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October 1, 1984

83820.035

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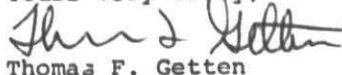
Re: Lease Nos. OCS-G 2317, 3286, 2591, 2910, 2912, 3141, 2145, 3299, 3388, 3390, 3400, 3414, 3589, 2271, 3416, 2619, 2887, 2888, 2607, 2102, 3171, 3186, 3332, 3587, 3588, 3601, 4102, 4110, 5221, 2045, 2078, 2115, 2254, 2255, 4220, 4216, 2557 and 2623

Dear Mr. Rankin:

Enclosed you will find counterparts of an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production (Louisiana) dated September 27, 1984, by MTS Limited Partnership and Mesa Petroleum Co. and affecting interest in the captioned OCS Leases.

In order that third parties will be put on notice as to the execution and efficacy of the enclosed instrument, please file a counterpart of the enclosed instrument, together with a copy of this letter, in each of the lease files related to each of the captioned leases. Please acknowledge that the foregoing has been accomplished as requested by signing a counterpart of this letter and returning it to the undersigned.

Yours very truly,


Thomas F. Getten

ACCOMPLISHED AS REQUESTED
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

BY:  DATE: _____

OCT 3 1984

STATE OF TEXAS)
)
COUNTY OF POTTER)

SS.:

0-13 10 101

NOTARY
PUBLIC
My Comm. Expires 10-10-85

**ACT OF
COLLATERAL MORTGAGE,
COLLATERAL CHATTEL MORTGAGE,
PLEDGE AND ASSIGNMENT OF PRODUCTION
(LOUISIANA)**

BE IT KNOWN, that on this 27th day of September, 1984, before me, the undersigned authority, a Notary Public in and for the County of Harris, State of Texas, and in the presence of the two undersigned competent witnesses, personally came and appeared: MTS LIMITED PARTNERSHIP, a Texas limited partnership (herein called the "Partnership"), being herein represented by David H. Batchelder, Vice President of Mesa Petroleum Co., General Partner of the Partnership, said person being duly authorized to act by resolutions of the Board of Directors of Mesa Petroleum Co., a certified copy of which is attached hereto as Exhibit A-1, and MESA PETROLEUM CO., a Delaware corporation (herein called the "Debtor"), being herein represented by David H. Batchelder, its Vice President - Finance and Treasurer, said person being duly authorized so to act by resolutions of the Board of Directors of the Debtor, a certified copy of which is attached hereto as Exhibit A-1, (the Partnership and the Debtor herein collectively called the "Mortgagor"), who, being duly sworn, did declare and say that the Debtor is justly and truly indebted unto any future holder or holders of the Mortgage Note (as hereinafter defined), in the principal sum of \$3,000,000,000. To evidence such indebtedness, the Debtor has executed one certain collateral mortgage note for the principal sum of \$3,000,000,000, of even date herewith, made payable to the order of Bearer, due on demand at the offices of Texas Commerce Bank National Association, at 712 Main Street, Houston, Texas 77002, which note stipulates to bear interest at the rate of eighteen percent (18%) per annum from the date thereof until paid, and ten percent (10%) attorney's fees (hereinafter referred to as the "Mortgage Note"), all as set forth in the unexecuted copy of the Mortgage Note which is attached hereto as a part hereof and identified as Exhibit A-2, which Mortgage Note, after having being paraphrased "Ne Varietur" by me, said Notary Public, for identification with this instrument (hereinafter referred to as the "Mortgage"), was delivered to the Debtor who hereby acknowledges receipt thereof.

The Mortgagor further declared that the Mortgage Note is given and this Mortgage is granted for the purpose of being used as collateral security by the Debtor to secure any liability, indebtedness or obligation due any future holder or holders of the Note, direct or contingent. The Mortgage Note may be issued and pledged by the Debtor as its interest and convenience may require to secure loans and advances made or to be made or to secure the debt of the Debtor or of any third party. Upon payment

Collateral Mortgage

of said indebtedness, the Mortgage Note may be returned to the Debtor without extinguishment of the Mortgage herein granted, and may, at any time and as many times thereafter as the interest of the Debtor may require, be again reissued or repledged by the Debtor as collateral security, and this Mortgage shall be and remain in full force and effect to secure the Mortgage Note until the Mortgage Note has been cancelled on its face and this Mortgage has been released of record. As used herein, the term "Bank" shall mean any future holder or holders of the Mortgage Note, whether one or more.

In the event that the Mortgage Note should be placed in the hands of an attorney, after its maturity, to institute legal proceedings to recover the amount thereof, or any part thereof, in principal or interest, or to protect the interests of the holder or holders thereof, or in the event that the same should be placed in the hands of an attorney for collection, compromise, or other action, the Debtor hereby binds itself to pay the fees of the attorney who may be employed for that purpose, which fees are hereby fixed at ten percent (10%) of the amount due or sued for, or claimed or sought to be protected, preserved, or enforced.

For all purposes of this instrument, unless the context otherwise requires:

A. "oil and gas leases" shall include oil, gas and mineral leases and shall also include subleases and assignments of operating rights.

B. "Hydrocarbons" shall mean oil, gas, casinghead gas and other liquid or gaseous hydrocarbons.

C. "Production Sale Contracts" shall mean contracts now in effect, or hereafter entered into by the Mortgagor, or the Mortgagor's predecessors in interest, for the sale, purchase, exchange or processing of Hydrocarbons produced from the lands under the oil and gas leases, mineral, overriding royalty, royalty and other interests described in Exhibit B attached hereto and made a part hereof.

D. "lands described in Exhibit B" shall include any lands either described in Exhibit B or the description of which is incorporated in Exhibit B by reference to another instrument or document or which are covered or affected by an oil and gas lease, mineral, overriding royalty, royalty and other interests, and shall also include any lands now or hereafter unitized or pooled with lands which are either described in Exhibit B or the description of which is incorporated in Exhibit B by reference.

E. "Related Contracts" shall mean all unitization, operating and pooling agreements and other contracts and agreements that relate to the Mortgagor's interest in the lands described in Exhibit B or the oil and gas leases described on Exhibit B.

F. "Commercial Movables" shall mean all corporeal movable property of whatever kind and character now or hereafter owned by the Mortgagor and placed upon the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B at which location the Mortgagor operates as a commercial and

industrial facility oil and gas wells, and which corporeal movables are used by the Mortgagor in the conduct of such activity, or are dedicated to the use and exploitation of any mineral right, it being the intention of the Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by the Mortgagor that are located from time to time on the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B for use in the conduct of the foregoing commercial and industrial activity or are dedicated to the use and exploitation of any mineral right.

G. "Operating Equipment" shall mean all surface or subsurface machinery, equipment, facilities, supplies or other property of whatsoever kind or nature (excluding drilling rigs, drill pipe, mud pumps, trucks, automotive equipment or other property taken to the premises to drill a well or for other similar temporary uses) now or hereafter located on or under any of the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B which are used or useful for the production, treatment, storage or transportation of or exploration for hydrocarbons, including, but not by way of limitation, all oil wells, gas wells, platforms, water wells, injection wells, casing, tubing, rods, pumping units and engines, christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for gathering, treating, compression, disposal and injection), chemicals, solutions, water systems (for treating, disposal and injection), pipe, pipelines, boilers, compressors, connectors, power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telegraph, telephone and other communication systems, roads, loading docks, loading racks and shipping facilities, together with all improvements, betterments and additions thereto and replacements thereof.

H. "Mortgaged Property" shall mean the properties, rights and interests hereinafter described and defined as the Mortgaged Property.

I. "Indebtedness" shall have the meaning stated below.

And now, in order to secure the full, due, and punctual payment of all indebtedness and/or any extension or renewal thereof, as well as all costs, taxes, assessments, charges, insurance premiums, attorneys' and collection fees, and other costs and indebtedness incurred or paid hereunder, including the compensation of a keeper, and any sums advanced or expenses or costs incurred by the Bank (or any receiver or keeper appointed hereunder) which are made or incurred pursuant to, or permitted by, the terms hereof, plus interest at the rate herein specified or otherwise agreed upon, from the date of the advances or the incurring of such expenses or costs until reimbursed, and to secure the faithful performance and observance of all obligations, agreements, covenants and stipulations contained herein and in the Mortgage Note (all of the preceding being hereinafter sometimes collectively referred to as the "Indebtedness"), the Mortgagor declares that it does by these presents mortgage, affect, pledge, assign and hypothecate to the Bank, whether the Mortgage Note may be held by the Bank as an original obligation or in pledge, (i) all of the Debtor's right, title and interest, whether now owned or hereafter acquired, in all of the hereinafter described properties, rights and interests (the presently owned

undivided interest of the Debtor in and to said properties, rights and interests being set forth in Exhibit B opposite the term "Mesa Working Interest") and (ii) an undivided sixty-five percent (65%) of the Partnership's right, title and interest, whether now owned or hereafter acquired, in all of the hereinafter described properties, rights and interests (the presently owned undivided interest of the Partnership in and to said properties, rights and interests being set forth in Exhibit B opposite the term "MTS Working Interest"):

(a) the lands described in Exhibit B, and the oil and gas leases, the fee, mineral, overriding royalty, royalty and other interests which are specifically described in Exhibit B,

(b) the Related Contracts which are specifically described in Exhibit B or which relate to any of the properties and interests specifically described in Exhibit B,

(c) the Hydrocarbons which are in, under, upon, produced or to be produced from the lands described in Exhibit B,

(d) the Production Sale Contracts,

(e) the Related Contracts,

(f) the Commercial Movables,

(g) the Operating Equipment,

(h) all subleases, farmout agreements, assignments of interest, assignments of operating rights, contracts, operating agreements, rights of way, franchises, privileges, permits, licenses, easements, tenements, hereditaments, appurtenances and benefits now existing or in the future obtained and incident to or in the future obtained and incident and appurtenant to any of the foregoing,

(i) all rights in and to all lease records, well records and production records which relate to any of the foregoing, and

(j) all other rights, titles and interests of the Mortgagor in, to and under or derived from the lands, leases and properties described in Exhibit B, even though the Mortgagor's interest therein may be incorrectly or insufficiently described or referred to in Exhibit B.

(all of the aforesaid properties, rights and interests, together with any additions thereto which may be subjected to the lien of this instrument by means of supplements hereto, being hereinafter called the "Mortgaged Property")

SUBJECT, however, to (i) the restrictions, exceptions, reservations, conditions, limitations, interests and other matters, if any, set forth or specified to in the specific descriptions of such properties and interests in Exhibit B (including all presently existing royalties, overriding royalties, payments out of production and other burdens which are specified in Exhibit B and which are taken into consideration in computing any decimal interests set forth in Exhibit B), (ii) the pledge and assignment of production contained in Article I. hereof, but only insofar and so long as said assignment of production is not inoperative under the provisions of Section 2.4 hereof, and (iii) the condition that the Bank shall not be liable in any respect for the performance of any covenant or obligation of the Mortgagor in respect of the Mortgaged Property;

TO HAVE AND TO HOLD the Mortgaged Property unto the Bank forever to secure the payment of the Indebtedness and to secure the performance of the obligations of the Mortgagor herein contained.

The Mortgagor, in consideration of the premises and to induce the Bank to make the loans above described, hereby covenants and agrees with the Bank as follows:

ARTICLE I Particular Covenants and Warranties of the Mortgagor

1.1 Payment of the Indebtedness. The Debtor will duly and punctually pay the Indebtedness, including, without limitation, each and every obligation owing on account of the Mortgage Note.

1.2 Warranties. The Mortgagor warrants that (a) the oil and gas leases described in Exhibit B are valid, subsisting leases, superior and paramount to all other oil and gas leases respecting the properties to which they pertain, (b) the Mortgagor, to the extent of the interest specified in Exhibit B, has and will have good and marketable title to each property right or interest constituting the Mortgaged Property and has a good and legal right to mortgage the same to the Bank, it being understood that the Mortgagor's interest in each oil and gas lease shall exceed the Mortgagor's net interest in production from such oil and gas lease to the extent of the Mortgagor's proportionate share of the burden of all royalties, overriding royalties and other such payments out of production, (c) the Mortgaged Property is free from all encumbrances or liens whatsoever, except as may be specifically set forth in Exhibit B or as permitted by the provisions of Section 1.5(e) hereof, (d) the Mortgagor is not obligated, by virtue of any prepayment under any contract providing for the sale by the Mortgagor of Hydrocarbons which contains a "take or pay" clause or under any similar arrangement including, without limitation, any "gas balancing agreements" or to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor, (e) each of the oil and gas leases described in Exhibit B is in full force and effect, and all royalties due and payable have been timely and correctly paid, and all severance and production taxes with respect thereto have been timely and

correctly paid, and (f) all producing wells located thereon have been drilled, operated, and produced in conformity with all applicable laws, and rules, regulations, and orders of all regulatory authorities having jurisdiction, and are subject to no penalties on account of past production, and that such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, lands described in Exhibit B. The Mortgagor hereby covenants that it will warrant and forever defend the Mortgaged Property unto the Bank, against every person whomsoever lawfully claiming the same or any part thereof, will maintain and preserve the Mortgaged Property free from all encumbrances or liens whatsoever, except as may be specifically set forth in Exhibit B or as permitted by the provisions of Section 1.5(e) hereof and will maintain and preserve the lien hereby created so long as any of the Indebtedness remains unpaid. The Debtor also warrants that (w) the Partnership is a limited partnership duly organized validly existing under the laws of the State of Texas and the Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which any part of the Mortgaged Property is located, (x) the execution and delivery of this instrument are within the actual and apparent power and authority of the Debtor, as General Partner of the Partnership, and have been duly authorized by the Debtor by all necessary corporate action (no shareholder action of the Debtor being required for the Debtor to execute and deliver this instrument, on its behalf or on behalf of the Partnership), (y) each of Debtor and the Partnership is now in a solvent condition and no bankruptcy or insolvency proceedings are pending or contemplated by either the Debtor or the Partnership and (z) this instrument is the legal, valid and binding obligation of the Mortgagor enforceable against the Mortgagor in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to creditors' rights and by general equitable principles which may limit the right to obtain equitable remedies.

1.3 Further Assurances. The Mortgagor will execute and deliver such other and further instruments and will do such other and further acts as in the opinion of the Bank may be necessary or desirable to carry out more effectively the purposes of this instrument, including, without limiting the generality of the foregoing, (a) prompt correction of any defect which may hereafter be discovered in the title to the Mortgaged Property or in the execution and acknowledgement of this instrument, the Mortgage Note, or any other note or document executed in connection herewith, and (b) prompt execution and delivery of all division or transfer orders which in the opinion of the Bank are needed to transfer effectually to the Bank the assigned proceeds of production from the Mortgaged Property.

1.4 Taxes. Subject to the Mortgagor's right to contest the same, the Mortgagor will promptly pay all taxes, assessments and governmental charges (including but not limited to severance taxes) legally imposed upon this instrument or upon the Mortgaged Property or production therefrom or upon the interest of the Bank therein, or upon the income and profits thereof.

1.5 Operation of the Mortgaged Property. So long as the Indebtedness or any part thereof remains unpaid, and whether or not the Mortgagor is the operator of the Mortgaged Property, the Mortgagor shall, at the Debtor's own expense:

(a) Do all things necessary to keep unimpaired the Mortgagor's rights in the Mortgaged Property and not, except in the ordinary course of business, abandon any well or forfeit, surrender or release any oil and gas lease or any rights in the Mortgaged Property with respect to the Mortgaged Property without the prior written consent of the Bank;

(b) Cause the lands described in Exhibit B to be maintained, developed, protected against drainage, and continuously operated for the production of Hydrocarbons in a good and workmanlike manner as would a prudent operator, and in accordance with generally accepted practices, applicable operating agreements, and all applicable federal, state and local laws, rules and regulations, excepting those being contested in good faith;

(c) Pay, or cause to be paid, promptly as and when due and payable, all rentals and royalties payable in respect of the Mortgaged Property, and all expenses incurred in or arising from the operation or development of the Mortgaged Property and furnish the Bank as and when requested with full information with respect to such payments;

(d) Cause the Operating Equipment to be kept in good and effective operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto, needful to the production of Hydrocarbons from the lands described in Exhibit B, to be promptly made;

(e) Cause the Mortgaged Property to be kept free and clear of liens, charges and encumbrances of every character, other than (1) the lien hereof, (2) taxes constituting a lien but not due and payable, (3) defects or irregularities in title, and liens, charges or encumbrances, which are not such as to interfere materially with the development, operation or value of the Mortgaged Property and not such as to affect materially title thereto, (4) those set forth in Exhibit B, (5) those being contested by the Mortgagor in good faith in such manner as not to jeopardize the Bank's rights in and to the Mortgaged Property, and (6) those consented to in writing by the Bank; and

(f) Carry in standard insurance companies and in amounts satisfactory to the Bank the following insurance: (1) workmen's compensation insurance and public liability and property damage insurance in respect of all activities in which the Mortgagor might incur personal liability for the death of or injury to an employee or third person, or damage to or destruction of another's property, and (2) to the extent such insurance is generally carried by others engaged in similar undertakings in the same general areas in which the Mortgaged Property is located, insurance in respect of the Operating Equipment (with loss payable clauses in favor of the Bank), against loss or damage by fire, lightning, hail, tornado, explosion and other similar risks.

The Bank may from time to time, in its discretion, perform any agreement of the Mortgagor under this Section 1.5 or Section 1.4 hereof which the Mortgagor shall fail to perform and take any other action which the Bank deems necessary for the maintenance or preservation of any of the Mortgaged Property or its interest therein, and the Debtor agrees forthwith to reimburse the Bank for any and all expenses of the Bank in connection with such performance or action together with interest thereon at the rate of eighteen percent (18%) per annum from the date such expenses are incurred until such expenses are reimbursed by the Debtor.

1.6 Recording, etc. The Mortgagor will promptly, and at the Debtor's expense, record, register, deposit and file this and every other instrument in addition or supplemental hereto in such offices and places, at such times and with such frequency as may be necessary to preserve, protect and renew the lien hereof as a first lien on real and personal property, as the case may be, and the rights and remedies of the Bank, and otherwise will do and observe all things or matters necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States of America or of any other competent authority, for the purpose of effectively creating, maintaining and preserving the lien hereof on the Mortgaged Property.

1.7 Sale or Mortgage of the Mortgaged Property. Except as provided in Section 1.5(e) hereof and except for sales of severed Hydrocarbons in the ordinary course of the Mortgagor's business and the lien and security interest created by this instrument, the Mortgagor will not sell, convey, mortgage, pledge or otherwise dispose of or encumber the Mortgaged Property nor any Portion thereof, nor any of the Mortgagor's right, title or interest therein, without first securing the written consent of the Bank.

1.8 Records, Statements and Reports. The Mortgagor will keep proper books of record and account in which complete and correct entries will be made of the Mortgagor's transactions in accordance with generally accepted accounting principles and will furnish or cause to be furnished to the Bank (a) upon its request, but not more than once a year, reports prepared by an independent person or firm acceptable to the Bank concerning (1) the quantity of Hydrocarbons recoverable from the Mortgaged Property, (2) the projected income and expense attributable to the Mortgaged Property, and (3) the expediency of any change in methods of treatment or operation of all or any wells productive of Hydrocarbons, any new drilling or development, any method of secondary recovery by repressuring or otherwise, or any other action with respect to the Mortgaged Property, the decision as to which may increase or reduce the quantity of Hydrocarbons ultimately recoverable, or the rate of production thereof, (b) monthly, a report showing the gross proceeds from the sale of Hydrocarbons produced from the lands described in Exhibit B (including any thereof taken by the Mortgagor for the Mortgagor's own use), the quantity of such Hydrocarbons sold, the severance, gross production, occupation, or gathering taxes deducted from or paid out of such proceeds, the number of wells operated, drilled or abandoned, and such other information as the Bank may reasonably request (upon request of the Bank, such reports referred to in clauses (a) and (b) above shall set forth

such information on a lease or unit basis), and (c) such other information concerning the business and affairs and financial condition of the Mortgagor as the Bank may from time to time reasonably request.

1.9 No Governmental Approvals. The Mortgagor warrants that no approval or consent of any regulatory or administrative commission or authority, or of any other governmental body, is necessary to authorize the execution and delivery of this instrument or of the Mortgage Note, or to authorize the observance or performance by the Mortgagor of the covenants contained herein or in the Mortgage Note.

1.10 Right of Entry. The Mortgagor will permit the Bank, or its agents, to enter upon the Mortgaged Property, and all parts thereof, for the purpose of investigating and inspecting the condition and operation thereof.

1.11 Qualification to do Business; Maintenance of Existence. The Mortgagor (a) will continue to be duly qualified to transact business in every state which any part of the Mortgaged Property is located and in each state where the conduct of its business requires it to be qualified and (b) will not, without the prior written consent of the Bank, consolidate or merge with any other entity.

1.12 Legal Proceedings. The Mortgagor will notify the Bank in writing, promptly of the commencement of any legal proceedings materially and adversely affecting the Mortgaged Property or any part thereof and will take such action as may be necessary to preserve its and the Bank's rights affected thereby; and should the Mortgagor fail or refuse to take any such action, the Bank may at its election take such action in behalf and in the name of the Mortgagor and at the Debtor's expense. Moreover, the Bank at its option may take such independent action on its own behalf as holder of rights or liens on said properties as it may in its discretion deem proper, all expenses incurred in such actions, together with interest thereon at the rate of eighteen percent (18%) per annum, also being reimbursable to it by the Debtor and being payable by the Debtor to the Bank on demand.

ARTICLE II

Pledge and Assignment of Production

2.1 Pledge and Assignment. As further security for the payment of the Indebtedness and to facilitate the discharge of all indebtedness for which the Mortgage Note may be pledged as security, the Mortgagor hereby transfers, pledges, assigns, warrants and conveys to the Bank, effective as of the date hereof, at 7:00 A.M., local time, all Hydrocarbons which are thereafter produced from and which accrue to the Mortgaged Property, and all proceeds therefrom. The Mortgagor will immediately cause the title to all Hydrocarbons produced from and which accrue to the Mortgaged Property, together with the proceeds therefrom, to be delivered to the credit of the Bank. All parties producing, purchasing or receiving any such Hydrocarbons, or having such, or proceeds therefrom, in their possession for which they or others are accountable to the Bank by virtue of the provisions of this Article, are authorized and

directed to treat and regard the Bank as the assignee and transferee of the Mortgagor and entitled in the Mortgagor's place and stead to receive such Hydrocarbons and all proceeds therefrom; and said parties and each of them shall be fully protected in so treating and regarding the Bank, and shall be under no obligation to see to the application by the Bank of any such proceeds or payments received by it. The Mortgagor will furnish the Bank the names of all parties purchasing or receiving any of such Hydrocarbons or proceeds therefrom, and will promptly execute and deliver any and all transfer orders, division orders, and other instruments that may be requested by the Bank for the purpose of effectuating the pledge and assignment hereunder.

2.2 No Liability of the Bank in Collecting. The Bank is hereby absolved from all liability for failure to enforce collection of any proceeds so assigned and from all other responsibility in connection therewith, except the responsibility to account to the Mortgagor for funds actually received.

2.3 Assignment Not a Restriction on the Bank's Rights. Nothing herein contained shall detract from or limit the absolute obligation of the Debtor to make payment of the indebtedness and of all obligations for which the Mortgage Note may be pledged as security regardless of whether the proceeds pledged and assigned by this Article are sufficient to pay the same, and the rights under this Article shall be in addition to all other security now or hereafter existing to secure the payment of the indebtedness and of all obligations for which the Mortgage Note may be pledged as security.

2.4 Status of Pledge and Assignment. Notwithstanding the other provisions of this Article, the Bank or any receiver or keeper appointed in judicial proceedings for the enforcement of this instrument shall have the right to receive all of the Hydrocarbons herein pledged and assigned and the proceeds therefrom after the Mortgage Note or any other promissory notes of the Debtor held by the Bank have been declared due and payable in accordance with the provisions of Section 3.1 hereof. Upon any sale of the Mortgaged Property or any part thereof pursuant to Article IV hereof, the Hydrocarbons thereafter produced from the property so sold, and the proceeds therefrom, shall be included in such sale and shall pass to the purchaser free and clear of the pledge and assignment contained in this Article.

2.5 Indemnity. The Debtor agrees to indemnify the Bank against all claims, actions, liabilities, judgments, costs, attorneys' fees or other charges of whatsoever kind or nature (hereinafter in this section 2.5 collectively called "claims") made against or incurred by the Bank as a consequence of the assertion, either before or after the payment in full of the indebtedness and of all obligations for which the Mortgage Note may be pledged as security, that the Bank received Hydrocarbons herein assigned or the proceeds thereof claimed by third persons, and the Bank shall have the right to defend against any such claims, employing attorneys therefor, and unless furnished with reasonable indemnity, the Bank shall have the right to pay or compromise and adjust all such claims. The Debtor will indemnify and pay to the Bank any and all such amounts as may be paid in respect thereof or as may be successfully adjudged against the Bank. The obligations of the Debtor as hereinabove set forth in this Section 2.5 shall survive the release of this instrument.

ARTICLE III Event, of Default

2.1 Certain Events of Default. In case any one or more of the following "events of default" shall occur and shall not have been remedied:

(a) default, and the continuance thereof for five (5) days, in the payment of principal of or interest on any indebtedness, when due, whether by demand or otherwise;

(b) any warranty or representation made herein shall prove to be untrue in any material respect;

(c) failure by the Mortgagor within thirty (30) days after notice thereof from the Bank, to cure a default in the performance or observance of any covenant or agreement contained in this instrument and not constituting a default in the payment of principal of or interest upon the Mortgage Note or in the payment of any other indebtedness; or

(d) failure by the Mortgagor within five (5) days after demand from the Bank to pay over to the Bank any proceeds of Hydrocarbons which are paid to the Mortgagor rather than the Bank as provided in Section 2.1 hereof;

(e) the title of the Mortgagor to the Mortgaged Property or any substantial part thereof shall become the subject matter of litigation which would or might, in the Bank's opinion, upon final determination result in substantial impairment or loss of the security provided by this instrument and upon notice by the Bank to the Mortgagor such litigation is not dismissed within thirty (30) days,

then, and in any such event, the Bank, at its option, may declare the entire unpaid principal of and the interest accrued on the Mortgage Note and all other indebtedness secured hereby to be forthwith due and payable, without any notice or demand of any kind, both notice and demand being hereby expressly waived.

ARTICLE IV Enforcement of the Security

4.1 Remedies on Default. The Mortgagor for itself, its successors and assigns, does by these presents stipulate that it shall be lawful for, and the Mortgagor hereby authorizes the Bank, upon the occurrence and during the continuance of any event of default, to cause all and singular of the Mortgaged Property to be seized and sold by executory process, without appraisal, either in its entirety or in lots or parcels as the Bank may determine, to the highest bidder for cash, or on such terms as the Bank in such proceedings may direct; and the Mortgagor for itself, its successors and assigns, hereby acknowledges the obligations secured hereby whether now existing

or to arise hereafter and confesses judgment for the full amount of the Mortgage Note, together with all costs, attorneys' and collection fees and all other charges and Indebtedness secured hereby if the same are not paid at maturity.

4.2 Waiver of Appraisal, Other Rights, etc. To the extent allowed by law, the Mortgagor hereby waives: (a) the benefit of appraisal, as provided in Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure, and all other laws conferring the same; (b) the demand and three (3) days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (c) the notice of seizure required by Articles 2291 and 2721 of the Louisiana Code of Civil Procedure; (d) three (3) days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (e) the benefit of the other provisions of Articles 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure and the benefits of any other articles or laws relating to rights of appraisal, notice or delay not specifically mentioned above; and the Mortgagor expressly agrees to the immediate seizure of the Mortgaged Property in the event of suit hereon.

4.3 Judicial Proceedings. Upon the occurrence of any event of default and if such event shall be continuing, the Bank may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder, or for the sale of the Mortgaged Property, or for the specific performance of any covenant or agreement herein contained, or in aid of the execution of any powers herein granted, or for the appointment of a receiver or a keeper pending any foreclosure hereunder or the sale of the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy.

4.4 Certain Aspects of a Sale. The Bank shall have the right to become the purchaser at any sale held by a court, receiver or public officer, and the Bank so purchasing shall have the right to credit the amount of the bid made therefor upon the amount payable out of the net proceeds of such sale to it. Recitals contained in any conveyance made to any purchaser at any sale made hereunder shall conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, and the interest accrued on, the Mortgage Note after the same shall have become due and payable, and advertisement and conduct of such sale in the manner provided herein.

4.5 Receipt to Purchaser. Upon any sale, the receipt of the Bank, or of the officer making sale under judicial proceedings, shall be sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers and his or their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt of the Bank or of such officer therefor, be obliged to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof.

4.6 Effect of Sale. Any sales or sales of the Mortgaged Property shall operate to divest all right, title, interest, claim and demand whatsoever in or at law

or in equity, of the Mortgagor of, in and to the premises and the property sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns, and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through or under the Mortgagor, its successors and assigns; nevertheless the Mortgagor, if requested by the Bank so to do, shall join in the execution and delivery of all proper conveyances, assignments and transfers of the properties so sold.

4.7 Operation of the Mortgaged Property by the Bank. Upon the occurrence of an event of default, and in addition to all other rights herein conferred on the Bank, the Bank or its agent is hereby appointed a keeper of the Mortgaged Property pursuant to the terms and provisions of Louisiana Revised Statutes 9:5131, et seq. The keeper may operate the same without any liability to the Mortgagor in connection with such operations, except to use ordinary care in the operation of said properties, and the keeper, to the extent permitted by law, shall have the right (a) to enter into and upon and take possession of the Mortgaged Property, to lease the same, collect and receive all rents, issues and profits thereof and apply the same, less the necessary expenses of collection thereof, for the care, operation and preservation of the Mortgaged Property, including without limitation, the payment of fees, insurance premiums, cost of operation of the Mortgaged Property, taxes, assessments, interest, penalties and water charges; (b) to collect, receive and receipt for all Hydrocarbons produced and sold from the Mortgaged Property, to make repairs, purchase machinery and equipment, conduct work-over operations, and drill additional wells; (c) to exercise every power, right and privilege of the Mortgagor with respect to the Mortgaged Property; and (d) to exercise every power, right and privilege now or hereafter granted to a keeper of the Mortgaged Property under applicable law. The compensation for the services of the keeper are hereby fixed at five percent (5%) of the amount due or sold for or claimed or sought to be protected, preserved or enforced in the proceeding for the recognition of this Mortgage and, together with all costs, expenses and liabilities of every character incurred by the Bank in managing, operating and maintaining the Mortgaged Property, as Keeper or otherwise, and interest thereon at the rate of eighteen percent (18%) per annum, shall be secured by the privilege and mortgage herein granted.

