entered into in accordance with Section 6.2, may have in the Mortgaged Property or the Subject Hydrocarbons to which such agreement relates or any interests with which other parties may be vested pursuant to orders, regulations, rules or other official acts of any Federal or State government body or agency having jurisdiction which create or declare any unit or units embracing or relating to the Leased Property or any part thereof or the production of Hydrocarbons therefrom;
- K. The right reserved to or vested in any governmental or other public authority or public utility (other than an Affiliate), by the terms of any franchise, grant, license, permit, or lease of or relating to the Mortgaged Property or any part thereof by which the Company acquired its interest therein or subject to which it holds such interest, or by any statutory provisions specifically relating thereto, to terminate such franchise, grant, license, permit or lease or to purchase, condemn, expropriate, or recapture, or designate a purchaser of, any of the Mortgaged Property or any part thereof, so long as such franchise, grant, license, permit, lease or statute contains provisions giving to such authority or utility the right to take title to, or to designate any Person to take title to, any of the Mortgaged Property only upon the payment of fair consideration or consideration determined in accordance with any applicable

statutory provision, and the right reserved to or vested in any such authority pursuant to any such franchise, grant, license, permit, lease or statute to require such property to be altered, relocated or removed at the expense of the holder of the title, interest, franchise, grant, license, permit or lease, and

The mortgages, liens, charges, encumbrances, restrictions, exceptions, reservations, conditions, limitations, contracts, agreements, interests and other matters which any Mortgaged Property acquired by the Company after the execution and delivery of this instrument may be subject at the time of such acquisition.

"Person" means an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Pooling and Unitization" is defined in the granting clauses hereof.

"Present Worth" on any date of determination means the present value (discounted at the rate of 10% per annum, compounded monthly over the expected period of realization) of the future cash flows as of such date.

"Production Costs" means all exploration, development, gas injection, secondary recovery, pressure maintenance, repressuring, cycling, operating, lifting, handling, gathering, production, treating, compressing, processing, dehydrating, storing, marketing and all other transportation costs, charges and expenses and all other similar costs, charges and expenses of every kind, however incurred, to the extent the same are all payable or attributable to the Company's interest in each of the Leases or in each of the Pooling and Unitization Interests.

"Production Sales Contracts" means all contracts and agreements for the sale of Subject Hydrocarbons or separations thereof, whether presently existing or hereafter entered into.

"Production Taxes" means the gross production and petroleum excise taxes or other like taxes assessed with respect to or measured by the value or quantity of the Subject Hydrocarbons under applicable law.

"Proved Reserves" means as of any date, reserves of Hydrocarbons which have been discovered and are then still in the ground and which have been classified as "proved developed" or "proved undeveloped" as such terms are defined in the Appraisal Report dated as of January 1, 1979 referred to in subsection A of Section 5.19 and previously delivered to each of the Purchasers.

"Restricted Investment" is defined in Section 5.11.

"Security Deficiency Notice" means the notice required to be given by the Company pursuant to subsection C of Section 5.19.

"Significant Subsidiary" means either of Transcontinent Gas Pipe Line Corporation, a Delaware corporation, or Transco Gas Supply Company, a Delaware corporation.

"Subject Hydrocarbons" means the Company's interest in and to the Hydrocarbons produced and saved from wells which are attributable to the Subject Interests from and after the Effective Date.

"Subject Interests" is defined in the granting clauses hereof.

"Threshold Security Amount" on any date of determination means an amount equal to 12% multiplied by the aggregate unpaid principal amount of Notes outstanding at the close of business on such date of determination.

"Transco" means Transco Companies, Inc., a corporation organized and existing under the laws of the State of Delaware and its successors.

"Trustee" is defined in the introductory paragraph hereto and includes any successor appointed pursuant to Article VIII hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.1. *Representations and Warranties of the Company.* The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified and in good standing as a foreign corporation in the States of Louisiana and Texas.

(b) The Company has full power and lawful authority to grant, bargain, sell, mortgage, hypothecate, pledge, assign, transfer and convey all of the Mortgaged Property subjected to the lien and security interest of this instrument on the date hereof and all rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto in the manner and form hereby intended or provided to be done herein.

(c) The Company has good, valid and defensible title to and is possessed of the undivided interest specified in Schedule I in each of the Leases specifically described in Schedule I, subject only to (i) this instrument, (ii) the exceptions, restrictions, reservations, liens, charges, conditions, limitations, interests, contracts, agreements, instruments and other matters set forth in Schedule I relative to the Leases and (iii) Permitted Encumbrances.

(d) All rentals and royalties due and payable on or prior to the date hereof under the Leases described in Schedule I have been fully paid or provided for.

(e) The presently existing Subject Interests are presently valid, subsisting and in full force and effect.

(f) The Company's present interests (after deducting all lessors' royalties, overriding royalties and payments out of production) in the total production of Hydrocarbons, produced and saved from or attributable to each of the Leases is not less than that percentage interest specified in Schedule I, in brackets, with the caption "Net Interest in Production".

(g) All presently existing pooling, unitization, communitization, joint venture, farmout, operating and bidding agreements and all assignments, subleases, advance payment agreements, oil, casinghead gas and gas sales, exchange and processing contracts and agreements and other contracts and agreements of a like nature which cover or relate to the Company's right, title and interest in, to and under or derived from the Leases or the Subject Hydrocarbons are described in Schedule I.

(h) The making and performance by the Company of this Mortgage have been duly authorized by all necessary corporate action and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, decree, determination or award presently in effect having applicability to the Company (assuming in the case of performance of covenants of the Company contained in this Mortgage, that all permits, licenses, consents, approvals and other authorizations which may be required after the date of the execution and delivery of this instrument in connection with the conduct of the Company's business are obtained when required), (ii) violate any provision of the Certificate of Incorporation or By-laws of the Company, (iii) result in a breach of or constitute a default under any indenture or bank loan or credit agreement or any other agreement or instrument to which the Company is a party or by which its property is presently bound or affected, or (iv) except as contemplated by this Mortgage, result in or require the creation or imposition of any mortgage, lien, pledge, security interest, charge or other encumbrance in, upon or of any of its properties or assets under any such indenture or bank loan or credit agreement or other agreement or instrument. No authorizations, permits, consents, approvals, licenses or exemptions of or filings or registrations with any court or governmental agency or other authority, domestic or foreign, are necessary to permit the Company to execute and deliver, and (except for the filing of this instrument and the related financing statements and

except, in the case of performance or covenants of the Company contained in this Mortgage, for all authorizations, permits, licenses, approvals, consents, exemptions, filings and registrations which may be required after the date hereof in connection with the conduct of the Company's business) to perform its obligations under this Mortgage and to issue the Notes. The Company is not in violation or default in any material respect under any law, rule, regulation, order, writ, judgment, decree, determination or award and is not in violation or default under any indenture, agreement or instrument referred to above in this subsection (b).

ARTICLE IV

ASSIGNMENT OF PRODUCTION

SECTION 4.1. *Assignment Etc.*

A. Subject to the restrictions, exceptions, reservations, conditions, liens, charges, limitations, interests, preferences, contracts, instruments and other matters set forth in Schedule I and I-2 Permitted Encumbrances and as additional security for the indebtedness described in Section 1.2 hereof, the Company to the extent in this Article IV provided, effective as of 7:00 A.M. (Houston time) on the Effective Date, hereby assigns, transfers, sets over and delivers unto the Trustees, their successors and assigns (for the benefit of the holders from time to time of the Notes), and grants to the Trustees, their successors and assigns (for the benefit of the holders from time to time of the Notes) its secured interest in 100% of the Subject Hydrocarbons, together with all proceeds, a title of or otherwise derived from the Subject Hydrocarbons.

B. Unless the context otherwise requires, the words "Subject Hydrocarbons" shall be deemed to include the proceeds of such Hydrocarbons, without any deduction on account of any Production Expense.

C. Anything to the contrary in this Mortgage notwithstanding, there shall not be included in the Subject Hydrocarbons: (i) any Hydrocarbons attributable to lessors' royalties, overriding royalties and payments out of production and (ii) any Hydrocarbons unavoidably lost in the production thereof or used by or on behalf of the Company in conformity with good field practices for drilling and production operations (including gas injection, secondary recovery, pressure maintenance, repressuring or cycling operations) conducted for the purpose of producing Hydrocarbons, but only so long as such Hydrocarbons are so used.

SECTION 4.2. *Prior to Occurrence of Event of Default.* Unless and until the Trustees shall have given notice to the Company in accordance with Section 4.3, the Company shall be entitled to mine, consume, sell or otherwise dispose of all or part of the Subject Hydrocarbons and to collect, retain and use all of the proceeds thereof and to require and enforce the performance of any and all Production Sales Contracts or other contracts applicable to the Subject Hydrocarbons or the proceeds thereof, without further consent or action by the Trustees, or the holders of the Notes; but the Trustees shall, if the Company shall so request, at the expense of the Company, deliver to the Company suitable orders in favor of the Company or its nominee or nominees for the receipt of the Subject Hydrocarbons and the proceeds thereof and the performance of all acts and things under such contracts, which orders shall be expressed to be revocable by the Trustees by written notice to the parties affected thereby.

SECTION 4.3. *After Occurrence of Event of Default.* Upon the occurrence and continuation of an Event of Default, the Trustees, if directed pursuant to Section 7.11, shall give notice to all parties producing, purchasing, taking, processing or receiving any of the Subject Hydrocarbons or having in their possession any of the Subject Hydrocarbons or proceeds thereof to hold and deliver up to the Subject Hydrocarbons for the account of the Trustee and to make payment of such proceeds directly to the Trustee (and in such case shall give notice thereof to the Company), and the Company agrees that the Trustee may thereafter receive and collect all of the Subject Hydrocarbons and proceeds thereof and apply such Subject Hydrocarbons and proceeds thereof in accordance with Section 4.4.

and may (but shall not be obligated to) require and enforce the performance of all Production Sales Contracts, all for the benefit and further security of the holders of the Notes.

SECTION 4.4. *Application of Moneys.* In case any funds received by the Trustee during any calendar month pursuant to Section 4.3 are (i) due and payable to Persons holding royalty or other interests to which any Lease is subject, or (ii) due and payable with respect to Production Taxes for which deduction has not been made, the Company shall so certify to the Trustee, and the Trustee shall, if the Notes have not at such time been declared due and payable in accordance with the provisions of Section 7.1, pay such amounts to or upon the order of the Company in payment thereof; all such funds remaining after the payment of amounts referred to in clauses (i) and (ii) of this Section 4.4 shall be applied as provided in clauses *Second* and *Third* of Section 7.7.

SECTION 4.5. *Authority Granted to the Trustee.* All parties producing, purchasing, taking, processing or receiving any of the Subject Hydrocarbons, or having in their possession any of the Subject Hydrocarbons or proceeds thereof for which they or others are accountable to the Trustee by virtue of the provisions of this Article IV, are authorized and directed by the Company, upon receipt of a notice of the Trustee given pursuant to Section 4.3, to treat and regard the Trustee as the assignee and transferee of the Company and entitled in the Company's place and stead to receive the Subject Hydrocarbons and proceeds thereof; and such parties and each of them shall be fully protected in so treating and regarding the Trustee and shall be under no obligation to see to the application by the Trustee of any such proceeds received by it or to ascertain or verify that an Event of Default has occurred and is continuing so as to authorize the giving of a notice by the Trustee pursuant to Section 4.3. Without in any way limiting the effectiveness of the authorization and direction in the next preceding sentence, if the Company shall receive any such proceeds which under this Article IV are receivable by the Trustee, the Company will (i) hold the same in trust for the Trustees, (ii) maintain written records of the receipt by the Company of such proceeds in accordance with its customary accounting practice and (iii) immediately remit such proceeds to the Trustee in Federal Reserve Bank of New York funds or their equivalent at the office of the Trustee set forth in Section 11.2.

The Company will, at the request of the Trustee, furnish the Trustee with the names and addresses of all parties producing, purchasing, taking, processing or receiving the Subject Hydrocarbons, and the names and addresses of all parties having in their possession any of the Subject Hydrocarbons or proceeds thereof for which they or others are accountable to the Trustee by this Article IV, and the Company will execute and deliver any and all transfer orders, division orders, releases, receipts, relinquishments and other instruments that may be requested by the Trustee for the purpose of effectuating the assignment made of and the security interest granted hereby by the Company in the Subject Hydrocarbons and the proceeds thereof and the payment to the Trustee of such proceeds as provided hereby.

SECTION 4.6. *No Responsibility to Enforce Collection.* The Trustees shall have no responsibility to enforce collection of any proceeds assigned pursuant to this Article IV and shall have no other responsibility in connection therewith, except the responsibility to account for funds actually received.

SECTION 4.7. *Indemnification.* The Company agrees to indemnify the Trustees and the holders of the Notes from time to time against all claims, actions, liabilities, judgments, costs, charges and attorneys' fees made against or incurred by them, or any of them, with respect to the Mortgaged Property, as a consequence of an assertion that they received funds derived from the Subject Hydrocarbons claimed by third parties either before or after the payment in full of the Notes, and the Trustees and such holders shall have the right to defend against any such claims, actions and judgments, employing their attorneys therefor, and if they are not furnished with reasonable indemnity, they shall have the right to compromise and adjust all such claims, actions and judgments, and the Company agrees to indemnify and pay to the Trustees and such holders any and all such claims, judgments, costs, charges and attorneys' fees as may be paid in any adjustment thereof or as may be adjudged against them or any of them, and, until payment is so made to the Trustees or such holders, the amount thereof shall be a part of the indebtedness secured hereby.

ARTICLE V

COVENANTS OF THE COMPANY

So long as any part of any Note shall remain unpaid, unless the holders of a majority of the Notes in aggregate unpaid principal amount of the Notes shall have otherwise consented in writing:

SECTION 5.1. Corporate Standing. The Company will maintain in good standing its corporate franchise in the State of Delaware and will maintain in good standing its qualification as a foreign corporation in the States of Louisiana and Texas.

SECTION 5.2. Further Assurances. The Company will, at its expense, take all necessary action to maintain and preserve the lien and security interest of this Mortgage so long as any of the Notes are outstanding and will furnish to the Trustee, on or before December 31 of each year, an opinion of counsel, which counsel is satisfactory to the Trustee, dated no earlier than December 1 and no later than December 31 of each such year evidencing compliance with the provisions of this section and setting forth any filings or other action which has been taken since the date of the last such opinion of counsel and which will be required to be taken within 18 months from the date of such opinion of counsel to maintain and preserve the lien and security interest of this Mortgage. The Company will, on request of the Trustee, promptly correct any defect, error or omission which may be discovered in the contents of this instrument or in the execution of acknowledgement hereof, and will execute and deliver such further instruments and do such further acts and things as may be reasonably requested by the Trustee to carry out more effectively the purposes of this instrument, to subject to the lien and security interest created hereby by any of the properties, rights or interests of the Company covered or herein provided to be covered hereby, and to perfect and maintain such lien and security interest.

SECTION 5.3. Reconciliation and Re-Recording. The Company will (to the extent requested by the Trustee) promptly and (insofar as not contrary to applicable law) at its own expense record and re-record, file and re-file, and register and re-register this instrument and every other instrument in addition and supplemental hereto that shall be required by law in order to perfect and maintain the lien and security interest created hereby, in such manner and places and within such times as shall be necessary to perfect and maintain such lien and security interest and preserve and protect the rights and remedies of the Trustee and the holders of the Notes hereunder, and will furnish evidence of every such recording, filing and registration to the Trustee.

SECTION 5.4. Maintenance of Operating Equipment. The Company will, at its own expense, do or cause to be done all things necessary from time to time to preserve and keep in good repair, working order and condition in accordance with good industry practice all Operating Equipment and to make or cause to be made all regular and proper repairs, renewals, replacements, additions and improvements thereto and thereon, provided that Operating Equipment need not be so repaired, renewed, replaced or improved if it may be demolished, dismantled, torn down, scrapped, abandoned, surrendered or disposed of, free from the lien and security interest of this Mortgage if (i) the Company shall in good faith determine that the repair, renewal, replacement or improvement of such Operating Equipment is not necessary or desirable for the conduct of the business of the Company (and, in the case of Operating Equipment consisting of drilling or production platforms, supported by a resolution of the Board of Directors of the Company to such effect and to the effect set forth in clause (ii) of this Section 5.4, furnished to the Trustee) and (ii) the failure to make such repair, renewal, replacement or improvement is not prejudicial in any material respect to the holders of the Notes, and provided further that if any drilling or production platform which is damaged or destroyed shall not be repaired or replaced, the Company will promptly prepay the Notes for an amount equal to its share of any insurance proceeds received as a result of any such damage to or destruction of such platform, except that any holder of the Notes may elect, by notice to the Company within 10 days of receipt of the notice of such prepayment pursuant to Section 1.5, not to receive any such prepayment pursuant to this Section 5.4.

SECTION 5.5. Enforcement of Agreements. The Company will, on the request of the Trustee and at the expense of the Company, promptly take all such action as may be reasonably requested to enforce or secure the observance or performance of any term, covenant, agreement or condition to be observed or performed by any third parties under any instrument or agreement applicable to any of the Mortgaged Property, or to exercise any of its rights, remedies, powers and privileges under any such instrument or agreement, all in accordance with the respective terms thereof.