ARTICLE V Miscellaneous Provisions

5.1 Defense of Claims. The Mortgagor will notify the Bank, in writing, promptly of the commencement of any legal proceedings affecting the lien hereof or the Mortgaged Property, or any part thereof, and will take such action, employing attorneys agreeable to the Bank, as may be necessary to preserve the Mortgagor's or the Bank's rights affected thereby; and should the Mortgagor fail or refuse to take any such action, the Bank may take such action in behalf and in the name of the Mortgagor and at the Debtor's expense. Moreover, the Bank may take such independent action in connection therewith as it may in its discretion deem proper, the Debtor hereby agreeing that all sums advanced or all expenses incurred in such actions, plus interest

at the rate of eighteen percent (18%) per annum, will, on demand, be reimbursed to the Bank.

5.2 Costs and Expenses. All costs, expenses and advances (including, without limitation, cost of defense of claims, attorneys' fees, taxes, insurance, and operation cost) incurred or paid by the Bank in preserving and protecting the Mortgaged Property and in preserving, protecting and enforcing its rights hereunder, all to the extent the Bank is given such right herein, up to twenty percent (20%) of the face amount of the Mortgage Note, shall constitute a demand obligation owing by the Debtor to the Bank and shall draw interest at the rate of eighteen percent (18%) per annum, all of which shall constitute a portion of the Indebtedness.

5.3 Renewals, Amendments and Other Security. Renewals and extensions of the Indebtedness may be given at any time and amendments may be made to agreements relating to any part of such Indebtedness or the Mortgaged Property and the Bank may take or may now hold other security for its Indebtedness without notice to or consent of the Mortgagor. The Bank may resort first to such other security or any part thereof or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action shall not be a waiver of any rights conferred by this Mortgage, which shall continue as a first lien upon the Mortgaged Property not expressly released until the Mortgage Note and all other indebtedness secured hereby is fully paid.

5.4 Limitation on Interest. No provision of this instrument or of the Mortgage Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law or which is otherwise contrary to law. If any excess of interest in such respect is herein or in the Mortgage Note provided for, or shall be adjudicated to be so provided for herein or in the Mortgage Note, the Debtor shall not be obligated to pay such excess.

5.5 Unenforceable or Inapplicable Provisions. If any provision hereof or of the Mortgage Note is invalid or unenforceable in any jurisdiction, the other provisions hereof or of the Mortgage Note shall remain in full force and effect in such jurisdiction, and the remaining provisions hereof shall be liberally construed in favor of the Bank in order to effectuate the provisions hereof, and the invalidity of any provisions hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

5.6 Advances by the Bank. Each and every covenant herein contained shall be performed and kept by the Mortgagor solely at Debtor's expense. If the Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this instrument, the Bank or any receiver or keeper appointed hereunder may, but shall not be obligated to, make advances to perform the same in the Mortgagor's behalf, and the Debtor hereby agrees to repay such sums upon demand plus interest at the rate of eighteen percent (18%) per annum or, in the event any promissory note evidences such Indebtedness, upon the terms and conditions thereof. No such advance shall be deemed to relieve the Mortgagor from any default hereunder.

5.7 Rights Cumulative. Each and every right, power and remedy herein given to the Bank shall be cumulative and not exclusive; and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Bank, and the exercise, or the beginning of the exercise, of any such right, power and remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by the Bank in the exercise of any right, power or remedy shall impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing. The Bank may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the indebtedness secured hereby or any indebtedness secured by a pledge of the Mortgage, in whole or in part, and in such portions and in such order as may seem best to the Bank in its sole discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits, or liens evidenced by this instrument.

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

5.9 Successors and Assigns. This instrument is binding upon the Mortgagor, the Mortgagor's successors and assigns, and shall inure to the benefit of the Bank, its successors and assigns, and the provisions hereof shall likewise be covenants running with the land.

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

5.11 Construction. This instrument is in all respects to be construed under the laws of the State of Louisiana as a special mortgage, hypothecation, pledge and assignment and confession of judgment by the Mortgagor in favor of and for the benefit of the Bank, to secure the payment of all indebtedness and the performance of all obligations of the Mortgagor.

5.12 Waiver. The parties hereto waive the production of any mortgage, conveyance, and tax certificates and agree to hold the undersigned Notary harmless in the premises.

5.13 Notices Any notice, request, demand or other instrument which may be required or permitted to be given or served upon the Mortgagor shall be sufficiently given when mailed by first class mail, addressed to the Mortgagor at the address shown below its signature at the end of this instrument or to such different address as the Mortgagor shall have designated by written notice received by the Bank.

5.14 Non-Resource Liability of Partnership and Limited Partners. Nothing herein contained shall be construed as an assumption of the Mortgage Note by the Partnership, Texaco, Inc. ("Texaco") or Sequoia Petroleum, Inc. ("Sequoia"), as limited partners of the Partnership, or as otherwise causing the Partnership, Texaco or Sequoia to incur any liability for or arising out of the Mortgage Note or the Execution of this Mortgage. Anything contained herein to the contrary notwithstanding, the Bank shall look solely to the Debtor and the Mortgaged Property for payment of the Indebtedness and no recourse shall be had for the payment of the Indebtedness or for any claim based thereon or otherwise in respect thereof or based on or in respect of this Mortgage against the Partnership, Texaco and/or Sequoia or their respective successors and assigns for any deficiency or any other sum owing in respect of the Indebtedness or arising under or with respect to this Mortgage; provided, however, that the foregoing provisions of this Section 5.14 shall not prevent recourse to the Mortgaged Property nor limit the right of any person to name the Partnership or any transferee of any interest in the Mortgaged Property as a party defendant in any action or suit for a judicial foreclosure of or in the exercise of any other remedy under this Mortgage, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against such Partnership or against such transferee.

NOW, PERSONALLY INTERVENES Edward H. Batchelder
acting on behalf of any future holder or holders of
the Mortgage Note and hereby accepts this Mortgage.

THUS DONE AND PASSED, in multiple originals, before me, the undersigned Notary Public, in and for the County of Harris, State of Texas, in the presence of the undersigned competent witnesses, who have hereunto signed their names with said appearers and me, said Notary Public, after due reading of the whole, on the date hereinabove written.

MESA PETROLEUM CO.

By David H. Batchelder
David H. Batchelder,
Vice President - Finance and Treasurer

[Corporate Seal]

ATTEST:

James J. Davis
James J. Davis, Assistant Secretary

MTS LIMITED PARTNERSHIP

By: Mesa Petroleum Co., General Partner

By: David H. Batchelder
David H. Batchelder,
Vice President - Finance and Treasurer

[Corporate Seal]

ATTEST:

James J. Davis
James J. Davis, Assistant Secretary

Address:
One Mesa Square
Amarillo, Texas 79189

S. Leonard Hunter, Jr.
S. Leonard Hunter, Jr., Intervenor

WITNESSES TO ALL SIGNATURES:

Patricia A. Smith
James J. Davis

Deborah Serna
Notary Public

In and for the State of Texas,
Commission Expiring

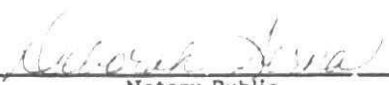
DEBORAH SERNA
MY COMMISSION EXPIRES

This instrument was prepared by:
Thomas L. Healey
Andrews & Kurth
4200 Texas Commerce Tower
Houston, Texas 77002

EXHIBIT A-1
to
Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production

CERTIFIED RESOLUTIONS OF MESA PETROLEUM CO.

I hereby certify that attached hereto is a multiple original of certified resolutions of MESA PETROLEUM CO. (the "Company"), certified by the Assistant Secretary of the Company, and attached to an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production (Louisiana), passed before me this 27th day of September, 1984.



Notary Public
In and for the State of Texas,
Commission Expiring

DEBORAH SERNA
MY COMMISSION EXPIRES

Certified Resolutions

EXHIBIT A-1
to
Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production

Certificate of Mesa Petroleum Co.

I, the undersigned, Assistant Secretary of MESA PETROLEUM CO., a Delaware corporation (the "Company"), DO HEREBY CERTIFY that:

1. This Certificate is furnished pursuant to Section 16.1(e) of that certain Mesa Credit Agreement dated as of September 20, 1984 (the "Credit Agreement"), among the Company, the banks parties thereto (collectively, the "Banks"), Texas Commerce Bank National Association ("TCB"), as collateral agent for the Banks, Mellon Bank, N.A. ("Mellon"), as administrative agent for the Banks, and TCB and Mellon, as agents for the Banks. Unless otherwise defined herein, capitalized terms used in this Certificate have the meanings assigned to such terms in the Credit Agreement.

2. There have been no amendments to the Restated Certificate of Incorporation of the Company since July 31, 1984.

3. Attached hereto as Exhibit A is a true, correct and complete copy of the by-laws of the Company (and any amendments thereto) as in effect on the date hereof.

4. Attached hereto as Exhibit B is a true, correct and complete copy of resolutions duly adopted at a meeting of the Board of Directors of the Company, convened and held on the 18th day of September, 1984, which resolutions have not been revoked, modified, amended or rescinded and are still in full force and effect, and the Credit Agreement, the Notes, the MTR Pledge Agreement and the Mortgages are in substantially the forms of those documents submitted to and approved by the Board of Directors of the Company.

5. David H. Batchelder has been duly elected, has duly qualified as and at all times since August 24, 1984 (to and including the date hereof) has been the Vice President - Finance and Treasurer of the Company and the signature set forth below is his genuine signature.



6. I know of no proceeding for the dissolution or liquidation of the Company or threatening its existence.

Certificate of Mesa Petroleum Co.

WITNESS my hand and the seal of the Company this 27th day of
September, 1984.


James J. Davis, Assistant Secretary

[Corporate Seal]

I, the undersigned, Vice President of the Company, DO HEREBY CERTIFY
that James J. Davis is a duly elected and qualified Assistant Secretary of the Company
and the signature above is his genuine signature.



David H. Batchelder, Vice President-
Finance and Treasurer

Exhibit A

MESA PETROLEUM CO.

(a Delaware corporation)

BYLAWS

As amended through April 26, 1983

MESA PETROLEUM CO.

(a Delaware corporation)

BYLAWS

As amended through April 26, 1983

ARTICLE I

Offices

Section 1. Principal Office. The principal office of Mesa Petroleum Co. (hereinafter called the Corporation) in the State of Delaware shall be in the City of Wilmington, County of New Castle, and the resident agent in charge thereof shall be The Corporation Trust Company.

Section 2. Other Offices. The Corporation may have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be necessary or appropriate for the conduct of the business of the Corporation.

ARTICLE II

Meetings of Stockholders

Section 1. Place of Meeting. All meetings of the stockholders of the Corporation shall be held at such place or places, within or without the State of Delaware, as may from time to time be fixed by the Board of Directors, or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 2. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may come before the meeting shall be held on the fourth Wednesday in April of each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day not a legal holiday at such hour as may be specified in the notice of said meeting, or at such other date as the Board of Directors may direct. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause a special meeting of the stockholders to be held as soon thereafter as conveniently may be for the election of such directors. At such special meeting the stockholders may elect directors and transact other business with the same force and effect as at an annual meeting of the stockholders duly called and held.

Section 3. Special Meetings. A special meeting of the stockholders, or of any class entitled to vote, for any purpose or purposes, may be called at any time by the Chairman of the Board, the President or by order of a majority of the Board of Directors.

Section 4. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of stockholders, whether annual or special, shall be given at least ten (10) days before the date on which the meeting is to be held, to each stockholder of record entitled to vote thereat by delivering a type-written or printed notice thereof to him personally, or by mailing such notice in a postage prepaid envelope directed to him at his address as it appears on the stock book of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices intended for him be directed to another address, in which case such notice shall be directed to him at the address designated in such request. Except when expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a special meeting of the stockholders, besides stating the time and place of the meeting, shall state briefly the objects or purposes thereof. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy; and, if any stockholder shall, in person or by attorney thereunto authorized, in writing or by telegraph, cable or wireless, waive notice of any meeting of the stockholders, whether prior to or after such meeting, notice thereof need not be given to him. Notice of any adjourned meeting of the stockholders shall not be required to be given, except where expressly required by law.

Section 5. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of the stock ledger, either directly or through a transfer agent appointed by the Board, to prepare and make, at least ten (10) days before every election of directors, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order. Such list shall be open to the examination of any stockholder at the place where said election is to be held for said ten (10) days, and shall be produced and kept at the time and place of the election during the whole time thereof, and subject to the inspection of any stockholder who may be present. The original or a duplicate stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or the books of the Corporation or to vote in person or by proxy at such election.

Section 6. Quorum. At each meeting of the stockholders, the holders of record of a majority of the issued and outstanding stock of the Corporation entitled to vote at such meeting, present in person or by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. In the absence of a quorum, any officer entitled to preside at, or act as Secretary of, such meeting, shall have the power to adjourn the meeting from time to time until a quorum shall be constituted. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

Section 7. Voting. At each meeting of stockholders each holder of record of the issued and outstanding stock of the Corporation entitled to vote at such meeting shall be entitled to one vote in person or by proxy on each matter for each such share of stock of the Corporation registered in his name on the books of the Corporation.

(a) on the date fixed pursuant to Section 5 of Article VI of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been fixed, then at the date of such meeting.

provided, however, that, except where the transfer books of the Corporation shall have been closed or such a record date fixed, no share of stock of the Corporation shall be voted on at any election of directors which shall have been transferred on the books of the Corporation within twenty (20) days next preceding such election of directors. Shares of its own capital stock belonging to the Corporation shall not be voted upon directly or indirectly. At all meetings of the stockholders, a quorum being present, all matters, except those the manner of deciding upon which is otherwise provided by Articles Tenth, Thirteenth and Fourteenth of the Restated Certificate of Incorporation or by law, shall be decided by the affirmative votes of the holders of record of a majority of the issued and outstanding shares of stock of the Corporation entitled to vote thereat. Unless demanded by a stockholder of the Corporation present in person or by proxy at any meeting of the stockholders and entitled to vote thereat or so directed by the Chairman of the meeting, the vote thereat on any question need not be by ballot. Upon a demand of any such stockholder, or by direction of the Chairman of the meeting, for a vote by ballot on any question, such vote shall be taken. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy, if there be such proxy, and shall state the number of shares voted by him.

ARTICLE III

Board of Directors

Section 1. General Powers. The property, business and affairs of the Corporation shall be managed by the Board of Directors.

Section 2. The Number and Term of Office. The number of directors which shall constitute the whole Board of Directors of the Corporation shall not be more than nine (9), except in the case of an increase in the number of directors by reason of any default provisions with respect to any outstanding series of Preferred Stock. The number of directors which shall comprise the Board of Directors shall be set by resolution of the Board of Directors. The Board is divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three and if a fraction is also contained in such quotient, then if such fraction is one-third ($\frac{1}{3}$) the extra director shall be a member of Class III and if the fraction is two-thirds ($\frac{2}{3}$) one of the directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected, provided, however, that the directors first elected to Class I

shall serve for a term ending on the annual meeting next ensuing, the director first elected to Class II shall serve for a term ending on the second annual meeting following the meeting at which such directors were first elected, and the directors first elected to Class III shall serve a full term as hereinabove provided. The foregoing notwithstanding, each director shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed. For purposes of the preceding paragraph, reference to the first election of directors shall signify the first election of directors concurrent with the approval by stockholders of the Restated Certificate of Incorporation. At each annual election held thereafter, the directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the directors they succeed. If for any reason the number of directors in the various classes shall not conform with the formula set forth in the preceding paragraph, the Board of Directors may redesignate any director into a different class in order that the balance of directors in such classes shall conform thereto. The directors to be elected for the year shall be elected at the Annual Meeting of stockholders, except as provided in Section 10 of this Article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

Section 3. Quorum and Manner of Acting. The greater of (a) four directors, or (b) a majority of the directors at anytime in office, shall constitute a quorum for the transaction of business, and if at any meeting of the Board of Directors there shall be less than such a quorum, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors present at a meeting at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law or by the Restated Certificate of Incorporation. Notice of any adjourned meeting need not be given.

Section 4. Place of Meetings, Etc. The Board of Directors may hold its meetings, have one or more offices, and keep the books and records of the Corporation, at such place or places within or without the State of Delaware, as the Board may from time to time determine.

Section 5. First Meeting. After each annual election of directors and on the same day or as soon thereafter as convenient, the Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business at the place where such annual election is held. Notice of such meeting need not be given. Such meeting may be held at any other time or place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the directors.

Section 6. Regular Meetings. Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall by resolution determine. Notice of regular meetings need not be given.

Section 7. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the President or by any three (3) of the directors. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable, radio or wireless, or be delivered personally or by telephone, not later than the day before the day on which such meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof. Notice of any meeting of the Board need not be given to any director, however, if waived by him in writing or by telegram, cable, radio, or wireless whether before or after such meeting be held, or if he shall be present at such meeting, and any meeting of the Board shall be a legal meeting without any notice thereof having been given, if all the directors then in office shall be present thereat.

Section 8. Resignation. Any director of the Corporation may resign at any time by giving written notice to the Chairman of the Board, the President or the Secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal. Any director may be removed at any time, but only for cause (except as provided in subparagraph (B) of paragraph 7 of Part A of Article Fourth of the Restated Certificate of Incorporation), by the affirmative votes of the holders of record of a majority of the issued and outstanding stock of the Corporation.

entitled to vote thereon, given at a special meeting of the stockholders called for that purpose; and the vacancy in the Board of Directors caused by any such removal may be filled by the stockholders at such meeting.

Section 10. Vacancies. Any vacancy that shall occur in the Board of Directors by reason of death, resignation, disqualification or removal or any other cause whatever, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by a majority of the remaining directors (though less than a quorum) or by the stockholders of the Corporation at the next annual meeting or any special meeting called for the purpose, and each director so chosen shall hold office until the next annual election at which directors of his class shall be elected and until his successor shall be newly elected and shall qualify, or until his death, resignation, or removal.

Section 11. Compensation of Directors. The directors shall be entitled to be reimbursed for any reasonable expenses paid by them on account of attendance at any regular or special meeting of the Board, and the Board of Directors may provide that the Corporation shall pay each director such compensation for his services as such as may be fixed by resolution of the Board. Nothing herein contained shall be construed to preclude any director from serving the Corporation or any subsidiary thereof in any other capacity and receiving compensation therefor.

Section 12. Committees. The Board of Directors, by resolution or resolutions passed by a majority of the whole Board, may designate members of the Board to constitute one or more committees, which shall in each case consist of such number of directors, not less than 2, and shall have and may exercise such powers of the Board in the management of the business and affairs of the Corporation (including the power to authorize the seal of the Corporation to be affixed to all papers which may require it), as the Board of Directors may by resolution determine and specify in the respective resolutions appointing them, subject to such restrictions as may be contained in the Restated Certificate of Incorporation. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. A majority of all the members of any such committee may fix its rules of procedure, determine its action and fix the time and place, whether within or without the State of Delaware, of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. The Board of Directors shall have power to change the membership of any such committee at any time, to fill vacancies therein and to discharge any such committee, either with or without cause, at any time. Each member of any such committee shall be paid such fee, if any, as shall be fixed by the Board of Directors for each meeting of such committee which he shall attend and, in addition, such transportation and other expenses actually incurred by him in going to the meeting of such committee and returning therefrom as the Board of Directors shall approve.

Section 13. Indemnification of Officers, Directors, Employees and Agents; Insurance.

(a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a

manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Section.

(f) The indemnification provided by this Section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of the Delaware Corporation law.

(h) For the purposes of this Section, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Section with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

Section 14. Action Without a Meeting; Participation by Telephone. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing, and such written consent is filed with the minutes of proceedings of the Board or of such committee. Members of the Board of Directors, or any committee designated by such Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

ARTICLE IV

Officers

Section 1. Number. The principal officers of the Corporation shall be a Chairman of the Board, a President, a Chairman of the Executive Committee, one or more Group Vice-Presidents and Vice-Presidents (the number thereof to be determined by the Board), a Treasurer, a Secretary and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV. One person may hold the offices and perform the duties of any two or more of said offices, except the offices and duties of President and Secretary.

Section 2. Election and Term of Office. The principal officers of the Corporation shall be chosen annually by the Board of Directors at the first meeting thereof held after each annual meeting of stockholders for the election of directors. Each such officer shall hold office until his successor shall have been duly chosen and shall qualify, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. The Chairman of the Board and the President shall be chosen from among the directors of the Corporation.

Section 3. Subordinate Officers, Etc. In addition to the principal officers enumerated in Section 1 of this Article IV, the Corporation may have such other officers, agents and employees as the Board may deem necessary, including a Controller, one or more Assistant Controllers, one or more Assistant Secretaries and one or more Assistant Treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as the Board or the President may from time to time determine; provided, however, that no person may hold the offices and perform the duties of both Treasurer and Controller. The Board may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

Section 4. Removal. Any officer may be removed, either with or without cause, at any time, by resolution adopted by the Board at any regular meeting of the Board or at any special meeting of the Board called for the purpose at which a quorum is present.

Section 5. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman of the Board, the President or the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, or any other cause whatever, shall be filled for the unexpired portion of the term in the manner prescribed in Sections 2 and 3 of this Article IV for election or appointment to such office for such term.

Section 7. Chairman of the Board. The Chairman of the Board shall, if present, preside at all meetings of stockholders and all meetings of the Board and shall perform such other duties as may from time to time be assigned to him by the Board.

Section 8. President. The President shall be the chief executive officer of the Corporation and as such shall have general supervision of the affairs of the Corporation, subject to the control of the Board. In the absence of the Chairman of the Board, he shall, if present, preside at all meetings of stockholders and at all meetings of the Board. He shall be *ex officio* a member of all standing committees. He may sign, with any other proper officer of the Corporation thereunto authorized, certificates for stock of the Corporation. When authorized by the Board, he may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, except in cases in which the authority to enter into such contract or execute and deliver such instrument, as the case may be, shall be otherwise expressly delegated. In general, he shall perform all duties incident to the office of President, as herein defined, and all such other duties as from time to time may be assigned to him by the Board.

Section 9. Group Vice-Presidents and Vice-Presidents. At the request of the President, or in his absence or inability to act, the Group Vice-President or, if there be more than one, the Group Vice-President designated by the Board, shall perform all the duties of the President and, when so acting, shall have all the powers of and

be subject to all the restrictions placed upon the President. Each Group Vice-President and each Vice-President shall perform such duties as from time to time may be assigned to him by the President or the Board. Any Group Vice-President or Vice-President may sign, with any other proper officer of the Corporation thereunto authorized, certificates for stock of the Corporation, and when authorized by the Board may enter into any contract or execute and deliver any instrument, in the name and on behalf of the Corporation, except in cases in which the authority to enter into such contract or execute and deliver such instrument, as the case may be, shall be otherwise expressly delegated.

Section 10. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and shall deposit all such funds in the name of the Corporation in such banks or other depositories as shall be selected in accordance with Section 4 of Article V hereof. He shall exhibit at all reasonable times his books of account and records to any of the directors of the Corporation upon application during business hours at the office of the Corporation where such books and records shall be kept; shall render a statement of the condition of the finances of the Corporation at all regular meetings of the Board, and a full financial report at the annual meeting of stockholders, if called upon so to do; shall receive, and give receipt for, moneys due and payable to the Corporation from any source whatsoever; may sign, with any other proper officer of the Corporation thereunto authorized, certificates for stock of the Corporation; and in general, shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or the Board. The Treasurer shall give such bond, if any, for the faithful discharge of his duties as the Board may require.

Section 11. Secretary. The Secretary, if present, shall act as secretary at all meetings of the Board and of the stockholders and keep the minutes thereof in a book or books to be provided for that purpose; shall see that all notices required to be given by the Corporation are duly given and served; shall be custodian of the seal of the Corporation and shall affix the seal or cause it to be affixed to all certificates of stock of the Corporation and to all documents the execution of which on behalf of the Corporation under its seal shall be duly authorized in accordance with the provisions of these Bylaws; shall have charge of the stock records of the Corporation; shall see that all reports, statements and other documents required by law are properly kept and filed; may sign, with any other proper officer of the Corporation thereunto authorized, certificates for stock of the Corporation; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or the Board.

Section 12. Salaries. The salaries of the officers shall be fixed from time to time by the Board, and an officer shall not be prevented from receiving such a salary by reason of the fact that he is also a director of the Corporation.

ARTICLE V

Contracts, Loans, Checks, Drafts, Bank Accounts, Etc.

Section 1. Execution of Contracts. The Board may authorize any officer or officers, agent or agents, or attorney or attorneys, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and, unless so authorized by the Board or expressly authorized by these Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or other engagement or to pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

Section 2. Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board or by a committee of the Board to whom the Board has delegated such power.

Section 3. Checks, Drafts, Etc. All checks, drafts, bills, notes and other negotiable instruments and orders for the payment of money issued in the name of the Corporation, shall be signed by such officer or officers, employee or employees, agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board may designate, or as may be designated by any officer or officers, agent or agents, or attorney or attorneys, of the Corporation to whom power in that respect shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the President, or any Vice-President, or the Treasurer (or any other officer or agent or employee or attorney of the Corporation to whom such power shall be delegated by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

Section 5. General and Special Bank Accounts. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositaries as it may designate or as may be designated by any officer or officers, agent or agents, or attorney or attorneys, of the Corporation to whom power in that respect shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

ARTICLE VI

Shares and Their Transfer

Section 1. Certificates for Stock. Every owner of stock of the Corporation shall be entitled to a certificate or certificates, to be in such form as the Board shall prescribe, certifying the number and class of shares of the capital stock of the Corporation owned by him. The certificates for the respective classes of such stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the President or any Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation and its seal be affixed thereto; *provided, however*, that, where such Certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the Corporation and a registrar, if the Board shall by resolution so authorize, the signature of such President, Vice-President, Treasurer, Secretary, Assistant Treasurer, or Assistant Secretary and the seal of the Corporation may be facsimile. In case any officer or officers of the Corporation who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers, whether by reason of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been affixed thereto, had not ceased to be such officer or officers. A record shall be kept by the Secretary, transfer agent or by any other officer, employee or agent designated by the Board of the name of the person, firm, or corporation owning the stock represented by such certificates, the number and class of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 4 of this Article VI.

Section 2. Transfer of Stock. Transfers of shares of the capital stock of the Corporation shall be made on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with a transfer clerk or a transfer agent appointed as in Section 3 of this Article VI provided, and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; *provided, however*, that whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the Corporation, shall be so expressed in the entry of transfer.

Section 3. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with the Certificate of Incorporation or these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any principal officer or officers

to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates of stock to bear the signature or signatures of any of them.

Section 4. *Lost, Destroyed or Mutilated Certificates.* In case of loss, destruction, or mutilation of any certificates of stock, another certificate or certificates may be issued in place thereof upon proof of such loss, destruction, or mutilation and upon the giving of a bond of indemnity to the Corporation in such form and in such sum as the Board may direct; *provided, however*, that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper so to do.

Section 5. *Closing of Transfer Books.* The Board of Directors may, by resolution, direct that the stock transfer books of the Corporation be closed for a period not exceeding fifty (50) days preceding the date of any meeting of the stockholders, or the date for the payment of any dividend, or the date for the allotment of any rights, or the date when any change or conversion or exchange of stock of the Corporation shall go into effect, or for a period not exceeding fifty (50) days in connection with obtaining the consent of stockholders for any purpose. In lieu of such closing of the stock transfer books, the Board may fix in advance a date, not exceeding fifty (50) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, such meeting, and any adjournment thereof, or to receive payment of any such dividend, or to receive any such allotment or rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any record date so fixed.

ARTICLE VII

Miscellaneous Provisions

Section 1. *Corporate Seal.* The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and words and figures showing that it was incorporated in the State of Delaware in the year 1964.

Section 2. *Fiscal Year.* The fiscal year of the Corporation shall end at the close of business on the 31st day of December in each year.

ARTICLE VIII

Amendments

All Bylaws of the Corporation shall be subject to alteration or repeal, and new Bylaws may be made, either by the affirmative votes of the holders of record of a majority of the issued and outstanding stock of the Corporation, entitled to vote in respect thereof, given at any annual or special meeting, or by the affirmative votes of a majority of the whole Board of Directors given at any regular or special meeting of the Board of Directors, provided that notice of the proposal so to alter or repeal or to make such Bylaws be included in the notice of such meeting of the stockholders or the Board, as the case may be. Bylaws, whether made or altered by the stockholders or by the Board of Directors, shall be subject to alteration or repeal by the stockholders as in this Article VIII above provided.

RESOLUTIONS OF THE BOARD
OF DIRECTORS OF MESA PETROLEUM CO.

WHEREAS, there has been presented to this meeting: (i) a form of Mesa Credit Agreement (the "Credit Agreement"), among this Corporation, the banks and other financial institutions parties thereto (collectively, the "Banks", Texas Commerce Bank National Association (herein called "TCB") and Mellon Bank, N.A. (herein called "Mellon"), as agents for the Banks, herein in such capacity, together with any successor(s) thereto in such capacity, collectively called the "Agents" and individually called an "Agent"), TCB, as collateral agent for the Banks (herein in such capacity, together with any successor(s) thereto in such capacity, called the "Collateral Agent"), and Mellon, as administrative agent for the Banks (herein, in such capacity, together with any successor(s) thereto in such capacity, called the "Administrative Agent"), providing for the making by the Banks of Loans (as defined in the Credit Agreement) to this Corporation in an aggregate principal amount not to exceed \$1,100,000,000); (ii) a form of pledge agreement (the "MTR Pledge Agreement") pursuant to which this Corporation will pledge to the Collateral Agent, for the ratable and proportionate benefit of the Banks and in accordance with the terms of the Credit Agreement, the MTR Stock, the Intercompany Note (as such terms are defined in the Credit Agreement) and certain other claims of the Company against MTR (as defined in the Credit Agreement); and (iii) forms of mortgage and collateral mortgage documents (including a Mortgage, Deed of Trust, Assignment of Production and Security Agreement, an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production, a Collateral Mortgage Note, and an Act of Pledge) (collectively, the "Security Documents") from this Corporation to the Collateral Agent and trustee for the Collateral Agent, pursuant to which this Corporation will, in accordance with the terms of the Credit Agreement, mortgage to the Collateral Agent, for the ratable and proportionate benefit of the Banks, certain oil and gas properties, for the purpose of securing repayment of the Loans;

NOW, THEREFORE, BE IT RESOLVED, that the President or any Vice President of this Corporation and each of them, be and he hereby is authorized to execute, in the name and on behalf of this Corporation, and deliver, a credit agreement among this Corporation, the Banks, the Administrative Agent, the Collateral Agent and the Agents, substantially in the form of the Credit Agreement presented to this meeting,

except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the Credit Agreement on behalf of this Corporation shall deem proper, such execution by such officer of the Credit Agreement to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to borrow from time to time on behalf of this Corporation the amounts permitted or provided to be borrowed by this Corporation under the Credit Agreement executed by this Corporation pursuant to these resolutions, and to execute and deliver on behalf of this Corporation Notes (as defined in the Credit Agreement) payable to the order of each of the Banks, substantially in the form or forms provided for in exhibits to the Credit Agreement, evidencing such borrowings;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized, on behalf of the Company, to pledge and grant a security interest in the MTR Stock, the Inter-company Note and the other claims of the Company against MTR in the manner provided in the MTR Pledge Agreement and to mortgage and assign the Mortgaged Properties (as defined in the Credit Agreement), including interests in Hydrocarbons owned by any partnership and attributable to a partnership interest owned by the Company, in the manner provided in the Mortgages (as defined in the Credit Agreement), and to execute, in the name and on behalf of this Corporation, and deliver, a pledge agreement between this Corporation and the Collateral Agent, as Collateral Agent for the Banks under the Credit Agreement, substantially in the form of the MTR Pledge Agreement presented to this meeting, and financing statements substantially in the form presented to this meeting, except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the MTR Pledge Agreement or such financing statement on behalf of this Corporation shall deem proper, such execution by such officer of each of the MTR Pledge Agreement and such financing statements to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to execute, in the name and on behalf of this Corporation, and deliver, one or more mortgages,

deeds of trust, assignments of production, security agreements, financing statements and collateral mortgage documents from this Corporation to the Collateral Agent, as Collateral Agent for the Banks under the Credit Agreement, and trustees for the Collateral Agent, substantially in the forms of the Security Documents presented to this meeting, except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the Security Documents on behalf of this Corporation shall deem proper, such execution by such officer of the Security Documents to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper.