SECTION 5.6. Defense of Title to Mortgaged Property. Subject to and not in derogation of the representations and warranties contained in Article II, the Company hereby binds itself and its successors to warrant and defend forever its title to all and singular the Mortgaged Property and maintain the lien and security interest created and granted hereby on and in the Mortgaged Property, free and clear of defects and irregularities of title and free and clear of all liens, security interests, charges or other encumbrances other than (i) those created by this Mortgage, (ii) the exceptions, restrictions, reservations, conditions, limitations, interests, contracts, liens, security interests, charges, agreements, instruments and other encumbrances set forth in Schedule I hereto and (iii) Permitted Encumbrances, and if such title to or lien on and security interest in the Mortgaged Property shall be in danger or be attacked, directly or indirectly, or if any legal proceedings are instituted against the Company, either of the Trustees or any holder of a Note with respect thereto, the Company will promptly give written notice thereof to the Trustee and the holders of the Notes and at its own cost and expense will (i) exert itself diligently to cure, or cause to be cured, any defect that may have developed or be claimed, (ii) indemnify and hold the Trustee and the holders of the Notes harmless from, and against any and all losses suffered by the Trustee and the holders of the Notes resulting from any failure or defect in such title to or lien on and security interest in the Mortgaged Property and (iii) take such legal action as is reasonably appropriate to the defense thereof, including but not limited to, the employment of counsel the prosecution and defense of litigation and (with the prior written consent of the Trustee) the compromise or release and discharge of any adverse claims made, provided, however, that if the Trustee shall deem it necessary or expedient, the Company hereby authorizes the Trustee, upon not less than 30 days' notice to the Company, and at the Company's expense (which expense, to the extent that the holders of the Notes shall be liable therefor or shall have paid such expense, shall constitute indebtedness hereby secured and shall bear interest at the rate of 3% per annum), to take all additional steps deemed by the Trustee to be necessary or appropriate for the defense or protection of the Mortgaged Property (or any part thereof) or of the lien of and security interest created by this Mortgage, including, but not limited to, the employment of independent counsel and the prosecution and defense of litigation.

SECTION 5.7. Marketing

A. The Company will duly perform all obligations performable by it under all Production Sales Contracts in accordance with the terms thereof, other than those obligations being contested by the Company in good faith, and at the request of the Trustee, will take appropriate measures to enforce the performance under each Production Sales Contract of the obligations to the Company of the other parties thereto. The Subject Hydrocarbons, as produced and saved, shall be delivered to the purchasers thereof free of all Production Expenses, at the point of purchase, as shall be reasonably required in the marketing thereof.

B. The Company shall not market any of the Subject Hydrocarbons for less than the fair market value thereof at the wellhead when marketed, or, in the case of sales pursuant to then existing Production Sales Contracts, at the contract prices receivable thereunder, subject to the provisions of Section C of this Section 5.7.

C. The Company in performing its obligations hereunder shall comply with (except to the extent contested by it in good faith and in appropriate proceedings, if any), and all obligations of the Company hereunder shall be subject to compliance by the Company with, all applicable laws, rules, orders and regulations relating to petroleum allocation and price control. The prices permitted to be paid for Subject Hydrocarbons under said laws, rules, orders and regulations shall be deemed to control if less than the prices established in Production Sales Contracts.

SECTION 5.8. Operation of the Mortgaged Property. The Company will, at its own expense and irrespective of who may be the operator(s) of the Mortgaged Property, cause

A. all rentals and all royalties payable with respect to each of the Leases to be promptly paid when due or payable, and all other obligations on the part of the Company with respect to the Mortgaged Property under any contract or agreement applicable to the Mortgaged Property (or any part thereof), to be punctually performed (or as to any thereof being contested by it in good faith, promptly after the final determination of such contest) and each right of way, easement and privilege necessary to the operation of the Mortgaged Property, to be kept in full force and effect, free of cancellation, forfeiture or any accrued right of termination, by the payment of whatever sums may become payable and by the performance of whatever obligations may become performable.

B. the Leased Property to be maintained, developed, continuously operated and improved in accordance with generally approved practices of prudent operators in the industry and with applicable laws, rules and regulations (except those which are being contested by the Company in good faith).

C. in addition to and without limitation of its obligations under any other subsection of this Section 5.8, additional expenditures to be made for the development of the Company's interests in the Leased Property from funds other than funds received by the Trustee pursuant to Article IV, as would be made by a prudent operator in accordance with generally approved practices in the industry to improve the production of Hydrocarbons from the Company's interests in the Leased Property;

D. all to be done that, according to generally approved practices of prudent operators in the industry, is appropriate to maintain and to protect from diminution the productive capacity of the Leased Property, including cleaning out and reconditioning the producing wells thereon from time to time, plugging and completing at different levels such well, drilling substitute wells, and supplying of all necessary related facilities therefor) to the same formation from time to time and drilling of additional wells, including supplying of all necessary related facilities therefor, to protect the Leased Property against drainage whenever and as often as necessary.

E. all liabilities of the Company incurred with respect to or affecting the Mortgaged Property including, without limitation, all liabilities for Production Expenses, to be paid punctually when due or, as to any thereof which are being contested by the Company in good faith, promptly after the final determination of such contest.

F. promptly after the Company acquires knowledge thereof, written notice to be given to the Trustee if any adverse claim or demand made and proceeding instituted by any Person affecting in any material respect the Mortgaged Property or any material part thereof;

G. all taxes, assessments and governmental charges, including, without limitation, all *ad valorem* taxes or taxes imposed in lieu thereof, Production Taxes, severance, occupation, gathering, pipeline regulatory, and windfall or excess profits taxes, and franchise, income, sales, gross receipts and profits taxes, which are imposed or assessed upon or with respect to or measured by or charged against the Mortgaged Property or any part thereof or the receipt of proceeds thereof or the sale or other disposition of the Mortgaged Property or any part thereof or which are imposed against the Company by reason of its ownership, sale or other disposition of the Mortgaged Property or any part thereof or against either of the Trustees or any holder of any Note by reason of his or its mortgage or security interest hereon, to be rendered and paid punctually before the same become delinquent (or, as to any thereof which are being contested in good faith and in appropriate proceedings, if any, promptly after the final determination of such contest), together with any interest and penalty payable in connection therewith;

H. to the extent within the control of the Company, all Leases to be maintained in full force and effect for the stated term thereof (subject to the provisions of subsection E of Section

6.2) without amendment, modification or revision of any provision of any of the Leases which might materially adversely affect the rights of the Trustees, or the holders of the Notes or the rate of payment or prepayment of the Notes, and use its best efforts to renew or obtain the renewal of each such Lease on terms not less favorable to the Company than the terms of such Lease in effect on the date hereof and maintain the same in full force and effect for the renewed term thereof; *provided, however*, the Company shall not be obligated hereby to attempt to renew a Lease if (a) the failure to renew such Lease (i) is, in the good faith opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the Trustee), in the Company's best interest and (ii) is not prejudicial in any material respect to the holders of the Notes, and (b) the Company delivers an Officers' Certificate to the Trustee to the effect set forth in clause (ii) of clause (a) of this Section 5.8 and to the effect that, in the opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the Trustee), which opinion shall be based upon the most recent Appraisal (adjusted by the Company to reflect production and other causes of diminution and additional Proved Reserves attributable to the Mortgaged Property since the date of such Appraisal) as of the date of the termination of such Lease (i) the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Mortgaged Property will exceed the Threshold Security Amount on such date and (ii) the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Lease which the Company proposes not to renew, together with all other Leases which have not been renewed pursuant to this subsection H of this Section 5.8 or which have been released or abandoned pursuant to subsection E of Section 6.2, does not exceed \$20,000,000.

Anything in this Section 5.8 to the contrary notwithstanding, the Company, with respect to the Mortgaged Property which is operated by operators other than the Company, shall not be obligated itself to perform undertakings performable only by such operators and which are beyond the reasonable control of the Company. In each such case, however, the Company will promptly take all actions reasonably available to it to bring about the performance of any such undertakings to the full extent required to be performed by such operator under all applicable agreements to which such operator is a party.

SECTION 5.9. Maintenance of Insurance. The Company will (a) maintain, or cause to be maintained, insurance insuring the Company to the extent of its interest therein, against loss of or damage to any and all production platforms now or hereafter located on the Leased Property (or any part thereof) in amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general area or areas in which the Leased Property is located, and (b) in addition to the insurance coverage required under clause (a) above, maintain or cause to be maintained, insurance in such amounts and covering such risks arising out of the ownership, operation or development of the Mortgaged Property as is usually carried by companies engaged in similar business and owning similar properties in the same general area or areas in which the Leased Property is located and as may be required by applicable law, *provided* that all policies providing for coverage of general public liability and property damage, automobile public liability and property damage, aviation public liability and property damage, marine public liability, and property damage, well control and oil spill clean-up expenses and pollution and seepage liability, resulting from drilling and production operations, and damage to drilling and production platforms, respectively, shall provide for the types of such coverage and the amounts thereof specified in the following clauses (i) through (v), respectively:

(i) general public liability and property damage insurance, endorsed to include offshore operations, insuring the Company against liability for injury to persons or property as a result or growing out of the ownership, operation or development of the Mortgaged Property (or any portion thereof) or the production or transportation of Hydrocarbons therefrom, with a limit of liability of not less than \$500,000 for each occurrence;

(ii) automobile public liability and property damage insurance, insuring the Company against liability for injury to persons or property growing out of the ownership or operation of automobiles (including leased automobiles) in connection with the activities described in clause (i) above, with a limit of liability of not less than \$500,000 for each occurrence;

(iii) aviation public liability and property damage insurance, insuring the Company against liability for injury to persons or property growing out of the ownership or operation of aircraft (including leased aircraft) in connection with the activities described in clause (i) above, with a limit of liability of not less than \$10,000,000 for each occurrence;

(iv) excess public liability and property damage insurance in the amount of \$100,000,000 further insuring the Company against the liabilities described in clauses (i), (ii) and (iii) above and in addition providing for marine public liability and property insurance, insuring the Company against liability for injury to persons or property growing out of the ownership or operation of barges or vessels (including chartered barges or vessels) in connection with the activities described in clause (i) above, with a limit of liability of not less than \$500,000 for each occurrence, and

(v) well control, spill clean-up expense and pollution and seepage liability insurance, insuring the Company against liability for damages resulting from drilling and production operations on the Mortgaged Property, and property damage insurance insuring the Company against damages to drilling and production platforms, with a limit of liability of not less than \$20,000,000 (with a deductibility of not greater than \$1,000,000) for each occurrence.

All insurance required by this Section 5.9 shall be maintained with responsible and reputable insurance companies or associations.

SECTION 5.10. Performance of Obligations. The Company will duly and punctually pay and perform each of its obligations under this Mortgage and under the Notes and the Note Agreements as each of the same may at any time be amended, modified or supplemented and in effect in accordance with the terms hereof and thereof.

SECTION 5.11. Limitations on Loans, Advances and Investments. The Company will not, except in the ordinary course of business, make any loan or advance to any Person or purchase or otherwise acquire an equity interest in, or the capital stock, assets or obligations of, any Person other than (i) obligations of or guaranteed by the United States of America, (ii) commercial paper of United States corporations having a rating of P-1 or A-1 and (if such corporation's long-term debt, other than subordinated or convertible issues, is rated) a long-term debt rating of Aaa, Aa, AAA or AA by either Moody's Investors Service, Inc. or Standard & Poor's Corporation, and having a maturity of one (1) year or less from the date of issuance thereof, (iii) certificates of deposit issued by commercial banks operating in the United States of America and having a combined capital and surplus of not less than \$100,000,000, *provided*, that each such bank shall agree that it will not set off any such certificates of deposit against loans by such bank to any Affiliate and (iv) loans or advances in connection with the furtherance of the Company's Hydrocarbon exploration and development activities, *provided*

the Company will not make any loan or advance to, or purchase or otherwise acquire an equity interest in, or the capital stock, assets or obligations of, Transco or any corporation of which Transco owns, directly or indirectly, 50% or more of the voting stock, including securities convertible into voting stock, (herein called a "Restricted Investment") nor will the Company suffer to exist any Restricted Investment made after September 1, 1978.

SECTION 5.12. Dividends, Redemptions, Etc.

A. The Company will not declare or pay any dividends, purchase, redeem or otherwise acquire for value any of its capital stock now or hereafter outstanding or make any distribution of assets to stockholders with respect to its capital stock, except pursuant to the Agreement Relating to Consolidated Federal Income Tax Return Periods between the Company and Transco dated October 14, 1977, as in effect on the date hereof and without regard to any subsequent amendment or other modification of such agreement.

B. The Company will not make any payment in respect of advances or loans made to the Company by any Affiliate (other than advances made to the Company by Transcontinental Gas Pipe Line Corporation in an amount not exceeding \$30,000,000 in connection with advance payment agreements) unless, at the time of any such payment, the net worth of the Company (determined in accordance with generally accepted accounting principles) is at least \$100,000,000, *provided* that, notwithstanding the foregoing, the Company may repay advances made to the Company by any Affiliate the proceeds of which were used to repay any portion of the principal amount outstanding under the Loan Agreement dated as of October 20, 1977 among the Company, certain banks and Citibank, N.A., as Agent.

SECTION 5.13. Sale or Disposition of Assets.

A. The Company will not sell, lease, assign, transfer or otherwise dispose of any part of the Mortgaged Property, except as specifically permitted by this Mortgage.

B. The Company will not sell, lease, assign, transfer or otherwise dispose of any of its property which contains Proved Reserves and which does not constitute a part of the Mortgaged Property, except in connection with its onshore exploration and development activities involving property which does not contain a substantial amount of Proved Reserves, unless, prior to such sale, lease, assignment, transfer or disposition, the Company delivers an Officers' Certificate to the Trustee to the effect that, in the opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the Trustee), which opinion shall be based upon the most recent Appraisal (adjusted by the Company to reflect production and other causes of diminution and additional Proved Reserves attributable to the Mortgaged Property since the date of such Appraisal), as of the date of such proposed sale, lease, assignment or disposition, the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Mortgaged Property will exceed the Threshold Security Amount on such date, *provided* that the Company shall not be required to deliver an Officers' Certificate to the foregoing effect upon the foreclosure or other enforcement of any mortgage or security interest initially entered into in compliance with this subsection B of this Section 5.13.

SECTION 5.14. Issuance of Stock. The Company will not issue or sell any shares of its capital stock having ordinary voting power for the election of the Board of directors or other governing body to any Person other than Transco.

SECTION 5.15. Change in Business. The Company will not make any material change in the nature of its business as carried on at the date hereof.

SECTION 5.16. Mergers and Consolidations. The Company will not merge into or consolidate with or into any Person other than Transco.

SECTION 5.17. Transmission Lines and Processing Plants. The Company will not sell, lease, assign, transfer or otherwise dispose of, or create, incur, assume or suffer to exist any lien, charge or other encumbrance upon its interest in any Hydrocarbon transmission lines and any gas processing plants not constituting Mortgaged Property used, necessary or intended to be used in connection with the production or marketing of any Subject Hydrocarbons, except liens, charges or encumbrances which would be permitted Encumbrances if such transmission lines or gas processing plants were Mortgaged Property.

SECTION 5.18. Record Keeping. The Company will keep adequate records and books of account in which complete entries will be made reflecting all of its business and financial transactions in accordance with sound accounting practice.

SECTION 5.19. Reports to the Trustee. The Company will, at its own expense, furnish to the Trustee:

A. By January 31 of each year, a report as of January 1 of such year, prepared for the Company by the Independent Petroleum Engineers serving as such at the time in substantially the form of the "Appraisal Report as of January 1, 1979 on Certain Properties Owned by Transco Exploration Company in Eleven Fields Located Offshore from Louisiana and Texas" prepared by DeGoijer and MacNaughton.

B. As soon as practicable after each Appraisal Date, but in any event within 15 days after each such date, an Officers' Certificate setting forth (i) the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Mortgaged Property, in each case as appraised in the related Appraisal and (ii) the aggregate unpaid principal amount of Notes outstanding on the date of such Officers' Certificate.

C. In the event (i) the Present Worth set forth in the Officers' Certificate delivered pursuant to subsection B of this Section 5.19 does not exceed the Threshold Security Amount as of the date of such Officers' Certificate and (ii) the Company is unable fully to comply with clause (i) of Section 5.23, not more than 61 days after the date of such Certificate, a written notice (herein called a "Security Deficiency Notice") setting forth (a) as of the date of such notice, an amount equal to the excess of the Threshold Security Amount over the Present Worth set forth in the Officers' Certificate delivered pursuant to subsection B of this Section 5.19.

D. Within 15 days after the end of each calendar month, a report showing, for such calendar month, (i) the total quantities of oil, gas and products produced from or attributable to the Mortgaged Property (stated in barrels for oil and products and MCF for gas); (ii) the quantities of oil, gas and products included in Subject Hydrocarbons (stated in barrels for oil and products and MCF for gas); (iii) the gross proceeds of sale or otherwise derived from Subject Hydrocarbons (separately stated as to oil, gas and products); (iv) the Production Expenses deducted or paid out of such gross proceeds; (v) the Production Taxes deducted from or paid out of such gross proceeds; (vi) the Production Taxes, not otherwise deducted or paid by third parties, assessed with respect to or measured by such Subject Hydrocarbons; (vii) the amount of such gross proceeds net of Production Taxes (separately stated as to oil, gas and products); and (viii) such other information as the Trustee may reasonably request.

E. Within 30 days after the receipt by the Company of a request from the Trustee, a report showing the location of any new well completed or drilled on or dedicated to any Leased Property together with such other information as the Trustee shall reasonably request and a statement indicating whether such well is producing or capable of producing Hydrocarbons in paying quantities, provided however that in no event shall the Company be required to furnish more than two such reports in any fiscal year.

F. Simultaneously with delivery to the holders of the Notes, any financial statement, report, certificate or other document required to be delivered to the holders of the Notes pursuant to paragraph 6A of the Note Agreements.

SECTION 5.20. Inspection of Properties. At any and all reasonable times, upon the request of the Trustee, the Company will permit the Trustee or its designated representatives to enter upon the Mortgaged Property or any part thereof for the purpose of inspecting the condition and operation thereof and the Company agrees to pay all reasonable costs and out of pocket expenses incurred by the Trustee or its designated representatives in connection with such inspection of the Mortgaged Property.

SECTION 5.21. Failure to Perform. The Company agrees that if it fails to perform any act which it is required to perform hereunder, or to pay any money which it is required to pay hereunder, the Trustee or the holder of any Note may, after notice to the Company, but shall not be obligated to, perform or cause to be performed such act and may pay such money, and any expenses thereby incurred by the Trustee or such holder and any money so paid shall be a demand obligation owing by the Company and shall bear interest at the rate of 9³/₄% per annum in effect from time to time during the period from and including the date of incurring such expense or making such payment

up to (but not including) the date of payment by the Company and shall be part of the indebtedness hereby secured, and the Trustee, or such holder incurring such expense or making such payment shall be subrogated to all of the rights of the Person receiving such payment.

SECTION 5.22. Condemnation. Upon any condemnation or expropriation of the Mortgaged Property, or any part thereof, the Company will promptly prepay the Notes in an amount equal to the proceeds received by the Company as a result of such condemnation or expropriation.

SECTION 5.23. Additional Security. In the event the Present Worth set forth in any Officers' Certificate delivered pursuant to subsection B of Section 5.19 does not exceed the Threshold Security Amount on the date of such Officers' Certificate, the Company will, (i) within 60 days after the date of such Officers' Certificate, cause to be subjected to the lien and security interest of this Mortgage sufficient additional properties acceptable to the holders of at least 75% of the aggregate unpaid principal amount of the Notes and appraised by the Independent Petroleum Engineers serving as such at the time, to cause the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Mortgaged Property, to exceed the Threshold Security Amount on the date of such revised determination of Present Worth, and will furnish to the Trustee an opinion of counsel, which counsel shall be satisfactory to the Trustee, to the effect that this Mortgage constitutes a first lien upon and a prior perfected security interest in such additional properties, subject to any restrictions, exceptions, reservations, liens, charges, conditions, limitations, interests, contracts, agreements, instruments and other matters to which such properties are subject on the date of such opinion and to Permitted Encumbrances or (ii) if the Company is unable to meet fully the requirement set forth in clause (i) of this Section 5.23, make prompt prepayment upon the Notes pursuant to subsection B of Section 1.3.

ARTICLE VI

POSSESSION, USE AND RELEASE OF PROPERTY

SECTION 6.1. Possession of and Dealing with Property. Unless and until an Event of Default shall have occurred and be continuing, the Company shall be permitted to possess, use and enjoy all the Mortgaged Property and the Subject Hydrocarbons and to receive and use the rents, revenues, issues, income, products, profits and proceeds thereof, with power in the ordinary course of business, freely and without hindrance on the part of the Trustees and without any release from or consent of the Trustees or the holders of the Notes:

A. To use and consume Subject Hydrocarbons in the production of Hydrocarbons and in connection with the exploration, development or operation of the Mortgaged Property, to use and consume materials and supplies comprising part of the Operating Equipment; and

B. Subject to subsection H of Section 5.8, to alter, amend, supplement, cancel and otherwise deal with choses in action, contracts, agreements, permits, licenses and other instruments comprising part of the Mortgaged Property and to exercise the rights and powers conferred upon the Company thereby, including specifically, but not by way of limitation, any right of the Company under any contract, agreement or instrument (other than with an Affiliate) not to participate in certain exploration or development activities

provided that such action (i) is, in the good faith opinion of the Company, in its best interests and (ii) is not prejudicial in any material respect to the holders of the Notes.

SECTION 6.2. Certain Agreements Relating to and Dispositions of Mortgaged Property. The Company will not sell, assign, lease, transfer or dispose of any of the Mortgaged Property, except that, unless and until an Event of Default shall have occurred and be continuing, the Company shall have the right at any time and from time to time, freely and without hindrance on the part of the Trustees and without any release from or consent of the Trustees or the holders of the Notes, but subject to the provisions hereinafter set forth:

A. To demolish, dismantle, tear down, scrap, abandon, surrender, sell or otherwise dispose of, free from the lien and security interest of this Mortgage, Operating Equipment which has

d. To sell or otherwise dispose of, free from the lien and security interest of this Mortgage, Operating Equipment used in connection with any well which the Company has abandoned or proposes to abandon in accordance with subsection E of this Section 6.2;

C. To enter into joint venture, common enterprise, pooling, unitization, operating and similar type agreements with respect to the Mortgaged Property or any part or parts thereof with any other Person (other than an Affiliate) for the purpose of unit or joint exploration and/or the development of properties of the Company and such other Person and by any such agreement or pursuant thereto to assign, transfer, sublease, grant or convey, free from the lien and security interest of this Mortgage, interests in the Mortgaged Property, *provided* that such action (i) is in the good faith opinion of the Company in its best interests, (ii) is not prejudicial in any material respect to the holders of the Notes and (iii) is in accordance with generally approved practices of prudent operators in the industry. A copy of each such agreement shall be promptly delivered to the Trustee and any and all interest of the Company in, to and under each such agreement and in respect to the Trustee and any and all interest of the Company in, to and under such agreement and to any oil and gas leases or other property acquired by the Company pursuant thereto which is attributable to, derived from or received in exchange for the Company's interest in property which is Mortgaged Property immediately prior to the date on which such agreement becomes effective shall be promptly subjected to the lien and security interest of this Mortgage;

D. To enter into farmout, conditional assignment and similar type agreements with respect to the Mortgaged Property or any part or parts thereof with any other Person (other than an Affiliate) and, by any such agreement or pursuant thereto, to assign, transfer, sublease, grant or convey, free from the lien and security interest of this Mortgage, interests in the Mortgaged Property, *provided* that such action (i) is in the good faith opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the Trustee) in the Company's best interests, (ii) is not prejudicial in any material respect to the holders of the Notes and (iii) does not diminish the Company's interest in Proved Reserves of Subject Hydrocarbons in paying quantities, and (b) the Trustee receives not less than 15 days' prior notice of the Company's intention to take any such action. A copy of each such agreement shall be promptly delivered to the Trustee and any and all interest of the Company in, to and under such agreement and in and to any property acquired by the Company pursuant thereto which is attributable to, derived from or received in exchange for the Company's interest in property which is Mortgaged Property immediately prior to the date on which such agreement becomes effective shall be promptly subjected to the lien and security interest of this Mortgage, and

E. To release or abandon, free from the lien and security interest of this Mortgage, the Company's interest in any Lease or part thereof and any well located on any part of the Leased Property, *provided* that (a) such action (i) is in the good faith opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the effect set forth in clause (ii) of clause (a) of this subsection E of this Section 6.2 and to the effect that, in the Company's best interests and (iii) is not prejudicial in any material respect to the holders of the Notes and (b) the Company delivers an Officers' Certificate to the Trustee to the effect set forth in clause (ii) of clause (a) of this subsection E of this Section 6.2 and to the effect that, in the opinion of the Company (supported by a certified resolution of the Board of Directors of the Company furnished to the Trustee), which opinion shall be based upon the most recent Appraisal (adjusted by the Company to reflect production and other causes of diminution and additional Proved Reserves attributable to the Mortgaged Property since the date of such Appraisal), as of the date of and after giving effect to such release or abandonment, (i) the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Mortgaged Property will exceed the Threshold Security Amount on such date; and (ii) the Present Worth of the Future Net Revenues from the Company's net working interest in the production of Proved Reserves attributable to the Lease which the Company

proposes to release or abandon, together with all other Leases which have been released or abandoned pursuant to this subsection E of this Section 6.2 or which have not been renewed pursuant to subsection H of Section 5.8, does not exceed \$20,000,000.

SECTION 6.3. Release upon Exercise of Right Not to Participate. Anything in this Mortgage to the contrary notwithstanding, the Company shall have the right at any time and from time to time, freely and without hindrance on the part of the Trustees and without any release from or consent of the Trustees or the holders of the Notes, to assign, transfer and otherwise convey to any other Person (other than to an Affiliate), free from the lien and security interest of this Mortgage, any Mortgaged Property required to be so assigned, transferred or otherwise conveyed as a result of the Company's exercise, in accordance with Section 6.1, of any right of the Company under any contract, agreement or instrument (other than with an Affiliate) not to participate in certain exploration and development activities.

SECTION 6.4 Confirmatory Instruments. The Trustees shall, from time to time, execute any release or other written instrument to confirm any action taken or to be taken by the Company under Section 6.1, 6.2 or 6.3 upon receipt by the Trustee of a request from the Company for the same together with an Officers' Certificate stating that the action so to be confirmed was duly taken or is to be duly taken in conformity with Section 6.1, 6.2 or 6.3.

SECTION 6.5. Purchaser Protected. No purchaser in good faith of property purporting to be released herefrom shall be bound to ascertain the authority of the Trustees to execute the release or to inquire as to the existence of any condition herein provided for the exercise of such authority, nor shall any purchaser or grantee of any property or rights permitted by this Article VI to be sold, granted, exchanged or otherwise disposed of by the Company, be under any obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange or other disposition. Any release executed by the Trustee shall be sufficient for the purpose of this Mortgage and shall constitute a good and valid release of the property therein described from the lien and security interest hereof to the extent provided in such release.

SECTION 6.6. Lien on Remaining Mortgaged Property. No release of any part of the Mortgaged Property shall in any way alter, vary or diminish the lien and security interest of this Mortgage on the remainder of the Mortgaged Property; *provided, however*, that any release of Mortgaged Property shall also operate to release any assignment and pledge of, or security interest in, Subject Hydrocarbons or the proceeds therefrom relating to the Mortgaged Property covered by such release.

ARTICLE VII

REMEDIES IN THE EVENT OF DEFAULT

SECTION 7.1. Events of Default. In case any one or more of the following "Events of Default" shall occur and shall be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

A. The Company shall fail to pay any principal of any Note when due, or shall fail to pay interest on any Note within ten (10) days after such interest shall become due; or

B. Any representation or warranty made by the Company in this Mortgage or the Note Agreements, or by Transco in the Guaranty, or by the Company or Transco (or any of their respective officers) in any certificate, agreement, instrument, report or other writing made or delivered pursuant to or in connection with this Mortgage or the Note Agreements shall prove to have been incorrect in any material respect when made; or any estimate by DeGolyer and MacNaughton in the Appraisal Report as of January 1, 1979 referred to in subsection A of Section 5.19 shall prove to have been incorrect in any material respect as of such date in light of information available to the Company and/or DeGolyer and MacNaughton at such time; or

5.23; or performance or observance of any term, covenant contained in the Note Agreements or this Mortgage on its part to be performed or observed or Transco shall fail to perform or observe any covenant or agreement contained in the Guaranty (30) days after written notice thereof shall have been given to the Company or Transco, as the case may be, by the Trustee, or

E. The Company, Transco or any Significant Subsidiary shall fail to pay any Indebtedness (other than as evidenced by the Note) owing by the Company, Transco or any Significant Subsidiary, as the case may be, or any interest or premium thereon, when due (or, if permitted by the terms of the relevant document, within any applicable grace period), whether such Indebtedness shall become due by scheduled maturity, by required prepayment, by acceleration, by demand or otherwise; or any such corporation shall fail to perform any term, covenant or agreement on its part to be performed under any agreement or instrument (other than the Note Agreements or this Mortgage) evidencing, securing or relating to any Indebtedness owing by it when required to be performed (or, if permitted by the terms of the relevant document, within any applicable grace period), if the effect of such failure is to accelerate, or to permit the holder or holders of such Indebtedness or the trustee or trustees under any such agreement or instrument to accelerate, the maturity of such Indebtedness, unless such failure to perform shall be waived by the holder or holders of such Indebtedness or such trustee or trustees; *provided, however, that no Event of Default* (or event which with the giving of notice or the lapse of time, or both, would constitute an Event of Default) shall occur hereunder solely by reason of the Company's failure to pay the deferred purchase price of property or services to the extent, but only to the extent, that such failure is being contested in good faith by the Company, or

F. The Note Agreements, this Mortgage, the Guaranty or any Note shall, at any time after their respective execution and delivery and for any reason, cease to be in full force and effect or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Company or Transco (other than by a stockholder of Transco pursuant to any stockholder derivative action brought on Transco's behalf) or the Company shall deny that the Company has any or further liability or obligation under any of the foregoing documents to which it is a party or Transco (other than by a stockholder of Transco pursuant to any stockholder derivative action brought on Transco's behalf) shall deny that it has any further liability or obligation (contingent or otherwise) under the Guaranty; or

G. This Mortgage shall at any time after its execution and delivery and for any reason (except as permitted by the terms of this Mortgage), cease to constitute a valid and subsisting lien on and/or a valid and perfected security interest in any material part of the Mortgaged Property; or

H. Transco shall at any time own less than 100% of the outstanding voting stock of the Company or the common stock of any Significant Subsidiary; or

I. The Company, Transco, or any Significant Subsidiary shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or the Company, Transco, or any Significant Subsidiary shall apply for or consent to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Company, Transco, or such Significant Subsidiary, as the case may be, and such appointment shall continue until discharged or unstayed for a period of 30 days; or the Company, Transco, or any Significant Subsidiary shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar

proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against the Company, Transco, or any Significant Subsidiary and shall remain undismissed or unstayed for a period of 30 days, or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Company, Transco or any Significant Subsidiary by a court of competent jurisdiction, and such judgment, writ, or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy;

then, and in any such event, subject in each case to a contrary direction pursuant to Section 7.11, the Trustee shall at the request, or may with the consent, of the holders of not less than 25% of the aggregate unpaid principal amount of the Notes, by notice in writing mailed to the Company, declare the entire unpaid principal of and interest then accrued on the Notes to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without present- and protest, demand or other notice of any kind.

SECTION 7.2. *Rights and Powers.* If the entire unpaid principal of and interest payable on any Note shall have become due and payable, whether at the stated, an accelerated or any extended date of maturity thereof, and shall not have been paid, the Trustees shall have the following rights and powers in addition to all other rights and powers provided by law:

A. To enter, take possession of the Mortgaged Property and operate the Mortgaged Property in accordance with Section 7.3;

B. Upon ten days' written notice or such other notice as may be required by applicable law to the Company, to sell, to the extent permitted by applicable law, the Mortgaged Property or any part thereof, at one or more sales as an entirety or in parcels, as the Trustees may elect, at such place or places and otherwise in such manner and upon such notice as may be required by applicable law, or, in the absence of any such requirement, as the Trustees may deem appropriate, and to make conveyance to the purchaser or purchasers; or

C. To proceed by a suit or suits in equity or at law, whether for injunctive relief or for the specific performance of any covenant or agreement of the Company herein contained or in aid of the execution of any power herein granted, or for any foreclosure or the sale of the Mortgaged Property or any part thereof under the judgment or decree of any court of competent jurisdiction, or for the appointment of a receiver or receivers of the Company as to the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy.

SECTION 7.3. *Trustees' Right to Enter and Take Possession, Operate and Apply Income.*

A. If the Trustees shall be empowered pursuant to Section 7.2 to enter, take possession of and operate the Mortgaged Property, the Company, upon demand of the Trustee, shall forthwith surrender to the Trustees the actual possession, and to the extent permitted by law, the Trustee itself, or such officers or agents as it may appoint, or the individual trustee, if the Trustee is incompetent or unqualified to act in the applicable jurisdiction, may enter and take possession of all or any part of the Mortgaged Property together with all or any part of all other property which the Trustee is permitted to take possession of, use and administer, and may exclude the Company and its agents and employees wholly therefrom, and may have joint access with the Company to the books, papers and accounts of the Company.

B. If the Company shall for any reason fail to surrender or deliver any such Mortgaged Property or part thereof after such demand by the Trustee, the Trustees may (i) obtain a judgment conferring on the Trustees the right to immediate possession or requiring the Company to deliver immediate possession of all or part of such Mortgaged Property to the Trustees, to the entry of which judgment the Company hereby specifically consents, and (ii) pursue all or part of such Mortgaged Property wherever it may be found and enter any of the premises of the Company wherever such Mortgaged Property may be or be supposed to be and search for such Mortgaged Property and take possession of and remove such Mortgaged Property.

C. The Company will pay to the Trustees, upon demand, all expenses of obtaining such judgment or of pursuing, searching for and taking such property, and reasonable compensation to the Trustees, their attorneys and agents; and all such expenses and compensation shall, until paid, be secured by the lien of this Mortgage.