FURTHER RESOLVED, that any and all acts, transactions, or agreements undertaken prior to the date of these resolutions by any of the officers or representatives of this Corporation, in the name and on behalf of this Corporation, in connection with any of the foregoing matters, are hereby ratified, confirmed, and adopted by this Corporation; and

FURTHER RESOLVED, that the President or any Vice President and any Secretary or Assistant Secretary of this Corporation, and each of them, be and he hereby is authorized in the name and on behalf of this Corporation from time to time to take such actions and to execute and deliver such certificates, instruments, notices and documents as may be required or as any such officer may deem necessary, advisable or proper in order to carry out and perform the obligations of this Corporation under the Credit Agreement, the MTR Pledge Agreement and the Security Documents executed by this Corporation pursuant to these resolutions, or under any other instrument or document executed pursuant to or in connection with the Credit Agreement, the MTR Pledge Agreement or the Security Documents; all such actions to be performed in such manner, and all such certificates, instruments, notices and documents to be executed and delivered in such form, as the officer performing or executing the same shall approve, the performance or execution thereof by such officer to be conclusive evidence of the approval thereof by such officer and by this Board of Directors.

EXHIBIT A-2
to
Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production

COLLATERAL MORTGAGE NOTE

\$3,000,000,000

September __, 1984

FOR VALUE RECEIVED, on demand, the undersigned, Mesa Petroleum Co., a Delaware corporation promises to pay to the order of Bearer at the offices of Texas Commerce Bank National Association, at 712 Main Street, Houston, Texas 77002, the sum of THREE BILLION DOLLARS (\$3,000,000,000) with interest at the rate of eighteen percent (18%) per annum from the date until paid.

In the event this note should be placed in the hands of an attorney, after its maturity, to institute legal proceedings to recover the amount hereof, or any part hereof, in principal or interest, or to protect the interests of the holder hereof, or in the event the same should be placed in the hands of an attorney for collection, compromise or other action, the maker binds itself to pay the fees of the attorney who may be employed for that purpose, which fees are hereby fixed at ten percent (10%) of the amount due or sued for, or claimed or sought to be protected, preserved or enforced.

The parties hereto, whether as original signers or by guaranty or endorsement or otherwise, hereby waive presentment for payment, demand, notice of non-payment, protest, and all pleas of dishonor and discussion, and agree that the time of payment hereof may be extended from time to time, one or more times, without notice of such extension or extensions and without previous consent, hereby binding themselves in solido, unconditionally and as original promissors, for the payment hereof in principal, interest, costs and attorneys' fees.

This note shall be construed in accordance with and governed by the laws of the State of Louisiana.

MESA PETROLEUM CO.

By

David H. Batchelder
Vice President - Finance and Treasurer

Collateral Mortgage Note

"NE VARIETUR"

For identification with an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production passed before me this _____ day of September, 1984.

Notary Public
In and for the State of Texas,
Commission Expiring

EXHIBIT B
to
**Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production**

PROPERTY DESCRIPTIONS

This *Exhibit B* contains the description of the "oil and gas leases" as defined in the Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production to which this *Exhibit B* is attached.

The oil and gas leases are expressly limited insofar and only insofar as they cover land and depth intervals in which Mortgagor owns or holds an interest and do not include land and depth intervals in which Mortgagor owns no interest.

As used in this *Exhibit B*, the term "working interest" specifies the leasehold or operating interest (expressed as a decimal fraction) of Mortgagor in an oil and gas lease, and the term "net interest in production" specifies the interest (expressed as a decimal fraction) of Mortgagor in the production of Hydrocarbons from an oil and gas lease after deducting all applicable royalties, overriding royalties and other burdens on production.

1. Oil and Gas Lease OCS-G 4317, effective February 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering Block 333, Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A.

Mesa Working Interest	13333
Mesa Net Interest in Production	11111

2. Oil and Gas Lease effective July 19, 1971, granted by the State of Louisiana, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering entire Tract No. 11960 located in St. Martin and St. Mary Parishes, Louisiana, described as follows: the lands now or formerly constituting the beds and bottoms of all water bodies of every nature and description and all islands and other lands formed by accretion or reliction, except tax lands, owned by and not under mineral lease from the State of Louisiana on April 29, 1971 situated in St. Martin and St. Mary Parishes, Louisiana, within the following described boundaries: Beginning at a point having Lambert Plane Coordinates of X = 1,966,700.00 and Y = 446,600.00, being the Northwest corner of the tract herein described; thence East 16,000.00 feet; thence South 13,600.00 feet to a point having Lambert Plane Coordinates of X = 1,982,700.00 and Y = 433,000.00; thence West 16,000.00 feet; thence North 13,600.00 feet to a point of beginning, estimated to contain approximately 4,620 acres, all more fully shown outlined in red on a plat on file in the State Land Office. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone), recorded in Book 652, Folio 115, Entry No. 154449 of the Conveyance Records of St. Martin Parish, Louisiana and recorded in Book 16-T, Entry No. 147,217 of the Conveyance Records of St. Mary Parish, Louisiana.

Mesa Working Interest	18750
Mesa Net Interest in Production	13281

3. Oil and Gas Lease OCS-G 3286, effective September 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 613, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 18.

Mesa Working Interest	18400
Mesa Net Interest in Production	15333

4. Oil and Gas Lease OCS-G 2591, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 146, South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest .....	.16000
Mesa Net Interest in Production .....	.13333

5. Oil and Gas Lease OCS-G 2910, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 327, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A.

Mesa Working Interest .....	.11500
Mesa Net Interest in Production .....	.09583

6. Oil and Gas Lease OCS-G 2912, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 329, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A.

Mesa Working Interest .....	.22500
Mesa Net Interest in Production .....	.13749

7. Oil and Gas Lease OCS-G 3141, effective July 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 397, Vermilion Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3B.

Mesa Working Interest .....	.60000
Mesa Net Interest in Production .....	.49000

This property is subject to the Advance Payment Agreement dated December 16, 1975, as amended February 19, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer, and to the Pledge and Assignment dated December 16, 1975, between Mesa Petroleum Co., as Pledgor, and Michigan Wisconsin Pipe Line Company, as Pledgee.

8. Oil and Gas Lease OCS-G 2185, effective October 1, 1972, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of Supplemental Decree of U.S. Supreme Court entered 12-13-65 in the U.S. v. Louisiana No. 9 Original (382 U.S. 238) South Pass Area, South and East Addition, as shown on Official Leasing Map, Louisiana Map No. 9A.

Mesa Working Interest .....	.25000
Mesa Net Interest in Production .....	.20833

This property is subject to the Exploration and Development Loan Agreement dated December 19, 1973, as amended December 12, 1974, February 28, 1975 and June 14, 1977, between Mesa Petroleum Co. and Natural Gas Pipeline Company of America.

9. Oil and Gas Lease OCS-G 3299, effective September 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 263, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A.

Mesa Working Interest .....	.10000
Mesa Net Interest in Production .....	.08333

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage,

Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoRan Exploration Co.

10. Oil and Gas Lease OCS-G 3388, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 336, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A.

Mesa Working Interest	.05300
Mesa Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoRan Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoRan Exploration Co.

11. Oil and Gas Lease OCS-G 3390, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 25, Vermilion Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3.

Mesa Working Interest	.04737
Mesa Net Interest in Production	.03947

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoRan Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoRan Exploration Co.

12. Oil and Gas Lease OCS-G 3400, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering all of Block 310, Vermilion Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3B.

Mesa Working Interest	.05000
Mesa Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoRan Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoRan Exploration Co.

13. Oil and Gas Lease OCS-G 3414, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al, as Lessee, covering the N/2 of Block 34, West Delta Area, as shown on OCS Official Leasing Map, Louisiana Map No. 8.

Mesa Working Interest	.05000
Mesa Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoRan Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoRan Exploration Co.

14. Oil and Gas Lease OCS-G 3589, effective August 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 18, South Pelto Area, as shown on OCS Official Leasing Map, Louisiana Map No. 6.

Mesa Working Interest	26173
Mesa Net Interest in Production	21815

15. Oil and Gas Lease OCS-G 2271, effective February 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering Block 348, Vermilion Area, South Addition, on OCS Official Leasing Map, Louisiana Map No. 3B.

Mesa Working Interest	75000
Mesa Net Interest in Production	62499

16. Oil and Gas Lease No. 6310 effective May 13, 1974, granted by the State of Louisiana, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974, described as follows:

Beginning at the Northwest corner of Block 57, South Pass Area, having Lambert Plane Coordinates of X = 2,615,928.00 and Y = 82,150.00; thence East 9,685.54 feet along the North line of said Block 57 to a point having Lambert Plane Coordinates of X = 2,625,613.54 and Y = 82,150.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,624,340.00 and Y = 80,576.00; thence Southwesterly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,610,160.00 and Y = 92,050.00 to a point having Lambert Plane Coordinates of X = 2,621,555.00 and Y = 77,306.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,621,180.00 and Y = 77,506.00; thence Southwesterly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,609,785.00 and Y = 91,750.00 to a point having Lambert Plane Coordinates of X = 2,617,996.00 and Y = 75,462.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,617,391.00 and Y = 75,157.00; thence Westerly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,609,180.00 and Y = 91,445.00 to a point having Lambert Plane Coordinates of X = 2,610,702.97 and Y = 73,263.09; thence North 8,881.91 feet to a point of intersection with the North line of Block 58, South Pass Area; thence East 5,225.03 feet along the North line of said Block 58 to its Northeast corner, the same being the point of beginning, estimated to contain approximately 2,028.40 acres, all more fully shown outlined in red on a plat on file in the State Land Office. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone). Reference is made to a survey line described in a Fourth (4th) Supplemental Decree, entered on the 16th day of October, 1972, in that matter styled *United States of America v. State of Louisiana, et al.*, No. 9 Original, on the docket of the Supreme Court of the United States, it is expressly understood that although a segment of that line is incorporated in the description of the property herein leased, that the State of Louisiana is leasing only that portion of the above described block or blocks lying more than one (1) foot landward of that line, all as provided for in said Fourth (4th) Supplemental Decree. *Note:* Portions of this tract are located within the restrictive area as set out by the U.S. Coast Guard and the Corps of Engineers, U.S. Army.

Mesa Working Interest	33333
Mesa Net Interest in Production	24666

This property is subject to the Act of Mortgage and Security Agreement to Secure Future Advances dated November 22, 1978, between Mesa Petroleum Co., as Mortgagor, and Columbia Gas Transmission Corporation, as Mortgagee.

17. Oil and Gas Lease OCS-G 3416, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering that portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975, (*United States v. Louisiana*), 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 366, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 9.

Mesa Working Interest .....	.33333
Mesa Net Interest in Production .....	.27777

This property is subject to the Act of Mortgage and Security Agreement to Secure Future Advances dated November 22, 1978, between Mesa Petroleum Co., as Mortgagor, and Columbia Gas Transmission Corporation, as Mortgagee.

18. Oil and Gas Lease OCS-G 2619, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 115, Ship Shoal Area, Official Leasing Map, Louisiana Map No. 5.

Mesa Working Interest .....	.20000
Mesa Net Interest in Production .....	.16667

19. Oil and Gas Lease OCS-G 2887, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 173, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest10239
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20. Oil and Gas Lease OCS-G 2888, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 174, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest10239
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21. Oil and Gas Lease OCS-G 2607, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering Block 312, Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A.

Mesa Working Interest .....	.13333
Mesa Net Interest in Production .....	.11111

22. Oil, Gas, and Mineral Lease dated May 5, 1980 executed by Melba L. Harvey, Jr., et al., as Lessor, in favor of Franks Petroleum, Inc., as Lessee, and recorded in the Conveyance Records of East Baton Rouge Parish, Louisiana in Book 637 on page number 9375.

MTS Working Interest..... .06250

23. Oil, Gas, and Mineral Lease dated April 12, 1976 executed by Edward D. Annison, as Lessor, in favor of Forest Oil Corporation, as Lessee, and recorded in the Conveyance Records of East Baton Rouge Parish, Louisiana in Book 2505 on page number 200.

Mesa Working Interest..... .50000

24. Oil, Gas, and Mineral Lease dated April 15, 1980 executed by James C. Celestin, et ux., as Lessor, in favor of Tomlinson Interest, Inc., as Lessee, and recorded in the Conveyance Records of Pointe Coupee Parish, Louisiana, in Book 188, on page number 62.

Mesa Working Interest..... .25000

25. Oil and Gas Lease OCS-G 2102 effective February 1, 1971 granted by the United States of America, as Lessor, to Pennzoil, et al., as Lessee, covering all of Block 256, Eugene Island Area, Official Leasing Map, Louisiana Map No. 4.

Mesa Working Interest..... .16770

26. Oil and Gas Lease OCS-G 3171, effective July 1, 1975 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 13, South Pelto Area, as shown on OCS Official Leasing Map, Louisiana Map No. 6.

Mesa Working Interest..... .25000

27. Oil and Gas Lease OCS-G 3186, effective July 1, 1975 granted by the United States of America, as Lessor, to Mesa Petroleum Co., as Lessee, covering all of Block 61, West Delta Area, as shown on OCS Official Leasing Map, Louisiana Map No. 8.

Mesa Working Interest..... 1.000

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated as of December 1, 1982.

28. Oil and Gas Lease OCS-G 3332, effective March 1, 1976 granted by the United States of America, as Lessor, to Pennzoil, et al., as Lessee, covering all of Block 337, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A.

MTS Working Interest..... .07500

29. Oil and Gas Lease OCS-G 3587, effective August 1, 1977 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 8, South Pelto Area, as shown on OCS Official Leasing Map, Louisiana Map No. 6.

Mesa Working Interest..... .25000

30. Oil and Gas Lease OCS-G 3588, effective August 1, 1977 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering the East Half of Block 12, South Pelto Area, as shown on OCS Official Leasing Map, Louisiana Map No. 6.

Mesa Working Interest..... .37755

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated as of December 1, 1982.

31. Oil and Gas Lease OCS-G 3601, effective August 1, 1977 granted by the United States of America, as Lessor, to Mesa Petroleum Co., as Lessee, covering all of Block 62, West Delta Area, as shown on OCS Official Leasing Map, Louisiana Map No. 8.

Mesa Working Interest..... 1.000

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated as of December 1, 1982.

32. Oil and Gas Lease OCS-G 4102, effective September 1, 1979 granted by the United States of America, as Lessor, to McMoran Exploration, et al., as Lessee, covering W/2 NE, NW, S/2 Block 36, Vermilion Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3.

Mesa Working Interest..... .047368

33. Oil and Gas Lease OCS-G 4110, effective September 1, 1979 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 155, South Marsh Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest..... .70000

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated a of December 1, 1982.

34. Oil and Gas Lease OCS-G 5221, effective November 1, 1982 granted by the United States of America, as Lessor, to McMoran Offshore Exploration Co., et al., as Lessee, covering all of Block 176, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest..... .07142

35. Oil and Gas Lease OCS-G 2045, effective January 1, 1971 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 270, East Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 2A.

Mesa Working Interest..... .05000

36. Oil and Gas Lease OCS-G 2078, effective February 1, 1971 granted by the United States of America, as Lessor, to Pennzoil, et al., as Lessee, covering all of Block 228, Vermilion Area, Official Leasing Map, Louisiana Map No. 3.

Mesa Working Interest..... .43285

37. Oil and Gas Lease OCS-G 2115, effective January 1, 1971, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 330, Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A.

Mesa Working Interest..... .05000

38. Oil and Gas Lease OCS-G 2254, effective February 1, 1973 granted by the United States of America, as Lessor, to Burmah, et al., as Lessee, covering all of Block 322, East Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 2A.

Mesa Working Interest..... .52000

39. Oil and Gas Lease OCS-G 2255, effective February 1, 1973 granted by the United States of America, as Lessor, to Burmah, et al., as Lessee, covering all of Block 323, East Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 2A.

Mesa Working Interest..... .52000

40. Oil and Gas Lease OCS-G 4220, effective December 1, 1979 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 156, South Marsh Island Area, South Addition, as shown on OCS Leasing Map, Louisiana Map No. 3C.

Mesa Working Interest..... .70000

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated as of December 1, 1982. This property is subject to the Purchase Agreement - Development Production Payment dated June 6, 1980, as amended December 12, 1980, November 19, 1981 and September 2, 1983, between Mesa Petroleum Co., as Seller, and 110 Wacker Drive Foundation, Inc., as Buyer and the Conveyance of Development Production Payment dated June 6, 1980, as amended December 12, 1980, November 19, 1981, and September 2, 1983, between Mesa Petroleum Co., as W.I. Owner and 110 N. Wacker Drive Foundation as P.P. Owner.

41. Oil and Gas Lease OCS-G 4216, effective December 1, 1979 granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 381, Vermilion Area, South Addition, as shown on OCS Leasing Map, Louisiana Map No. 3B.

Mesa Working Interest..... .80000

The above described Lease is subject to an overriding royalty interest conveyed by an overriding royalty conveyance from Mesa Petroleum Co., as Assignor, to Mesa Offshore Royalty Partnership, as Assignee, dated as of December 1, 1982.

42. Oil and Gas Lease OCS-G 2557, effective April 1, 1974 granted by the United States of America, as Lessor, to Burmah Development Co., Inc., et al., as Lessee, and covering all of Block 612, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B.

Mesa Working Interest..... .18400

43. Oil and Gas Lease OCS-G 2623, effective May 1, 1974 granted by the United States of America, as Lessor, to Mesa and Occidental, as Lessee, covering all of Block 31, South Timbalier Area, Official Leasing Map, Louisiana Map No. 6.

Mesa Working Interest..... .15000

LAW OFFICES
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EIGHTEENTH FLOOR

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WALTER E. LEMLE
CHARLES J. KEMMER, JR.
H. MARTIN HUNLEY, JR.
WILLIAM STEIN, JR.
C. MURPHY WOODS, JR.
ALEX R. KONTINOT
GEORGE A. FRALOT, III
THOMAS W. THORNE, JR.
ALBERT H. HANEMANN, JR.
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WILLIAM J. LAZIERE, JR.
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MARK L. TULL
DEBORAH F. ZEHNER
PETER L. AGERBER

April 17, 1979

Department of the Interior
Bureau of Land Management
Outer Continental Shelf Office
500 Camp Street
New Orleans, LA 70130

Attention: Mr. John L. Rankin,
Offshore Manager



Re: Leases Nos. OCS-G2224, 2225,
2317, 2177, 2185, 2193, 2195,
2839, 3284, 2850, 2559, 2859, 2860,
2882, 2833, 2587, 2884, 2900, 3156,
2607, 3193, 3195, 2947, 3206, 3202,
3203, 3417, 3416, 3409, 3500, 3766,
3786.

Offshore Louisiana

Leases Nos. OCS-G2366, 2372, 3118,
2378, 2701, 2704, 2779, 2705, 2706,
2384, 2713, 2388, 2389, 2390, 2718,
2719, 2398, 2403, 3314, 2409, 2737,
2414, 2416, 2418, 2422, 2739, 2426,
2429, 2745, 2746, 2766, 2367, 3756,
3757.

Offshore Texas

Gentlemen:

Enclosed are an original executed copy and 68
xerox copies of each of the following documents:

1. Amendment to Production Payment Agreement
dated as of April 1, 1979 between Penn-
zoil Company and Pennzoil Louisiana and
Texas Offshore, Inc.

Department of the Interior

Page 2

April 17, 1979

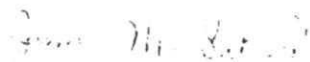
2. Amendment to Instrument of Conveyance of Production Payment dated as of April 1, 1979 between Pennzoil Louisiana and Texas Offshore, Inc. and Pennzoil Company.
3. Confirmation of Assignment dated as of April 1, 1979 among Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Company and The First National Bank of Chicago, as Agent for certain banks.

We request that you file the original executed copy of each of these documents, along with this letter, in your file applicable to Lease No. OCS-G2839. Please also place an additional copy of this letter and a xerox copy of these documents in your file applicable to each of the remaining captioned leases for cross-referencing purposes.

We understand that the payment of a fee in connection with this filing is not required by applicable regulations, and that no approval is necessary. Please return one enclosed copy of this letter to evidence such filing and the accomplishment of our request.

Very truly yours.

LEMLE, KELLEHER, KOHLMEYER & MATTHEWS


James M. Petersen

JMP/dca

Enclosures

AMENDMENT
TO
PRODUCTION PAYMENT AGREEMENT

THIS AMENDMENT TO PRODUCTION PAYMENT AGREEMENT (hereinafter called this "Amendment"), dated as of April 1, 1979 between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (hereinafter called the "Company"),

WITNESSETH:

WHEREAS, by means of the certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Company conveyed to Pennzoil, and Pennzoil purchased from the Company, at the time the first loan was made to the Company under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated as of November 1, 1977, among the Company, The First National Bank of Chicago, and the other banks named therein (such Bank Credit Agreement, as amended and restated, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the interests of the Company (hereinafter called the "Leasehold Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to, in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided in that certain Production Payment Agreement dated as of March 1, 1974, as thereafter amended and restated as of November 1, 1977, between Pennzoil and the Company (such Production Payment Agreement, as amended and restated, being hereinafter called the "Production Payment Agreement"), all as more particularly provided in the Production Payment Agreement;

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement and to secure the performance by the Company of its obligations under the Bank Credit Agreement, the Company, by that certain assignment dated as of March 1, 1974, and confirmed by the Confirmation of Assignment dated as of November 1, 1977 (hereinafter called the "Assignment") from the Company to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the right, title and interest of the Company in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by Pennzoil for the purpose of its making the representations and special agreements set out therein;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$200,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the addition to the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of November 1, 1977 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$250,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the deletion from the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement is now proposed to be amended to reflect a further extension of the maturity of the credit available to the Company thereunder, an increase in the amount of that credit to \$275,000,000, and for other purposes; and

WHEREAS, pursuant to the request of the Company and Pennzoil, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to reflect the Amendment to the Bank Credit Agreement proposed as aforesaid, to add to the Leasehold Interests the interests of the Company in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America, and to delete from the Leasehold Interests certain other leases, and in consideration of the premises and of the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Production Payment Agreement is hereby amended in the following respects:

(a) The introductory paragraph of the Production Payment Agreement is amended by changing the date "November 1, 1977" therein to "April 1, 1979".

(b) Section 2.1 of the Production Payment Agreement is amended by changing the phrase "as amended and restated as of November 1, 1977" therein to read "as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979".

(c) Section 2.2 of the Production Payment Agreement is amended by changing the figure "105%" therein to read "106%" and by deleting the words "plus 1/2%" therein.

(d) Section 2.3 of the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to read "November 1, 1977" and by changing the date "November 1, 1977" therein to read "April 1, 1979".

(e) Section 2.4 of the Production Payment Agreement is amended by changing the date "July 1, 1986" therein to read "January 1, 1983", and by changing the phrase "as amended and restated as of November 1, 1977" therein to read "as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979".

(f) Section 2.5 of the Production Payment Agreement is amended by changing the date "June 30, 1986" in paragraph (b) thereof to read "December 31, 1987", and by changing the phrase "as amended and restated as of November 1, 1977" therein to read "as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979".

(g) Section 3.3 of the Production Payment Agreement is amended by deleting the second occurrence of the word "area" therein and by changing the reference to "Federal Power Commission" therein to "Federal Energy Regulatory Commission".

(h) The "IN WITNESS WHEREOF" paragraph of the Production Payment Agreement is amended by changing the date "November 1, 1977" therein to read "April 1, 1979".

(i) The signatures and acknowledgements set forth in the Production Payment Agreement are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgements thereto.

(j) The first paragraph of Appendix 1 to the Production Payment Agreement is amended by changing the date "November 1, 1977" therein to "April 1, 1979".

(k) Subparagraph (f) of Paragraph 1 of Appendix 1 to the Production Payment Agreement is amended by changing the date "November 1, 1977" therein to "April 1, 1979".

(l) Subparagraph (a) of Paragraph 4 of Appendix 1 to the Production Payment Agreement is amended by changing the phrase "as thereafter amended and restated as of November 1, 1977" therein to read "as thereafter amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979".

(m) Subparagraph (b) of Paragraph 4 of Appendix 1 to the Production Payment Agreement is amended by changing the figure "105%" therein to "106%" and by deleting the words "plus 1/2%".

(n) Paragraph 9 of Appendix 1 to the Production Payment Agreement is amended by changing all references to "Federal Power Commission" therein to "Federal Energy Regulatory Commission".

(o) The signatures and acknowledgments set forth in Appendix 1 to the Production Payment Agreement are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgments thereto.

(p) Exhibit "A" to Appendix 1 to the Production Payment Agreement is amended to read in its entirety as set forth in Annex I hereto as Exhibit "A" to Appendix 1 thereto.

2. Except as amended hereby, the provisions of the Production Payment Agreement shall remain in full force and effect. The Production Payment Agreement, as amended hereby, shall be restated to read in its entirety as set forth in Annex I hereto, it being agreed and understood that all references in the Production Payment Agreement as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Production Payment Agreement; provided, however, that notwithstanding any provision hereof to the contrary, this Amendment shall not be construed or operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

WITNESSES:

Roger Wornette
Sue J. Prejan

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
[SEAL]

By 
Treasurer

Roger Wornette
Sue J. Prejan

PENNZOIL COMPANY
[SEAL]

By 
Group Vice President

Flis. Darnon
K. M. Kline

THE FIRST NATIONAL BANK OF CHICAGO,
as Agent
[SEAL]

R. S. Glanville
Title: Vice President

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979:

(Louisiana)

Before me appeared J. N. AVERETT, JR., to me personally known, who, being by me duly sworn, did say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. AVERETT, JR. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SORTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared J. N. AVERETT, JR., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SORTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.



[NOTARIAL SEAL]

Notary Public in and for Harris County, Texas
My Commission Expires

CELIA I. GARZA
Notary Public in Harris County for the State of Texas
My Commission Expires September 30, 1980

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 14th day of April, 1979:

(Louisiana)

Before me appeared R. J. GLANVILLE to me personally known, who, being by me duly sworn, did say that he is a VICE PRESIDENT of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that R. J. GLANVILLE acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me on this day personally appeared R. J. GLANVILLE, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a VICE PRESIDENT of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purpose and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 14th day of April, 1979.

Marcia Krupa
Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires Dec. 5, 1982

[NOTARIAL SEAL]

PRODUCTION PAYMENT AGREEMENT

THIS AGREEMENT, dated as of March 1, 1974, as amended and restated as of April 1, 1979, between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (hereinafter called the "Company"),

WITNESSETH:

ARTICLE I

Recitals

1.1 The Company proposes herein to agree to make available to Pennzoil, or Pennzoil's designee, for purchase on the terms and conditions provided herein all gas produced from or applicable to the interests of the Company (hereinafter called the "Leasehold Interests") in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America, which interests, leases and lands are described in Exhibit "A" to Appendix 1, attached hereto and hereby made a part hereof.

1.2 Pennzoil proposes to purchase from the Company, at the time the first loan is made to the Company under that certain Bank Credit Agreement, dated as of the date hereof, among the Company, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the Leasehold Interests in an amount equal to the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided herein (hereinafter called the "Purchase Price Payment Date"), all as more particularly provided herein.

Now, THEREFORE, in consideration of the mutual promises herein set forth, it is agreed as follows:

ARTICLE II

Sale and Purchase of Production Payment

2.1 The Company hereby agrees to sell and convey to Pennzoil, and Pennzoil hereby agrees to purchase from the Company, a production payment in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement, as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979, on the Purchase Price Payment Date, if any, which shall be specified by the Company as provided in Section 2.5. The purchase price of such production payment shall be an amount equal to the principal amount thereof.

2.2 The conveyance of production payment

(a) shall entitle the holder thereof to an amount equal to interest (computed from the Purchase Price Payment Date) on the unpaid balance of the principal amount of the production payment from time to time remaining outstanding at a rate per annum (based on a year of 365 days) which shall be equal to 106% of the corporate base rate on 90-day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate.

(b) shall provide that the production payment shall be dischargeable from eighty-five percent (85%) of the proceeds of production from or applicable to the Leasehold Interests,

(c) shall be effective from and as of the day on which such production payment shall have been sold and conveyed to Pennzoil as provided in Section 2.3, and

(d) shall grant to the holder thereof the rights provided for in, and shall be substantially in the form of, the form of conveyance of production payment attached hereto as Appendix 1.

2.3 Pursuant to the agreement of the Company and Pennzoil as hereinbefore provided, a production payment was sold and conveyed by the Company to Pennzoil by Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil, and thereafter amended and restated as of November 1, 1977. The terms of such production payment shall be further amended by an Amendment to Instrument of Conveyance of Production Payment to be dated as of April 1, 1979, whereby the aforesaid Instrument of Conveyance of Production Payment shall be amended and restated so as to be substantially in the form of Appendix 1 hereto.

2.4 Following the conveyance of such production payment, amended as aforesaid, by the Company to Pennzoil as provided in Section 2.3, the Company or its assignee shall have the right at any time prior to January 1, 1988, upon notice given to Pennzoil as provided in Section 2.5, to call upon Pennzoil either

(a) to pay to the Company or its assignee the purchase price of such production payment, or

(b) to execute, acknowledge and deliver to the Company, at the Company's expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged such production payment;

provided, however, that the right referred to in subsection (a) above may not be exercised by the Company unless all certificates of the value of Proven Hydrocarbon Reserves which are required to be delivered to The First National Bank of Chicago under the Bank Credit Agreement, as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979, shall have been so delivered as required and an executed counterpart of each such certificate shall have been delivered to Pennzoil.

2.5 Notice of the election by the Company or its assignee to exercise either of the rights referred to in Section 2.4 shall specify the following:

(a) which of such rights the Company or its assignee shall have elected to exercise;

(b) a date for closing the transactions contemplated by such right which (i) shall be a business day not less than 30 days after the date upon which such notice is received by Pennzoil unless Pennzoil shall agree in writing to an earlier closing date, and (ii) shall not be later than December 31, 1987; and

(c) if the Company or its assignee shall have elected to exercise its right to receive from Pennzoil the purchase price of the production payment, the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement, as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979, as of the Purchase Price Payment Date, such amount to be subject to adjustment as required on and as of such date.

The election by the Company or its assignee, in the manner set forth above, of one of the rights referred to in Section 2.4 shall constitute a waiver of the other such right.

2.6 The closing of the transactions referred to in Section 2.5 shall be held at the general offices of Pennzoil located at Pennzoil Place, Houston, Texas, or at such other location in Houston, Texas as Pennzoil shall specify in writing to the Company or its assignee. The closing date for such transactions shall be the date specified in the notice to Pennzoil, and on such closing date

(a) if the Company or its assignee shall have elected to receive payment of the purchase price of the production payment, Pennzoil shall pay to the Company or its assignee such purchase price in immediately available funds; or

(b) if the Company or its assignee shall have elected to have the Company receive a reconveyance of the production payment, Pennzoil shall execute, have acknowledged and deliver to the Company such instrument or instruments as may be necessary or appropriate to effect such reconveyance to the Company.

ARTICLE III

Pennzoil's Right to Purchase Gas

3.1 The Company shall make available to Pennzoil for purchase by Pennzoil, or such other person, firm or corporation as Pennzoil may designate, all gas produced from or applicable to the Leasehold Interests in accordance with the provisions set forth below.

3.2 When in Pennzoil's judgment gas reserves of sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, Pennzoil shall have the right to purchase such gas. Pennzoil's right to purchase gas hereunder may be exercised whenever and as often as in Pennzoil's judgment gas reserves of sufficient quantity and deliverability are developed on lands covered by one or more of the Leasehold Interests.

3.3 The price (hereinafter called the "Contract Price") to be paid by Pennzoil for gas purchased from the Company hereunder shall be fixed by the contract between the parties hereto for the sale and purchase thereof. Such contract shall contain specific prices competitive with the prices then being included in similar contracts for the purchase of gas from the same area. Such prices shall not be less than the applicable ceiling rate set from time to time by the Federal Energy Regulatory Commission.

3.4 The procedures to be employed by Pennzoil and the Company on each exercise of the right of such right to purchase gas are as follows:

(a) Pennzoil shall give the Company notice of its election to purchase gas, which notice shall also specify the purchaser if it be a person, firm or corporation other than Pennzoil, and shall transmit with such notice a form of gas purchase contract providing for the sale and purchase of such gas. After each such election to purchase, on or before the expiration of thirty (30) days following the date upon which the pertinent notice is received by the Company, the Company shall execute the gas purchase contract transmitted therewith and return such contract to Pennzoil, unless the Company shall give Pennzoil notice that the Company is of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If such Contract Price has not been determined within sixty (60) days after receipt of the initial notice and form of gas purchase contract by the Company, either the Company or Pennzoil shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

3.5 When (i) in the Company's judgment gas reserves of a sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, and (ii) Pennzoil shall not theretofore have given the Company notice of its election to purchase such gas, then and in such event the Company shall have the right to sell such gas in accordance with and subject to the provisions of Section 3.6.

3.6 The procedures to be employed by the Company and Pennzoil on each exercise by the Company of the right to sell such gas under Section 3.5 are as follows:

When the Company is entering into any contract for the sale of such gas, the Company shall give notice of its desire to sell such gas and shall transmit with each such notice a form of gas purchase contract providing for the sale and purchase of such gas.

(b) Pennzoil shall have a period of thirty (30) days from and after its receipt of such notice from the Company within which to elect to purchase such gas. If Pennzoil elects to purchase such gas, it shall give the Company notice to such effect and shall execute such gas purchase contract and return the same to the Company unless Pennzoil shall be of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If Pennzoil and the Company are unable to reach agreement on such Contract Price within sixty (60) days after receipt by Pennzoil of the aforesaid notice, either Pennzoil or the Company shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

(c) In the event Pennzoil does not elect to purchase such gas on or before the expiration of thirty (30) days after receipt of such notice from the Company, the Company shall have the right for a period of sixty (60) days from and after the expiration of thirty (30) days next following the receipt by Pennzoil of such original notice from the Company within which to execute with a third party a contract for the sale of such gas in the form submitted to Pennzoil with the original notice from the Company. If such contract is not executed within such sixty (60) day period, such gas shall not thereafter be sold by the Company to a third party, without first making the same available to Pennzoil in accordance with the provisions hereof.

3.7 If, pursuant to the provisions hereof, either party elects to cause the Contract Price to be provided in a gas purchase contract to be determined by arbitration, such party shall give the other party notice of such election, which notice shall also name one arbitrator. The party receiving such notice shall, within ten (10) days thereafter, by notice to the other, name the second arbitrator. The two (2) arbitrators so appointed shall name the third, or upon their failing to do so within ten (10) days, the third arbitrator may, upon request of either the Company or Pennzoil, be appointed by the person who at that time is the chief judge of the United States District Court for the Southern District of Texas. The arbitrators so appointed shall promptly hear and determine (after giving the parties due notice of hearing and a reasonable opportunity to be heard) the question submitted, and shall render their decision within sixty (60) days after completion of the hearing. The decision of the arbitrators, or a majority thereof, made in writing shall be final and binding upon Pennzoil and the Company. The expenses of arbitration, including reasonable compensation to the arbitrators, shall be borne equally by Pennzoil and the Company, except that each party shall bear the compensation and expenses of its counsel, witnesses and employees.

ARTICLE IV

General

4.1 All notices and other communications provided for herein shall be in writing and shall be delivered to the addressee thereof at Pennzoil Place, P. O. Box 2967, Houston, Texas 77001, or to such other address as the addressee shall have designated by written notice to the party giving such notice or making such communication. The date upon which any such notice or other communication is delivered shall be deemed to be the date the same is received.

4.2 The terms and provisions of Article III of this Agreement shall constitute covenants running with the lands and leases affected hereby and shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns.

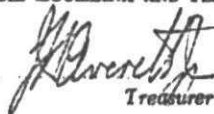
IN WITNESS WHEREOF, this Restated Production Payment Agreement amends and restates the Production Payment Agreement dated as of March 1, 1974, as heretofore amended and restated, and has been executed in multiple counterparts as of April 1, 1979.

Witnesses:

Roger Wernette
Sue J. Pryor

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By


Treasurer

ATTEST:


Secretary

[CORPORATE SEAL]

Witnesses:

Roger Wernette
Sue J. Pryor

PENNZOIL COMPANY

By


Group Vice President

ATTEST:


Secretary

[CORPORATE SEAL]

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979:

(Louisiana) Before me appeared J. N. AVERETT, JR., to me personally known, who, being by me duly sworn, say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. AVERETT, JR. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared HAROLD E. SORTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared J. N. AVERETT, JR., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared HAROLD E. SORTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.

Celia I. Garza

[NOTARIAL SEAL]

Notary Public in and for Harris County, Texas
My Commission Expires

CELIA I. GARZA
Notary Public in Harris County for the State of Texas
My Commission Expires September 30, 1980

APPENDIX 1
TO
PRODUCTION PAYMENT AGREEMENT
BETWEEN
PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
AND
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of April 1, 1979, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas.

WITNESSETH:

WHEREAS, the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described,

Now, THEREFORE, it is agreed by and between the Grantor and the Grantee as follows:

1. **Certain Definitions.** The following terms shall be used in this Conveyance with the meanings given below:

(a) "Accounting Month" shall mean any monthly period commencing with and including the 21st day of any calendar month and ending on and including the 20th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

(e) "Lease" shall mean any oil and gas lease or sub-lease, described in Exhibit A.

(f) "Proceeds Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date upon which the purchase price is paid by the Grantee to the Grantor as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of April 1, 1979, between the Grantor and the Grantee.

(g) "Subject Hydrocarbons" shall mean all Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue and be attributable to, the Subject Interests from and after the Proceeds Commencement Date and throughout the period specified in this Conveyance for the term of the Production Payment.

(h) "Subject Interests" shall mean the undivided percentage interests of the Grantor in the Leases, and, in addition thereto, each and every other kind and character of right, title, claim or interest which the Grantor now has in, to or under the Leases, which interests or Leases are

either specifically or generally described in Exhibit A, all as the same shall be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons; subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargained, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the wellhead of the Subject Hydrocarbons used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor 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 producing Subject Hydrocarbons from the Subject Interests or from any unit to which the Subject interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests, from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized,

out of the proceeds from the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date under the Bank Credit Agreement, dated as of March 1, 1974, as thereafter amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"); plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 106% of the corporate base rate on 90-day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate, from and including the Proceeds Commencement Date on the unliquidated balance from time to time of the Primary Sum (the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date on the amount of such unliquidated balance on the Proceeds Commencement Date, and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month on the amount of such unliquidated balance on the first day of such preceding Accounting Month); plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision thereof on account of ad valorem, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatsoever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof, together with an amount equal to interest on the unliquidated amount thereof at the rate of 7% per annum from the date of payment of each such amount by the Grantee; provided, however, that the Grantor shall have the right at its expense to contest any such taxes or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENTION OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Subject Hydrocarbons the full aggregate sum of the amounts described in subparagraphs (a) and (b) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Hydrocarbons (which expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described, specified or referred to in subparagraph (c) of this Paragraph 4.

5. **Termination of the Production Payment.** When the full aggregate sum of the amounts specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate and all interest therein shall immediately revert to and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination, it shall execute or cause to be executed, upon the request and at the expense of the Grantor, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. **Application of the Proceeds of Subject Hydrocarbons.** For all purposes of this Conveyance, the proceeds of Subject Hydrocarbons actually received by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied immediately after the opening of business on the 21st day of such month, and thereafter, such proceeds actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Account-

ing Month shall be deemed to have been received and applied immediately after the opening of business on the first day of the next succeeding Accounting Month; provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds are actually received by the Grantee, such proceeds shall be deemed to have been received and applied on the last business day next preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds to be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application, and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertained, and

(c) Third, to the reduction of the unliquidated balance of the Primary Sum;

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. **Marketing the Subject Hydrocarbons.** The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contracts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the last day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of the Subject Hydrocarbons so taken.

8. **Sales Contracts.** The Grantor will duly perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into (all such contracts and agreements being the "Sales Contracts"), in accordance with the terms hereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantor, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchasers thereof into the pipelines to which the wells producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. **Withholding and Restitution of Proceeds of Subject Hydrocarbons.** All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Energy Regulatory Commission. Rates permitted under the Natural Gas Act and said rules and regulations to be paid for gas included in Subject Hydrocarbons shall be controlling if varying from prices established in Sales Contracts or if different from the fair market price at the wellhead. The Grantor shall be entitled to use its reasonable discretion in making filings with the Federal Energy Regulatory Commission affecting Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantor pending final approval of rate increases filed with the Federal Energy Regulatory Commission, the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the

Grantee. If, at any time before or after receipt of the full aggregate sum specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Subject Hydrocarbons, which proceeds have already been applied pursuant to the provisions of Paragraph 8 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties, provided, however, that if at the time of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

10. **Protection to Purchasers of Production.** No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

11. **Payment of Taxes.** The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and all transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and assessments of every kind and character whatsoever (other than federal income taxes of the Grantee) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests, the Production Payment or the Subject Hydrocarbons, or the proceeds thereof, or against the Grantee by reason of its acquisition or ownership of the Production Payment or against any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. **Covenants of the Grantor.** Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Interests, cause:

(a) The Subject Interests to be maintained and developed and continuously operated for the production of Hydrocarbons in a good and workmanlike manner and in accordance with sound field practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith); provided, however, if the Grantor in good faith and in conformity with sound field practices elects not to participate in any operation which is to be conducted under the terms of an operating agreement, unit operating agreement, contract for development or similar instrument entered into by the Grantor or its predecessors in title pertaining to the development and operation of any Subject Interest (or any portion thereof) and which allows any consenting party or parties to conduct nonconsent operations, then, during the period or periods in which the consenting party or parties are entitled to receive Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) by the terms of such instrument pending the recoupment or receipt of the sums determined thereunder, the Grantee shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All rentals, royalties, and all liabilities of any kind or nature, including, without limitation, all liabilities for labor, material, supplies and equipment incurred in, or arising from, the administration, operation or development of, or the gathering, producing, treating, processing, storing, marketing or transporting of, the Subject Hydrocarbons, to be paid punctually when due, or, as to any thereof which are being contested in good faith, promptly after the final determination of such contest.

(c) All machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and necessary or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided.

(d) All necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Hydrocarbons and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand.

(e) Written notice to be given to the Grantee of every adverse claim or demand made by any person (including any government or governmental agency) affecting the Subject Interests, the Subject Hydrocarbons or the proceeds thereof in any manner whatsoever, or of any proceeding instituted with respect thereto.

(f) The interest of the Grantor in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance.

(g) Subject to the provisions of Paragraph 19 of this Conveyance, all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee, or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance.

Anything contained in this Paragraph 12 to the contrary notwithstanding, the Grantor shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantor, with respect to individual Subject Interests of which it is not the operator. In such case, however, the Grantor will use its best efforts to secure the performance of any such undertakings.

13. Access to the Subject Interests. The Grantor shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition the Grantor shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Hydrocarbons.

14. Pooling and Unitization. Anything herein to the contrary notwithstanding, the Grantor may, without the consent of the Grantee, pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units when, in the judgment of the Grantor, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). Forthwith, after the formation of any unit, the Grantor shall furnish to the Grantee a true copy of the pooling agreement, unit designation or any other instrument creating such unit, together with, upon request of the Grantee, any operating agreement relating thereto. The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. **Default by the Grantor and the Remedies of the Grantee.** Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. **Exercise and Termination of the Remedies of the Grantee.** All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All rights and remedies shall terminate:

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 15 of this Conveyance (including amounts payable for interest) shall have been paid in full; or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies conferred upon the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. **Reports to the Grantee.** While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a report showing for such calendar month (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use and (ii) the gross proceeds received from the sale, or attributable to such taking, of such Subject Hydrocarbons.

18. **Warranty of Title.** The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests, subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A; that the Grantor has the power and right to create and confer upon the Grantee the

rights of the Grantee granted by the terms of this Conveyance; and that there are no suits or proceedings pending or, to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interests and the production of Hydrocarbons as warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. **Transfer of the Subject Interests.** Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests; provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well may be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons, over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well thereon which would cause such well to be capable of producing Hydrocarbons, over and above the cost of instituting and completing such pressure maintenance or secondary recovery operation, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the producing capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons whose aggregate value exceeds or will exceed the Grantor's share (as the owner of the Subject Interest on which such well is located) of the direct cost of operating such well.

In each case where the preceding paragraph of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which are so surrendered, abandoned or terminated shall upon surrender, abandonment or termination cease to be a Subject Interest, and (b) the Grantor, in lieu of surrendering, abandoning or terminating any of the Subject Interests (or any portion thereof), may sell, assign, sublease, farmout or convey the same free and clear of the Production Payment without the consent of the Grantee, and the Grantee shall not have the right to any proceeds from such sale, assignment, sublease, farmout or conveyance; provided, however, that any interest in any such Subject Interest (or any portion thereof) which may be excepted from such sale, assignment, sublease, farmout or conveyance and retained by the Grantor shall not be released thereby from the Production Payment.

20. **Exception to Payments.** The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking exception to the correctness of the amount thereof; provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantor within 12 months after the date such payment is made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

22. Rights of Mortgagee or Trustee. If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

23. Notices. Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantor to Pennzoil Place, P.O. Box 2967, Houston, Texas, and if to the Grantee to Pennzoil Place, P.O. Box 2967, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. Further Assurances. So long as permitted by applicable law so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. Binding Effect. All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantee. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. Release or Failure of Title. No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interest until the full amount of the Production Payment has been received by the Grantee as herein provided.

27. Final Termination. Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of Theodore Roosevelt, late President of the United States, who are living on the date hereof.

28. Headings. Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, as heretofore amended and restated, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed

to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By

Treasurer

ATTEST:

Secretary

[CORPORATE SEAL]

Witnesses:

PENNZOIL COMPANY

By

Group Vice President

ATTEST:

Secretary

[CORPORATE SEAL]

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979:

(Louisiana)

Before me appeared J. N. AVERETT, JR., to me personally known, who, being by me duly sworn, did say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. AVERETT, JR. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SORTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared J. N. AVERETT, JR., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SORTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.

Notary Public in and for Harris County, Texas
My Commission Expires

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
(All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps)			
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	25.00%
OCS-G2224	2-1-73	All of Block 532 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2225	2-1-73	All of Block 533 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G3284	8-1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2850	12-1-74	All of Block 608, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2559	5-1-74	All of Block 617 West Cameron Area -- South Addition, Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2859	12-1-74	All of Block 236, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2860	12-1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2882	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2883	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2587	5-1-74	All of Block 128 South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2884	12-1-74	All of Block 129, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2900	12-1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G3156	7-1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	10.66667%
OCS-G2607	5-1-74	All of Block 312 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4	26.66667%
OCS-G2317	2-1-73	All of Block 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.66667%

**EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)**

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2177	11-1-72	All of Block 49 South Pass Area as shown on official leasing map, Louisiana Map No. 9	10.00%
State Lease No. G310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	20.00%
OCS-G2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A	15.00%
OCS-G3193	7-1-75	3½ of Block 59, Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1956 and landward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3195	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	21.00%
OCS-G2947	12-1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	21.00%
OCS-G2193	10-1-72	All of Block 140 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	10.00%
OCS-G3202	7-1-75	All of Block 947, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%
OCS-G3203	7-1-75	All of Block 903, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%
OCS-G3206	7-1-75	All of Block N663E63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63, Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10)	10.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM & State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2366	8-1-73	All of Block A-474, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2372	8-1-73	All of Block A-489, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	5.00%
OCS-G3178	4-1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.40%
OCS-G2378	8-1-73	All of Block A-520, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2701	7-1-74	All of Block A-540, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2704	7-1-74	All of Block A-542, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G2779	10-1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2705	7-1-74	All of Block A-547, High Island - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2706	7-1-74	All of Block A-548, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2384	8-1-73	All of Block A-555, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	14.50%
OCS-G2713	7-1-74	All of Block A-562, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.715%
OCS-G2388	8-1-73	All of Block A-563, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2389	8-1-73	All of Block A-564, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2390	8-1-73	All of Block A-570, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2718	7-1-74	All of Block A-575 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2719	7-1-74	All of Block A-582 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.118%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>F.L.M. or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2398	8-1-73	All of Block A-273, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	13.50%
OCS-G2403	8-1-73	All of Block A-279, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	8-1-73	All of Block A-288, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2409	8-1-73	All of Block A-312, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	18.11538%
OCS-G2737	7-1-74	All of Block A-316 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	21.132%
OCS-G2414	8-1-73	All of Block A-323, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2416	8-1-73	All of Block A-325, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	68.57143%
OCS-G2418	8-1-73	All of Block A-327, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-332, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2736	7-1-74	All of Block A-339 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-400, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2429	8-1-73	All of Block A-351 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	43.94625%
OCS-G2745	7-1-74	All of Block A-355, High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	11.33%
OCS-G2746	7-1-74	All of Block A-356, High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	15.00%
OCS-G2766	7-1-74	All of Block A-403 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G3417	1-1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975, (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3409	1-1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	25.00%
OCS-G3416	1-1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 9	20.00%
OCS-G3500	8-1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	30.00%
OCS-G2367	8-1-73	S 1/2 of NE 1/4 and SE 1/4 of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G3756	6-1-78	All of Block A-522, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	30.00%
OCS-G3757	6-1-78	All of Block A-551, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	16.67%
OCS-G3766	6-1-78	All of Block 510 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.66%
OCS-G3788	3-1-78	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	15.00%

This Conveyance is subject to the terms and provisions of the above-described oil and gas leases and accordingly, the Subject Hydrocarbon and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS-G3409, OCS-G2425, OCS-G2850, OCS-G2559, OCS-G2607, OCS-G3317, OCS-G3193, OCS-G3195, OCS-G2947 and OCS-G3417 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G3284, OCS-G2859, OCS-G2860, OCS-G2882, OCS-G2883, OCS-G2507, OCS-G2884, OCS-G2825, OCS-G3156, OCS-G2185, OCS-G3202, OCS-G3203, OCS-G2366, OCS-G2372, OCS-G3118, OCS-G2701, OCS-G2334, OCS-G2713, OCS-G2388, OCS-G2389, OCS-G2719, OCS-G2416, OCS-G2426, OCS-G2429, OCS-G2766, OCS-G3409, OCS-G3416, OCS-G3500 and State Lease No. 6310 referred to above are each subject to an Operating Agreement between the Grantee, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2177, OCS-G2193 and OCS-G3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2405 and OCS-G3314 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2378, OCS-G2737, OCS-G2417, OCS-G2745 and OCS-G2746 referred to above are each subject to an Operating Agreement between Cities Service Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2409, OCS-G2418 and OCS-G2422 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2390 and OCS-G2718 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2398 referred to above is subject to an Operating Agreement between Aminoil Development, Inc., as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2704, OCS-G2779, OCS-G2705 and OCS-G2706 are each subject to an Operating Agreement between Texaco Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225, OCS-G2223 and OCS-G2185 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2883, OCS-G3417, OCS-G3195, OCS-G2947, OCS-G2414, OCS-G2378, OCS-G2882, OCS-G2587, OCS-G2607, OCS-G2317 and OCS-G2193 are subject to liquids purchase agreements between Grantor and Atlas Processing Company.

The Grantor's interests in Lease Nos. OCS-G2839, OCS-G2224, OCS-G2225, OCS-G2177, OCS-G2185, OCS-G3193, OCS-G3195, OCS-G2947, OCS-G2193, OCS-G3202, OCS-G3203, OCS-G3206, OCS-G2366, OCS-G2372, OCS-G3118, OCS-G2378, OCS-G2701, OCS-G2704, OCS-G2779, OCS-G2705, OCS-G2706, OCS-G2334, OCS-G2713, OCS-G2383, OCS-G2385, OCS-G2390, OCS-G2718, OCS-G2719, OCS-G2398, OCS-G2403, OCS-G3314, OCS-G2405, OCS-G2737, OCS-G2414, OCS-G2416, OCS-G2418, OCS-G2422, OCS-G2739, OCS-G2426, OCS-G2429, OCS-G2745, OCS-G2746, OCS-G2766, OCS-G3417 and OCS-G3416 are subject to gas purchase contracts between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G3284, OCS-G2850, OCS-G2559, OCS-G2882, OCS-G2537, OCS-G2583, OCS-G2900, OCS-G3156, OCS-G2607, OCS-G2717, OCS-G2859, OCS-G2860, OCS-G2883, OCS-G3409 and OCS-G3500 are subject to gas purchase contracts between Grantor and Sea Robin Pipe Line Company.

The Grantor's interest in Lease No. OCS-G2701 is subject to a Partial Assignment of Oil and Gas Lease dated as of July 1, 1977, among Grantor, Pennzoil Offshore Lease Operators, Inc. (now named Pogo Producing Company), et al., as assignors, and Mobil Oil Corporation, et al., as assignees.

The Grantor's interests in Lease Nos. OCS-G2366 and OCS-G2367 referred to above are subject to a Farmout Agreement dated April 27, 1978, as amended, among Kefauver-McGee Corporation, et al., as owner or farmor, and Grantor, et al., as farmee. The Grantor's interest in Lease No. 2367 consists of operating rights arising from said Farmout Agreement.

The Grantor's interest in State Lease No. 6310 referred to above is subject to a gas purchase contract between Grantor and United Gas Pipe Line Company, under which sales are conditioned on the approval of or waiver by the State of Louisiana.

The Grantor's interests in Lease Nos. OCS-G2418 and OCS-G2422 are subject to liquids purchase agreements between Grantor and Sun Production Company.

The Grantor's interest in Lease No. OCS-G2429 referred to above is subject to a Unitization Agreement dated May 1, 1978, USGS Contract #14-08-0001-16930.

The Grantor's interests in Lease Nos. OCS-G2224 and OCS-G2225 referred to above are each subject to a Unit Plan, a Unit Operating Agreement, and Plans of Operation among Mobil Oil Corporation, as unit operator, and Grantor, et al.

The Grantor's interest in OCS-G2409 referred to above is subject to an Assignment of Operating Rights among Grantor, et al., as assignors, and Mesa Petroleum Co., et al., as assignees, and is subject to a Gas Availability Agreement between Grantee and United Gas Pipe Line Company.

**AMENDMENT
TO
INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT**

THIS AMENDMENT TO INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Amendment") dated as of April 1, 1979, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967 Houston, Texas.

WITNESSETH:

WHEREAS, by means of that certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Grantor and Grantee (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Grantor conveyed to the Grantee, and the Grantee purchased from the Grantor, at the time the first loan was made to the Grantor under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated, among the Grantor, The First National Bank of Chicago, and the other banks named therein (such Bank Credit Agreement, as amended and restated as of November 1, 1977, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the interests of the Grantor (hereinafter called the "Leasehold Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to, in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by the Grantee to the Grantor as provided in that certain Production Payment Agreement dated as of March 1, 1974, as thereafter amended and restated as of November 1, 1977, between the Grantee and the Grantor (such Production Payment Agreement, as so amended and restated, being hereinafter called the "Production Payment Agreement"), all as more particularly provided in the Production Payment Agreement;

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement and to secure the performance by the Grantor of its obligations under the Bank Credit Agreement, the Grantor, by that certain assignment dated as of March 1, 1974 and confirmed by the Confirmation of Assignment dated as of November 1, 1977 (hereinafter called the "Assignment") from the Grantor to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the right, title and interest of the Grantor in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by the Grantee for the purpose of its making the representations and special agreements set out therein;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$200,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the addition to the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of November 1, 1977 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$250,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the

addition to and deletion from the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement is now proposed to be amended to reflect a further extension of the maturity of the credit available to the Company thereunder, an increase in the amount of that credit to \$275,000,000, and for other purposes; and

WHEREAS, pursuant to the request of the Grantor and the Grantee, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to add to the Leasehold Interests the interests of the Grantor in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America and to delete from the Leasehold Interests certain other leases, and in consideration of the premises and the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Conveyance is hereby amended in the following respects:

(a) The first paragraph of the Conveyance is amended by changing the date "November 1, 1977" therein to "April 1, 1979".

(b) Subparagraph (f) of Paragraph 1 of the Conveyance is amended by changing the date "November 1, 1977" therein to "April 1, 1979".

(c) Subparagraph (a) of Paragraph 4 of the Conveyance is amended by changing the phrase "as thereafter amended and restated as of November 1, 1977" therein to read "as thereafter amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979".

(d) Subparagraph (b) of Paragraph 4 of the Conveyance is amended by changing the figure "105%" therein to "106%" and by deleting the words "plus ½%" therein.

(e) Paragraph 9 of the Conveyance is amended by changing all references to "Federal Power Commission" therein to "Federal Energy Regulatory Commission".

(f) The signatures and acknowledgments set forth in the Conveyance are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgments thereto.

(g) Exhibit "A" to the Conveyance is amended to read in its entirety as set forth in Annex I hereto as Exhibit "A" thereto.

2. Except as amended hereby, the provisions of the Conveyance shall remain in full force and effect. The Conveyance, as amended hereby, shall be restated to read in its entirety as set forth in Annex I hereto, it being agreed and understood that all references in the Conveyance as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended, including by the amendments thereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Conveyance; provided, however, that notwithstanding any provision hereof to the contrary, this Amendment shall not be construed or operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Peanoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

WITNESSES:

Rogey Wornette

Sue J. Pryor

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

[SEAL]

By

Rogey Wornette
Treasurer

Rogey Wornette

Sue J. Pryor

PENNZOIL COMPANY

[SEAL]

By

Samuel E. Harte
Group Vice President

F.W. Damsour

E.W. LaBolt

THE FIRST NATIONAL BANK OF CHICAGO, as Agent

[SEAL]

By

R.S. Glanville
Title: Vice President

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979.

(Louisiana)

Before me appeared J. N. AVERETT, JR., to me personally known, who, being by me duly sworn, did say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. AVERETT, JR., acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SORTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared J. N. AVERETT, JR., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SORTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.



Notary Public in and for Harris County, Texas
My Commission Expires

CELIA I. GARZA
Notary Public in Harris County for the State of Texas
My Commission Expires September 30, 1980

[NOTARIAL SEAL]

THE STATE OF ILLINOIS }
COUNTY OF COOK } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 11th day of April, 1979:

(Louisiana)

Before me appeared R. J. GLANVILLE, to me personally known, who, being by me duly sworn, did say that he is a VICE PRESIDENT of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that R. J. GLANVILLE acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me on this day personally appeared R. J. GLANVILLE, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a VICE PRESIDENT of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, Country of Cook, State of Illinois, this 11th day of April, 1979.

Maria L. Kupa

Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires Dec. 5, 1982

[NOTARIAL SEAL]

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
TO
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of April 1, 1979, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas.

WITNESSETH:

WHEREAS, the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described,

NOW, THEREFORE, it is agreed by and between the Grantor and the Grantee as follows:

1. **Certain Definitions.** The following terms shall be used in this Conveyance with the meanings given below:

(a) "Accounting Month" shall mean any monthly period commencing with and including the 21st day of any calendar month and ending on and including the 20th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of substances appropriate to the context in which such term is used.

(e) "Leases" shall mean any oil and gas lease or sub-lease, described in Exhibit A.

(f) "Proceeds Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date upon which the purchase price is paid by the Grantee to the Grantor as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of April 1, 1979, between the Grantor and the Grantee.

(g) "Subject Hydrocarbons" shall mean all Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue and be attributable to, the Subject Interests from and after the Proceeds Commencement Date and throughout the period specified in this Conveyance for the term of the Production Payment.

(h) "Subject Interests" shall mean the undivided percentage interests of the Grantor in the Leases, and, in addition thereto, each and every other kind and character of right, title, claim or interest which the Grantor now has in, to or under the Leases, which interests or Leases are

either specifically or generally described in Exhibit A, all as the same shall be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any of any agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons; subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargained, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the wellhead of the Subject Hydrocarbons used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor 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 Subject Hydrocarbons from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests, from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized,

out of the proceeds from the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date under the Bank Credit Agreement, dated as of March 1, 1974, as then amended, including by the amendments hereto pursuant to the Amendment to Bank Credit Agreement dated as of April 1, 1979, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"); plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 106% of the corporate base rate on 90-day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate, from and including the Proceeds Commencement Date on the unliquidated balance from time to time of the Primary Sum (the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date on the amount of such unliquidated balance on the Proceeds Commencement Date, and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month on the amount of such unliquidated balance on the first day of such preceding Accounting Month); plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision thereof on account of ad valorem, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatsoever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof together with an amount equal to interest on the unliquidated amount thereof at the rate of 7% per annum from the date of payment of each such amount by the Grantee, provided however, that the Grantor shall have the right at its expense to contest any such taxes or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENTION OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Subject Hydrocarbons the full aggregate sum of the amounts described in subparagraphs (a) and (b) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Hydrocarbons (which expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described, specified or referred to in subparagraph (c) of this Paragraph 4.