D. Upon every such entering upon or taking possession, the Trustee or the individual trustee, as the case may be, may hold, store, use, operate, manage and control the Mortgaged Property and conduct the business thereof, and, at the expense of the Mortgaged Property, from time to time,

(i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional equipment, machinery, tools and other property;

(ii) insure or keep insured such of the same as is usually insured by companies of established reputation engaged in a similar business and in the same manner and to the same extent;

(iii) manage the same and exercise all the rights and powers of the Company, in its name or otherwise, with respect to the same; and

(iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted the Trustees,

all as the Trustee from time to time may, in its discretion, determine to be to the best advantage of the holders of the Notes; and the Trustee may collect and receive all the income, revenues, tolls, rents, issues and profits of the same, and, after deducting

(1) all expenses of taking, storing, using, managing, holding and operating the Mortgaged Property and of operating, managing and conducting the business thereof (including compensation for the services of all persons employed for such purposes);

(2) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements and purchases and acquisitions;

(3) the cost of such insurance;

(4) such taxes, assessments and other charges prior to the lien of this Mortgage as the Trustee may determine to pay;

(5) other proper charges upon the Mortgaged Property or any part thereof; and

(6) the reasonable compensation, expenses and disbursements of the Trustees and their attorneys and agents (including engineers and accountants employed to examine, inspect and make reports upon the properties and books and records of the Company);

shall apply the remainder of the moneys so received in accordance with Section 7.7.

SECTION 7.4. Exercising Power of Sale. In exercising the power of sale hereby given, the Trustees may, to the extent permitted by applicable law, conduct any number of sales from time to time. The power of sale shall not be exhausted by any one or more such sales as to any part of the Mortgaged Property not lawfully sold, but shall continue unimpaired until all of the Mortgaged Property shall have been sold or the Notes and all indebtedness of the Company secured hereby shall have been paid.

Subject to the provisions of applicable law, the sale of all or any portion of the Mortgaged Property may be postponed by public announcement at the time and place of such sale, and from time to time thereafter may be further postponed by public announcement made at the time of sale fixed by the preceding postponement.

Upon any sale, whether under the power of sale hereby given or by virtue of judicial proceedings, it shall not be necessary unless required by applicable law for any of the Trustees or any public

officer acting under execution or order of court to have physically present or constructively in his possession any of the Mortgaged Property.

Upon the completion of any sale made pursuant to this Article VII, the Trustees shall be entitled to execute and deliver to the purchaser or purchasers a good and sufficient deed or deeds of conveyance, sale and transfer of the Mortgaged Property or any part thereof, and the Trustees or their successors are hereby irrevocably appointed the true and lawful attorneys for the Company, in its name and stead, to make and execute all necessary deeds and conveyances of the property sold. Notwithstanding the foregoing, the Company will, if so requested by the Trustees or by any purchaser, confirm any such sale or transfer by executing and delivering to the Trustees or to such purchaser all proper instruments of conveyance, transfer and release as may be specified in any such request.

Except as otherwise provided by applicable law, the recitals contained in any conveyance made by any Trustee to any purchaser at any sale made pursuant to this Article VII 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 of and accrued interest payable on the Notes after the same have become due and payable, whether at the stated or extended date of maturity or otherwise, advertisement and conduct of such sale in the manner provided in this Article VII (or as otherwise required by applicable law) and appointment of any successor trustee hereunder, and all prerequisites to such sale shall be deemed to have been satisfied and performed.

SECTION 7.5. Protection of Purchasers. Upon any sale, whether made under the power of sale hereby given, pursuant to applicable law or by virtue of judicial proceedings, the receipt given by any trustee or by the officer making a sale under judicial proceedings shall be a 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 from a trustee or from such officer therefor, be obliged to see to the application of such purchase price, or be in anywise answerable for any loss, misapplication or non-application thereof.

SECTION 7.6. Reasonable Notice; Public Sale. The Company agrees that any sale of personal property or movables made pursuant to this Article VII shall be deemed to have been a public sale conducted in a commercially reasonable manner if made contemporaneously with any sale of the Leases constituting a part of the Mortgaged Property under power of sale conferred by this Mortgage.

SECTION 7.7. Proceeds of Sale of Mortgaged Property. The proceeds of sale of the Mortgaged Property and all other moneys received by any Trustee under this Mortgage or in any proceedings for the enforcement hereof, the application of which have not elsewhere herein been specifically provided for, shall be applied as follows:

First: To the payment of all necessary costs and expenses incident to such sale and the enforcement of this Mortgage, including, but not limited to, a reasonable compensation to the agents, attorneys and counsel of the Trustees;

Second: To the payment of any indebtedness of the Company secured hereby other than indebtedness referred to in the following clause **Third**;

Third: To the payment of the unpaid principal of and accrued interest payable on the Notes; and

Fourth: The remainder, if any, shall be paid to the Company, its successors and assigns or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 7.8. Holders of Notes as Purchasers. To the extent permitted by applicable law, any holder of any Note at the time of a sale shall have the right to become the purchaser at

such sale held pursuant to this Article VII, but such holder purchasing at any such sale shall not have the right to credit upon the amount of the bid made therefor the amount payable to such holder out of the net proceeds of such sale.

SECTION 7.9. Appointment of Receiver. Subject to the rights of the Trustee under Article IV, the Company agrees that, if any Event of Default hereunder shall have occurred and be continuing, the Trustees shall be entitled as a matter of right, without regard to the adequacy of the security for the Notes or the solvency of the Company, to the appointment of a receiver or receivers upon request of the Trustees, except as may be prohibited by law, of all or any part of the Mortgaged Property and the rents, issues, profits, revenues and other income thereof, whether such receivership be incident to a proposed sale thereof or otherwise, and the Company does hereby consent to the appointment of such receiver or receivers and agrees not to oppose any application therefor by the Trustees or any appointment pursuant thereto.

SECTION 7.10. Proceedings by Holders of Notes. No holder of any Note shall have any right to institute any suit, action or proceeding at law or in equity with respect to the Mortgaged Property for the execution of any trust or power hereof, for the appointment of a receiver, or for the enforcement of any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, and unless also the holders of more than 50% in aggregate principal amount of the Notes at the time outstanding shall have made written request upon the Trustees to institute such action, suit or proceeding in its, his or their name or names as Trustee or Trustees hereunder and shall have offered to the Trustees such reasonable indemnity as they may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustees for 60 days after their receipt of such notice, request and offer of indemnity shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustees pursuant to Section 7.11, it being understood and intended that no one or more holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provisions of this Mortgage to affect, disturb or prejudice the lien or security interest of this Mortgage or the rights of any other holder of such Notes, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Mortgage except in the manner herein provided and that all proceedings hereunder, at law or in equity, shall be instituted, had and maintained in the manner herein provided and for the ratable benefit of all holders of Notes. Nothing herein contained shall, however, affect or impair the right of any holder, which is absolute and unconditional, to enforce payment of the principal of and interest on its Notes at and after the due date of such principal or interest (other than a payment of principal which became due pursuant to an acceleration which has been rescinded), or the obligation of the Company, which is also absolute and unconditional, to pay the principal of and interest on each of the Notes to the respective holders thereof, in either case at the time and place in the Notes expressed.

SECTION 7.11. Direction of Proceedings. The holders of more than 50% in aggregate principal amount of the Notes at the time outstanding shall have the right to direct (i) the time, method and place of conducting any proceeding for any right or remedy available to the Trustees, or of exercising any trust or power conferred on the Trustees in this Mortgage or (ii) that the Trustees refrain from conducting any such proceeding or exercising such trust or power, *provided, however*, that, subject to the provisions of Section 8.1, the Trustees shall have the right to decline to follow any such direction if the Trustees being advised by counsel determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or responsible officers shall determine, or the individual trustee in good faith shall determine, that the action or proceedings so directed would conflict with any rule of law or be inconsistent with this Mortgage or involve the Trustee or the individual trustee in personal liability; and *provided, further*, that nothing in this Mortgage shall impair the right of the Trustees to take any action deemed proper by the Trustees and not inconsistent with this Mortgage and such direction by the holders of the Notes.

SECTION 7.12. Additional Remedies. All remedies herein expressly provided for are in addition to any and all other remedies now or hereafter existing at law or in equity, and the Trustees and (subject to Section 7.10) the holders of Notes shall, in addition to the remedies herein expressly provided, be entitled to avail themselves of all such other remedies as may now or hereafter exist at law or in equity for the collection of the indebtedness hereby secured and the enforcement of the covenants herein and the foreclosure of the lien and security interest created hereby, and the resort to any remedy provided for hereunder or provided for by applicable law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

SECTION 7.13. Resort to Security. The Trustees may, to the extent permitted by applicable law, resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of any of the indebtedness secured hereby, in whole or in part, and in such portions and in such order as may seem best to the Trustees in their sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits or liens created by this Mortgage.

SECTION 7.14. Limitations on Pleading; Waiver. To the full extent that it may lawfully so agree, the Company agrees that it will not at any time insist upon, plead, claim or take the benefit or advantage of any appraisal, valuation, stay, extension or redemption law, now or hereafter in force, in order to prevent or hinder the enforcement of this Mortgage or the absolute sale of the Mortgaged Property, or any part thereof, or the possession thereof by any purchaser at any such sale, but the Company, for itself and all who may claim under it, insofar as it now or hereafter lawfully may, hereby waives the benefit of all such laws; *provided, however*, that the appraisal of any of the Mortgaged Property is hereby expressly waived or not waived at the option of the Trustees, such option to be exercised prior to or at the time judgment is rendered in any foreclosure hereof. The Company, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Mortgaged Property or any other property securing the payment of all or any part of the indebtedness secured by this Mortgage marshaled upon any foreclosure hereof.

SECTION 7.15. Special Provisions-- Texas. Any sale by the Trustees of all or any part of the Mortgaged Property located in the State of Texas may be made at one or more sales, as an entirety or in lots or parcels, and in such order as to the Trustees may seem expedient, in such portions, order and parcels, with or without having first taken possession of the same, to the highest bidder for cash at public vendue. Such sale shall be made at the Courthouse door of the County in which any part of the Mortgaged Property is located on the first Tuesday of any month between the hours of 10:00 a.m. and 4:00 p.m. after giving adequate legal notice of the time, place and terms of sale and that portion of the Mortgaged Property to be sold, by posting or causing to be posted at the Courthouse door of each County in which a part of the Mortgaged Property to be sold is situated, written or printed notices thereof for at least 21 consecutive days prior to the date of said sale, and such notices shall designate the County where the Mortgaged Property to be sold will be sold, which may be any County in which a part of the Mortgaged Property to be sold is situated. In addition to the foregoing notice or notices to be posted by the Trustees (or a person or persons selected by the Trustees), the Trustees acting for and on behalf of the holders of the Notes shall, at least 21 days preceding the date of sale, serve written notice of the proposed sale by certified mail on each debtor obligated to pay such indebtedness according to the records of the Trustees. The service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to such debtor at the most recent address shown by the records of the Trustees, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of such service. In this respect and to the full extent it may legally do so, the Company expressly covenants, stipulates and agrees that (i) the Company shall constitute the "debtor obligated to pay such debt according to the records of such holder" of the indebtedness secured by this Mortgage until the Trustees actually receive written notice that some other person or persons constitute an

additional "debtor obligated to pay such debt", (ii) the address of the Company set out herein shall conclusively be deemed and considered to be and remain at all times the most recent address of the "debtor obligated to pay such debt according to the records of such holder" of the indebtedness secured by this Mortgage, and that such address may be changed from time to time only by express written notice of change thereof signed by all debtors obligated to pay such indebtedness and actually delivered to and received by the Trustees, as representatives of the holders of the Notes, and setting forth a new address which shall conclusively be deemed and considered to be and remain at all times thereafter the most recent address of all debtors "obligated to pay such debt according to the records of the holder of such debt" until changed in the manner herein provided, (iii) the records of the Trustees shall not be deemed to reflect any change in the name or identity of the "debtor obligated to pay such debt" (to whom notices of a proposed sale shall be required to be mailed, as hereinabove provided) unless and until express written notice of such change signed by all debtors obligated to pay such indebtedness shall have been actually delivered to and received by the Trustees and (iv) no notice of such sale or sales other than the notices hereinabove provided shall be required to be given the Company or any other Persons and any other notice required to be sent to the Company is expressly waived. The provisions hereof with respect to posting and giving notices of sale are intended to comply with the provisions of Article 3510 of the Texas Revised Civil Statutes as in force and effect on the date of execution hereof, and in the event the requirement for notice under such Article 3510 shall be eliminated in any respect, or the prescribed manner of giving same modified by future amendment of such Article 3510, the requirement for such particular notice shall be stricken from or modified herein in conformity with such amendment. The manner herein prescribed for serving or giving any notice, other than that to be posted or caused to be posted by the Trustees, shall not be deemed exclusive but such notice or notices may be given in any other manner that may be permitted by applicable law. Nothing contained in this Section 7.15 shall be construed to limit in any way the Trustees' right to sell the Mortgaged Property at private sale if, and to the extent that, such private sale is permitted under the laws of the State where the Mortgaged Property (or that portion thereof to be sold) is located or by public or private sale after entry of a judgment by any court of competent jurisdiction ordering the same. Any one or more such sales may be conducted in the same month, or in successive or different months, as the Trustees may deem expedient. The Trustees may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any and each such sale, including the giving and posting of notices and the conduct of sale, but the Trustees shall execute any and all deeds as Trustees. In the case of each such sale, the Trustees are authorized in the name of the Company to execute and deliver to the purchaser or purchasers of the property sold good and sufficient deeds or other instruments of conveyance therefor, in fee simple, with covenants of general warranty, or otherwise, as the Trustees may deem expedient.

SECTION 7.16. *Laws Subsequently Repealed.* If any law referred to in the foregoing Sections of this Article VII, and now in force, of which the Company or its successors might take advantage despite such Sections, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contracts herein contained or to preclude the operation or application of such Sections.

ARTICLE VIII

CONCERNING THE TRUSTEES

SECTION 8.1. *Duties and Responsibilities of Trustees.* The Trustees, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertake to perform such duties and only such duties as are specifically set forth in this Mortgage, and no implied covenants or obligations shall be read into this Mortgage against the Trustees. In case an Event of Default has occurred (which has not been cured or waived) of which they have knowledge, the Trustees shall exercise such of the rights and powers vested in them by this Mortgage, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Mortgage shall be construed to relieve the Trustee or the individual trustee from liability for its or his own negligent action, its or his own negligent failure to act or its or his own willful misconduct, and the Trustee shall be liable for the negligent action, negligent failure to act or willful misconduct of or by the individual trustee, except that

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred

(1) the duties and obligations of the Trustees shall be determined solely by the express provisions of this Mortgage, and the Trustees shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Mortgage, and no implied covenants or obligations shall be read into this Mortgage against the Trustees; and

(2) in the absence of negligence or bad faith on the part of the Trustees, the Trustees may rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustees and conforming to the requirements of this Mortgage; but, in the case of any such certificates or opinions which by any provision hereof or thereof are specifically required to be furnished to the Trustees, the Trustees shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Mortgage.

(b) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and the individual trustee shall not be liable for any error of judgment made in good faith by him, unless it shall be proved that he was negligent in ascertaining the pertinent facts; and

(c) neither of the Trustees shall be liable with respect to any action taken, suffered or omitted to be taken by it or him in good faith, in accordance with the direction of the holders of the required percentage of the aggregate unpaid principal amount of the Notes at the time outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred upon the Trustees, under this Mortgage.

None of the provisions contained in this Mortgage shall require either of the Trustees to expend or risk its or his own funds or otherwise incur personal financial liability in the performance of any of its or his duties or in the exercise of any of its or his rights or powers, if it or he shall have reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it or him.

SECTION 8.2. *Reliance on Documents, Opinions, etc.* Subject to the provisions of Section 8.1.

(a) each of the Trustees may rely and shall be protected in acting or refraining from acting under this Mortgage upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture or other paper or document believed by it or him to be genuine and to have been signed or presented by the proper party or parties;

(b) each of the Trustees may consult with counsel and any advice or opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it or him under this Mortgage in good faith and in accordance with or reliance upon such advice or opinion of counsel and not contrary to any express provision of this Mortgage.

(c) neither of the Trustees shall be under any obligation to exercise any of the rights or powers vested in it or him by this Mortgage or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of any of the holders of the Notes pursuant to the provisions of this Mortgage unless such holders of the Notes shall have offered to

the Trustees reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(d) neither of the Trustees shall be liable for any action taken, suffered or omitted by it or him in good faith, without negligence, and believed by it or him to be authorized or within the discretion or rights or powers conferred upon it or him by this Mortgage.

(e) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, neither of the Trustees shall be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent order, approval, bond, note, debenture, coupon or other paper or document unless requested in writing to do so by the holders of not less than 25% in principal amount of the Notes then outstanding (it being understood that neither of the Trustees shall be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it or him to conduct any such investigation, *provided however*, that if the payment within a reasonable time to the Trustees of the costs, expenses or liabilities likely to be incurred by them in the making of such investigation is, in the opinion of the Trustees, not reasonably assured to the Trustees by the security afforded to them by the terms of this Mortgage, the Trustees may require from the holders of the Notes so requesting reasonable indemnity against such cost, expense or liability as a condition precedent to such proceeding.