5. **Termination of the Production Payment.** When the full aggregate sum of the amounts specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate and all interest therein shall immediately revert to and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination, it shall execute or cause to be executed upon the request and at the expense of the Grantor, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. **Application of the Proceeds of Subject Hydrocarbons.** For all purposes of this Conveyance, the proceeds of Subject Hydrocarbons actually received by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied immediately after the opening of business on the 21st day of such month, and thereafter, such proceeds actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Account-

ing Month shall be deemed to have been received and applied immediately after the opening of business on the first day of the next succeeding Accounting Month; provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds are actually received by the Grantee, such proceeds shall be deemed to have been received and applied on the last business day next preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds to be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application, and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertained, and

(c) Third, to the reduction of the unliquidated balance of the Primary Sum;

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. Marketing the Subject Hydrocarbons. The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contracts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the last day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of the Subject Hydrocarbons so taken.

8. Sales Contracts. The Grantor will duly perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into (all such contracts and agreements being the "Sales Contracts"), in accordance with the terms hereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantor, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchasers thereof into the pipelines to which the wells producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. Withholding and Restitution of Proceeds of Subject Hydrocarbons. All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Energy Regulatory Commission. Rates permitted under the Natural Gas Act and said rules and regulations to be paid for gas included in Subject Hydrocarbons shall be controlling if varying from prices established in Sales Contracts or if different from the fair market price at the wellhead. The Grantor shall be entitled to use its reasonable discretion in making filings with the Federal Energy Regulatory Commission affecting Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantor pending final approval of rate increases filed with the Federal Energy Regulatory Commission, the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the

Grantee. If, at any time before or after receipt of the full aggregate sum specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Subject Hydrocarbons, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; provided, however, that if at the time of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

10. **Protection to Purchasers of Production.** No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

11. **Payment of Taxes.** The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and all transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and assessments of every kind and character whatsoever (other than federal income taxes of the Grantee) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests, the Production Payment or the Subject Hydrocarbons, or the proceeds thereof, or against the Grantee by reason of its acquisition or ownership of the Production Payment or against any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. **Covenants of the Grantor.** Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Interests, cause:

(a) The Subject Interests to be maintained and developed and continuously operated for the production of Hydrocarbons in a good and workmanlike manner and in accordance with sound field practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith); provided, however, if the Grantor in good faith and in conformity with sound field practices elects not to participate in any operation which is to be conducted under the terms of an operating agreement, unit operating agreement, contract for development or similar instrument entered into by the Grantor or its predecessors in title pertaining to the development and operation of any Subject Interest (or any portion thereof) and which allows any consenting party or parties to conduct nonconsent operations, then, during the period or periods in which the consenting party or parties are entitled to receive Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) by the terms of such instrument pending the recoupment or receipt of the sums determined thereunder, the Grantee shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All rentals, royalties, and all liabilities of any kind or nature, including, without limitation, all liabilities for labor, material, supplies and equipment incurred in, or arising from, the administration, operation or development of, or the gathering, producing, treating, processing, storing, marketing or transporting of, the Subject Hydrocarbons, to be paid punctually when due, or, as to any thereof which are being contested in good faith, promptly after the final determination of such contest.

(c) All machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and necessary or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided.

(d) All necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Hydrocarbons and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand.

(e) Written notice to be given to the Grantee of every adverse claim or demand made by any person (including any government or governmental agency) affecting the Subject Interests, the Subject Hydrocarbons or the proceeds thereof in any manner whatsoever, or of any proceeding instituted with respect thereto.

(f) The interest of the Grantor in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling and production operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance.

(g) Subject to the provisions of Paragraph 19 of this Conveyance, all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee, or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance.

Anything contained in this Paragraph 12 to the contrary notwithstanding, the Grantor shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantor, with respect to individual Subject Interests of which it is not the operator. In such case, however, the Grantor will use its best efforts to secure the performance of any such undertakings.

13. Access to the Subject Interests. The Grantor shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition the Grantor shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Hydrocarbons.

14. Pooling and Unitization. Anything herein to the contrary notwithstanding, the Grantor may, without the consent of the Grantee, pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units when, in the judgment of the Grantor, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). Forthwith, after the formation of any unit, the Grantor shall furnish to the Grantee a true copy of the pooling agreement, unit designation or any other instrument creating such unit, together with, upon request of the Grantee, any operating agreement relating thereto. The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. **Default by the Grantor and the Remedies of the Grantee.** Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. **Exercise and Termination of the Remedies of the Grantee.** All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All rights and remedies shall terminate:

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 15 of this Conveyance (including amounts payable for interest) shall have been paid in full; or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies conferred upon the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. **Reports to the Grantee.** While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a report showing for such calendar month (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use and (ii) the gross proceeds received from the sale, or attributable to such taking, of such Subject Hydrocarbons.

18. **Warranty of Title.** The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests, subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A; that the Grantor has the power and right to create and confer upon the Grantee the

rights of the Grantee granted by the terms of this Conveyance; and that there are no suits or proceedings pending or, to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interests and the production of Hydrocarbons as warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. **Transfer of the Subject Interests.** Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests; provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well may be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons, over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well thereon which would cause such well to be capable of producing Hydrocarbons, over and above the cost of instituting and completing such pressure maintenance or secondary recovery operation, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the producing capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons whose aggregate value exceeds or will exceed the Grantor's share (as the owner of the Subject Interests in which such well is located) of the direct cost of operating such well.

In each case where the preceding paragraph of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which are so surrendered, abandoned or terminated shall upon surrender, abandonment or termination cease to be a Subject Interest, and (b) the Grantor, in lieu of surrendering, abandoning or terminating any of the Subject Interests (or any portion thereof), may sell, assign, sublease, farmout or convey the same free and clear of the Production Payment without the consent of the Grantee, and the Grantee shall not have the right to any proceeds from such sale, assignment, sublease, farmout or conveyance; provided, however, that any interest in any such Subject Interest (or any portion thereof) which may be excepted from such sale, assignment, sublease, farmout or conveyance and retained by the Grantor shall not be released thereby from the Production Payment.

20. **Exception to Payments.** The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking exception to the correctness of the amount thereof; provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantor within 12 months after the date such payment is made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

22. **Rights of Mortgagee or Trustee.** If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured there by.

23. **Notices.** Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantor to Pennzoil Place, P.O. Box 2967, Houston, Texas, and if to the Grantee to Pennzoil Place, P.O. Box 2967, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. **Further Assurances.** So long as permitted by applicable law so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. **Binding Effect.** All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantee. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. **Release or Failure of Title.** No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interest until the full amount of the Production Payment has been received by the Grantee as herein provided.

27. **Final Termination.** Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of Theodore Roosevelt, late President of the United States, who are living on the date hereof.

28. **Headings.** Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, as heretofore amended and restated, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed

to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

Roger Wernette
Sue J. Prigian

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By

Roger Wernette
Treasurer

ATTEST:

Sally Hays
Secretary

[CORPORATE SEAL]

Witnesses:

Roger Wernette
Sue J. Prigian

PENNZOIL COMPANY

By

John J. ...
Group Vice President

ATTEST:

Sally Hays
Secretary

[CORPORATE SEAL]

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979:

(Louisiana)

Before me appeared J. N. AVERETT, JR., to me personally known, who, being by me duly sworn, did say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC. a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. AVERETT, JR. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SORTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared J. N. AVERETT, JR., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SORTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.



Notary Public in and for Harris County, Texas

My Commission Expires

CELIA I. GARZA

Notary Public in Harris County for the State of Texas
My Commission Expires September 30, 1980

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Interest</u>	<u>Grantor's Undivided Percentage Interest</u>
(All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps)			
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	25.00%
OCS-G2224	2-1-73	All of Block 532 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2225	2-1-73	All of Block 533 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G3284	8-1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2850	12-1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2559	5-1-74	All of Block 617 West Cameron Area — South Addition, Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2859	12-1-74	All of Block 236, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2860	12-1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2882	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2883	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2587	5-1-74	All of Block 128 South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2884	12-1-74	All of Block 129, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2900	12-1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G3156	7-1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G2607	5-1-74	All of Block 312 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.66667%
OCS-G2317	2-1-73	All of Block 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.66667%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2177	11-1-72	All of Block 49 South Pass Area as shown on official leasing map, Louisiana Map No. 9	10.00%
State Lease No. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Ex- hibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	20.00%
OCS-G2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A	15.00%
OCS-G3193	7-1-75	S½ of Block 59, Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1956 and landward of the Third Supplemental Decree Line (404 U.S. 385 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3195	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	21.00%
OCS-G2947	12-1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	21.00%
OCS-G2193	10-1-72	All of Block 140 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	10.00%
OCS-G3202	7-1-75	All of Block 947, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%
OCS-G3203	7-1-75	All of Block 903, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%
OCS-G3206	7-1-75	All of Block N663E63, Mobil Land No. 2, as shown on OCS Official Leasing Map NH-16-10 (Also known as Block 63, Mississippi Canyon Area, as shown on OCS Official Pro- traction Diagram NH-16-10)	10.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2366	8-1-73	All of Block A-474, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2372	8-1-73	All of Block A-489, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G3118	4-1-75	All of Block A-493, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.40%
OCS-G2378	8-1-73	All of Block A-520, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2701	7-1-74	All of Block A-540, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2704	7-1-74	All of Block A-545, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G2779	10-1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2705	7-1-74	All of Block A-547, High Island - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2706	7-1-74	All of Block A-548, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2384	8-1-73	All of Block A-555, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	14.50%
OCS-G2713	7-1-74	All of Block A-562, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.715%
OCS-G2388	8-1-73	All of Block A-563, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2389	8-1-73	All of Block A-564, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2390	8-1-73	All of Block A-570, High Island Area, South Addition. Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2718	7-1-74	All of Block A-575 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2719	7-1-74	All of Block A-582 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.118%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2398	8-1-73	All of Block A-273, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	13.50%
OCS-G2403	8-1-73	All of Block A-279, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	4-1-76	All of Block A-288, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2409	8-1-73	All of Block A-312, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	18.11538%
OCS-G2737	7-1-74	All of Block A-316 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	21.132%
OCS-G2414	8-1-73	All of Block A-323, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2416	8-1-73	All of Block A-325, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	68.57143%
OCS-G2418	8-1-73	All of Block A-327, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-332, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2739	7-1-74	All of Block A-339 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-340, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2429	8-1-73	All of Block A-351, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	43.94625%
OCS-G2745	7-1-74	All of Block A-355, High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	11.33%
OCS-G2746	7-1-74	All of Block A-356, High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	15.00%
OCS-G2766	7-1-74	All of Block A-403 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G3417	1-1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975, (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3409	1-1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	25.00%
OCS-G3416	1-1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 9	20.00%
OCS-G3500	8-1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	30.00%
OCS-G2367	8-1-73	S 1/2 of NE 1/4 and SE 1/4 of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G3756	6-1-75	All of Block A-522, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	30.00%
OCS-G3757	6-1-75	All of Block A-551, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	16.67%
OCS-G3766	6-1-75	All of Block 510 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.66%
OCS-G3786	6-1-75	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	15.00%

This Conveyance is subject to the terms and provisions of the above-described oil and gas leases and accordingly, the Subject Hydrocarbons and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS-G2839, OCS-G2225, OCS-G2550, OCS-G2559, OCS-G2607, OCS-G2317, OCS-G3193, OCS-G3195, OCS-G2547 and OCS-G3417 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G3284, OCS-G2559, OCS-G2560, OCS-G2882, OCS-G2883, OCS-G2587, OCS-G2984, OCS-G2885, OCS-G2900, OCS-G3156, OCS-G2185, OCS-G3202, OCS-G3203, OCS-G2366, OCS-G2372, OCS-G3118, OCS-G2701, OCS-G2384, OCS-G2713, OCS-G2388, OCS-G2389, OCS-G2719, OCS-G2416, OCS-G2426, OCS-G2429, OCS-G2766, OCS-G3409, OCS-G3416, OCS-G3500 and State Lease No. 6310 referred to above are each subject to an Operating Agreement between the Grantee, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2177, OCS-G2193 and OCS-G3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2403 and OCS-G3314 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2378, OCS-G2737, OCS-G2414, OCS-G2745 and OCS-G2746 referred to above are each subject to an Operating Agreement between Cities Service Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2409, OCS-G2416 and OCS-G2422 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2390 and OCS-G2718 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2398 referred to above is subject to an Operating Agreement between Aminoil Development, Inc., as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2704, OCS-G2779, OCS-G2705 and OCS-G2706 are each subject to an Operating Agreement between Texaco Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225, OCS-G2228 and OCS-G2185 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2883, OCS-G3417, OCS-G3195, OCS-G2947, OCS-G2414, OCS-G2378, OCS-G-2882, OCS-G2587, OCS-G2607, OCS-G2317 and OCS-G2193 are subject to liquids purchase agreements between Grantor and Atlas Processing Company.

The Grantor's interests in Lease Nos. OCS-G2539, OCS-G2224, OCS-G2225, OCS-G2177, OCS-G2155, OCS-G3193, OCS-G3195, OCS-G2947, OCS-G2193, OCS-G3202, OCS-G3203, OCS-G3206, OCS-G2366, OCS-G2372, OCS-G3118, OCS-G2378, OCS-G2701, OCS-G2704, OCS-G2779, OCS-G2705, OCS-G2706, OCS-G2384, OCS-G2713, OCS-G2388, OCS-G2389, OCS-G2390, OCS-G2718, OCS-G2719, OCS-G2395, OCS-G2403, OCS-G3314, OCS-G2409, OCS-G2737, OCS-G2414, OCS-G2416, OCS-G2418, OCS-G2422, OCS-G2739, OCS-G2426, OCS-G2429, OCS-G2745, OCS-G2746, OCS-G2766, OCS-G3417 and OCS-G3416 are subject to gas purchase contracts between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2254, OCS-G2850, OCS-G2559, OCS-G2582, OCS-G2587, OCS-G2883, OCS-G2900, OCS-G3156, OCS-G2607, OCS-G2317, OCS-G2559, OCS-G2860, OCS-G2583, OCS-G3409 and OCS-G3500 are subject to gas purchase contracts between Grantor and Sea Robin Pipe Line Company.

The Grantor's interest in Lease No. OCS-G2701 is subject to a Partial Assignment of Oil and Gas Lease dated as of July 1, 1977, among Grantor, Pennzoil Offshore Gas Operators, Inc. (now named Pogo Producing Company), et al., as assignors, and Mobil Oil Corporation, et al., as assignees.

The Grantor's interests in Lease Nos. OCS-G2366 and OCS-G2367 referred to above are subject to a Farmout Agreement dated April 27, 1978, as amended, among Kerr-McGee Corporation, et al., as owner or farmor, and Grantor, et al., as farmee. The Grantor's interest in Lease No. 2367 consists of operating rights arising from said Farmout Agreement.

The Grantor's interest in State Lease No. 6310 referred to above is subject to a gas purchase contract between Grantor and United Gas Pipe Line Company, and what is referred to above is conditioned on the approval of or waiver by the State of Louisiana.

The Grantor's interests in Lease Nos. OCS-G2368 and OCS-G2369 are subject to liquids purchase agreements between Grantor and Sun Production Company.

The Grantor's interest in Lease No. OCS-G2429 referred to above is subject to a Unitization Agreement dated May 1, 1978, USGS Contract #14-05-0000-6930.

The Grantor's interests in Lease Nos. OCS-G2224 and OCS-G2225 referred to above are each subject to a Unit Plan, a Unit Operating Agreement, and Plans of Operation among Mobil Oil Corporation, as unit operator, and Grantor, et al.

The Grantor's interest in OCS-G2409 referred to above is subject to an Assignment of Operating Rights among Grantor, et al., as assignors, and Mesa Petroleum Co., et al., as assignees, and is subject to a Gas Availability Agreement between Grantee and United Gas Pipe Line Company.

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

CONFIRMATION OF ASSIGNMENT

THIS CONFIRMATION OF ASSIGNMENT dated as of April 1, 1979 (the "Confirmation"), between Pennzoil Louisiana and Texas Offshore, Inc. (the "Company"), and The First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT:

WHEREAS, the Company entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement and the Agent providing for loans (the "Loans") to the Company by the Banks then parties to the Credit Agreement in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment dated as of March 1, 1974, substantially in the form of Appendix 1 (the "Conveyance") to that certain Production Payment Agreement, dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.3 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company agreed therein to assign its rights and options in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, such principal amount to equal the aggregate principal amount of the loans, plus accrued interest thereon and commitment fee applicable thereto, if any, outstanding under the Credit Agreement on the date, if any, upon which such payment is made, or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged, such production payment;

WHEREAS, in order to induce the Banks then parties to the Credit Agreement to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company executed, acknowledged and delivered to the Agent an Assignment dated as of March 1, 1974 (the "Assignment"), a conformed copy of which is attached hereto as Appendix I (in which Pennzoil joined for the limited purposes set forth therein), by which the Company assigned, transferred and set over to the Agent for the proportionate benefit of the Banks then parties to the Credit Agreement as their interests may appear all the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leasehold Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being herein and in the Assignment referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto;

WHEREAS, the Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$200,000,000 and the addition of Manufacturers Hanover Trust Company, Security Pacific National Bank, Wells Fargo Bank National Association, The Northern Trust Company, European-American Bank & Trust Company and The First National Bank of Boston as parties to the Credit Agreement, and for other purposes;

WHEREAS, in connection with the aforesaid amendment and restatement of the Credit Agreement, the Production Payment Agreement and the Conveyance, the Assignment was confirmed by the Confirmation of Assignment dated as of May 1, 1976 between the Company and the Agent (in which Pennzoil joined for the limited purposes set forth therein) in order to confirm the continuing validity and effectiveness of the Assignment and to provide that all references in the Assignment as confirmed thereby to the Credit Agreement, the Production Payment Agreement or the Conveyance would be deemed to refer to such instruments as amended and restated as of May 1, 1976 and that all references to the Banks would be deemed to refer to the Banks then parties to the Credit Agreement as so amended and restated;

WHEREAS, the Credit Agreement, the Production Payment Agreement and the Conveyance were further amended and restated as of November 1, 1977 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$250,000,000 and the addition of Morgan Guaranty Trust Company of New York and First International Bank in Houston, N.A. as parties to the Credit Agreement, and for other purposes;

WHEREAS, in connection with the amendment and restatement of the Credit Agreement, the Production Payment Agreement and the Conveyance dated as of November 1, 1977, the Assignment was confirmed by the Confirmation of Assignment dated as of November 1, 1977 between the Company and the Agent (in which Pennzoil joined for the limited purposes set forth therein) in order to confirm the continuing validity and effectiveness of the Assignment and to provide that all references in the Assignment as confirmed thereby to the Credit Agreement, the Production Payment Agreement or the Conveyance would be deemed to refer to such instruments as amended and restated as of November 1, 1977 and that all references to the Banks would be deemed to refer to the Banks then parties to the Credit Agreement as so amended and restated;

WHEREAS, the Credit Agreement, the Production Payment Agreement and the Conveyance are being further amended and restated as of April 1, 1979 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$275,000,000 and the deletion as parties to the Credit Agreement of three of the Banks theretofore parties thereto, and for other purposes; and

WHEREAS, pursuant to the request of the Company and the Banks which are parties to the Credit Agreement as amended and restated as of April 1, 1979 as aforesaid (hereinafter called the "Banks"), Pennzoil proposes to join herein for the limited purposes set forth below:

Now, THEREFORE, the Company and Pennzoil hereby again confirm the continuing validity and effectiveness of the Assignment, which has been heretofore made by the Company to enforce, secure and provide additional means of payment of the Credit Agreement Obligations. It is further agreed and understood that, effective on the Amendment Date as defined in the Amendment to Bank Credit Agreement dated as of April 1, 1979 whereby the Credit Agreement is amended and restated as of April 1, 1979 as aforesaid, all references in the Assignment as confirmed hereby and in the following paragraph to the Credit Agreement, the Production Payment Agreement and the Conveyance shall be deemed to refer to such instruments as amended hereby and in the following paragraph to the Banks shall be deemed to refer to the Banks which are parties to the Credit Agreement as so amended and restated. The Credit Agreement Obligations the payment of which is secured by the Assignment as confirmed hereby shall include the obligations of the Company under the Credit Agreement as amended and restated as of April 1, 1979.

The Assignment, as confirmed hereby, (i) shall remain in full force and effect until payment in full of all indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes executed and which may be executed pursuant thereto, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as

soon as there has been sufficient elapse of time that, in the opinion of the Banks, the continuation of the security interest under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided, (ii) shall be binding upon the Company and Pennzoil, their respective successors and assigns, (iii) shall inure to the benefit of and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (iv) shall be deemed to have been made under and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Confirmation to be executed by their respective officers the: unto duly authorized as of the day first above written.

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

[SEAL]

By



Title: Treasurer

PENNZOIL COMPANY

[SEAL]

By

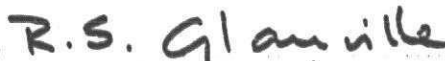


Title: Group Vice President

THE FIRST NATIONAL BANK OF CHICAGO, as Agent

[SEAL]

By



Title: Vice President

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 9th day of April, 1979:

(Louisiana) Before me appeared J. N. Averett, Jr., to me personally known, who, being by me duly sworn, did say that he is the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that J. N. Averett, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared Harold E. Sortor, to me personally known, who, being by me duly sworn, did say that he is Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that Harold E. Sortor acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared J. N. Averett, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Treasurer of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared Harold E. Sortor, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 9th day of April, 1979.



Notary Public in and for Harris County, Texas
My Commission Expires

CELIA I. GARZA
Notary Public in Harris County for the State of Texas
My Commission Expires September 30, 1980

[NOTARIAL SEAL]

THE STATE OF ILLINOIS }
COUNTY OF COOK } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 11th day of April, 1979:

(Louisiana)

Before me appeared **R.S. GLANVILLE**, to me personally known, who, being by me duly sworn, did say that he is a **Vice President** of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that **R.S. GLANVILLE** acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me on this day personally appeared **R.S. GLANVILLE**, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a **Vice President** of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 11th day of April, 1979.

Marcia Krupa

Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires Dec. 5, 1982

[NOTARIAL SEAL]

**PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
ASSIGNMENT**

THIS ASSIGNMENT dated as of March 1, 1974 (the "Assignment"), from Pennzoil Louisiana and Texas Offshore, Inc. (the "Company") to The First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT:

WHEREAS, the Company has entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement (the "Banks") and the Agent providing for loans (the "Loans") by the Banks to the Company in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company has executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment, dated as of March 1, 1974, substantially in the form of Appendix 1 to that certain Production Payment Agreement, dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.3 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company has agreed therein to assign its rights and options in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay to the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, which principal amount shall equal the aggregate principal amount of the loans, plus accrued interest thereon and commitment fee applicable thereto, if any, outstanding under the Credit Agreement on the date, if any, upon which such payment is made, or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged, such production payment; and

WHEREAS, pursuant to the request of the Company and the Banks, Pennzoil proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to induce the Banks to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company hereby assigns, transfers and sets over to the Agent for the proportionate benefit of the Banks as their interests may appear all of the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leasehold Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being hereinafter referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto.

1. This Assignment is made by the Company to enforce, secure and provide an additional means of payment of the Credit Agreement Obligations.

2. The Production Payment Rights may be exercised by the Agent for and on behalf of the Banks upon the occurrence of an Event of Default as described in Section 11 of the Credit Agreement and at any time during the continuance of such Event of Default. To exercise the right of the

Company to call upon Pennzoil to pay the purchase price of such production payment as provided in Section 2.4 of the Production Payment Agreement (the "Purchase Price Right"), the Agent shall give Pennzoil notice to such effect which shall

(a) specify the purchase price of the production payment (determined as provided in Section 2.1 of the Production Payment Agreement) to be paid by Pennzoil pursuant to such request, and

(b) specify the date upon which the purchase price of such production payment is to be paid.

Concurrently with the giving of such notice to Pennzoil, the Agent shall deliver or mail an executed counterpart of such notice to the Company. Giving of such notice by the Agent to Pennzoil shall constitute an effective notice of election by the Company to exercise the Purchase Price Right as provided for in Section 2.5 of the Production Payment Agreement. The full amount of the purchase price of such production payment shall be paid by Pennzoil, without setoff, counterclaim or recoupment whatsoever by reason of any claim of Pennzoil against the Company or otherwise, directly to the Agent on the date specified in such notice and shall be applied by the Agent to the payment of the Notes in the manner described in Section 6 of the Credit Agreement.

3. Notwithstanding this Assignment, the Company and Pennzoil shall have the right, without the consent of the Agent or the Banks, to amend the Production Payment Agreement and the conveyance of production payment executed pursuant thereto for the sole and limited purposes of releasing, or adding to, one or more of the Leasehold Interests or subjecting the same to gas sales, unit, operating or other agreements providing for the operation or development of the Leasehold Interests or the disposition of production therefrom; provided, however, that any such amendment shall not otherwise modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or reduce the purchase price of said production payment determined as provided in Section 2.1 of the Production Payment Agreement.

4. No failure or delay on the part of the Agent or the Banks in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other single or partial exercise thereof or the exercise of any other right or power hereunder.

5. At the request of the Company and in order to induce the Banks to make the Loans to the Company, Pennzoil agrees

(a) with the Company that each certificate as to value of Proven Hydrocarbon Reserves delivered by the Company to the Agent pursuant to Section 6 of the Credit Agreement shall be signed by Pennzoil to acknowledge its approval thereof and shall be deemed to have been delivered to Pennzoil pursuant to Section 2.4 of the Production Payment Agreement, and

(b) with the Agent and the Banks that the breach or failure of the Company to perform any of its obligations under this Assignment or the Production Payment Agreement shall not reduce, impair or adversely affect in any respect the enforceability by the Agent and the Banks of (i) the Production Payment Rights assigned to them hereunder and (ii) the agreement of Pennzoil to pay directly to the Agent upon the date specified in the notice given to Pennzoil by the Agent pursuant to Paragraph 2 above an amount equal to the purchase price of the production payment specified in such notice after any required adjustment as provided in Section 2.5 of the Production Payment Agreement.

it being the purpose and intent of Pennzoil herein to confirm to the Agent and the Banks the continued effectiveness, validity and enforceability of the Production Payment Rights assigned to them hereunder throughout the term of this Assignment without regard to the performance or breach by the Company of its obligations under this Assignment or the Production Payment Agreement.

6. Pennzoil hereby represents and warrants that

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. It is duly qualified to do business in those states in which it owns a material amount of property or transacts a material amount of business.

(b) It has corporate power and authority to make and carry out the Production Payment Agreement and this Assignment; and all such action has been duly authorized by all necessary corporate proceedings on its part.

(c) Since December 31, 1973 there has been no material adverse change in the financial condition of Pennzoil or of Pennzoil and its consolidated subsidiaries.

(d) The Production Payment Agreement, the conveyance of production payment executed pursuant thereto and this Assignment have been duly and validly executed and delivered by Pennzoil and constitute valid and legally binding agreements of Pennzoil enforceable in accordance with their terms, except as enforcement thereof is limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights.

(e) While this Assignment continues unreleased Pennzoil shall, if notified of the exercise by the Agent of the right to have the purchase price paid to the Agent, be unconditionally obligated to pay such purchase price directly to the Agent in accordance with the terms hereof.

7. All notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and if by the telex, graphic scanning or other telegraphic communications equipment of the sending party, delivered by such equipment) addressed, if to the Company or Pennzoil, as appropriate, at 900 Southwest Tower, Houston, Texas 77002, and if to the Agent, to it at One First National Plaza, Chicago, Illinois 60670. All notices and other communications given to any party hereto in accordance with the provisions of this Assignment shall be deemed to have been given when sent by registered or certified mail, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telegraphic communications equipment of the sender in each case addressed to such party as provided in this Paragraph 7 or in accordance with the latest unrevoked direction from such party.

8. This Agreement (i) shall remain in full force and effect until payment in full of all indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as soon as there has been sufficient elapse of time that, in the opinion of the Banks, the continuation of the security interest under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided, (ii) shall be binding upon the Company and Pennzoil, their respective successors and assigns, (iii) shall inure to the benefit of the Banks and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (iv) shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed by their respective officers thereunto duly authorized, and in the presence of the undersigned witnesses, as of the day first above written.

Witnesses: PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC. (Louisiana)

s/ MARY FRANCES FORESTER By s/ R. G. BRYAN
s/ GEORGIA SPIVEY Vice President

ATTEST: (Louisiana)

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL] (Texas)

Witnesses: PENNZOIL COMPANY

s/ MARY FRANCES FORESTER By s/ W. E. GIPSON (Texas)
s/ GEORGIA SPIVEY Vice President

ATTEST:

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL]

THE STATE OF TEXAS
COUNTY OF HARRIS

SS:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 21st day of March, 1974:

Before me appeared R. C. BRYAN, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that R. C. BRYAN acknowledged the instrument to be the free act and deed of the corporation.

Before me appeared W. E. GIPSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. E. GIPSON acknowledged the instrument to be the free act and deed of the corporation.

Before me on this day personally appeared R. C. BRYAN, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

Before me on this day personally appeared W. E. GIPSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 21st day of March, 1974.

s/

DOROTHY STEARMAN
Dorothy Stearman

Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1975

60-6-3185

LISKOW & LEWIS

ATTORNEYS AT LAW

A PARTNERSHIP OF LAW CORPORATION

NEW ORLEANS, LA 70139

ONE SHELL SQUARE

FIFTIETH FLOOR

TELEPHONE (504) 581-7878

TAX 810-951-5252

LAFAYETTE, LA 70505

321 TRAVIS ST.

P.O. BOX 52008 O.C.A.