(f) the Trustees may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustees shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by the Trustees hereunder, and

(g) the Trustee shall not be charged with knowledge of any Event of Default unless either (i) a responsible officer of the Trustee assigned to its corporate trust department shall, in his capacity as such officer, have actual knowledge of such Event of Default or (ii) written notice thereof shall have been given to the Trustee by the Company or by the holder of any Note at the time outstanding, and the individual trustee shall not be charged with knowledge of any Event of Default unless written notice thereof has been given to the individual trustee by the Company or by the holder of any Note at the time outstanding.

SECTION 8.3. Trustees Not Liable for Defects in Mortgaged Property, etc. Subject to the provisions of Section 8.1, the Trustees shall not be liable for any defect in any of the Mortgaged Property, nor shall anything in this Mortgage be construed as a warranty on the part of the Trustees in respect thereof or as a representation on the part of the Trustees in respect of the value thereof or in respect of the title thereto or as to the security afforded thereby or hereby.

The Trustees shall not be responsible in any way for the recitals contained in this Mortgage (except in the Trustee's certificate of authentication contained in the Notes) or for the validity or sufficiency of this Mortgage or any instrument supplemental hereto or of the security afforded hereby or of any instruments or property constituting part of the Mortgaged Property. The Trustees shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Mortgage.

SECTION 8.4. Trustee, etc., May Offset Funds. The Trustee or any officer or director of the Trustee may offset funds on deposit with the Trustee other than funds held by it as Trustee and otherwise deal with the Company or with any other corporation having relations with the Company, in the same manner and to the same extent and with like effect as though it or he were not Trustee or such officer or director.

SECTION 8.5. Moneys to be Held in Trust. Except as otherwise specifically provided in this Mortgage, all moneys received by the Trustee shall, until used or applied as specifically provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law.

SECTION 8.6. Compensation and Expenses of Trustees. The Company covenants and agrees to pay to the Trustees from time to time, and the Trustees shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by them hereunder, and the Company will pay or reimburse the Trustees upon their request for all reasonable expenses, disbursement, and advances incurred or made by the Trustees in accordance with any of the provisions of this Mortgage. The reasonable compensation and the expenses and disbursements of their agents (including counsel and of all Persons not regularly in their employ) except any such expense in advance as may arise from their negligence or bad faith. The Company shall indemnify and hold the Trustees for, and to hold them harmless against, any loss, liability or damage resulting from their negligence or bad faith on the part of the Trustees and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 8.6 to compensate the Trustees and to pay or reimburse the Trustees for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Notes upon the Mortgaged Property and all property and funds held or collected by the Trustees as such, except funds held in trust for the benefit of the holders of particular Notes.

SECTION 8.7. Officers' Certificate as Evidence. Subject to the provisions of Section 8.1, whenever in the administration of the provisions of this Mortgage the Trustees shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustees, be deemed to be proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate, in the absence of negligence or bad faith on the part of the Trustees, shall be full warrant to the Trustees for any action taken or suffered or omitted by them under the provisions of this Mortgage in reliance thereon.

SECTION 8.8. Eligibility of Trustees. A. The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or any State thereof or of the District of Columbia authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$75,000,000, subject to supervision or examination by Federal, State or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or pursuant to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 8.8, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.8, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.9.

B. The individual trustee hereunder shall at all times be an individual who is a citizen and resident of the United States of America, is of legal age and is under no legal disability.

SECTION 8.9. Resignation or Removal of Trustees. A. The Trustee may at any time, in its sole discretion, remove the individual trustee, by written instrument in triplicate, one copy of which instrument shall be delivered to the individual trustee, one copy to the successor individual trustee and one copy to the Company.

B. The individual trustee may at any time resign by giving written notice of resignation to the Trustee and by mailing notice thereof to the holders of Notes at their addresses as they shall appear on the vote register. Upon receiving such notice of resignation from the individual trustee or the Trustee, the Trustee shall promptly remove the individual trustee, by written instrument, in triplicate, one copy of which instrument shall be delivered to the resigning or removed individual trustee, one copy to the Company and one copy to the successor individual trustee.

the successor trustee, and one copy to the Company. The Trustee may at any time resign by giving written notice of resignation to the Company and by mailing notice thereof to the holders of Notes at their addresses as they shall appear on the Note register. Upon receiving such notice of resignation from the Trustee, the Company shall appoint a successor trustee to the Trustee by written instrument, in triplicate, executed by order of its Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee, one copy to the successor trustee and one copy to the individual trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation to the holders of the Notes, the resigning Trustee or individual trustee may petition a court of competent jurisdiction for the appointment of a successor trustee, or any holder of a Note who has been a bona fide holder of a Note or Notes for at least six months may on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, and prescribe, appoint a successor trustee.

C. If at any time any of the following shall occur –

1. The Trustee or individual trustee shall cease to be eligible in accordance with the provisions of Section 8.8 or Section 8.14 and shall fail to resign after written request therefor by the Company or any such holder of a Note;

2. The Trustee or the individual trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or the individual trustee, or of its or his property shall be appointed, or any public officer shall take charge or control of the Trustee or the individual trustee or of its or his property or affairs for the purpose of rehabilitation, conservatorship or liquidation;

then in any such case the Company may remove the Trustee or the individual trustee, as the case may be, and appoint a successor trustee by written instrument, in triplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to each of the Trustees so removed and one copy to the successor trustee, or any holder of a Note who has been a bona fide holder of a Note or Notes for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee or the individual trustee, as the case may be, and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, and prescribe, remove the Trustee or the individual trustee, as the case may be, and appoint a successor trustee.

D. The holders of more than 50% in aggregate principal amount of the Notes at any time outstanding may at any time remove the Trustees or either of them and appoint a successor trustee by written instrument or instruments, in triplicate, or quadruplicate, as the case may be, signed by such holders or their attorneys-in-fact duly authorized, one complete set of which instruments shall be delivered to each of the Trustees so removed, to the successor or successors so appointed, and to the Company.

E. Any resignation or removal of the Trustees or either of them and appointment of a successor trustee pursuant to any of the provisions of this Section 8.9 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.10.

SECTION 8.10. Acceptance by Successor Trustee. Any successor trustee appointed as provided in Section 8.9 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and the resignation or removal of the predecessor trustee shall hereafter become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein, but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 8.6, transfer and deliver all of the Mortgaged Property held by the trustee so ceasing to act, execute and deliver an instrument or instru-

ments transferring to such successor trustee all the rights, trusts and powers of the trustee so ceasing to act, and execute and deliver such instruments of transfer as may be reasonably requested by such successor trustee. Upon request of any such successor trustee the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights, trusts and powers and recognizing the transfer of title of the Mortgaged Property as aforesaid, and shall do and perform any and all acts necessary to maintain the title and rights of the successor trustee in and to the Mortgaged Property. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 8.6.

No successor trustee shall accept appointment as provided in this Section 8.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 8.8 and Section 8.14.

Upon acceptance of appointment by a successor trustee as provided in this Section 8.10, the Company shall mail notice of the succession of such trustee hereunder to the holders of Notes at their addresses as they shall appear on the Note register. If the Company fails to mail such notice within ten days after the acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

SECTION 8.11. Succession by Merger, etc. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be eligible under the provisions of Section 8.8 and Section 8.14, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Mortgage any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated, and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Mortgage provided that the certificate of the Trustee shall have, *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 8.12. The Individual Trustee. A. The individual trustee has been joined as an individual trustee hereunder so that if, by any present or future law in any jurisdiction in which it may be necessary to perform any act in the execution of the trusts hereby created, the Trustee, or its successor or successors, may be incompetent or unqualified to act as such Trustee, then all the acts required to be performed in such jurisdiction, in the execution of the trusts hereby created, shall and will be performed by said individual trustee, or his successor or successors, acting alone.

B. Anything herein or in any of the agreements or instruments referred to herein to the contrary notwithstanding, the individual trustee and his successor or successors shall act and be such, subject to the following conditions and provisions, namely:

(i) The Notes shall be authenticated and delivered, and all powers, duties, obligations and rights conferred upon the Trustees, or either of them, in respect of the custody, control and management of moneys, papers or securities, shall be exercised solely by the Trustee, or its successor as trustee hereunder.

(ii) No power shall be exercised hereunder or under any of the agreements or instruments referred to herein by the individual trustee except jointly with the Trustee or with the written consent of the Trustee and except to the extent that under any law of any jurisdiction in which

any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by the individual trustee.

(iii) The individual trustee shall not be personally liable by reason of any act or omission of the Trustee.

SECTION 8.13. Co-Trustees and Separate Trustees. A. Notwithstanding the provisions of Section 8.8, at any time or times the Company and the Trustees shall have power to appoint, and, upon the written request of the Trustees or of the holders of more than 50% in aggregate principal amount of the Notes at the time outstanding, the Company shall join with the Trustees in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustees either to act as Co-Trustee, or Co-Trustees, jointly with the Trustees, as to all or any part of the Mortgaged Property, or to act as Separate Trustee or Trustees as to any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in such capacity, any property, title, right or power herein conferred upon or granted to the Trustees as deemed necessary or desirable, subject to the remaining terms of this Section 8.13. If the Company shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and shall be continuing, the Trustees alone shall have power to make such appointment.

The Company shall execute, acknowledge and deliver, or all such instruments as may be requested by any such Separate Trustee or Co-Trustee for more fully confirming such property, title, right or power to such Separate Trustee or Co-Trustee.

B. Every Separate Trustee or Co-Trustee shall, to the extent permitted by law, but to each extent only, be appointed subject to the following terms, namely:

(i) The Notes shall be authenticated and delivered, and all powers, duties, obligations and rights hereunder in respect of the custody of cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely by the Trustee.

(ii) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of such property shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such Separate Trustee or Separate Trustees or Co-Trustee or Co-Trustees jointly, as shall be provided in the instrument appointing such Separate Trustee or Separate Trustees or Co-Trustee or Co-Trustees, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such Separate Trustee or Separate Trustees or Co-Trustee or Co-Trustees.

(iii) The Trustee at any time, by an instrument in writing, may accept the resignation of or remove any Separate Trustee or Co-Trustee appointed under this Section 8.13. A successor to any Separate Trustee or Co-Trustee so resigned or removed may be appointed in the manner provided in this Section 8.13.

(iv) No Trustee, Co-Trustee or Separate Trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee, Co-Trustee or Separate Trustee hereunder.

(v) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by any of the holders of the Notes and delivered to the Trustee shall be deemed to have been delivered to each such Separate Trustee and Co-Trustee.

C. Upon the acceptance in writing of such appointment by any such Separate Trustee or Co-Trustee, he or it shall be vested with the estates, property, rights, powers, duties and obligations specified in the instrument of appointment jointly with the Trustee, (except in so far as any such Separate Trustee is empowered to act alone pursuant to Section 8.13(B)(ii) subject to all the terms

of this Mortgage. Every such acceptance shall be filed with the Trustee. Any Separate Trustee or Co-Trustee may at any time, by an instrument in writing, constitute the Trustee its or his agent and attorney-in-fact, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

D. In case any Separate Trustee or Co-Trustee shall die, become incapable of acting, resign or be removed, all the estates, property, rights, powers, trusts, duties and obligations of said Separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee without the appointment of a new Trustee as successor to such Separate Trustee or Co-Trustee.

SECTION 8.14. Conflict of Interests. A. If the Trustee has or shall acquire any conflicting interest, as defined in this Section 8.14, it shall, within thirty days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in Section 8.9.

B. In the event that the Trustee shall fail to comply with the provisions of subsection (A) of this Section 8.14, the Trustee shall, within ten days after the expiration of such thirty-day period, transmit notice of such failure to the holders of the Notes at their addresses as they shall appear in the Note register.

C. For the purposes of this Section 8.14 the Trustee shall be deemed to have a conflicting interest if

(i) the Trustee is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of Transco or any of its subsidiaries, are outstanding other than the Indenture from Transco Gas Supply Company to Marine Midland Bank and Richard D. Rein as Trustees, dated as of September 1, 1976, as heretofore amended and as the same shall be amended from time to time; or

(ii) the Trustee is an institutional or commercial lender to Transco or any of its subsidiaries, provided that the Trustee may participate as a lender in an aggregate principal amount of not more than \$5,000,000 in a loan facility to High Island Offshore System, a Delaware general partnership in which Transco Offshore Pipeline Company, a subsidiary of Transco, is a partner, so long as it does not act as agent for the banks participating in such loan facility; or

(iii) the Trustee acts as the agent or trustee of or for any other institutional or commercial lender or lenders in connection with loans by such other lender or lenders to Transco or any of its subsidiaries.

The word "security" or "securities" as used in this Section 8.14 shall mean any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other minerals, rights, or, in general, any interest or instrument commonly known as a "security" or any certificate of interest or participation in, temporary or interim certificate for, receipt for guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

ARTICLE IX

SPECIAL PROVISIONS IN LOUISIANA

SECTION 9.1. Construction of General Language, Special Provisions. Insofar as any portion of the Mortgaged Property situated off the shores of the State of Louisiana and the Subject Hydrocarbons produced therefrom or attributable thereto are concerned, (a) the general language of conveyance to the Trustees in this instrument is intended and shall be construed as words of hypothecation and

pledge and not of conveyance, and this instrument shall be construed under the laws of the State of Louisiana as an act of mortgage, pledge and assignment of production by the Company in favor of the Trustees in trust for the benefit of any and all holders and future holders of the Notes, pursuant to the terms and provisions of La. R.S. 9:5301 *et seq.* (iii) the Trustees are hereby irrevocably appointed special attorneys in fact for any and all holders or future holders of the Notes and are vested with full power in their behalf to effect and enforce this instrument for their benefit; (iv) whenever the terms "mortgage" and "pledge" appear herein, such terms shall be construed to entitle the Trustees in trust for the benefit of any and all holders and future holders of the Notes to all of the rights and remedies provided for in La. R.S. 31:197 through 205; (v) the Trustees on behalf of any and all holders and future holders of the Notes shall have the right to appoint a keeper of the Mortgaged Property pursuant to the terms and provisions of La. R.S. 9:5131 *et seq.*; and (vi) the amount of indebtedness of the Company other than that evidenced by the Notes, which may be secured by this Mortgage, shall in no event exceed in the aggregate, the original principal amount of the Notes.

SECTION 9.2. Notes Paraphed. For the purpose of identification of the Notes according to Louisiana law, each Note has been paraphed "Ne Varietur" for identification with this Mortgage by the undersigned Notary Public.

SECTION 9.3. Waiver, Release of Notary. The parties hereto expressly waive the production of mortgage certificates and hereby release and hold the Notary Public whose name is hereunder signed harmless for and by reason of the non-production and nonannexation thereof to this instrument.

ARTICLE X

DEFEASANCE

SECTION 10.1. Defeasance. If all indebtedness of the Company secured hereby shall be paid, then and in that case only, this Mortgage shall become null and void and the interests of the Company in the Mortgaged Property and Subject Hydrocarbons shall become wholly free and clear of the lien, security interest, conveyance, pledge and assignment created hereby, and such lien and security interest shall be released and the Trustees shall execute and deliver such instruments of satisfaction, release and reassignment as may be appropriate, as promptly as may be practicable at the cost of the Company. Otherwise this Mortgage shall remain and continue in full force and effect.

ARTICLE XI

MISCELLANEOUS PROVISIONS

SECTION 11.1. No Waiver. All options and rights of election herein provided for the benefit of the Trustees and the holders of the Notes are continuing and the failure to exercise any such option or right of election upon a particular default or breach or upon any subsequent default or breach shall not be construed as waiving the right to exercise such option or election at any later date. For the acceptance of payment of any indebtedness secured hereby (or portion thereof) after its due date, the Trustees or the holder of such indebtedness does not waive the right either to require prompt payment of such indebtedness when due or the payment when due of all other sums so secured or to regard as a default the failure to pay any other sums due which are secured hereby. No exercise of the rights and powers herein granted and no delay or omission in the exercise of such rights and powers shall be held to exhaust the same or be construed as a waiver thereof, and every such right and power may be exercised at any time and from time to time.

SECTION 11.2. Notices. All notices, requests, demands, directions and other communications provided for hereunder shall be in writing (including telegraphic communications) and mailed,

telegraphed or delivered to the holders of the Notes, at the addresses set forth in Exhibit A to the Note Agreements and to the applicable party at the addresses indicated below.

If to the Company:

Transco Exploration Company
2700 South Post Oak Road
P.O. Box 1396
Houston, Texas 77001
Attention: Vice President - Finance

If to the Trustees:

Marine Midland Bank
250 Park Avenue
New York, New York 10017
Attention: Richard D. Rein

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 11.2. Except as otherwise provided herein, all such notices, requests, demands, directions and other communications shall, when mailed or telegraphed, be effective when deposited in the mails or delivered to the telegraphic company, respectively, addressed as aforesaid.

SECTION 11.3. Severability of Provisions. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustees and the holders of the Notes in order to effectuate the provisions hereof, and the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

SECTION 11.4. Substitution and Subrogation. This instrument is made with full substitution and subrogation of the Trustees and their successors in this trust and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

SECTION 11.5. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall bind and inure to the benefit of the respective successors and assigns of the Company, the Trustees and the holders from time to time of the Notes.

SECTION 11.6. Mortgage as Granting Security Interest by a Utility. This Mortgage is to be filed in the real estate records of each County in the State of Texas in which any Leased Property is located and further this Mortgage will be filed as provided in Chapter 25 of the Texas Business and Commerce Code relating to the granting of security interests by utilities and will also be filed as provided in Chapter 9 of the Texas Business and Commerce Code relating to the granting of security interests by non-utilities to assure that the security interest granted by this Mortgage is perfected under Texas law. The filing of this Mortgage under the provisions of such Chapter 35 shall not constitute an admission by the Company that it is a utility for purposes of such Chapter 35 or any other statute, rule or regulation of any governmental authority or agency.

SECTION 11.7. As to Interest. No provision of this Mortgage, the Notes or any other document or instrument relating to the Notes shall provide for the accrual or require the payment of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect shall accrue or be provided for, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the maximum rate permitted by applicable law.

SECTION 11.8. *Waivers and Amendments.* A. The Company and the Trustees may, at any time and from time to time, execute any instrument or instruments supplemental to this Mortgage, which thereafter shall form a part hereof, for any one or more or all of the following purposes: to correct or amplify the description of any property at any time subject to the lien and security interest of this Mortgage, or better to assure, pledge, convey and confirm unto the Trustees any property subject to or required to be subjected to the lien and security interest of this Mortgage, or to convey, pledge, transfer and assign to the Trustees and to subject to the lien and security interest of this Mortgage, additional property now owned or hereafter acquired by the Company. Any supplemental mortgage authorized by this subsection A of this Section 11.8 may be executed by the Company and the Trustees without the consent or approval of any of the holders of the Notes.

B. Except as otherwise provided in subsection A of this Section 11.8 and in the proviso in this subsection B of this Section 11.8, any amendment, modification, supplement or waiver of any provision of any of the Notes or this Mortgage or any consent to any departure by the Company therefrom, shall be approved in writing by the holder or holders of at least 75% of the aggregate principal amount of the Notes at the time outstanding, *provided, however,* that no such amendment, modification, supplement, waiver or consent shall:

(i) Modify the stated maturity or modify the principal amount of or provisions for the payment or prepayment of, or modify the rate or premium or extend the time for payment of interest on the Notes, without the approval in writing of all the holders of the Notes; or

(ii) Modify the percentage of the principal amount of Notes the holders of which (i) are permitted to accelerate the maturity, of any of the Notes or to waive an Event of Default, or (ii) may make written request upon the Trustees to exercise or refrain from exercising their powers under this Mortgage, without the approval in writing of all the holders of the Notes; or

(iii) Permit any release of the lien and security interest of this Mortgage not otherwise permitted by this Mortgage; without the approval in writing of all the holders of the Notes; or

(iv) Permit the creation or assumption of any lien, security interest or other encumbrance, the creation or assumption of which is prohibited by this Mortgage, without the approval in writing of all the holders of the Notes; or

(v) Reduce the aforesaid percentage of the principal amount of Notes the holders of which are required to consent to any such waiver or instrument amending, modifying or supplementing any of the Notes or this Mortgage or the provisions of this Section 11.8, without the approval in writing of all the holders of the Notes; or

(vi) Modify the rights, duties or immunities of the Trustees without the written approval of the Trustees.

Any consideration given to any Noteholder to obtain his consent shall be given *pro rata* to all Noteholders whether or not they give consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder, or under any Note shall operate as a waiver of any rights of any holder of such Note. No such waiver, consent or instrument amending, modifying or supplementing any of the Notes or this Mortgage shall extend to or affect any provision, term or obligation, not expressly amended, modified, supplemented or waived thereby, and any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Any waiver or consent effected or instrument entered into pursuant to this Section 11.8 shall apply equally to all holders of the Notes and shall be binding upon them, upon each future holder of any Note, upon the Company and upon the Trustees.

SECTION 11.9. *Denominations.* The Notes shall be issuable as registered Notes in denominations of \$1,000 or any integral multiple thereof.

SECTION 11.10. *Exchanges of Notes.* Any Note may be exchanged (in an equal aggregate unpaid principal amount) for a new Note or Notes of the same series in any authorized denominations. Upon surrender for any such exchange, the Company shall execute and the Trustee shall authenticate and deliver in exchange for such Note a new Note or Notes of the same series which the holder of the Notes making such exchange shall be entitled to receive.

SECTION 11.11. *Registration and Transfer of Notes.* The Trustee is hereby appointed by the Company the registrar of the Notes for the purpose of registering, and registering the transfer of, Notes entitled to be so registered or transferred, and the Company shall maintain at the principal office of the Trustee a register in which the Company shall provide for the registration of Notes and for the registration of transfer of Notes. The transfer of any Note may be registered at the principal office of the Trustee, by the surrender of such Note for cancellation, accompanied by a written instrument of transfer in form satisfactory to the Trustee, duly executed by the registered owner of such Note, and the Trustee shall authenticate and deliver in exchange thereof, a new Note or Notes of the same series in a like aggregate principal amount in authorized denominations registered in the name of the transferee or transferees. The Trustee shall forthwith give notice to the Company and to each original holder of a Note so long as it holds any Note and to each holder of 5% or more of the outstanding principal amount of any series of Notes of any registration of Notes or registration of transfer of Notes pursuant to this Section 11.11 or of any exchange of Notes pursuant to Section 11.10.

SECTION 11.12. *Regulations as to Exchanges and Transfers, Charges.* The registration of all exchanges and transfers of Notes pursuant to Section 11.10 or Section 11.11 shall be made subject to and under such reasonable regulations as the Company and the Trustee may prescribe, and shall be without expense to the holder of the Notes. In every case of such registration of such exchange or transfer, the Trustee shall forthwith cancel and shall within six months deliver all surrendered Notes to the Company. The Company may require from the Person requesting the transfer of a Note to a different Person payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with such transfer.

SECTION 11.13. *Ownership of Notes.* As to any Note, the Person in whose name the same shall at the time be registered shall, prior to due presentment of such Note for registration of transfer, be deemed and treated by the Company and the Trustees as the absolute owner thereof for all purposes (whether or not such Note shall be overdue); and payment of principal of and interest on such Note shall be made only to or upon the order in writing of such registered owner, but such registration may be changed as hereinbefore provided. All such payments so made shall be valid and effectual to satisfy and discharge the liability of the Company upon such Note to the extent of the sum or sums so paid.

SECTION 11.14. *Trustee's Authentication Certificate.* No Note shall be secured hereby or entitled to the benefit hereof, or shall be or become valid or obligatory for any purpose, unless there shall be endorsed thereon an authentication certificate of the Trustee, as provided in this Mortgage, duly executed by the Trustee; and such authentication certificate of the Trustee upon any Note shall be conclusive evidence and the only competent evidence that such Note has been duly authenticated and delivered hereunder and that the registered holder thereof is entitled to the benefits of this Mortgage.

SECTION 11.15. *Lost, Stolen, Destroyed and Mutilated Notes.* Upon receipt by the Company and the Trustee of evidence reasonably satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Note and of indemnity reasonably satisfactory to them (provided that an agreement of indemnity from any of the Purchasers shall be deemed to be satisfactory) and upon surrender to the Trustee and cancellation of such Note if mutilated, the Company shall execute, and the Trustee shall authenticate and deliver, a new Note of the same series in lieu of such lost, stolen, destroyed or mutilated Note. The applicant for any such new Note shall be required to pay all reasonable expenses of the Company and the Trustee in connection with the execution of such new

Note. Any Notes issued pursuant to this Section 11.15, shall constitute original additional contractual obligations on the part of the Company and shall be secured (except as specifically otherwise provided herein) equally and ratably with all other Notes authenticated hereunder.

SECTION 11.16. *Home Office Payment Agreements.* Notwithstanding any provision of this Mortgage or of any Note to the contrary, the Company may enter into an agreement with the holder of any Note providing for the making by the Company to such holder or its agent of all payments of principal of and interest on such Note or any part thereof to an account or at a place other than the principal office of the Trustee, without presentation or surrender of such Note, upon such conditions as shall be satisfactory to the Trustee. The Company will furnish to the Trustee a copy, certified to be correct by the Secretary or an Assistant Secretary of the Company, of each such agreement. The Trustee shall not be liable to any such holder or to the Company or to any other holder for any act or omission to act on the part of the Company, any such holder or any agent of the Company, in connection with any such agreement. The Trustee hereby agrees that the terms of paragraph 7B of the Note Agreements providing for direct payment of principal of and interest on the Notes are satisfactory to the Trustee.

SECTION 11.17. *Notes Acquired by the Company.* Except as otherwise provided in Section 1.6, any Notes acquired by the Company or by an Affiliate of the Company shall not be taken into account when determining any required percentage of principal amount of the Notes for any purpose under this Mortgage.

SECTION 11.18. *Headings.* Headings used in this instrument are included herein for convenience of reference only and shall not constitute a part of this instrument for any other purpose.

SECTION 11.19. *References.* Unless the context otherwise requires, all references herein to "Articles", "Sections", "subsections", "clauses" or other subdivisions refer to the corresponding Articles, Sections, subsections, clauses and other subdivisions of this Mortgage, and the words "this Mortgage", "herein", "hereof", "hereby", "hereunder" and words of similar import, refer to this Mortgage as a whole and not to any particular Article, Section, subsection, clause or other subdivision hereof.

IN WITNESS WHEREOF, the Company and the Trustees have caused this instrument to be duly executed before the undersigned Notary Public in the presence of the undersigned competent witnesses after due reading of the whole, on the date referred to below, in several counterparts, all of which are identical. Each of the counterparts hereof so executed shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

TRANSCO EXPLORATION COMPANY

By 
Vice President

[CORPORATE SEAL]

Attest:


Assistant Secretary

The Address of Transco Exploration Company is:
P.O. Box 1396
Houston, Texas 77001

Marine Midland Bank, as Trustee

By 
Vice President


[CORPORATE SEAL]

Attest:

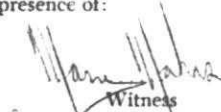


Corporate Trust Officer

The address of Marine Midland Bank is:
250 Park Avenue
New York, New York 10017
Attention: Richard D. Rein

The Address of Richard D. Rein is:
c/o Marine Midland Bank
250 Park Avenue
New York, New York 10017


Richard D. Rein, Trustee

Executed by Transco Exploration Company,
and by Marine Midland Bank and
Richard D. Rein, Trustees,
in the presence of:


Witness

Witness

Before me:


Notary Public

My Commission Expires: 3/31/79

This instrument prepared by:

John C. Provine
14 Wall Street
New York, New York 10005

Be it remembered that I, the undersigned, a Notary Public qualified, commissioned, sworn and acting in and for the County and State aforesaid, hereby certify that on the third day of January, 1979,

There appeared before me Richard D. Rein, Trustee, being a party to the foregoing instrument.

(Louisiana) Before me personally appeared such person, to me known to be such person described in and who executed the foregoing instrument as a Trustee, and acknowledged that he executed the instrument as his free act and deed.

(Texas) Before me on this day personally appeared such person known to me to be such person whose name is subscribed to the foregoing instrument as a Trustee and he duly acknowledged to me that he executed the same as such Trustee for the purposes and consideration therein expressed, and

There also appeared before me each of the following persons, each the designated officer of Transco Exploration Company, a Delaware corporation and a party to the foregoing instrument, George S. Slocum, a Vice President, residing at 151 Hickory Ridge Court, Houston, Texas 77024, and W. A. Holcomb, an Assistant Secretary, residing at 3134 Newcastle, Houston, Texas 77027.

(Louisiana) Before me personally appeared each such person, to me personally known, who by me duly sworn, did say that he is the designated officer of Transco Exploration Company set opposite his name, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged the instrument to be the free act and deed of said corporation.

(Texas) Before me on this day personally appeared each such person, each being known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the designated officer of Transco Exploration Company and each severally acknowledged to me that he executed said instrument for the purposes and considerations therein expressed, and as the act of said corporation.

There also appeared before me each of the following persons, each the designated officer of Marine Midland Bank, a banking corporation organized under the laws of the State of New York and a party to the foregoing instrument, Donald F. Schneider, a Vice President, residing at 60 Kensington Road, Basking Ridge, New Jersey 07920, and Thomas W. Perrin, a Corporate Trust Officer, residing at 16 West Nowell Avenue, Rutherford, New Jersey 07070.

(Louisiana) Before me personally appeared each such person, to me personally known, who by me duly sworn, did say that he is the designated officer of Marine Midland Bank set opposite his name, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and they acknowledged the instrument to be the free act and deed of said corporation.

(Texas) Before me on this day personally appeared each such person, each being known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the designated officer of Marine Midland Bank and each severally acknowledged to me that he executed said instrument for the purposes and considerations therein expressed, and as the act of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal in the City of Houston, County of Harris, State of Texas, this third day of January, 1979.

Majorie M. Schmitt
Notary Public

My commission expires 3/31/79

SCHEDULE I

to

MORTGAGE, DEED OF TRUST AND ASSIGNMENT OF PRODUCTION
dated as of January 1, 1979

I. An undivided 33 1/3 percent interest in oil and gas lease, serial number OCS-G 3061, from the United States of America, as Lessor, to Continental Oil Company, Transcontinental Production Company* and American Natural Gas Production Company, as Lessees, effective as of April 1, 1975, as supplemented and amended by instrument dated March 5, 1976, of the following area:

All of Block A-85, Mustang Island Area, East Addition, as shown on OCS Official Leasing Map, Texas Map No. 3A, containing approximately 5,760 acres.

Subject to:

(1) Operating Agreement effective April 1, 1975, among Continental Oil Company, American Natural Gas Production Company and Transco Exploration Company.

(2) Advance Payment Agreement and Assignment dated August 15, 1975, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 17, 1975, between the parties to the Advance Payment Agreement.

(Net Interest in Production is not less than 27.77 percent as of the date hereof.)

II. An undivided 75 percent interest in oil and gas lease, serial number OCS-G 3243, effective as of September 1, 1975, from the United States of America, as Lessor, to Transco Exploration Company, as Lessee, of the following area:

All of Block A-492, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B, containing approximately 5,760 acres.

Subject to:

(1) Letter Agreement dated November 28, 1975, between Transco Exploration Company and McMoRan Exploration Company, with the joinder of Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated September 22, 1977, between the parties to the Letter Agreement.

(2) Assignment dated December 15, 1975, by Transco Exploration Company to McMoRan Exploration Company.

(3) Operating Agreement dated December 15, 1975, between Transco Exploration Company and McMoRan Exploration Company.

(4) Advance Payment Agreement and Assignment dated December 17, 1975, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(5) Letter Agreement dated January 20, 1977, among McMoRan Exploration Company, Transcontinental Gas Pipe Line Corporation and Transco Exploration Company for the benefit of Mesa Petroleum Company as assignee under an Assignment effective as of January 1, 1977 from McMoRan Exploration Company to Mesa Petroleum Company.

(Net Interest in Production is not less than 62.49 percent as of the date hereof.)

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

III. An undivided 9.002 percent interest in oil and gas lease, serial number OCS-G 2358, from the United States of America, as Lessor, to Canadian Occidental of California, Inc., a part of whose interest was assigned to Transcontinental Production Company* by Assignment dated August 1, 1973, Mesa Petroleum Co., Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Skelly Oil Company and Texas Production Company, as Lessees, effective as of August 1, 1973, of the following area:

All of Block A-563, High Island Area, South Addition, as shown on OCS Official Leasing Map Texas Map No. 7B, containing approximately 5,760 acres.

Subject to:

(1) Operating Agreement dated August 1, 1973, among Atlantic Richfield Company, Canadian Occidental of California, Inc., Decalta International Corporation, HNG Fossil Fuels Co., Mesa Petroleum Co., Occidental Petroleum Corporation, Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Quintana Oil & Gas Corp., Rowan Companies, Inc., Skelly Oil Company, Terra Resources, Inc., Texaco Inc., Transcontinental Production Company, Williams Offshore, Inc. and Wintershall Oil & Gas Company, as supplemented and amended by:

(a) Amendment dated June 28, 1974, among the parties to the Operating Agreement.

(2) Advance Payment Agreement and Assignment dated August 31, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 17, 1975, between the parties to the Advance Payment Agreement.

(Net Interest in Production is not less than 7.5 percent as of the date hereof.)

IV. An undivided 9.002 percent interest in oil and gas lease, serial number OCS-G 2359, from the United States of America, as Lessor, to Canadian Occidental of California, Inc., a part of whose interest was assigned to Transcontinental Production Company by Assignment dated August 1, 1973, Mesa Petroleum Co., Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Skelly Oil Company and Texas Production Company, as Lessees, effective as of August 1, 1973, of the following area:

All of Block A-564, High Island Area, South Addition, as shown on OCS Official Leasing Map Texas Map No. 7B, containing approximately 5,760 acres.

Subject to:

(1) Operating Agreement dated August 1, 1973, among Atlantic Richfield Company, Canadian Occidental of California, Inc., Decalta International Corporation, HNG Fossil Fuels Co., Mesa Petroleum Co., Occidental Petroleum Corporation, Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Quintana Oil & Gas Corp., Rowan Companies, Inc., Skelly Oil Company, Terra Resources, Inc., Texaco Inc., Transcontinental Production Company,* Williams Offshore, Inc. and Wintershall Oil & Gas Company, as supplemented and amended by:

(a) Amendment dated June 28, 1974, among the parties to the Operating Agreement.