TELEPHONE (504) 232-7424

New Orleans, 70139

July 20, 1981

THOMAS F. GETTEN
GEORGE H. ROBINSON
GEORGE J. DOMAS
MARLYN C. MALONEY
ROBERT W. SCOTCH, JR.
JOSEPH C. BIGLIO, JR.
LARRY M. ROFDEL
LAW CORPORATIONS

BRUCE J. ORECH
PATRICK W. GRAY
DEBORAH TANN PRICE
ROBERT E. HOLDEN
JOE B. NORMAN
THOMAS M. HANAHARA
JAMES H. HANFIELD III
BILLY J. DOMINGUE
LAMBERT M. LAPEROUSE
SUSAN S. LABITER
PHILIP A. JONES, JR.
ANNE E. TATE
WILLIAM W. PUGH
PAUL B. DAVID
LYNN C. HARTSEL
JULIE E. SCHWARTZ

DULLEN R. LISKOW (1933-1971)
AUSTIN W. LEWIS (1910-1974)

WILLIAM M. MEYERS
ROBERT T. JORDEN
CHARLES C. GEMILLION
GENE W. LAFITTE
BILLY H. HINES
JAMES L. PELLETIER
THOMAS D. HARDEMAH
LINTON MORGAN
JOHN M. KING
STEPHEN T. VICTORY
EDWARD J. GAY III
KENNETH E. GORDON, JR.
WILLIAM R. PITTS
LEON J. REYMOND, JR.
BERRY ST. JOHN, JR.
DONALD R. ABANINZA
JOHN M. WILSON
CHARLES W. STEEN
LAWRENCE P. SIMON, JR.
FREDERICK W. BRADLEY
ERRY M. MASSARI
S. GENE FENDLER

Mr. John L. Rankin, Manager
New Orleans Outer Continental Shelf Office
Bureau of Land Management
500 Camp Street, Suite 841
New Orleans, Louisiana 70130



Re: Instrument of Conveyance of Production Payment
Pennzoil Company, Pennzoil Producing Company,
Pennzoil Oil & Gas, Inc. and Duval Corporation
to New Dunstan, Inc.

Dear Mr. Rankin:

By instrument of Conveyance of Production Payment (the "Conveyance") dated July 16, 1981 executed by Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation (the "Grantors") in favor of New Dunstan Inc. (the "Grantee"), the Grantors conveyed to Grantee a production payment relating to the properties and interests described in Part One and Part Two of Exhibit A attached to the Conveyance, including the interests of Grantors in and to the federal OCS oil and gas leases which are described in Part One of Exhibit A to the Conveyance ("Part One of Exhibit A"). A copy of Part One of Exhibit A is attached to this letter as a part thereof.

Enclosed is a fully executed counterpart of the Conveyance with a complete copy of Part One and Part Two of Exhibit A attached thereto. In order to place third parties on notice as to the execution and efficacy of the Conveyance, please file this particular counterpart of the Conveyance, with a copy of this letter attached thereto, in the file maintained by your office with respect to Lease OCS-G 2115.

July 20, 1981

PAGE 2

Alos enclosed are sixty-six (66) fully executed counterparts of the Conveyance. Insofar as Exhibit A is concerned, these counterparts have attached thereto only Part One of Exhibit A. In order that third parties will be placed on notice as to the execution and efficacy of the Conveyance, please file one of these counterparts of the Conveyance, with a copy of this letter attached thereto, in the file maintained by your office with respect to each of the Federal OCS leases listed in Part One of Exhibit A (other than Lease OCS-G 2115).

Enclosed is our check in the amount of \$1,675.00 in payment of filing fees.

It would be appreciated if you would acknowledge that filing as above requested has been accomplished by signing all copies of this letter in the space provided below.

Yours very truly,

LISKOW & LEWIS



WMM:eeb

FILED AS REQUESTED

BY: (Orig. Sgd.) Ruby J. Boehm

for John L. Rankin, Manager
New Orleans Outer Continental
Shell Office
Bureau of Land Management

Date: July 20, 1981

PART ONE
OFFSHORE SUBJECT INTERESTS
TEXAS

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PTC</u>
OCS-G-2395	8- 1-73	All of Block A-273, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.12639	11.24999
OCS-G-2403	8- 1-73	All of Block A-279, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	14.16666
OCS-G-2414	8- 1-73	All of Block A-323, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	11.66662
OCS-G-2416	8- 1-73	All of Block A-325, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	7.22016	57.14286
OCS-G-2419	8- 1-73	All of Block A-327, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2422	8- 1-73	All of Block A-332, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2739	7- 1-74	All of Block A-339, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2426	8- 1-73	All of Block A-340, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2429	8- 1-73	All of Block A-351, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	2.88528	36.62186
OCS-G-2745	7- 1-74	All of Block A-355, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	7.34246	9.44166

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POCI</u>	<u>PPC</u>
OCS-G-2746	7- 1-74	All of Block A-356, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.01245	12.49999
OCS-G-2366	8- 1-73	All of Block A-474, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2367	8- 1-73	S 1/2 of NE 1/4 & SE 1/4 of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.001241	9.999996
OCS-G-2372	8- 1-73	All of Block A-489, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.49999
OCS-G-3118	4- 1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.10137	13.66667
OCS-G-2378	8- 1-73	All of Block A-520, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2704	7- 1-74	All of Block A-545, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	6.67497	8.33333
OCS-G-2779	10- 1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2705	7- 1-74	All of Block A-547, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2706	7- 1-74	All of Block A-548, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2384	8- 1-73	All of Block A-555, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.08332
OCS-G-2388	8- 1-73	All of Block A-563, High Island Area, South Addition, OCS Official Leasing Map, Texas Map, No. 7B	1.00124	9.99999
OCS-G-2389	8- 1-73	All of Block A-564, High Island Area, South Addition, OCS Official Leasing Map, No. 7B	1.00124	9.99999

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PPC
OCS-G-2390	8- 1-73	All of Block A-570, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.01958	16.97190
OCS-G-2719	7- 1-74	All of Block A-582, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.17780	11.76499

LOUISIANA

St. Ls. 7604	4-17-78	<i>TRACT 14836 — PORTION OF BLOCK 3 SABINE PASS AREA, Cameron Parish, Louisiana. That portion of Block 3, Sabine Pass Area, Cameron Parish, Louisiana, belong- ing to the State of Louisiana and not under a mineral lease on January 23, 1978, described as follows: Beginning at a point on the North line of Block 3, Sabine Pass Area having Lambert Plane Coordinates of X = 1,217,355.14 and Y = 364,274.14; thence East 9,612.44 feet along said North line to a point having Lambert Plane Coor- dinates of X = 1,227,467.58 and Y = 364,274.14; thence Southerly and Southwesterly along an arc having a radius of 18,240.60 feet and a vertex of X = 1,209,227 and Y = 364,245 to a point on the South line of said Block 3, having Lambert Plane Coordinates of X = 1,219,987.06 and Y = 349,516.10; thence West 2,131.92 feet along said South line to a point having Lambert Plane Coordinates of X = 1,217,355.14 and Y = 349,516.10; thence North 14,758.04 feet to the point of beginning, estimated to contain approximately 2,497.59 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources, LESS AND EXCEPT that portion thereof, if any, which is more than three nautical miles from the coast line as determined by the Report of the Special Master in the litigation in the Supreme Court of the United States styled United States v. State of Louisiana et al. No. 2 Original,</i>	38.125	
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<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>PCGI</u>	<u>PPC</u>
		said three mile line as set out in the June, 1975, decree of the Supreme Court. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone).		
OCS-G-4144	9- 1-70	That portion of Block 3 which is more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (United States vs. Louisiana, 422 U.S. 13) Sabine Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 12.		41.66665
OCS-G-4379	11- 1-80	All of Block 53, West Cameron Area, as shown on OCS Leasing Map, Louisiana Map No. 1		41.66665
OCS-G-2839	12- 1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	8.34372	20.83333
OCS-G-2224	2- 1-73	All of Block 532, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	22.22609	22.2241
OCS-G-2225	2- 1-73	All of Block 533, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	22.22609	22.22499
OCS-G-3284	8- 1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.03115	20.83332
OCS-G-2436	8- 1-73	All of Block 586, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.63742	
OCS-G-2021	2- 1-71	All of Block 587, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1 B	22.80504	
OCS-G-2850	12- 1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555
OCS-G-2559		All of Block 617, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PFC
OCS-G-2860	12- 1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	2.22499	5.55555
OCS-G-2045	1- 1-71	All of Block 270, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.68741	
OCS-G-2062	2- 1-71	All of Block 334, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2439	8- 1-73	All of Block 335, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2078	2- 1-71	All of Block 228, Vermilion Area, OCS Official Leasing Map, Louisiana Map No. 3	17.9273	
OCS-G-2882	12- 1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2883	12- 1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2587	5- 1-74	All of Block 128, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-0479	12- 1-54	All of Block 53, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		83.33333
OCS-G-0478	1- 1-55	All of Block 116, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		41.66665
OCS-G-2102	2- 1-71	All of Block 256, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	23.1054	
OCS-G-2900	12- 1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888
OCS-G-3156	7- 1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PFC
OCS-G-2104	2- 1-71	All of Block 295, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	6.76497	
OCS-G-2607	5- 1-74	All of Block 312, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	2.22499	22.22221
OCS-G-2115	1- 1-71	All of Block 330, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	16.68741	
OCS-G-2317	2- 1-73	All of Block 333, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	2.22499	22.22221
OCS-G-3332	3- 1-76	All of Block 337, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	16.68741	
OCS-G-3409	1- 1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	8.34371	20.83333
OCS-G-0823	5- 1-60	All of Block 186, Ship Shoal Area, as shown on Official Leasing Map, Louis- iana Map No. 5, Outer Continental Shelf Leasing Map (Louisiana Off- shore Operations)		28.33332
OCS-G-1525	7- 1-67	All of Block 222, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		15.83332
OCS-G-1984	9- 1-70	N 1/4 Block 225, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		19.79165
OCS-G-2177	11- 1-72	All of Block 49 South Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 9	3.30748	8.33333
OCS-G-3410	1- 1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs. Louisiana, 422 U.S. 13) to one foot seaward of the Third Supple- mental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 9	6.67497	16.60667

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POCI</u>	<u>PPC</u>
St. Ls. 10	5-13-74	Tract 13013, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	5.92738	14.80
OCS-G-2185	10- 1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 9A	5.00622	12.49999
OCS-G-3195	7- 1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-3417	1- 1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-2947	12- 1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10 That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	7.54441	18.83758

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>FOGI</u>	<u>P/C</u>
OCS-G-2193	10- 1-72	All of Block 140, Main Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 10	3.33748	3.33333
OCS-G-3206	7- 1-73	All of Block N603E63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63), Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10	3.33748	3.33333
OCS-G-3500	8- 1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	10.01245	25.0000
OCS-G-3785	6- 1-78	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	12.4999	12.4999

PENNZOIL COMPANY, ET AL.

TO

NEW DUNSTAN, INC.

**Instrument of Conveyance
of
Production Payment**

Dated July 16, 1981

Return recorded counterparts to:

**PENNZOIL COMPANY
Pennzoil Place, P.O. Box 2967
Houston, Texas 77001
Attention: Ms. Sally Hazen**

This instrument was prepared by:

**Frank W. B. Hubert, Jr.
3000 One Shell Plaza
Houston, Texas 77002**

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THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (the "Conveyance") dated July 16, 1981, between PENNZOIL COMPANY, a Delaware corporation, PENNZOIL PRODUCING COMPANY, a Delaware corporation, PENNZOIL OIL & GAS, INC., a Delaware corporation and DUVAL CORPORATION, a Delaware corporation (the "Grantors"), and NEW DUNSTAN, INC., a Delaware non-profit corporation (the "Grantee"),

WITNESSETH :

WHEREAS, the Grantors desire to sell and the Grantee desires to purchase the Production Payment hereinafter described,

Now, THEREFORE, it is agreed by and between the Grantors and the Grantee as follows:

1. **Certain Definitions.** The following terms, when used in this Conveyance, have the meanings indicated below:

"Accounting Month" means any monthly period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on the first day of any calendar month and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on the first day of the next succeeding calendar month.

"Affiliate" means, as to the party specified, any Person controlling, controlled by or under common control with such party, with the concept of control in such context meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by contract or otherwise.

"Alternate Base Rate" means a fluctuating rate per annum equal at all times to the higher of:

(a) the Base Rate; or

(b) $\frac{1}{2}$ of 1% above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average

being determined weekly by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest $\frac{1}{4}$ of 1% or, if none, to the next higher $\frac{1}{4}$ of 1%,

each change in such fluctuating rate to take effect simultaneously with the corresponding change in such Base Rate or moving average.

"Applicable Rate" means, for each day, the weighted average of the Eurodollar Rates and the Domestic Rate applicable to the unliquidated balance of the Primary Sum on such day determined on the basis of the proportion which that portion of such unliquidated balance to which each Eurodollar Rate and the Domestic Rate is applicable bears to the total amount of such unliquidated balance; *provided, however*, that in no event shall the Applicable Rate exceed the maximum rate which would be permitted by the laws of the State of New York if the Applicable Rate were being applied to a borrowing of money in an amount equal to the unliquidated balance of the Primary Sum. Except as provided hereinafter, the Grantors may from time to time select the Eurodollar Rate to be in effect with respect to all or any portion of the then unliquidated balance of the Primary Sum for a Rate Period, on the condition that notice of such selection (including notice of said portion of such unliquidated balance and of the duration of the Rate Period therefor) is delivered to the Grantee and to Citibank not later than 11:00 A.M. (New York City time) at least four Business Days prior to the commencement of such Rate Period, and provided that in no event shall the Grantors be permitted to have selected the Eurodollar Rate to be in effect concurrently with respect to more than three portions of such unliquidated balance; and except to the extent that the Eurodollar Rate shall have been so selected by the Grantors in accordance herewith to be applicable to all or one or more portions of such unliquidated balance, the Domestic Rate shall be applicable to the

entire unliquidated balance of the Primary Sum. Notwithstanding the foregoing, and except as set forth in the next succeeding sentence hereto, if either

(i) it shall become unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any lender to the Grantee to obtain funds in the London interbank market in order to fund or continue to fund or maintain its loan to the Grantee, upon such lender giving notice thereof to the Grantee (which shall give prompt notice thereof to the Grantors), or

(ii) the Grantee shall demand payment of Increased Financing Costs referred to in Section 4(d) hereof, and the Grantors shall have given the Grantee four Business Days' notice of their selection of the Domestic Rate in substitution for the Eurodollar Rate,

the Applicable Rate shall thereupon be the Domestic Rate as to those portions of the unliquidated balance of the Primary Sum previously subject to the Eurodollar Rate as to which clause (i) or (ii) is applicable, and the right of the Grantors to select the Eurodollar Rate hereunder shall thereupon terminate unless and until such funding is no longer unlawful or so asserted to be unlawful or the circumstances giving rise to such Increased Financing Costs have ceased to exist. Notwithstanding the foregoing sentence, in the event of the happening of any circumstance described in clause (i) of said sentence with respect to any such lender to the Grantee, or of demand for payment of any such Increased Financing Costs described in clause (ii) of said sentence attributable to any such lender, the Grantee covenants and agrees that, at the Grantors' request, it will consult with such lender in good faith to ascertain whether any arrangement (including, but not limited to, a change in such lender's Lending Office) satisfactory to such lender, the Grantors and the Grantee can be made with a view to eliminating such Increased Financing Costs and, upon demand of the Grantors, the Grantee will cause such lender to be replaced by another financial institution designated by

the Grantors, provided that such financial institution is acceptable to the Grantee and the lenders to the Grantee and is prepared to assume all of the rights and obligations of such original lender on terms acceptable to such lender; and if upon said replacement there shall not be continuing any circumstances described in either clause (i) or (ii) of the foregoing sentence, the Grantors shall thereupon once again be entitled to select the Eurodollar Rate hereunder. Any such financial institution which shall replace any such lender in connection with any loan in accordance with the preceding sentence shall be deemed to be a lender to the Grantee for all purposes hereof.

"Application Date" means a Regular Application Date or, if such Regular Application Date is not a Business Day, the Next Preceding Business Day. For purposes of this Conveyance, an Application Date shall be deemed to occur *"at or near the end"* of the Accounting Month which ends on such Application Date or, if such Application Date is a Next Preceding Business Day, the next following Regular Application Date.

"Base Rate" means a fluctuating interest rate per annum equal at all times to the rate of interest announced publicly by Citibank in New York, New York from time to time as Citibank's base rate.

"Business Day" means a day on which banks are not required or authorized to close in New York City and, if the Eurodollar Rate is relevant, on which dealing are carried on in the London interbank market and banks are open for business in London.

"Citibank" means Citibank, N.A., a national banking association.

"Discharge Schedule" means the tabulation set forth in Exhibit B attached to this Conveyance and hereby made a part hereof.

"Domestic Rate" means a fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days — including the first day but excluding the last day — occurring in the period for which such rate is computed) equal at all times to:

(i) from the date hereof to and including July 31, 1983, $\frac{1}{4}$ of 1% per annum above the Alternate Base Rate in effect from time to time;

(ii) from and after August 1, 1983 to and including July 31, 1987, $\frac{1}{2}$ of 1% per annum above the Alternate Base Rate in effect from time to time; and

(iii) from and after August 1, 1987, $\frac{3}{4}$ of 1% per annum above the Alternate Base Rate in effect from time to time.

"Effective Date" means 7:00 A.M., local time in effect at the location of each Subject Interest, on July 1, 1981.

"Eurodollar Rate" means, with respect to any portion of the unliquidated balance of the Primary Sum as to which such rate is applicable, a fluctuating rate per annum (computed on the basis of a year of 360 days for the actual number of days — including the first day but excluding the last day — occurring in the period for which such rate is computed), subject to funds being available to the lenders to the Grantee on reasonable terms under routine interbank market conditions (all as determined in the discretion of the lenders to the Grantee), equal at all times to:

(i) from the date hereof to and including July 31, 1983, $\frac{5}{8}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum;

(ii) from and after August 1, 1983 to and including July 31, 1987, $\frac{3}{4}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum; and

(iii) from and after August 1, 1987, $\frac{7}{8}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum.

"Excess Rate" has the meaning assigned to that term in Paragraph 4(d) hereof.

"Exhibit A" means Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes of interpreting, construing and enforcing this Conveyance, *provided*, that if at any time said Exhibit A has been supplemented by the Grantors by

the execution and delivery of the Supplemental Instrument of Conveyance of Production Payment, then at such time Exhibit A shall mean said Exhibit A as so supplemented.

"First Production Period" means the period commencing with the Effective Date and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on August 1, 1983.

"Hydrocarbons" means all oil, gas and other gaseous and liquid hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

"Increased Financing Costs" means any increase in the cost to the Grantee of obtaining or maintaining loans from any lender during any period in which the Eurodollar Rate is applicable to all or any portion of the unliquidated balance of the Primary Sum, and which is due to any increase in the cost to such lender to fund or continue to fund or maintain any loan to the Grantee through funds obtained in the London interbank market, arising from (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in, or in the interpretation of, any law or regulation since November 1, 1980 or (ii) the compliance by such lender with any request from any central bank or other governmental authority whether or not having the force of law, and if the Grantors shall exercise their option to select the Domestic Rate as the Applicable Rate prior to the last day of a Rate Period applicable to all or any portion of the Primary Sum, shall also include any costs to such lender incurred as a result of the selection of such Rate. A certificate from such lender to the Grantee as to the amount of such increased costs shall be conclusive as to the amount of such increased costs to the Grantee, absent manifest error.

"Lease" means any oil and/or gas lease or sub-lease, or any oil, gas and/or mineral lease or sub-lease, or any mining claim or award, or any fee or leasehold interest in, or any contractual right to produce or receive the proceeds of production of, any Mineral.

"LIBO Rate" means a rate per annum, if any, equal at all times during each Rate Period for any portion of the unliquidated balance of the Primary Sum to which the Eurodollar Rate is

applicable to the average (rounded upward, if necessary, to the nearest whole multiple of 1/16 of 1% per annum) of the rate of interest per annum at which deposits in United States dollars in immediately available funds are offered by each of the Reference Banks to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Rate Period for a period equal to such Rate Period and in an amount substantially equal to such portion of such unliquidated balance of the Primary Sum (such rate for each Rate Period being determined by Citibank on the basis of applicable quotations for the LIBO Rate furnished to and received by Citibank from the Reference Banks two Business Days prior to the first day of such Rate Period and, if any one or more of the Reference Banks shall not so furnish such a quotation for any Rate Period, the LIBO Rate for such Rate Period shall be based upon the quotations furnished by the other Reference Banks).

"Minerals" means Hydrocarbons and, in the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered (and from and after the effective date thereof), also includes sulphur.

"Next Preceding Business Day" means, when used with reference to a Regular Application Date or Quarterly Regular Application Date, the first Business Day next preceding such Regular Application Date or Quarterly Regular Application Date if such Regular Application Date or Quarterly Regular Application Date is not a Business Day.

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

"Primary Sum" means at any time the aggregate amount of the Purchase Price which shall at such time have been paid.

"Production Payment" has the meaning assigned to that term in Paragraph 2 hereof.

"Production Payment Minerals" has the meaning assigned to that term in Paragraph 2 hereof.

"Production Payment Percentage" has the meaning assigned to that term in Paragraph 2 hereof.

"Purchase Price" has the meaning assigned to that term in Paragraph 7 hereof.

"Quarterly Application Date" means a Quarterly Regular Application Date or, if such Quarterly Regular Application Date is not a Business Day, the next Preceding Business Day.

"Quarterly Regular Application Date" means the Regular Application Date falling on the first day of any January, April, July or October during the term of the Production Payment.

"Rate" means the Domestic Rate or the Eurodollar Rate.

"Rate Period" means any of the periods selected from time to time by the Grantors to apply in respect of the application of the Eurodollar Rate to all or any portion of the unliquidated balance of the Primary Sum. Each Rate Period shall be one, two, three or six months, as the Grantors shall, upon notice received by the Grantee not later than 11:00 A.M. (New York time) at least four Business Days prior to the commencement of such Rate Period, select; *provided, however*, that (a) if the Grantors shall fail on a timely basis to select a Rate Period for any portion of the Primary Sum to which the Eurodollar Rate is applicable, the Domestic Rate shall apply to such portion of the Primary Sum as of the end of the then current Rate Period and (b) any Rate Period determined in accordance with Paragraph 4(d) hereof shall be for the period of time specified therein. Whenever the last day of any Rate Period would otherwise occur on a day other than a Business Day, the last day of such Rate Period shall occur on the next succeeding Business Day; *provided, however*, that if such extension would cause the last day of such Rate Period to occur in the next following calendar month, the last day of such Rate Period shall occur on the next preceding Business Day.

"Reference Banks" means the respective principal London offices of (a) Citibank, Morgan Guaranty Trust Company of New York and Mellon Bank, N.A. and (b) in addition to or in substitution for any such bank, any bank designated by the Grantors and approved by the Grantee.

"Regular Application Date" means the first day of any calendar month.

"Reserve Report" shall mean a report of Ryder Scott Company Petroleum Engineers or other independent petroleum engineers agreed upon by the Grantors and the Grantee furnished pursuant to subparagraph (c) of Paragraph 19 of this Conveyance.

"Sales Contracts" has the meaning assigned to that term in Paragraph 8 hereof.

"Second Production Period" means the period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on August 1, 1983, and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on January 1, 1990, unless the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, in which case the Second Production Period shall end at 7:00 A.M., local time in effect at the location of each Subject Interest, on May 1, 1990.

"Subject Hydrocarbons" means all Hydrocarbons in and under, and which may be produced, saved and sold from, and which shall accrue and be attributable to, the Subject Interests from and after the Effective Date and throughout the period specified in this Conveyance for the term of the Production Payment, subject to the provisions of Paragraph 3 of this Conveyance.

"Subject Interests" shall mean each and every kind and character of right, title, claim or interest which any Grantor now has in the Leases or portions thereof which are described in Exhibit A and all unitization and pooling agreements and the units created thereby which cover or include such Leases or portions thereof, and all the right, title, claim or interest which any Grantor now has in and to the lands specifically described or referred to in Exhibit A or covered by the Leases which are described in Exhibit A, whether such right, title, claim or interest be under and by virtue of a Lease, a unitization or pooling agreement, a unitization or pooling order, a mineral deed, a royalty deed, an operating agreement, a division order, a transfer order or any other type of contract, conveyance or instrument or under any other type of claim or title, legal or equitable, recorded or unrecorded, even

though such Grantor's interests be incorrectly or incompletely described in, or a description thereof be omitted from, Exhibit A, all as the same shall be enlarged by any reversionary interest or by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument. Without in any way limiting the foregoing, the Subject Interests shall include each and every kind and character of right, title, claim or interest which any Grantor has in any and all Leases covering lands situated in those counties in the States of New York, Pennsylvania or West Virginia named in Exhibit A, regardless of whether such Leases are described in Exhibit A.

"Subject Minerals" means Subject Hydrocarbon and Subject Sulphur.

"Subject Sulphur" means, in the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered, all sulphur in and under, and which may be produced, saved and sold from, and which shall accrue and be attributable to, the Subject Interests described in the Supplemental Instrument of Conveyance of Production Payment from and after the effective date thereof and throughout the remainder of the period specified in this Conveyance for the term of the Production Payment, subject to the provisions of Paragraph 3 of this Conveyance.

"Subject Taxes" has the meaning assigned to that term in Paragraph 13 hereof.

"Supplemental Instrument of Conveyance of Production Payment" means the Supplemental Instrument of Conveyance of Production Payment in the form of Exhibit C attached hereto and hereby made a part hereof. The execution and delivery of the Supplemental Instrument of Conveyance of Production Payment

shall not require the consent or joinder of the Grantee or any mortgagee or trustee referred to in Paragraph 24 hereof.

"Third Production Period" means the period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on January 1, 1990, unless the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, in which case the Third Production Period shall commence at 7:00 A.M., local time in effect at each of the Subject Interests, on May 1, 1990 and end on the date the Production Payment is discharged or terminated as herein provided.

2. Conveyance of the Production Payment. The Grantors, in consideration of the payment to them by the Grantee of the Purchase Price pursuant to the provisions of Paragraph 7 of this Conveyance and of other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents do hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, effective as of the Effective Date, subject to the limitations and encumbrances set forth in Paragraphs 14(f) and 20 of this Conveyance and in Exhibit A, as a production payment, the undivided percentages, or if 100%, the percentage, of Subject Minerals provided for in the following subparagraphs First through Fourth of this Paragraph 2:

First: The undivided percentage of the Subject Minerals conveyed under this subparagraph First during the First Production Period shall be that undivided percentage (up to 100%) or, if 100%, the percentage, of the Subject Minerals as shall be required to cause the Grantee to be entitled to receive, out of the Subject Minerals produced and saved during each Accounting Month during the First Production Period, a sum which, when actually received by the Grantee in accordance with the terms of this Conveyance, would equal a sum hereby specified to be the aggregate amount referred to in subparagraphs (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance to the extent such aggregate amount shall have been ascertained or accrued during (or, in the case of said subparagraphs (c), (d), (e) and (f), prior to) such Accounting Month and remains unpaid;

Second. Subject to the provisions of subparagraph *Third* of this Paragraph 2, the undivided percentages of the Subject Minerals conveyed under this subparagraph *Second* during each Accounting Month during the Second Production Period shall be the undivided percentages specified in the following clause (a) or clause (b) whichever entitles the Grantee to receive the greater amount of proceeds out of Subject Minerals produced and saved during such Accounting Month:

(a) an undivided 65% of the Subject Hydrocarbons and an undivided 35% of the Subject Sulphur produced and saved during such Accounting Month, *provided, however*, that in the event the Primary Sum at the close of business on July 31, 1983 is less than \$2,500,000,000, then (1) if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, said undivided percentages of Subject Hydrocarbons and Subject Sulphur shall be adjusted to the percentages determined by multiplying each of 65% and 35% by a fraction the numerator of which shall be the unliquidated balance of the Primary Sum at the close of business on July 31, 1983 and the denominator of which shall be \$2,500,000,000 or (2) if the Supplemental Instrument of Conveyance of Production Payment has not been executed and delivered, said undivided percentage of Subject Hydrocarbons shall be adjusted to the percentage determined by multiplying 65% by a fraction the numerator of which shall be the unliquidated balance of the Primary Sum on July 31, 1983 and the denominator of which shall be \$1,865,000,000, or

(b) that undivided percentage (up to 90%) of the Subject Hydrocarbons and (but only if said undivided percentage of the Subject Hydrocarbons for such Accounting Month is 90% and is insufficient to entitle the Grantee to receive the sum specified in this subparagraph (b)) that undivided percentage (up to 40%) of the Subject Sulphur produced and saved during such Accounting Month as shall be required to cause the Grantee to be entitled to receive, out of the Subject Minerals produced and saved during such Accounting Month, a sum which, when actually received by the Grantee in accordance with the terms of this Conveyance, would equal a sum hereby

specified to be the total of (i) the aggregate amount referred to in subparagraphs (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance to the extent such aggregate amount shall have been ascertained or accrued during (or, in the case of said subparagraphs (c), (d), (e) and (f), prior to) such Accounting Month and remains unpaid, *plus* (ii) an amount determined by multiplying the unliquidated balance of the Primary Sum at the close of business on July 31, 1983 by the percentage shown on the Discharge Schedule under the heading "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, the percentage shown on the Discharge Schedule under the heading "Minerals Monthly Percentage", opposite the Regular Application Date occurring at or near the end of such Accounting Month;

Third: If on any Application Date during the Second Production Period the aggregate amount of reductions in the unliquidated balance of the Primary Sum made on such Application Date and prior thereto is less than an amount determined by multiplying 95% times the cumulative total of the amounts determined for such Application Date and all amounts determined for all previous Application Dates as provided in subclause (ii) of clause (b) of subparagraph Second of this Paragraph 2 by reference to the "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, by reference to the "Minerals Monthly Percentage", then notwithstanding the provisions of subparagraph Second above, this shall not be effective during any period during which the provisions of this subparagraph Third are operative; during the Accounting Month beginning at or near such Application Date, the undivided 90% of the Subject Minerals conveyed under this subparagraph Third shall be an undivided 90% of the Subject Hydrocarbons and an undivided 40% of the Subject Sulphur;

and

Fourth: The percentage of the Subject Minerals conveyed under this subparagraph Fourth during the Third Production

Period shall be one hundred percent (100%) of the Subject Minerals;

together with an easement of ingress and egress to remove the same from the applicable Subject Interests to the extent Grantors have the right to grant such an easement (the undivided percentages of the Subject Minerals so granted, bargained, sold, conveyed, assigned, transferred and delivered and at any time in effect being herein called the "Production Payment Percentages", the Subject Minerals attributable to the Production Payment Percentages being herein called the "Production Payment Minerals", and the Production Payment Minerals, together with such easement of ingress and egress and all other interests hereby granted, bargained, sold, conveyed, assigned, transferred and delivered, or intended so to be, being herein called the "Production Payment").

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, titles, interests, estates, remedies, powers, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing the Production Payment. All the provisions of this Conveyance shall be subject to the following principles:

(a) Except as provided in Paragraphs 14(b)(ii) and 14(c) hereof, for the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Production Payment Minerals, and the Grantors shall not be liable for such discharge.

(b) Except as provided in the proviso clause below, the Production Payment shall not be dischargeable out of any advance payments made to the Grantors for Production Payment Minerals to be produced in the future and covered by, and made in advance of such production under the terms of, any advance payment or take or pay agreement, *provided, however*, that the Production Payment shall be dischargeable out of, and the Grantors shall (except to the extent that payment is made directly to the Grantee by the purchaser or unless the Production Payment shall have been fully discharged) make payment to the Grantee hereon on account of,

any Production Payment Minerals covered by any such advance payment or take or pay agreement when such Production Payment Minerals shall be produced and saved, on the basis of the full purchase price under the Sales Contract for such Production Payment Minerals so produced and saved (such full purchase price to be without regard to any deduction from or credit against the payment of such price due to any previous payment made in advance of production).

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantors shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to any of the Grantors in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Minerals any Minerals unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantors in conformity with good field practices for drilling, mining and production operations (including gas injection, secondary recovery, pressure maintenance, repressuring or cycling operations) conducted for the purpose of producing Minerals from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Minerals are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalties; *provided, however*, that during the period of any such suspension, the Production Payment Percentage applicable to production from

each other Lease included in the Subject Interests, or portion or zone thereof, shall (subject to the provisions of Paragraph 2 hereof) be increased to that percentage necessary to cause the Grantee to receive, in addition to the production from each such other Lease (or portion or zone thereof) attributable to the Production Payment Percentages otherwise applicable under Paragraph 2 hereof, proceeds of production from each such other Lease, or portion or zone thereof, equivalent in the aggregate to the amount of proceeds of production the Grantee would have received from the Lease, or portion or zone thereof, as to which the Grantee's rights to production have been suspended had such rights not been so suspended. The increases in the Production Payment Percentages pursuant to the foregoing provisions of this subparagraph (e) are hereby conveyed by the Grantors to the Grantee effective as of the Effective Date as a part of the Production Payment.

(f) There shall not be included in the Subject Minerals any Minerals attributable to nonconsent operations conducted with respect to the Subject Interests (or any portion thereof) as to which any Grantor shall be a nonconsenting party and dedicated to the recoupment or reimbursement of costs and expenses of the consenting party or parties by the terms of the relevant operating agreement, unit agreement, contract for development or other instrument providing for such nonconsent operations, provided such Grantor's election not to participate in such operations is made in conformity with the provisions of Paragraph 14(a) of this Conveyance.

(g) Whenever reference is made in this Conveyance to the term "fair market value at the wellhead or mine" in determining the price to be paid or obtained for Production Payment Minerals sold for the account of the Grantee, or purchased by any Grantor, or taken in kind by the Grantee, such term shall be understood to mean the price paid or payable for such Minerals at the wellhead or mine in the case of Minerals customarily sold at the wellhead or mine or, in the case of Minerals customarily sold or disposed of otherwise than at the wellhead or mine, the price paid or payable for such Minerals at the nearest point where such Minerals may be marketed and sold after production, less all costs of transporting such Minerals to such point from the wellhead or mine.

(h) In the case of Production Payment Minerals sold or disposed of other than at the wellhead or mine, the amount of all reasonable costs incurred and paid by the Grantors in transporting such Minerals to the point of sale or disposition shall be deducted from the proceeds of sale of the Production Payment Minerals, and the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by the Grantee.

(i) Cognizant of Sections 171.26(d), 172.22(d), 173.21(d) and 174.28(b) of Title 25 of the Code of Federal Regulations, it is agreed, with respect to any Lease from Indian tribes, bands or groups, and any Lease on lands allotted to Indians in severalty, included in the Subject Interests, that nothing in this Conveyance shall be construed as modifying any of the obligations of the lessee under such Lease, including, but not limited to, obligations for diligent development and operation, protection against drainage, compliance with oil and gas operating regulations (30 CFR Part 221), and the requirement for departmental approval before abandonment of any well situated on such Lease. All such obligations are to remain in full force and effect, the same as if free of the Production Payment. The existence of the Production Payment, whether or not actually paid, shall not be considered as justification for the approval of abandonment of any well situated on such Lease.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized out of the proceeds of Production Payment Minerals, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The Primary Sum; *plus*

(b) An amount computed at the Applicable Rate on the unliquidated balance from time to time of the Primary Sum,

(i) The first such computation to be made on September 1, 1981, for the period commencing with and including the date hereof up to and including August 31, 1981, on the amount of such unliquidated balance of the Primary Sum from time to time during such period, and

(ii) Subsequent computations to be made monthly or, the first day of each calendar month for the preceding calendar month on the amount of the unliquidated balance from time to time of the Primary Sum during such preceding calendar month;

plus

(c) The sum of \$100,000 payable on September 1, 1981, and, in the event the Primary Sum at any date exceeds \$1,000,000,000, the additional sum of \$100,000 payable on the Application Date next following such date, and, in the event the Primary Sum at any date exceeds \$1,865,000,000, the additional sum of \$50,000 payable on the Application Date next following such date;

plus

(d) A sum equal to the aggregate of (i) all Increased Financing Costs from time to time of the Grantee and (ii) with respect to each portion of the unliquidated balance of the Primary Sum to which the Eurodollar Rate is applicable which may be paid on other than the last day of the Rate Period therefor (including without limitation any payments made pursuant to subparagraph (f) of Paragraph 6 hereof or Paragraph 25 hereof), an amount computed on the basis of the Excess Rate (as defined below) for such portion of the unliquidated balance of the Primary Sum on the amount of such portion so paid, for the period commencing on the day of such payment and ending on the last day of the current Rate Period for such portion (for the purpose of computing such amount, the "Excess Rate" in respect of any portion of the Primary Sum so paid shall be a rate per annum equal to the excess (if any) of (x) the LIBO Rate in effect for the current Rate Period for such portion *over* (y) the LIBO Rate computed on the basis of a Rate Period commencing on the day of such payment and ending on the last day of the current Rate Period for such portion) and (iii) interest on the amounts specified in clauses (i) and (ii) at the Applicable Rate (but not to exceed the maximum rate permitted by applicable law);

plus

(e) A sum equal to the aggregate of all the Subject Taxes to the extent that such taxes have not been paid by the Grantors

pursuant to Paragraph 13 hereof, together with interest on the unliquidated amount thereof at a rate equal to the Applicable Rate (but in no event in excess of the maximum rate permitted by applicable law) in effect during the period from and including the date of payment of each such amount by the Grantee (notice of each such payment to be given promptly to the Grantors) to the date the Grantee is reimbursed therefor; *plus*

(f) A sum equal to the aggregate of all reasonable expenses of the Grantee incidental to the acquisition, ownership, mortgaging and transfer of the Production Payment or any part thereof, the obtaining of any loan secured thereby and the receipt and disbursement of funds on account thereof (including, without limitation, any commitment fees, any withholding or other similar taxes (together with any interest, penalties and expenses in connection therewith), any costs and expenses of any lender making such loan incurred as a result of any installment of the Purchase Price not being paid on the date specified in a notice by the Grantors pursuant to Paragraph 7(b) of this Conveyance or failure to make a payment on the date and before the time specified in a notice provided pursuant to Paragraph 6 with respect to any portion of the unliquidated balance of the Primary Sum to which the Euro-dollar Rate is applicable and all fees and expenses of accountants and counsel for the Grantee and of counsel for the agent for any lenders making such loan, all expenses and taxes imposed by any state within which any Subject Interest is wholly or partially located on such lender attributable to the mortgaging of the Production Payment, all fees incurred in connection with, and all other expenses and costs of litigation and the contest, release or discharge of, any adverse claim or demand made or proceedings instituted by any person affecting in any manner whatsoever the Production Payment, the Production Payment Minerals or the proceeds thereof and all other fees, costs and expenses of the Grantee and any lender making such loan in connection with or arising out of any investigation, litigation or proceeding related to any acquisition or proposed acquisition of all or any portion of the stock or substantially all of the assets of any Person, directly or indirectly, with any of the proceeds of the Purchase Price, which shall have been paid or incurred by the Grantee or any lender making such loan, together with interest on the unliquidated

amount thereof at a rate equal to the Applicable Rate (but not to exceed the maximum rate permitted by applicable law) in effect during the period from and including the date of payment of each such amount by the Grantee (notice of each such payment to be given promptly to the Grantors) to the date the Grantee is reimbursed therefor.

IT BEING THE INTENTION OF THE GRANTORS AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Production Payment Minerals the full aggregate sum of the amounts described in subparagraphs (a), (b) and (c) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Minerals (which expenses, costs and fees shall be borne by the Grantors) and over and above all taxes, assessments, fees, expenses and costs of the character and amount described, specified or referred to in subparagraphs (d), (e) and (f) of this Paragraph 4.

All of the Subject Taxes may be deducted from the proceeds of the Production Payment Minerals and paid for the account of the Grantee and, in the event of any such deduction, the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by the Grantee. Similarly (and anything in this Conveyance to the contrary notwithstanding), the tax under the Crude Oil Windfall Profit Tax Act of 1980 and any amendments or supplements thereto (or any tax enacted in substitution therefor) imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment Minerals or the proceeds thereof and for which the Grantors are liable may be deducted from the proceeds of the Production Payment Minerals and paid by the Grantors and, in the event of any such deduction, the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by or payable to the Grantee.

5. Termination of the Production Payment. When the full aggregate sum of the amounts specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance (as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate, and all interest therein shall immediately revert to and become vested in the

Grantors to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination and upon indemnification against loss by reason of such acts and by reason of the restitution of proceeds of Production Payment Minerals as provided in Paragraph 11 of this Conveyance, it shall execute or cause to be executed, upon the request and at the expense of the Grantors, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. Application of the Proceeds of Production Payment Minerals.

For all purposes of this Conveyance, the proceeds of Production Payment Minerals actually received by the Grantee at or before 11:00 A.M. (local time in effect in The City of New York) on any Application Date (commencing with September 1, 1981) and not theretofore applied pursuant to this Paragraph 6, shall be deemed to have been received and applied on such Application Date as follows:

(a) *First*, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance to the extent such amount has been ascertained or accrued up to (but not including) such Application Date and which has not been added to the Primary Sum pursuant to the proviso to this Paragraph 6 or paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(b) *Second*, to the amount referred to in subparagraph (d) of said Paragraph 4 to the extent such amount has been ascertained or accrued up to (but not including) such Application Date and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(c) *Third*, to the amount referred to in subparagraph (e) of said Paragraph 4 and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(d) *Fourth*, to the amount referred to in subparagraph (e) of said Paragraph 4, to the extent then ascertained and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

tion Payment Minerals pursuant to the provisions of this Paragraph 6, and

(e) *Fifth*, to all other amounts referred to in subparagraph (f) of said Paragraph 4, to the extent then ascertained and which have not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(f) *Sixth*, to the reduction of the unliquidated balance of the Primary Sum, *initially* by reduction of that portion of the unliquidated balance of the Primary Sum to which the Domestic Rate is applicable and *then* by reduction of those one or more portions of the unliquidated balance of the Primary Sum to which a Eurodollar Rate is applicable in such order as may be selected by the Grantors by not less than four Business Days' prior written notice to the Grantee or, if and to the extent not so selected, in the order in which the last days of the respective Rate Periods then in effect are scheduled to occur;

provided, however, that, in the event such proceeds so applied on the relevant Application Date shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased by an amount equal to the amount of such deficiency.

Within 15 Business Days after the date of each such application by the Grantee of any proceeds of Production Payment Minerals, the Grantee will furnish or cause to be furnished to the Grantors a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

If the Eurodollar Rate is applicable to any portion of the unliquidated balance of the Primary Sum to which proceeds are to be applied on an Application Date and such Application Date is on a date other than the last day of the Rate Period for such Eurodollar Rate, Grantors shall give written notice to the Grantee (and any lenders to the Grantee) at least four Business Days prior to such Application Date that the Grantors will pay such portion of the unliquidated balance of the Primary Sum prior to 11:00 A.M. (local time in effect in The City of New York) on such Application Date.

7. Payment of Consideration for the Production Payment.

(a) In consideration of the conveyance by the Grantors to the Grantee of the Production Payment pursuant to this Conveyance, the Grantee hereby agrees to pay to the Grantors the sum of \$2,500,000,000 (such sum, less the aggregate amount of reductions thereto pursuant to the provisions of subparagraph (d) of this Paragraph 7, being herein called the "Purchase Price"), of which \$10,000,000 is being paid by the Grantee to the Grantors concurrently with the execution and delivery of this Conveyance and the remaining \$2,490,000,000 is payable in one or more installments, each to be in an amount not less than \$50,000,000 (except that any installment which causes the aggregate amount of the Purchase Price then paid to equal \$1,865,000,000 or, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, \$2,500,000,000, may be in such lesser amount which shall cause the aggregate amount of the Purchase Price then paid to equal \$1,865,000,000 or \$2,500,000,000 as the case may be), payable by the Grantee at the times and in the amounts specified by the Grantors as hereinafter in this Paragraph 7 provided.

(b) Each installment of the remaining \$2,490,000,000 of the Purchase Price shall become payable on the Business Day as to which the Grantee shall have received from the Grantors at least four Business Days' prior written notice specifying the amount of such installment and the Business Day for payment of such installment. Any provision of this Paragraph 7 to the contrary notwithstanding, the obligation of the Grantee to pay each installment of the Purchase Price on the Business Day on which such installment shall otherwise be payable hereunder shall be subject to the conditions precedent that on such Business Day (i) the Grantee shall have received a certificate, substantially in the form of Exhibit D attached hereto and hereby made a part hereof, of the Grantors signed by duly authorized officers of the Grantors and dated such Business Day (the statements made in which certificate shall be true and correct on such Business Day), and (ii) as to the installment which, when paid, would cause the aggregate amount of the Purchase Price then paid to exceed \$1,865,000,000, the Grantors shall have executed and delivered to the Grantee the Supplemental Instrument of Conveyance of Production Payment.

(c) Any provision of this Paragraph 7 to the contrary notwithstanding, the obligation of the Grantee to pay any further installments

of the Purchase Price pursuant to this Paragraph 7 shall terminate upon the occurrence of an Event of Default specified in clause (c) or (d) of Paragraph 17.

(d) The obligation of the Grantee to pay any installment or installments of the Purchase Price which is not or are not payable on or prior to (i) the date of termination of the Production Payment pursuant to Paragraph 5 hereof or (ii) July 31, 1983, whichever date first occurs, shall terminate on such date and thereupon the amount of the Purchase Price shall be reduced by the amount of the unpaid portion of the Purchase Price which the Grantee is not obligated to pay.

(e) All payments made by the Grantee on account of the Purchase Price shall be paid in lawful money of the United States of America and in immediately available funds by a deposit to the credit of the Grantors' account (No. 39019761) with Citibank at 399 Park Avenue, New York, New York 10043.

(f) The Grantors hereby irrevocably and unconditionally waive and relinquish (i) any express or implied vendor's lien, and any other lien, security interest, charge or encumbrance, which would otherwise be imposed on or affect the Production Payment or the Production Payment Minerals on account of any unpaid installment or installments of the Purchase Price and (ii) with respect to the obligations of the Grantors to make payments under this Conveyance (including, without limitation, payments of proceeds of Production Payment Minerals under Paragraphs 3, 8, 9 and 11 hereof and payments under Paragraphs 13, 17 and 25 hereof), any set-off, counterclaim, credit, recoupment, defense, abatement, suspension, reduction and other right or claim which the Grantors may have against the Grantee as a result of or arising out of the failure of the Grantee to pay any amount on account of the Purchase Price.

8. Marketing of Production Payment Minerals. The Grantors, at their own expense, shall market or cause to be marketed the Production Payment Minerals, on behalf of and for the account of Grantee, on the same basis as the Grantors market their share of Subject Minerals, and for such purpose the Grantee agrees that sales of Production Payment Minerals may continue to be made by the Grantors with their share of Subject Minerals pursuant to existing contracts and agree-

ments entered into by the Grantors for the sale of, or commitment to sell, Subject Minerals and that the Grantors may enter into one or more contracts and agreements in the future for the sale of Subject Minerals (including Production Payment Minerals included therein) at the best prices and on the best terms as the Grantors shall determine in their good faith judgment are reasonably obtainable in the circumstances (all such present and future contracts and agreements for the sale of or commitment to sell Subject Minerals being herein called "Sales Contracts"), and it shall not be necessary for the Grantee to join in any Sales Contract or any amendment thereof; *provided, however*, that the Grantors will not agree to, or permit, any amendment, modification or termination in any manner adverse to the interests of the Grantee of any Sales Contract with an Affiliate of any Grantor, nor will the Grantors enter into any Sales Contract in the future with an Affiliate of any Grantor (except pursuant to the terms of any presently existing Sales Contract) in any manner adverse to the interests of the Grantee, without the prior written consent of the Grantee, and the Grantors will give the Grantee at least 15 days' prior written notice of the terms of any proposed amendment, modification or termination of any Sales Contract with an Affiliate of any Grantor, or any proposed future Sales Contract with an Affiliate of any Grantor. Subject to the rights of purchasers under then existing Sales Contracts and to any existing right of the Grantee to take in kind pursuant to notice given in accordance with Paragraph 10 hereof, and (so long as the Grantors are not in default in the performance or observance of any covenant or agreement on the Grantors' part to be performed or observed hereunder) the Grantors shall be entitled at any time and from time to time to purchase all or any part of the Production Payment Minerals (including Production Payment Minerals which the Grantee has elected to take in kind provided that the Grantors shall have, within 30 days of the giving of any notice by the Grantee in accordance with Paragraph 10 hereof, given written notice to the Grantee that the Grantors elect to purchase all or part of the Production Payment Minerals specified in such notice given by the Grantee and specifying when the Grantors' purchases shall commence and the duration thereof), and, in such case, the Grantors shall pay to the Grantee, on or before 11:00 A.M. (local time in effect in the City of New York) on the Application Date at or near the end of the Accounting Month next succeeding the Accounting Month in which such purchase by the Grantors occurs, in immediately available funds, a price

equal to the fair market value at the wellhead or mine at the time of purchase of the Production Payment Minerals so purchased, less the amount of all severance taxes and assessments, payable by the Grantee or the Grantors, of the character referred to in Paragraph 4(c) or the last sentence of Paragraph 4, attributable to the production and sale of such Production Payment Minerals, and the amount of such taxes and assessments so deducted shall be deemed not to be proceeds of Production Payment Minerals received or realized by the Grantee.

9. Performance of Sales Contracts; Payments; Etc. The Grantors will duly perform all obligations binding on them under all Sales Contracts in accordance with the terms thereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Production Payment Minerals sold by the Grantors, whether pursuant to Sales Contracts or otherwise, shall be delivered by the Grantors to the purchasers thereof, for the credit of the Grantee, to such point of purchase as is reasonably required in the marketing of such Production Payment Minerals. So long as no Event of Default has occurred and is continuing, the proceeds of the sale of all Subject Minerals (whether pursuant to Sales Contracts or otherwise) shall be paid to the Grantors by the purchasers thereof or other parties obligated to make payment therefor. All proceeds of Production Payment Minerals shall constitute trust funds in the possession of the Grantors and all such proceeds of Production Payment Minerals received by the Grantors on or before the next to last Business Day of each calendar month which are proceeds of Production Payment Minerals produced and saved during any Accounting Month prior to the Accounting Month ending on the first day of such calendar month and not theretofore paid over shall be paid over to the Grantee at or before 11:00 A.M. (local time in effect in The City of New York) on the Application Date which next follows the next to last Business Day of such calendar month, in lawful money of the United States of America and in immediately available funds by a deposit to the credit of the Grantee's account (No. 39019753) with Citibank at 399 Park Avenue, New York, New York 10043. Upon the occurrence and during the continuance of any Event of Default (but not otherwise), the Grantee shall have the right to receive directly from the purchasers of the Production Payment Minerals, and to direct

such purchasers to pay directly to the Grantee, amounts to be paid for purchases of Production Payment Minerals, whether pursuant to Sales Contracts or otherwise.

10. Taking In Kind. From time to time upon the giving of at least 120 days' prior written notice to the Grantors (except that no such notice shall be required if an Event of Default shall have occurred and is continuing), the Grantee shall have the right, at its option, to take in kind all or any part of the Production Payment Minerals; *subject, however*, to (i) the rights of any purchasers under then existing Sales Contracts, and (ii) the right of the Grantors to purchase Production Payment Minerals pursuant to Paragraph 8 hereof. Each such notice from the Grantee shall specify the Minerals to be taken in kind, the date such taking is to commence and the proposed duration thereof. The Grantee shall market any such Production Payment Minerals promptly at the best price and on the best terms the Grantee shall determine in its good faith judgment are reasonably obtainable in the circumstances, and the Production Payment shall be credited with the proceeds of any such sale, in the same manner as if such Production Payment Minerals had been marketed by the Grantors. No such taking by the Grantee shall obligate the Grantors to incur additional expenses by reason of such taking, but the Grantors shall continue to pay all costs and expenses incurred by them in the same manner and to the same extent hereunder as if there had been no such taking, provided that the Grantors shall be reimbursed out of the proceeds of sale of such Production Payment Minerals marketed by the Grantee pursuant to this Paragraph 10, to the extent actually incurred by the Grantors, for the amount of all the transportation costs of the character referred to in Paragraph 3(h) and for the amount of all Subject Taxes attributable to the production and sale of the Production Payment Minerals so taken and marketed by the Grantee and the amount of any such transportation costs and Subject Taxes so reimbursed to the Grantors shall be deemed not to be proceeds of Production Payment Minerals received or realized by the Grantee.

11. Withholding and Restitution of Proceeds of Production Payment Minerals. All obligations of the Grantors hereunder shall be subject to the applicable provisions of each statute purporting to provide regulation of the sale of Minerals or establishing maxi-

mum prices at which the same may be sold and all applicable rules and regulations thereunder of each governmental agency, board or commission having jurisdiction. Rates permitted under each such statute and the rules and regulations thereunder to be paid for natural gas or other Minerals included in the Production Payment Minerals shall be controlling if lower than prices established in Sales Contracts or if lower than the fair market value at the wellhead or mine. The Grantors shall be entitled to use their reasonable discretion in making filings, for themselves and on behalf of the Grantee, with any governmental agency, board or commission having jurisdiction, affecting the price or prices at which Subject Minerals may be sold. If any proceeds of Production Payment Minerals shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantors pending a final, non-appealable order on any application for certificates or determinations with respect to a sale, or a rate increase, filed with any governmental agency, board or commission having jurisdiction (and the Grantors are hereby authorized to make such withholding pending such final determination), the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the Grantee; *provided, however*, that promptly (and in no event later than 30 days) following the receipt by the Grantors of a final non-appealable order in any such rate proceeding, the Grantors shall promptly pay over to the Grantee the amount of any proceeds of Production Payment Minerals so withheld by the Grantors, in conformity with such non-appealable order. If, at any time before or after receipt of the full aggregate sum specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Production Payment Minerals, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; *provided, however*, that, if, at the time of such payment or restitution, the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the un-

liquidated balance of the Primary Sum shall thereupon be deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

12. Protection to Purchasers of Production. No person purchasing or taking or processing any Subject Minerals shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

13. Certain Payments by Grantors. The Grantors will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), the following:

(a) all *ad valorem* taxes (or taxes imposed in lieu thereof), all gross production, severance, excise and sales taxes, the excise tax imposed on any windfall profit from taxable crude oil by the Crude Oil Windfall Profit Tax Act of 1980 and any amendments or supplements thereto or tax enacted in substitution therefor, and any similar tax imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment or the Production Payment Minerals, or the proceeds thereof, or against the Grantee by reason of its ownership of the Production Payment or against any assignee or mortgagee of the Production Payment by reason of his or its interest as assignee or mortgagee, together with any interest or penalty payable in connection therewith, but any other tax, including, but not limited to, any tax imposed on net income or the right to do business shall be payable only to the extent provided in subparagraph (b) below;

(b) all taxes or other governmental charges of any kind or character whatsoever imposed on the Grantee (but not an assignee of Grantee) by any jurisdiction, including franchise and income taxes, other than income taxes imposed on (i) the amount received pursuant to subparagraph (c) of Paragraph 4 hereof, and (ii) any gain attributable to the sale or other disposition, in whole or in part, of the Production Payment to the extent such gain is attrib-

utable to consideration received by the Grantee in excess of the unliquidated balance of the Primary Sum allocable to the portion of the Production Payment so sold or disposed of; and

(c) obligations of the character referred to in subparagraph (f) of Paragraph 4 hereof.

Grantors shall have the right at their expense to contest any tax in good faith. The taxes which Grantors have agreed to pay or cause to be paid in subparagraphs (a) and (b) above are herein called "Subject Taxes".

14. Covenants of the Grantors. Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantors will, at their expense and regardless of who may be the operator or operators of the Subject Interests:

(a) subject to the provisions of subparagraph (c) of this Paragraph 14 and the provisions of Paragraph 21 of this Conveyance, cause the Subject Interests to be maintained and developed and continuously operated for the production of Minerals in a good and workmanlike manner and in accordance with sound field or mining practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith), all such operations to be carried on, to the extent reasonably practicable, without any preference being given to Minerals from sources other than the Subject Interests because of the fact that Grantors have created and conveyed the Production Payment; *provided, however,* that nothing contained in this subparagraph (a) shall be deemed to prevent or restrict any Grantor from electing not to participate in any operation which is to be conducted under the terms of any operating agreement, unit operating agreement, contract for development or similar instrument affecting or pertaining to the Subject Interests (or any portion thereof) and allowing consenting parties to conduct nonconsent operations thereon, if such election is made by such Grantor in good faith and in conformity with sound field or mining practices;

(b) jointly and severally assume liability for, and hereby agree to indemnify, protect, defend, save and keep harmless the

Grantee, and any lender to the Grantee and their representatives, and any successors and assigns from and against any and all royalties and all liabilities, obligations, losses, damages, penalties, fines, claims, actions, suits, costs, expenses and disbursements (including, without limitation, fees and disbursements of counsel and other legal and investigative fees and expenses) of whatsoever kind and nature, which may at any time be imposed on, be incurred by or on behalf of or be asserted against the Grantee or any such lender and in any way related to or arising out of (i) the ownership, producing, handling, storing, transporting, refining, controlling or other disposition of any Subject Minerals or any Production Payment Minerals (including, without limitation, the leakage or spillage of, or other pollution by, any Subject Minerals or Production Payment Minerals, or any tort claim or claim for damages of any kind or nature and any claim or liability in, respect of any adverse environmental impact or effect) or (ii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition of all or any portion of the stock or substantially all of the assets of any Person directly or indirectly with any of the proceeds of the Purchase Price, whether or not the Grantee or any such lender is a party to such acquisition. The obligations of the Grantors under this subparagraph (b) shall survive the termination of the Production Payment. All payments required to be made pursuant to clause (ii) of this subparagraph (b) shall be made directly to the Grantee or such lender at Citibank New York, upon written demand by the Grantee or such lender. No provision of this subparagraph (b) or any other provision of this Conveyance shall be construed to be a waiver on the part of the Grantee or such lender of the benefit of any limitation of, or exemption from, liability accorded by any statute or rule of law;

(c) cause all machinery, equipment and facilities of any kind (including production platforms) now or hereafter located on the Subject Interests (or any portion thereof) and necessary to the effective operation thereof for the production of Minerals therefrom to be provided and to be kept in good and effective operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided for; *provided, however*, that the Grantors

shall not be required to repair, replace or rebuild such machinery, equipment or facilities as to Subject from which Minerals are produced (i) when such Subject Minerals are jointly owned and are operated by a party other than any Grantor or an Affiliate of any Grantor and the operator decides not to repair, replace or rebuild such equipment, (ii) when failure to do so would not materially adversely affect the rate of production of Minerals, or (iii) if, as to any production platform located on the Subject Interests (or any portion thereof), including without limitation, equipment, machinery and facilities of any kind thereon, or any well or wells located on any such production platform, the Grantors shall pay over to the Grantee, for application to the discharge of the Production Payment, (x) quarterly, on or before 11:00 A.M. (local time in effect in The City of New York) on each Quarterly Application Date (herein in this Paragraph 14(c) called a "relevant Quarterly Application Date") commencing with the second such Quarterly Application Date next following the date of loss of or damage to the relevant platform, that amount which, when added to all other amounts received by the Grantee pursuant to the provisions of Paragraph 6 hereof during the quarterly period commencing with (but not including) the last preceding Quarterly Application Date and ending with and including the relevant Quarterly Application Date, will cause the Grantee to receive on or before the relevant Quarterly Application Date a sum equal to (A) the aggregate of the amounts to be applied in accordance with subparagraphs (a), (b), (c), (d) and (e) of Paragraph 6 hereof during said quarterly period, *plus*, after the commencement of the Second Production Period, (B) an amount to be applied in accordance with subparagraph (f) of said Paragraph 6 sufficient to reduce the unliquidated balance of the Primary Sum on or before the relevant Quarterly Application Date to an amount equal to (1) the unliquidated balance of the Primary Sum on the last preceding Quarterly Application Date (after the application made on that date) less (2) an amount determined by multiplying the Primary Sum at the close of business on July 31, 1983 by the percentage shown on the Discharge Schedule under the heading "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, under the heading "Minerals Monthly

Percentage", for each of the Application Dates in said quarterly period, and aggregating the products of such calculations (the aggregate of all such quarterly payments made under this clause (x) in respect of such platform (including all wells located thereon) not to exceed the aggregate fair market value at the wellhead, as reasonably determined by the Grantors with the concurrence of the Grantee, or, if the Grantee shall not concur with such determination by the Grantors, as determined by Ryder Scott Company Petroleum Engineers or other independent petroleum engineers satisfactory to the Grantors and the Grantee, as of the date of loss of or damage to the relevant platform, of all Subject Minerals that would have been produced from wells previously completed on such platform had the necessary repairs, replacements or rebuilding of such production platform and any necessary redrilling or reworking of such wells, been carried out), or, at the sole option of the Grantors, (y) within thirty (30) days after the first to occur of (A) the receipt by the Grantors of the proceeds of any insurance recovered by the Grantors on account of loss of or damage to such platform or (B) the expiration of one (1) year from the date of such loss or damage, an amount equal to the aggregate fair market value at the wellhead of the Subject Minerals referred to, and determined as provided in, clause (x) above, and the amount of any such payments to the Grantee shall be deemed to be proceeds of Production Payment Minerals for all purposes of this Conveyance and shall be included in the written statement to be furnished to the Grantors by the Grantee pursuant to the last paragraph of Paragraph 6 Hereof, but may be reflected as a payment received from the Grantors pursuant to this subparagraph(c);

(d) cause all necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Minerals and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand;

(e) cause written notice to be given to the Grantee of every adverse claim or demand made by any Person materially affecting the Subject Interests, the Subject Minerals or the proceeds there-

of in any manner whatsoever, and of any proceeding instituted in respect thereof;

(f) cause the interest of the Grantors in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling, mining and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance;

(g) subject to the provisions of Paragraph 21 of this Conveyance, cause all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance;

(h) (i) maintain, or cause to be maintained, insurance insuring the Grantors, to the extent of their respective interests therein, against loss of or damage to any and all machinery, equipment and facilities of any kind (including all production platforms) now or hereafter located on the Subject Interests (or any portion thereof) in amounts equal to the full insurable value of the Grantors' interest (as if this Conveyance had not been executed and delivered) in such machinery, equipment and facilities and covering loss or damage due to fire and windstorms, hurricanes and such other events, including blowout and cratering, usually covered by insurance carried by companies engaging in similar business and owning similar properties in the same general area or areas in which the relevant Subject Interests are located, and (ii) in addition to the insurance coverage required under clause (i) above, maintain, or cause to be maintained, insurance in such 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 relevant Subject Interests are located and as may be required by applicable law, which coverage shall in any event include the following:

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

(B) automobile public liability and property damage insurance, insuring the Grantor 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 (A) above, with a limit of liability of not less than \$500,000 for each occurrence;

(C) aviation public liability and property damage insurance, insuring the Grantors 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 (A) above, with a limit of liability of not less than \$10,000,000 for each occurrence; and

(D) marine public liability and property insurance, insuring the Grantors 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 (A) above, with a limit of liability of not less than \$500,000 for each occurrence.