(2) Advance Payment Agreement and Assignment dated August 31, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(a) Amendment dated December 17, 1975, between the parties to the Advance Payment Agreement.

(Net Interest in Production is not less than 7.5 percent as of the date hereof.)

V. An undivided 10.591 percent interest in oil and gas lease, serial number OCS-G 2719, from the United States of America, as Lessor, to Canadian Occidental of California, Inc., Mesa Petroleum Co., Occidental Petroleum Corporation, Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Skelly Oil Company, Texaco Inc. and Transcontinental Production Company,* as Lessees, effective as of July 1, 1974, of the following area:

All of Block A-582, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B, containing approximately 5,760 acres.

Subject to:

(1) Bidding and Exploration Agreement dated May 1, 1974, among Pennzoil Company, Atlantic Richfield Company, Canadian Occidental of California, Inc., Mesa Petroleum Co., Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Skelly Oil Company, Texaco Inc., Transcontinental Production Company* and Wintershall Oil & Gas Company.

(2) Operating Agreement dated July 1, 1974, among Canadian Occidental of California, Inc., Decalta International Corporation, HNG Fossil Fuels Company, Mesa Petroleum Co., Occidental Petroleum Corporation, Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Offshore Gas Operators, Inc., Quintana Offshore, Inc., Quintana Oil & Gas Corporation, Rowan Companies, Inc., Skelly Oil Company, Terra Resources, Inc., Texaco Inc., Transcontinental Production Company,* Williams Offshore, Inc., and Wintershall Oil & Gas Company, as supplemented and amended by:

(a) Amendment dated March 3, 1975, among the parties to the Operating Agreement.

(b) Amendment dated April 19, 1976, among the parties to the Operating Agreement.

(3) Advance Payment Agreement and Assignment dated February 7, 1975, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 8.82 percent as of the date hereof.)

VI. An undivided 18.75 percent interest in oil and gas lease, serial number OCS-G 2425, from the United States of America, as Lessor, to Shell Oil Company, CNG Producing Company and Transcontinental Production Company*, as Lessees, effective as of August 1, 1973, of the following area:

All of Block A-350, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C, containing approximately 4,345 acres.

Subject to:

(1) Joint Operating Agreement dated July 1, 1973, among Shell Oil Company, Transcontinental Production Company* and CNG Producing Company, as supplemented and amended by:

(a) Amendment dated September 22, 1977, between the parties to the Joint Operating Agreement.

(2) Advance Payment Agreement and Assignment dated June 19, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(3) Letter Agreement dated January 3, 1974, among Anadarko Production Company, CNG Producing Company, Diamond Shamrock Corporation, Lone Star Producing Company, Murphy Oil Corporation, Ocean Drilling & Exploration Company, Ocean Oil & Gas Company, Pan Eastern Exploration Company, Shell Oil Company, Sun Oil Company (Delaware) and Transcontinental Production Company.*

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(4) Precedent Agreement dated December 25, 1977, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(5) Gas Sale and Purchase Contract dated February 9, 1978 between Transco Exploration Company, as Seller, and Transcontinental Gas Pipe Line Corporation, as Buyer, as supplemented and amended by:

(a) Letter Agreement dated June 27, 1978, between the parties to the Gas Purchase Contract.

(b) Letter Agreement dated August 29, 1978, between the parties to the Gas Purchase Contract.

(Net Interest in Production is not less than 15.62 percent as of the date hereof.)

VII. An undivided 100.00 percent interest in oil and gas lease, serial number OCS-G 2019, from the United States of America, as Lessor, to Tenneco Oil Company, as Lessee, effective as of February 1, 1971, of the following area:

Block 576, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,000 acres.

Subject to:

(1) Farnaut Agreement dated December 22, 1976, among Tenneco Oil Company, Texaco Inc. and Transco Exploration Company.

(2) Assignment effective August 1, 1977, from Tenneco Oil Company and Texaco Inc. to Transco Exploration Company.

(3) Gas Purchase Contract dated May 15, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 75.00 percent as of the date hereof.)

VIII. An undivided 15.75 percent interest in oil and gas lease, serial number OCS-G 223S, from the United States of America, as Lessor, to Shell Oil Company, CNG Producing Company, and Transcontinental Production Company,* as Lessees, effective as of January 1, 1973, of the following area:

Block 633, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B, containing approximately 5,530.35 acres.

Subject to:

(1) Bid Agreement dated December 13, 1972, between Shell Oil Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Letter Agreement dated December 13, 1972, between the parties to the Bid Agreement.

(b) Agreement dated March 19, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(2) Joint Operating Agreement dated January 1, 1973, among Shell Oil Company, CNG Producing Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Letter Agreement dated February 26, 1973, between Shell Oil Company and Transcontinental Production Company.*

(b) Amendment dated March 25, 1975, between the Parties to the Operating Agreement.

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(c) Amendment dated September 22, 1977, between the parties to the Joint Operating Agreement.

(3) Joint Operating Agreement dated July 1, 1973, among Shell Oil Company, Transcontinental Production Company* and CNG Producing Company, as supplemented and amended by:

(a) Amendment dated September 22, 1977, between the parties to the Joint Operating Agreement.

(4) Advance Payment Agreement and Assignment dated February 16, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 25, 1973, between the parties to the Advance Payment Agreement.

(b) Amendment dated July 19, 1974, between the parties to the Advance Payment Agreement.

(c) Amendment dated December 17, 1975, between Transcontinental Gas Pipe Line Corporation and Transco Exploration Company.

(5) Precedent Agreement dated December 25, 1977, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(6) Gas Sale and Purchase Contract dated February 9, 1978, between Transco Exploration Company, as Seller, and Transcontinental Gas Pipe Line Corporation, as Buyer, as supplemented and amended by:

(a) Letter Agreement dated June 27, 1978, between the parties to the Gas Purchase Contract.

(b) Letter Agreement dated August 29, 1978, between the parties to the Gas Purchase Contract.

(Net Interest in Production is not less than 15.62 percent as of the date hereof.)

IX. An undivided 75 percent interest in oil and gas lease, serial number OCS-G 3299, from the United States of America, as Lessor, to Transco Exploration Company, as Lessee, effective as of September 1, 1975, of the following area:

All of Block 263, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A, containing approximately 5,000 acres.

Subject to:

(1) Letter Agreement dated November 28, 1975, between Transco Exploration Company and McMoRan Exploration Company, with the joinder of Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated September 22, 1977, between the parties to the Letter Agreement.

(2) Assignment dated December 15, 1975, by Transco Exploration Company to McMoRan Exploration Company.

(3) Operating Agreement dated December 15, 1975, between McMoRan Exploration Company and Transco Exploration Company.

(4) Advance Payment Agreement and Assignment dated December 17, 1975, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(5) Letter Agreement dated January 20, 1977, among McMoRan Exploration Company, Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(6) Gas Purchase Contract dated June 28, 1975 between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 62.49 percent as of the date hereof.)

X. An undivided 4.1667 percent interest in oil and gas lease, serial number OCS-G 2865, from the United States of America, as Lessor, to Shell Oil Company, Florida Gas Exploration Company, Freeport Minerals Company, Transcontinental Production Company,^o Southland Royalty Company, Eason Oil Company and Crown Central Petroleum Corporation, as Lessees, effective as of December 1, 1974, of the following area:

All of Block 22, Vermilion Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3, containing approximately 5,000 acres.

Subject to:

(1) Agreement dated October 1, 1974, among Florida Gas Exploration Company, Freeport Minerals Company, Eason Oil Company, Transcontinental Production Company,^o Southland Royalty Company and Crown Central Petroleum Corporation, as supplemented and amended by:

(a) Gas Purchase Option dated October 1, 1974, by Florida Gas Transmission Company and Transcontinental Gas Pipe Line Corporation.

(b) Letter Agreement dated July 15, 1976, between Florida Gas Transmission Company, Transco Exploration Company, Florida Gas Exploration Company and Transcontinental Gas Pipe Line Corporation.

(2) Agreement dated October 1, 1974, among Shell Oil Company, Florida Gas Exploration Company, Freeport Minerals Company, Transcontinental Production Company,^o Southland Royalty Company, Eason Oil Company and Crown Central Petroleum Corporation.

(3) Operating Agreement dated December 1, 1974, among Shell Oil Company, Florida Gas Exploration Company, Freeport Minerals Company, Transcontinental Production Company,^o Southland Royalty Company, Eason Oil Company and Crown Central Petroleum Corporation, as supplemented and amended by:

(a) Letter Agreement dated August 11, 1976, between Shell Oil Company and Transco Exploration Company.

(c) Guarantee dated October 1, 1974, by Transco Companies, Inc.

(5) Advance Payment Agreement and Assignment dated February 7, 1975, between Transcontinental Production Company^o and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 17, 1975, between the parties to the Advance Payment Agreement.

(6) Precedent Agreement dated July 15, 1976, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(7) Gas Sale and Purchase Contract dated September 1, 1976, between Transco Exploration Company, as Seller, and Transcontinental Gas Pipe Line Corporation, as Buyer, as supplemented and amended by:

(a) Amendment dated September 22, 1977, between the parties to the Gas Sale and Purchase Contract

^o Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(8) Letter Agreement dated September 17, 1976, between Transco Exploration Company and Crown Central Petroleum Corporation.

(Net Interest in Production is not less than 3.47 percent as of the date hereof.)

XI. An undivided 38.31 percent interest in oil and gas lease, serial number OCS-G 3400, from the United States of America, as Lessor, to Transco Exploration Company, Freeport Oil Company, Energy Development Corporation and Pioneer Production Corporation, as Lessees, effective as of January 1, 1977, of the following area:

Block 310, Vermilion Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3B, containing approximately 5,000 acres.

Subject to:

(1) Precedent Agreement dated November 1, 1976, among Freeport Oil Company, McMoRan Exploration Company, Energy Development Corporation, The Continental Group, Inc., Transcontinental Gas Pipe Line Corporation and Transco Exploration Company, as supplemented and amended by:

(a) Ratification Agreement dated November 11, 1976, among Pioneer Production Corporation and the parties to the Precedent Agreement other than Transcontinental Gas Pipe Line Corporation.

(2) Bidding Agreement dated November 2, 1976, among the parties to the Precedent Agreement other than Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Ratification Agreement dated November 11, 1976, among Pioneer Production Corporation and the parties to the Precedent Agreement other than Transcontinental Gas Pipe Line Corporation.

(3) Offshore Operating Agreement dated January 3, 1977, among Freeport Oil Company, Energy Development Corporation, Pioneer Production Corporation, The Continental Group, Inc., McMoRan Exploration Company and Transco Exploration Company.

(4) Assignment effective January 1, 1977, from Transco Exploration Company to McMoRan Exploration Company.

(5) Assignment effective January 1, 1977, from Transco Exploration Company to The Continental Group, Inc.

(Net Interest in Production is not less than 31.92 percent as of the date hereof.)

XII. An undivided 25 percent interest in oil and gas lease, serial number OCS-G 2280, from the United States of America, as Lessor, to Shell Oil Company and Transcontinental Production Company,^o as Lessees, effective as of February 1, 1973, of the following area:

Block 130, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C, containing approximately 5,000 acres.

Subject to:

(1) Bid Agreement dated December 13, 1972, between Shell Oil Company and Transcontinental Production Company,^o as supplemented and amended by:

(a) Letter Agreement dated December 13, 1972, between the parties to the Bid Agreement.

(b) Agreement dated March 19, 1973, between Transcontinental Production Company^o and Transcontinental Gas Pipe Line Corporation.

^o Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(2) Joint Operating Agreement dated January 1, 1973, between Shell Oil Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Agreement dated May 2, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(b) Letter Agreement dated July 10, 1973, between the parties to the Joint Operating Agreement and Transcontinental Gas Pipe Line Corporation.

(c) Letter Agreement dated August 11, 1976, between Shell Oil Company and Transco Exploration Company.

(d) Amendment dated September 22, 1977, between Shell Oil Company and Transco Exploration Company.

(3) Advance Payment Agreement and Assignment dated February 16, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 28, 1973, between the parties to the Advance Payment Agreement.

(b) Amendment dated July 19, 1974, between the parties to the Advance Payment Agreement.

(c) Amendment dated December 17, 1975, between Transcontinental Gas Pipe Line Corporation and Transco Exploration Company.

(4) Letter Agreement dated January 10, 1975, between Shell Oil Company and Transcontinental Production Company.*

(5) Letter Agreement dated August 5, 1975, between Shell Oil Company and Transco Exploration Company.

(6) Precedent Agreement dated September 8, 1977, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(7) Gas Purchase Contract dated March 3, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(8) Emergency Gas Purchase Letter Agreement dated June 29, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 20.83 percent as of the date hereof.)

XIII. An undivided 25 percent interest in oil and gas lease, serial number OCS-G 2281, from the United States of America, as Lessor, to Shell Oil Company and Transcontinental Production Company,* as Lessees, effective as of January 1, 1973, of the following area:

Block 131, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C, containing approximately 5,000 acres.

Subject to:

(1) Bid Agreement dated December 13, 1972, between Shell Oil Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Letter Agreement dated December 13, 1972, between the parties to the Bid Agreement.

(b) Agreement dated March 19, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(2) Joint Operating Agreement dated January 1, 1973, between Shell Oil Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Agreement dated May 2, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(b) Letter Agreement dated July 10, 1973, between the parties to the Joint Operating Agreement.

(c) Letter Agreement dated August 11, 1976, between Shell Oil Company and Transco Exploration Company.

(d) Amendment dated September 22, 1977, between Shell Oil Company and Transco Exploration Company.

(3) Assignment dated February 1, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(4) Assignment dated December 28, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(5) Advance Payment Agreement and Assignment dated February 16, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 28, 1973, between the parties to the Advance Payment Agreement.

(b) Amendment dated July 19, 1974, between the parties to the Advance Payment Agreement.

(c) Amendment dated December 17, 1975, between Transcontinental Gas Pipe Line Corporation and Transco Exploration Company.

(6) Letter Agreement dated August 5, 1975, between Shell Oil Company and Transco Exploration Company.

(7) Precedent Agreement dated September 8, 1977, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(8) Gas Purchase Contract dated March 3, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(9) Emergency Gas Purchase Letter Agreement dated June 29, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 20.83 percent as of the date hereof.)

XIV. An undivided 25 percent interest in oil and gas lease, serial number OCS-G 2282, from the United States of America, as Lessor, to Shell Oil Company and Transcontinental Production Company,* as Lessees, effective as of February 1, 1973, of the following area:

Block 132, South Marsh Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3C, containing approximately 5,000 acres.

Subject to:

(1) Bid Agreement dated December 13, 1972, between Shell Oil Company and Transcontinental Production Company,* as supplemented and amended by:

(a) Letter Agreement dated December 13, 1972, between the parties to the Bid Agreement.

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(b) Agreement dated March 19, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(2) Joint Operating Agreement dated January 1, 1973, between Shell Oil Company and Transcontinental Production Company* as supplemented and amended by:

(a) Agreement dated May 2, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(b) Letter Agreement dated July 10, 1973, between the parties to the Joint Operating Agreement.

(c) Letter Agreement dated August 11, 1976, between Shell Oil Company and Transco Exploration Company.

(d) Amendment dated September 22, 1977, between Shell Oil Company and Transco Exploration Company.

(3) Assignment dated February 1, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(4) Assignment effective December 27, 1976, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation.

(5) Advance Payment Agreement and Assignment dated February 16, 1973, between Transcontinental Production Company* and Transcontinental Gas Pipe Line Corporation, as supplemented and amended by:

(a) Amendment dated December 28, 1973, between the parties to the Advance Payment Agreement.

(b) Amendment dated July 19, 1974, between the parties to the Advance Payment Agreement.

(c) Amendment dated December 17, 1975, between Transcontinental Gas Pipe Line Corporation and Transco Exploration Company.

(6) Agreement dated January 3, 1978, between Transcontinental Gas Pipe Line Corporation and Transco Exploration Company.

(7) Precedent Agreement dated October 5, 1977, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(8) Gas Purchase Contract dated March 3, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 20.53 percent as of the date hereof.)

XV. An undivided 66 $\frac{2}{3}$ percent interest in oil and gas lease, serial number OCS-G 2130, effective as of December 1, 1971, from the United States of America, as Lessor, to Texaco Inc., as Lessee, of the following area:

All of Block 107, South Marsh Island Area, South Addition, as shown on Official Leasing Map, Louisiana Map No. 3C, containing approximately 5,000 acres.

Subject to:

(1) Sublease dated July 25, 1976, by Texaco Inc. to Transco Exploration Company, as supplemented and amended by:

(a) Amendment dated August 4, 1976, between the parties to the Sublease.

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

(2) Letter dated November 22, 1976, from the United States Department of Interior granting an extension of the Lease through November 30, 1977.

(3) Assignment effective February 4, 1977, by Texaco Inc. to Transco Exploration Company.

(4) Letter Agreement dated March 10, 1977, between Texaco Inc. and Transco Exploration Company.

(5) Offshore Operating Agreement dated as of February 4, 1977, between Texaco Inc. and Transco Exploration Company.

(6) Gas Purchase Contract dated December 4, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 55.55 percent as of the date hereof.)

XVI. An undivided 66 $\frac{2}{3}$ percent interest in oil and gas lease, serial number OCS-G 3554, effective as of August 1, 1977, between United States of America, as Lessor, and Transco Exploration Company and Texaco Inc., as Lessees, of the following area:

All of Block 114, South Marsh Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3C, containing approximately 5,000 acres.

Subject to:

(1) Bidding Agreement dated April 27, 1977, between Texaco Inc. and Transco Exploration Company.

(2) Operating Agreement dated as of August 1, 1977, between Texaco Inc. and Transco Exploration Company.

(3) Gas Purchase Contract dated December 4, 1978, between Transco Exploration Company and Transcontinental Gas Pipe Line Corporation.

(Net Interest in Production is not less than 55.55 percent as of the date hereof.)

* Since the date of this instrument, Transcontinental Production Company's name was changed to Transco Exploration Company.

SCHEDULE II

<u>Number of Note</u>	<u>Payee</u>	<u>Principal Amount</u>
R-1	The Prudential Insurance Company of America	\$57,500,000
R-2	Metropolitan Life Insurance Company	\$57,500,000
R-3	The Equitable Life Assurance Society of the United States	\$50,000,000
R-4	Connecticut General Life Insurance Company	\$13,500,000
R-5	Congen Five & Company	\$ 1,500,000
R-6	New England Mutual Life Insurance Company	\$10,000,000
R-7	John Hancock Mutual Life Insurance Company	\$10,000,000

[FORM OF SERIES A NOTE]

TRANSCO EXPLORATION COMPANY

9¾% SERIES A SECURED NOTE
DUE DECEMBER 31, 1983

No. R

§

TRANSCO EXPLORATION COMPANY, a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), for value received, hereby promises to pay to or registered assigns, on December 31, 1983 the principal sum of _____ Dollars (\$ _____) and to pay interest (computed on the basis of a 360-day year - 30-day month) on the unpaid balance hereof at the rate of 9¾% per annum from the date hereof, payable semi-annually on the last day of June and December in each year, commencing with the June 30 or December 31 next succeeding the date hereof, until the principal hereof shall become due and payable, and to pay interest (computed on such basis) on overdue principal and (to the extent permitted by law) overdue interest at the rate of 10¾% per annum for the period such principal and/or interest is overdue. Except as otherwise provided in the Mortgage hereinafter referred to, the principal of and interest on this Note are payable in lawful money of the United States of America at the principal office of the Trustee, in the Borough of Manhattan, The City and State of New York.

Anything herein to the contrary notwithstanding, no provision of this Note or any other document or instrument relating to or securing the indebtedness evidenced hereby shall provide for the accrual or require the payment of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect shall accrue or be provided for, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the maximum rate permitted by applicable law.

This Note is one of a duly authorized issue of Notes of the Company (which Notes are issuable in series and are herein collectively called the "Notes") of the series hereinafter specified, all issued under and secured as provided by a Mortgage, Deed of Trust and Assignment of Production (herein called the "Mortgage") between the Company and Marine Midland Bank (herein called the "Trustee") and Richard D. Rein, as trustees (herein called the "Trustees"), dated as of January 1, 1979, to which Mortgage and all instruments supplemental thereto reference is hereby made for a description of the properties assigned, mortgaged and pledged and in which a security interest is granted, the nature and extent of the security, the rights of the owners of the Notes, the Trustees and the Company in respect of such security, the duties and immunities of the Trustees (including their successors under the Mortgage), and the terms and conditions upon which the Notes are, and are to be, secured. This Note is one of a series designated as the "9¾% Series A Secured Notes, due December 31, 1983" (herein called the "Series A Notes") of the Company issued under and secured by the Mortgage, in the aggregate principal amount of \$140,000,000, and is entitled to the benefits of the Mortgage.

Prior to due presentment for registration of transfer, the Company and the Trustees may deem and treat the Person (as defined in the Mortgage) in whose name this Note is registered as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment of or on account of the principal of and interest on this Note and for all other purposes.

The Series A Notes are subject to prepayment, in whole or in part, all as more fully set forth in the Mortgage.

In case an Event of Default, as defined in the Mortgage, shall occur and be continuing, the principal of all the Notes at any such time outstanding under the Mortgage may be declared due and payable, upon the conditions and in the manner and with the effect provided in the Mortgage.

Modifications, alterations or waivers of certain provisions of the Mortgage and of certain rights and obligations of the Company and of the holders of the Notes may be made with the consent of the holders of the requisite percentage of the principal amount of the Notes then outstanding as provided in the Mortgage.

This Note may be exchanged or transferred by the registered owner hereof at the principal office of the Trustee in the Borough of Manhattan, The City and State of New York, all upon payment of the charges and subject to the terms and conditions set forth in the Mortgage.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity or in bankruptcy, receivership or other court proceedings or this Note be placed in the hands of attorneys for collection after default, the Company agrees to pay, in addition to the principal and interest due and payable hereon, reasonable attorneys' and collection fees.

This Note shall not be entitled to any benefit under the Mortgage or under any instrument supplemental thereto, or become valid or obligatory for any purpose, until the Trustee shall have signed the Certificate of Authentication endorsed hereon.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, TRANSO EXPLORATION COMPANY has caused this Note to be signed on its behalf by one of its Vice Presidents and by its Treasurer or an Assistant Treasurer.

Dated: January 5, 1979

TRANSO EXPLORATION COMPANY

By

Assistant Treasurer

By

Vice President

FOR VALUE RECEIVED, the undersigned hereby unconditionally guarantees the payment of principal of and interest on, the above Note when due under the terms thereof or of the Mortgage referred to therein, all pursuant to the terms of a Guaranty of Payment dated as of January 5, 1979 between the undersigned and the Trustee, for the benefit of the holders from time to time of the Notes. The undersigned hereby waives (1) notice of acceptance hereof, and of any defaults of the Company in the making of any such payments, and (2) any presentment, demand, protest or notice of any kind. The undersigned hereby agrees that said Mortgage and said Note may be modified, amended and supplemented in any manner, including the renewal or extension of any kind of said Note, without its consent, and that no such modification, amendment, supplement, renewal or extension and no invalidity of the Mortgage or of said Note shall release, affect or impair the liability of the undersigned hereunder.

TRANSO COMPANIES, INC.

By

Vice President

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Note is one of the Series A Notes described in the within-mentioned Mortgage.

NE VARIETUR

MARINE MIDLAND BANK

Trustee,

To identify this Note with the above mentioned Mortgage Deed of Trust and Assignment of Production passed before me this third day of January, 1979,

By

Authorized Officer,

Notary Public of Harris County, Texas
My commission expires

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Authorized Signature

[FORM OF SERIES B NOTE]

TRANSCO EXPLORATION COMPANY

9¾% SERIES B SECURED NOTE
DUE DECEMBER 31, 1983

No. R

§

TRANSCO EXPLORATION COMPANY, a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), for value received, hereby promises to pay to or registered assigns, on December 31, 1983 the principal sum of _____ Dollars (\$ _____)

and to pay interest (computed on the basis of a 360-day year - 30-day month) on the unpaid balance hereof at the rate of 9¾% per annum from the date hereof, payable semi-annually on the last day of June and December in each year, commencing with the June 30 or December 31 next succeeding the date hereof, until the principal hereof shall have become due and payable, and to pay interest (computed on such basis) on overdue principal and (to the extent permitted by law) overdue interest at the rate of 10¾% per annum for the period such principal and/or interest is overdue. Except as otherwise provided in the Mortgage hereinafter referred to, the principal of and interest on this Note are payable in lawful money of the United States of America at the principal office of the Trustee, in the Borough of Manhattan, The City and State of New York.

Anything herein to the contrary notwithstanding, no provision of this Note or any other document or instrument relating to or securing the indebtedness evidenced hereby shall provide for the accrual or require the payment of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect shall accrue or be provided for, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the maximum rate permitted by applicable law.

This Note is one of a duly authorized issue of Notes of the Company (which Notes are issuable in series and are herein collectively called the "Notes") of the series hereinafter specified, all issued under and secured as provided by a Mortgage, Deed of Trust and Assignment of Production (herein called the "Mortgage") between the Company and Marine Midland Bank (herein called the "Trustee") and Richard D. Rein, as trustee (herein called the "Trustees") dated as of January 1, 1979, to which Mortgage and all instruments supplemental thereto reference is hereby made for a description of the properties assigned, mortgaged and pledged and in which a security interest is granted, the nature and extent of the security, the rights of the owners of the Notes, the Trustees and the Company in respect of such security, the duties and immunities of the Trustees (including their successors under the Mortgage), and the terms and conditions upon which the Notes are, and are to be, secured. This Note is one of a series designated as the "9¾% Series B Secured Notes, due December 31, 1983" (herein called the "Series B Notes") of the Company issued under and secured by the Mortgage, in the aggregate principal amount of \$10,000,000, and is entitled to the benefits of the Mortgage.

Prior to due presentment for registration of transfer, the Company and the Trustees may deem and treat the Person (as defined in the Mortgage) in whose name this Note is registered as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment of or on account of the principal of and interest on this Note and for all other purposes.

The Series B Notes are subject to prepayment, in whole or in part, all as more fully set forth in the Mortgage.

In case an Event of Default, as defined in the Mortgage, shall occur and be continuing, the principal or all the Notes at any such time outstanding under the Mortgage may be declared due and payable, upon the conditions and in the manner and with the effect provided in the Mortgage.

Modifications, alterations or waivers of certain provisions of the Mortgage and of certain rights and obligations of the Company and of the holders of the Notes may be made with the consent of the holders of the requisite percentage of the principal amount of the Notes then outstanding as provided in the Mortgage.

This Note may be exchanged or transferred by the registered owner hereof at the principal office of the Trustee in the Borough of Manhattan, The City and State of New York, all upon payment of the charges and subject to the terms and conditions set forth in the Mortgage.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity or in bankruptcy, receivership or other court proceedings or this Note be placed in the hands of attorneys for collection after default, the Company agrees to pay, in addition to the principal and interest due and payable hereon, reasonable attorneys' and collection fees.

This Note shall not be entitled to any benefit under the Mortgage or under any instrument supplemental thereto, or become valid or obligatory for any purpose, until the Trustee shall have signed the Certificate of Authentication endorsed hereon.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, TRANSCO EXPLORATION COMPANY has caused this Note to be signed on its behalf by one of its Vice Presidents and by its Treasurer or an Assistant Treasurer.

Dated: January 5 1979

TRANSCO EXPLORATION COMPANY

By

Assistant Treasurer

By

Vice President

FOR VALUE RECEIVED, the undersigned hereby unconditionally guarantees the payment of principal of and premium, if any, and interest on, the above Note when due under the terms thereof or of the Mortgage referred to therein, all pursuant to the terms of a Guaranty of Payment dated as of January 5, 1979 between the undersigned and the Trustees, for the benefit of the holders from time to time of the Notes. The undersigned hereby waives (i) notice of acceptance hereof and of any defaults of the Company in the making of any such payment and (ii) any presentment, demand, protest or notice of any kind. The undersigned hereby agrees that said Mortgage and said Note may be modified, amended and supplemented in any manner, including the renewal or extension of any kind of said Note, without its consent, and that no such modification, amendment, supplement, renewal or extension and no invalidity of the Mortgage or of said Note shall release, affect or impair the liability of the undersigned hereunder.

TRANSCO COMPANIES, INC.

By

Vice President

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Note is one of the Series B Notes described in the within-mentioned Mortgage.

NE VARIETUR

MARINE MIDLAND BANK

Trustee,

To identify this Note with the above-mentioned Mortgage, Deed of Trust and Assignment of Production passed before me this third day of January, 1979.

By

Authorized Officer.

Notary Public of Harris County, Texas
My commission expires:

[FORM OF ENDORSEMENT ON SERIES B NOTES
WITH RESPECT TO PAYMENTS ON ACCOUNT OF PRINCIPAL]

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Authorized Signature

[FORM OF SERIES C NOTE]

TRANSCO EXPLORATION COMPANY

9¾% SERIES C SECURED NOTE
DUE JUNE 30, 1983

No. R

§

TRANSCO EXPLORATION COMPANY, a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, on June 30, 1983

the principal sum of

Dollars (\$) _____ and to pay interest (computed on the basis of a 360-day year - 30-day month) on the unpaid balance hereof at the rate of 9¾% per annum from the date hereof, payable semi-annually on the last day of June and December in each year, commencing with the June 30 or December 31 next succeeding the date hereof, until the principal hereof shall have become due and payable, and to pay interest (computed on such basis) on overdue principal and (to the extent permitted by law) overdue interest at the rate of 10¾% per annum for the period such principal and/or interest is overdue. Except as otherwise provided in the Mortgage hereinafter referred to, the principal of and interest on this Note are payable in lawful money of the United States of America at the principal office of the Trustee, in the Borough of Manhattan, The City and State of New York.

Anything herein to the contrary notwithstanding, no provision of this Note or any other document or instrument relating to or securing the indebtedness evidenced hereby shall provide for the accrual or require the payment of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect shall accrue or be provided for, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the maximum rate permitted by applicable law.

This Note is one of a duly authorized issue of Notes of the Company (which Notes are issuable in series and are herein collectively called the "Notes") of the series hereinafter specified, all issued under and secured as provided by a Mortgage, Deed of Trust and Assignment of Production (herein called the "Mortgage") between the Company and Marine Midland Bank (herein called the "Trustee") and Richard D. Rein, as trustees (herein called the "Trustees"), dated as of January 1, 1979, to which Mortgage and all instruments supplemental thereto reference is hereby made for a description of the properties assigned, mortgaged and pledged and in which a security interest is granted, the nature and extent of the security, the rights of the owners of the Notes, the Trustees and the Company in respect of such security, the duties and immunities of the Trustees (including their successors under the Mortgage), and the terms and conditions upon which the Notes are, and are to be, secured. This Note is one of a series designated as the "9¾% Series C Secured Notes, Due June 30, 1983" (herein called the "Series C Notes") of the Company issued under and secured by the Mortgage, in the aggregate principal amount of \$50,000,000, and is entitled to the benefits of the Mortgage.

Prior to due presentment for registration of transfer, the Company and the Trustees may deem and treat the Person (as defined in the Mortgage) in whose name this Note is registered as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment of or on account of the principal of and interest on this Note and for all other purposes.

The Series C Notes are subject to prepayment, in whole or in part, all as more fully set forth in the Mortgage.

In case an Event of Default, as defined in the Mortgage, shall occur and be continuing, the principal of all the Notes at any such time outstanding under the Mortgage may be declared due and payable, upon the conditions and in the manner and with the effect provided in the Mortgage.

Modifications, alterations or waivers of certain provisions of the Mortgage and of certain rights and obligations of the Company and of the holders of the Notes may be made with the consent of the holders of the requisite percentage of the principal amount of the Notes then outstanding as provided in the Mortgage.

This Note may be exchanged or transferred by the registered owner hereof at the principal office of the Trustee in the Borough of Manhattan, The City and State of New York, all upon payment of the charges and subject to the terms and conditions set forth in the Mortgage.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity or by receivership, receivership or other court proceedings or this Note be placed in the hands of attorneys for collection after default, the Company agrees to pay, in addition to the principal and interest due and payable hereon, reasonable attorneys' and collection fees.

This Note shall not be entitled to any benefit under the Mortgage or under any instrument supplemental thereto, or become valid or obligatory for any purpose, until the Trustee shall have signed the Certificate of Authentication endorsed hereon.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, TRANSCO EXPLORATION COMPANY has caused this Note to be signed on its behalf by one of its Vice Presidents and by its Treasurer or an Assistant Treasurer.

Dated: January 5, 1979

TRANSCO EXPLORATION COMPANY

By _____
Assistant Treasurer

By _____
Vice President

FOR VALUE RECEIVED, the undersigned hereby unconditionally agrees to the payment of principal of and premium, if any, and interest on, the above Note when due, or on demand thereof or of the Mortgage referred to therein, all pursuant to the terms of a Guaranty Agreement dated as of January 5, 1979 between the undersigned and the Trustees, for the benefit of the holders from time to time of the Notes. The undersigned hereby waives (i) notice of acceptance hereof and of defaults of the Company in the making of any such payment and (ii) any present or future notice or notice of any kind. The undersigned hereby agrees that said Mortgage and said Note, as modified, amended and supplemented in any manner, including the renewal or extension of any such said Note, without its consent, and that no such modification, amendment, supplement, renewal or extension and no invalidity of the Mortgage or of said Note shall release, affect or impair the liability of the undersigned hereunder.

TRANSCO COMPANIES, INC.

By _____
Vice President

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Note is one of the Series C Notes described in the within-mentioned Mortgage.

NE VARIETUR

MAHINE MIDLAND BANK

Trustee,

To identify this Note with the above-mentioned Mortgage, Deed of Trust and Assignment of Production passed before me this third day of January, 1979.

By _____
Authorized Officer.

Notary Public of Harris County, Texas
My commission expires:

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Authorized Signature

[FORM OF ENDOISEMENT ON SERIES C NOTES
WITH RESPECT TO PAYMENTS ON ACCOUNT OF PRINCIPAL]

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Principal Amount Paid	Balance of Principal Amount Unpaid	Authorized Signature