All insurance required by this subparagraph (h) shall be maintained with responsible and reputable insurance companies or associations.

(i) In the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered, cause all contracts and rights (as in effect on the date hereof), with respect to the gas and water supply used in connection with the mining of the Subject Sulphur, to be maintained in full force and effect without any amendment, modification or waiver which might materially adversely affect the rights of the Grantee.

Notwithstanding the provisions of subparagraphs (a) and (g) of this Paragraph 14, the Grantors shall have the right to abandon any Subject Interest or any portion thereof from which Minerals have been produced and to discontinue performance of their obligations under said subparagraphs with respect to such Subject Interest or such portion thereof when (A) with respect to Subject Interests in Hydrocarbons there is no well located on such Subject Interest or such portion thereof which is capable of producing Hydrocarbons in paying quantities and when the Grantors have reasonably determined (i) that no existing well may be recompleted, and no additional well may be completed, thereon which would be capable of producing Hydrocarbons in paying quantities, and (ii) that no pressure maintenance or other recovery techniques or methods then currently in use by prudent operators may be instituted with respect to any existing well which would result in the production from such well of Hydrocarbons in paying quantities (for purposes of this sentence, any Subject Interest or any portion thereof which is committed to a unit or a joint operation and which is thereafter permanently abandoned under the applicable unit or operating agreement prior to termination of the unit or joint operation, shall be deemed an abandonment of such Subject Interest or such portion, as the case may be, by the Grantors which is permitted); and (B) with respect to Subject Interests in Sulphur, there is no mine located on such Subject Interest or such portion thereof which is capable of producing Sulphur in paying quantities.

For all purposes of this Paragraph 14, an existing well or mine located on any Subject Interest shall be deemed to be capable of producing Minerals "in paying quantities" unless a condition not of a temporary nature shall exist whereby the aggregate value of the Minerals produced from such well or mine, as the case may be, is less than the direct costs of operating such well or mine and preparing the production thereof for marketing. Further, a well on any Subject Interest in Hydrocarbons which may result from additional drilling or which may be the subject of recompletion, pressure maintenance or other recovery techniques or methods shall not be deemed to be capable of producing Hydrocarbons "in paying quantities" if, in the light of conditions existing at the time of the determination and which are not of a temporary nature, it is estimated that the aggregate value of the Hydrocarbons to be produced from such well shall not exceed the then

estimated direct costs of operating such well and preparing the production therefrom for marketing, as well as the direct costs of providing the necessary installations for, and carrying out, any pressure maintenance or other recovery techniques or methods properly allocable to such well and the direct costs of recompleting such existing well or drilling, completing and equipping such additional well, in each case to the extent such direct costs are allocable to such Subject Interest.

As used herein, "direct costs" shall mean and include only (i) the cost of labor, transportation, other services, materials, equipment and supplies, (ii) amounts paid or to be paid independent contractors and (iii) amounts charged under applicable operating or unit agreements for or in lieu of general or administrative overhead or, with respect to those Subject Interests which are not subject to operating agreements, a reasonable amount for general and administrative overhead (which latter amount shall not in any event exceed 5% of the costs and amounts referred to in clauses (i) and (ii) above). Payments on account of the Production Payment or on account of royalties, overriding royalties or any other payments out of production shall not be deemed to constitute "direct costs".

Anything contained in this Paragraph 14 to the contrary notwithstanding, the Grantors shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantors with respect to individual Subject Interests of which none of them is the operator. In such case, however, the Grantors will use their best efforts to secure the performance of each of such undertakings.

15. Access to the Subject Interests. The Grantors shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition, the Grantors shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Minerals therefrom, provided that the Grantee shall conform to such confidentiality and secrecy requirements respecting such information as the Grantors shall in writing reasonably request.

16. Pooling and Unitization. Although herein to the contrary notwithstanding, the Grantors may, without the consent of the Grantee (unless any party having an interest in the proposed unit is an Affiliate of any Grantor holding an interest in the unit not attributable to a Subject Interest, in which case the prior written consent of the Grantee shall be required to be obtained (except as to a unit required by governmental authority, for which no consent shall be required)), pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units, or to reform, expand or modify units theretofore formed, when, in the judgment of the Grantors, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were specifically described in Exhibit A. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

17. Default by the Grantors and the Remedies of the Grantee. Any of the following events shall be an Event of Default (each such event being herein called an "Event of Default") under this Conveyance:

(a) any representation or warranty contained in Paragraph 20 of this Conveyance or in any certificate or statement delivered by the Grantors (or any of their officers) pursuant to subparagraph (b) of Paragraph 7 of this Conveyance shall be untrue when made in any respect which adversely affects the rate of discharge of the Production Payment or otherwise materially adversely affects the interests of the Grantee hereunder; or

(b) any Grantor shall default in the performance or observance of any term, covenant or condition on such Grantor's part to be performed or observed hereunder which default adversely affects the rate of discharge of the Production Payment or

otherwise adversely affects the interests of the Grantee hereunder, and such default shall continue unremedied for a period of 30 days after written notice shall have been given to such Grantor by the Grantee's demanding the performance or observance of the relevant term, covenant or condition (or, if such default is capable of being remedied by such Grantor but cannot be remedied within such 30-day period, such Grantor shall not have commenced to remedy such default within such period after receipt of such notice and thereafter shall not continuously and diligently pursue the remedying of the same until remedied); or

(c) any Grantor shall become insolvent, or be adjudicated a bankrupt, or make a general assignment for the benefit of its creditors, or shall generally not pay its debts as such debts become due, or admit in writing its inability to pay its debts generally as they mature, or voluntarily commence any proceeding or file any petition under any bankruptcy, insolvency or similar law or seeking dissolution or reorganization or the appointment of a receiver, trustee or liquidator for it or for a substantial portion of its assets, or file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it under any bankruptcy, insolvency or similar law; or

(d) an involuntary proceeding shall be commenced or an involuntary petition shall be filed against any Grantor under any bankruptcy, insolvency or similar law or seeking the dissolution or reorganization of such Grantor or the appointment of a receiver, trustee or liquidator for such Grantor or a substantial part of the property of such Grantor and such involuntary proceeding or involuntary petition shall not be dismissed within 60 days after the commencement or filing thereof, as the case may be.

Upon the occurrence and during the continuance of any Event of Default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity, do any of the following:

(i) effect performance or observance of any such term, covenant or condition referred to in subparagraph (b) above on behalf of and at the expense of the Grantors, in which event the Grantee may expend funds reasonably necessary to effect such purposes

and shall be entitled to reimbursement therefor from the Grantors, together with interest on such amounts at a rate equal to the lesser of (x) the maximum rate of interest that may be lawfully charged on such amounts under applicable law or (y) the Applicable Rate in effect during the period from and including the date of such expenditure to the date of reimbursement; or

(ii) upon written notice to the Grantors, succeed to all rights of the Grantors with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon the Subject Interests (or any portion thereof) or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Minerals, and the Grantee shall have the right, on behalf of and for the account of the Grantors, to sell the Subject Minerals, and the Grantors shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at a rate equal to the Applicable Rate in effect during the period from and including the date of such expenditure to the date of reimbursement; or

(iii) apply to a court of equity for the specific performance or observance of any such term, covenant or condition referred to in subparagraph (b) above or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Minerals.

18. Exercise and Termination of the Remedies of the Grantee.

All rights and remedies granted by the provisions of Paragraph 17 of this Conveyance and otherwise belonging to the Grantee shall be cumulative, and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All such rights and remedies shall terminate:

(a) when the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 17 of this Conveyance (including amounts payable on account of interest) shall have been paid in full, or

(b) at any earlier time when all defaults of the Grantors shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights conferred upon the Grantee upon any subsequent failure of the Grantors to perform or observe any of the terms, covenants or conditions herein provided to be performed or observed by the Grantors.

19. Reports to the Grantee. While the Production Payment remains in force and effect, the Grantors will, at their expense, furnish to the Grantee:

(a) Monthly, on or before the 25th day of each Accounting Month, or if such information is not available to the Grantors by such date, within five days after the required information is received by the Grantors, a report, in form and substance satisfactory to the Grantee, showing (i) the gross quantity of oil, condensate, plant products and gas and, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, of sulphur, included in the Subject Minerals sold by the Grantors, or taken by the Grantors for their own use, during the preceding Accounting Month, (ii) the net quantity of oil, condensate, plant products and gas (after deduction of oil and gas used in connection with the operation of the Subject Interests) included in the Subject Minerals produced and sold by the Grantors, or taken by the Grantors for their own use, during such preceding Accounting Month, (iii) the gross proceeds received from such sale, or attributable to such taking, of Subject Minerals (to the extent of the Grantors' net revenue interest therein) during such preceding Accounting Month, separately stated as to oil, condensate, plant products, gas and, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, as to sulphur, (iv) the amount of all costs incurred by the Grantors in transporting Subject Minerals so sold to the point of sale if sale is not made at the wellhead or mine, (v) the amount of all taxes and assessments attributable to the production and sale of such Subject Minerals, (vi) that portion of the foregoing quantities, proceeds, transportation costs, taxes and assessments allocable to the Production Payment Minerals and (vii) all

direct costs and operating costs incurred by the Grantors in producing and processing Subject Minerals.

(b) Annually, within 90 days after the end of each fiscal year of the Grantors, a reserve report of Ryder Scott Company Petroleum Engineers (or other independent petroleum engineers satisfactory to the Grantee and the lenders to the Grantee), substantially in the form and containing the same information (as of the end of such fiscal year) and using the same definitions and assumptions with respect to the Hydrocarbons recoverable from proved reserves attributable to the Subject Interests, as the letter report of Ryder Scott, dated June 29, 1981, delivered to the Grantee and the lenders to the Grantee prior to the date hereof.

(c) Such other information and reports (including financial statements of the Grantors and or reports in respect of sulphur) as the Grantee may from time to time reasonably request in writing.

20. Representations, Warranties and Covenants. (a) The Grantors jointly and severally represent and warrant as follows:

(i) the Grantors have good and marketable title to the Subject Interests, which are presently valid, subsisting and in full force and effect, subject only to this Conveyance and the exceptions, restrictions, reservations, liens, charges, encumbrances and other matters, if any, as are set forth in Exhibit A relative thereto, and such Sales Contracts, operative agreements, unitization and pooling agreements and other agreements as are customarily found in connection with comparable drilling, mining and producing operations, none of which, singly or in the aggregate, materially adversely affects the Production Payment or the Production Payment Minerals or the proceeds thereof, or the rights of the Grantee therein or adversely affects the rate of discharge of the Production Payment;

(ii) the Grantors' interest in production of Hydrocarbons produced from each Subject Interest specifically described in Exhibit A hereto (after deducting all applicable royalties, overriding royalties, production payments and other payments out of

production not owned by the Grantors and before giving effect to the Production Payment hereby conveyed to the Grantee) is at the date hereof no less than that interest shown under the heading "Net Revenue Interest" opposite the description of each such Subject Interest;

(iii) the Grantors have the legal right, power and authority to create and confer upon the Grantee the rights of the Grantee granted by the terms of this Conveyance;

(iv) the Production Payment is, and at the time of proper recording of this Conveyance in each place as may be required by law in order fully to preserve and protect the interest of the Grantee in the Production Payment will be, free and clear of all liens, charges and encumbrances of every character, except the liens, charges and encumbrances permitted by Paragraph 14(f) hereof and except such liens, charges and encumbrances as may be vested in persons claiming the Production Payment or any interest therein by, through or under the Grantee;

(v) all taxes and assessments of any kind whatsoever (other than those contested by the Grantor in good faith) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests have been duly paid or provided for;

(vi) there are no suits or proceedings pending or, to the knowledge of the Grantors, threatened against or affecting the Subject Interests, or any part thereof, or the sale of Subject Minerals produced therefrom, before any court or by or before any governmental commission, bureau or any regulatory authority, which if decided adversely to the interests of the Grantors would materially adversely affect the Production Payment, or the Production Payment Minerals or the proceeds thereof or rights of the Grantee thereon or would adversely affect the rate of discharge of the Production Payment;

(vii) to Grantors' knowledge, all rents and royalties that have become due prior to the Effective Date with respect to the Subject Interests or production therefrom, and all liabilities of any kind or nature incurred with respect to the Subject Interests prior

to such date, have been paid or have been provided for, and no Grantor has received any notice of default or claimed default with respect to the Subject Interests or any part thereof or any interest in production therefrom; and

(viii) all prices received by Grantors under presently existing Sales Contracts are collected in accordance with all existing rules, regulations, and orders of the Federal Energy Regulatory Commission, or its predecessor, establishing maximum lawful prices for the sale of natural gas.

(b) The Grantors hereby jointly and severally bind themselves, their successors and assigns, to warrant and forever defend their title to the Subject Interests and the Grantee's title to the Production Payment against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantors will indemnify and hold the Grantee harmless from and against all loss suffered by the Grantee resulting from any failure of or defect in the title to the Subject Interests or the Production Payment as warranted above in this Paragraph 20. This Conveyance is made with full substitution and subrogation of the Grantee in and to all covenants and warranties by others heretofore given or made in respect of the Subject Interests or any part thereof.

(c) The Grantors jointly and severally represent and warrant as follows:

(i) Each of the Grantors is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is duly qualified and in good standing as a foreign corporation in each State in which such Grantor owns Subject Interests and has the legal right, power and authority, corporate or otherwise, to conduct its business and to own its properties (including the Subject Interests) and to convey to the Grantee the Production Payment and all of the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto in the manner hereby contemplated, and to execute and deliver, and to perform all of its obligations under, this Conveyance.

(ii) The making and performance by the Grantors of this Conveyance, and the conveying by the Grantors to the Grantee of

the Production Payment, have been duly authorized by all necessary corporate action (including any shareholder approval) on the part of each Grantor and do not and will not (A) violate any provision of any law, rule, regulation, order, writ, judgment, decree or determination presently in effect having applicability to any Grantor or of the Certificate of Incorporation or By-laws of any Grantor, or (B) 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 any Grantor is a party or by which it or its properties may be presently bound or affected or (C) result in or require the creation or imposition of any mortgage, lien, pledge, security interest, charge or other encumbrance on, upon or of any of the properties or assets of any Grantor (including the Subject Interests) under any such indenture, bank loan or credit agreement or other agreement or instrument; and no Grantor is in default under any such order, writ, judgment, decree, determination, indenture, agreement or instrument in any way which materially adversely affects, or may materially adversely affect, the ability of the Grantors to perform their obligations under this Conveyance; and all consents or approvals under such indentures, agreements and instruments necessary to permit the valid execution, delivery and performance by the Grantors of this Conveyance and the conveying of the Production Payment by the Grantors to the Grantee have been obtained.

(iii) Assuming the due authorization and execution thereof on the part of the Grantee, this Conveyance constitutes the legal, valid and binding obligation of the Grantors enforceable against the Grantors in accordance with its terms, except as limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights.

(iv) All consents and waivers necessary to permit the valid conveying of the Production Payment to the Grantee have been obtained or the time for giving such consents or waivers has expired following a written request therefor given by the Grantor.

(v) No authorization, consent, approval, license or exemption of, and no filing or registration with, any court or governmental

department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or was necessary to the valid execution and delivery by the Grantors of this Conveyance or to the conveying by the Grantors to the Grantee of the Production Payment or to the performance by the Grantors of their obligations under this Conveyance (other than, in the State of Louisiana, with regard to leases from the State of Louisiana or political subdivisions thereof, certain governmental approvals which are not obtainable prior to the execution and delivery hereof and which are normally routine and will be obtained in due course) and in the case of the performance by the Grantors of such obligations, such authorizations, consents, approvals, licenses or exemptions which are routine and either have been obtained or will be obtained in due course.

(vi) No fire, explosion, accident, earthquake, act of the public enemy or other casualty (whether or not covered by insurance) materially adversely affecting any material portion of the Subject Interests or the operation thereof, or materially adversely affecting the ability of the Grantors to perform their obligations under this Conveyance, has occurred.

(vii) The offices where the Grantors keep their respective records concerning the Subject Interests and the Production Payment and the payments to be made to the Grantors in respect of production from the Subject Interests and in respect of the Production Payment are located in the State of Texas. The Grantors hereby agree that such records will be kept in such State or, after 60 days' prior written notice to the Grantee in respect thereof, in any other State or States of the United States.

(viii) No information, exhibit, memorandum or report (excluding estimates contained therein) furnished in writing by the Grantors to the Grantee in connection with the sale of the Production Payment or by the Grantors to Ryder Scott Company Petroleum Engineers or DeGolyer and MacNaughton in connection with their evaluation of the Subject Interests contained any material misstatement of fact or omitted to state a material fact relative to the subject matter thereof or any fact necessary to make the statements contained therein not misleading. All estimates so furnished were prepared on the basis of assumptions, data, information,

tests or conditions believed to be valid or accurate or to exist at the time such material was so furnished.

(ix) All of the properties and interest with respect to which value was given in the financial and engineering reports submitted by Ryder Scott Company Petroleum Engineers and the Grantors to the Grantee and its lenders in connection with the negotiations for the purchase and financing of the Production Payment are Subject Interests (or, if less than all, the net effect of such difference is negligible).

(x) Since March 31, 1981 there has not been such a significant adverse change in the financial condition of the Grantors, viewed as a whole, as to materially impair their ability to perform the obligations of the Grantors set forth in this Conveyance.

The covenants, representations and warranties contained in this Paragraph 20 shall survive the discharge of the Production Payment.

21. Transfer of the Subject Interests. Except to the extent required by the terms of the relevant operating agreement, unit operating agreement, contract for development or other instrument in connection with nonconsent operations conducted with respect to any Subject Interest (or any portion thereof) as to which any Grantor's election not to participate shall have been made in conformity with the provisions of Paragraph 14(a) of this Conveyance, and except as otherwise permitted by Paragraphs 14 and 16 of this Conveyance, the Grantors shall not, prior to the termination of the Production Payment, without the prior written consent of the Grantee, which consent shall not be unreasonably withheld, make or permit (i) any surrender, abandonment, sale, conveyance, assignment, lease, sublease or farmout, in whole or in part, of any of the Subject Interests insofar as they include or cover Hydrocarbon after the execution and delivery of the Supplemental Instrument Conveyance of Production Payment, any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests insofar as they include or cover sulphur.

22. Exception to Payments. The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking excep-

tion to the correctness of the amount thereof; *provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantors within 12 months after the date such payment is made.*

23. Transfer of the Production Payment. Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

24. Rights of Mortgagee or Trustee. If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee(s) or trustee(s) therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantors, but the provisions of this Paragraph 24 shall in no way be deemed or construed to impose upon the Grantors any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

25. Grantors' Rights to Make Payments to be Applied to Discharge of Production Payment. Anything in this Conveyance to the contrary notwithstanding, the Grantors shall have the right, at any time and from time to time, upon written notice furnished to the Grantee and each of the mortgagees and trustees referred to in Paragraph 4 hereof not less than 15 days before the Application Date on which the Grantors exercise such right, to make payment (out of any funds of the Grantors whether or not such funds are proceeds from the Subject Minerals) to the Grantee on any Application Date, which payments shall be deemed to be proceeds of Production Payment Minerals for purposes of this Conveyance and shall be applied to the discharge of the Production Payment pursuant to the provisions of Paragraph 6 hereof, *provided, however, that the Grantee has been provided with the indemnity specified in Paragraph 5.* Any such payment shall be in an amount sufficient to reduce the Primary Sum by \$50,000,000, or a multiple thereof (unless the full aggregate sum of the amount specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 hereof, after application of

the proceeds of Production Payment Minerals on such Application Date, is less than \$50,000,000, in which event such payment shall be an amount equal to such full aggregate sum), and shall be made by a deposit to the credit of Grantee's account (No. 39019753) with Citibank at 399 Park Avenue, New York, New York 10043, in lawful currency of the United States of America and in immediately available funds. No payment made by the Grantors pursuant to this Paragraph 25 shall be added to, or have the effect of increasing, the Purchase Price.

26. Notices. Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other Person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or Person or to an officer of each party or Person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantors to Pennzoil Company, Pennzoil Place, P.O. Box 2967, Houston, Texas 77002, Attention: Harold E. Sorter, and if to the Grantee to 100 West Tenth Street, Wilmington, Delaware 19801, Attention: Joseph A. Barbera, or to such other address as the party or Person to be addressed shall have designated by written notice to the party or Person giving such notice or furnishing such report or making such request or demand.

27. Further Assurances. So long as permitted by applicable law so to do, the Grantors will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

28. Binding Effect. All the covenants and agreements of the Grantors contained in this Conveyance shall be deemed to be covenants running with the land and the Subject Interests and shall be binding upon all successors in interest to, and all assigns of, the Grantors and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. All references herein to either the Grantors or the Grantee shall include their respective successors and assigns, except that the term "Grantee" as used in this Conveyance shall not

include any collection agent of any mortgagee or assignee for security purposes of the Grantee appointed by such mortgagee or assignee without the consent of the Grantors.

29. Release or Failure of Title. No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing or increasing the amount of production of Subject Minerals out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interests until the full amount of the Production Payment has been received by the Grantee as herein provided.

30. Governing Law. The validity, effect and construction of this Conveyance insofar as it relates to any conveyance or other disposition affecting any Subject Interest, any warranties of title relating thereto and the remedies herein provided for or provided for by law with respect to such Subject Interest shall be governed by the laws of the jurisdiction in which such Subject Interest is located. With respect to all other matters (including, without limitation, matters of construction, validity and performance other than as set forth above in this Paragraph 30), this Conveyance shall be governed by and construed in accordance with the laws of the State of Texas.

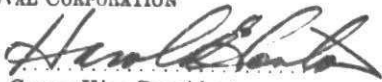
31. Final Termination. Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate one day prior to the expiration of 21 years after the death of the survivor of all the descendants of Joseph P. Kennedy, father of the late President of the United States, who are living on the Effective Date.

32. Headings. Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, the Grantors and the Grantee have executed this instrument in the presence of the undersigned witnesses on the date set forth in the acknowledgments annexed hereto, in several counter-

parts (one of which with all of the property descriptions included in Exhibit A is on file at the office of the Grantee referred to in Paragraph 26 hereof, one of which with all said property descriptions is to be recorded in Terrebonne Parish, Louisiana, and one of which with all said property descriptions is to be recorded in Culberson County, Texas), each of which is an original and all of which are identical, except that, to facilitate recordation, there are omitted from certain counterparts those property descriptions in Exhibit A which contain descriptions of property located in recording jurisdictions other than the jurisdiction (County or Parish) in which the particular counterpart is to be recorded. Each of the counterparts of this Conveyance so executed shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Conveyance.

PENNZOIL COMPANY
 PENNZOIL PRODUCING COMPANY
 PENNZOIL OIL & GAS, INC.
 DUVAL CORPORATION

By 
 Group Vice President,
 Pennzoil Company

[CORPORATE SEAL]

Vice President,
 Pennzoil Producing
 Company

[CORPORATE SEAL]

Vice President,
 Pennzoil Oil & Gas, Inc.

[CORPORATE SEAL]

Vice President,
 Duval Corporation

[CORPORATE SEAL]

Attest:

Sally Hazen
 SALLY HAZEN, Secretary, Pennzoil Company
 Secretary, Pennzoil Producing Company
 Secretary, Pennzoil Oil & Gas, Inc.
 Assistant Secretary, Duval Corporation

Grantors

The address of Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation is:

c/o Pennzoil Company
 Pennzoil Place
 P.O. Box 2967
 Houston, Texas 77002

[CORPORATE SEAL]

NEW DUNSTAN, INC.

By *James H. Hall*
 Vice President

Attest:

Grantee

The address of New Dunstan, Inc. is:

100 West Tenth Street
 Wilmington, Delaware 19801

Andrew M. Baker
 ANDREW M. BAKER,
 Assistant Secretary

Executed by all parties in the presence of the undersigned competent witnesses:

Andrew W. Worsley
 Witness
C. McEugene
 Witness

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.

BE IT REMEMBERED, that I, Douglas A. Stuart, a Notary Public duly qualified, commissioned, sworn and acting in and for the County and State aforesaid, hereby certify that on this 16th day of July, 1981:

There appeared before me severally each of the following persons, each residing at the address set forth below his name, and each the designated officer of the corporations set opposite his name, each such corporation being a corporation of the state indicated and being a party to the foregoing instrument:

Harold E. Sortor Group Vice President of Pennzoil Com-
 910 Oak Valley pany, a Delaware corporation.
 Houston, Texas 77024

Vice President of Pennzoil Producing
 Company, a Delaware corporation.

Vice President of Pennzoil Oil & Gas, Inc.,
 a Delaware corporation.

Vice President of Duval Corporation, a
 Delaware corporation.

Joseph Nalle Vice President of New Dunstan, Inc., a
 3024 Chevy Chase Delaware corporation.
 Houston Texas

(Alabama)

Before me personally appeared each such person, whose names are signed to the foregoing conveyance, and who are known to me, and acknowledged before me on this day that, being informed of the contents of the conveyance, each, as such officer of each of the corporations set opposite his name and with full authority, executed the same voluntarily for and as the act of said corporation.

(Arkansas)

Before me appeared each such person, to me personally well known, and each stated that he is the designated officer of each of the corporations set opposite his name, and he is duly authorized in his capacity to execute the foregoing instrument for and in the name of said corporation, and further stated and acknowledged that he had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

(Louisiana)

Before me appeared each such person, to me personally known, who being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal of such corporation affixed to the foregoing instrument is the corporate seal of the corporation and that the instrument was signed and sealed in behalf of the corporation by authority of the Board of Directors of such corporation and that each acknowledged the instrument to be the free act and deed of the corporation.

(Mississippi)

Before me personally appeared each such person and acknowledged that he signed and delivered the foregoing instrument on the day and year therein mentioned as the act and deed of each of the corporations set opposite his name, having first been authorized to do so.

(Montana)

Before me personally appeared each such person, known to me to be the designated officer of each of the corporations set opposite his name that executed the within instrument and acknowledged to me that such corporation executed the same.

(New Mexico)

Before me on this date appeared each such person, to me personally known, of whom, being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal affixed to said instrument was signed and sealed in half of said corporation by authority of its Board of Directors, and each so acknowledged said instrument to be the free act and deed of said corporation.

(New York)

Before me personally came each such person, to me personally known, and each, being by me duly sworn, did depose and say that he resides at the address set forth below his name and is the designated officer of each of the corporations set opposite his name and that said corporation is described in and executed the above instrument; that he knows the seal of the corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the corporation; and that he signed his name thereto by like order and that the instrument was the free act and deed of the corporation.

(North Dakota)

Before me on this date personally appeared each such person, known to me to be the designated officer of each of the corporations set opposite his name, which corporation is described in and executed the within instrument, and each acknowledged to me that such corporation executed the same.

(Pennsylvania)

Before me personally appeared each such person and acknowledged himself to be the designated officer of each of the corporations set opposite his name, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

(Texas)

Before me on this day personally appeared each such person, each of whom is 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 each of the corporations set opposite his name, and each acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

(West Virginia)

Each such person has this day in my said County, before me, acknowledged the said instrument to be the act and deed of each of the corporations set opposite his name.

(Wyoming)

Before me on this day appeared each such person to me personally known, each of whom, being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and each such person acknowledged it to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this 16th day of July, 1981.

Notary Public

Douglas B. Stuart
.....
Notary Public, State of New York
No. 31-4729635
Qualified in New York County
Commission Expires March 30, 1983

My Commission expires
March 30, 1983.

EXHIBIT A
to
**Instrument of Conveyance
of Production Payment**

**ATTACHED TO AND FORMING A PART OF THAT CERTAIN
INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT
DATED JULY 16, 1981 BETWEEN
PENNZOIL COMPANY, ET AL. AND
NEW DUNSTAN, INC.**

This Exhibit A contains the specific descriptions of the Subject Interests which are referred to in Paragraph 1 of this Instrument of Conveyance of Production Payment as being specifically described or referred to in this Exhibit A.

PART ONE of this Exhibit A sets forth those Subject Interests located offshore Texas and Louisiana, and PART TWO of this Exhibit A sets forth those Subject Interests located in the States of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, New York, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming.

The Subject Interests are expressly limited to the Leases set forth in this Exhibit A insofar and only insofar as they cover lands and depth intervals in which one or more of the Grantors own or hold an interest and do not include lands and depth intervals in which none of the Grantors own an interest, even though such lands or depth intervals are covered by the Leases set forth in this Exhibit A.

PART ONE of this Exhibit A refers to the "BLM or State Lease No." for each of the Leases listed therein. Those Leases so listed having a number with the prefix "OCS-G" are Leases issued by the United States of America as Lessor through the Bureau of Land Management (the "BLM") of the United States Department of the Interior. Those Leases listed in Part One of this Exhibit A having a number with the prefix "St. Ls." are Leases issued by the State of Louisiana as Lessor.

In the case of each Subject Interest set forth in PART ONE of this Exhibit A, there is shown under the heading "Net Revenue Interest" Pennzoil Oil & Gas, Inc.'s (under the sub-heading "POGI") and Pennzoil Producing Company's (under the sub-heading "PPC") respective interest (expressed in percentages) in total production of Hydro-

carbons produced and saved from and that accrues or is attributable to the relevant Subject Interest after deducting all applicable royalties, overriding royalties, production payments and other payments out of production not owned by Pennzoil Oil & Gas, Inc. or Pennzoil Producing Company, as the case may be.

In PART TWO of this Exhibit A, there is shown opposite (i) the description of each Subject Interest, or (ii) the well located upon or from which production is attributable to such Subject Interest or (iii) the unit which contains such Subject Interest or a portion thereof, under the heading "Net Revenue Interest" the aggregate interest of Grantors (expressed in decimals) in total production of Hydrocarbons produced and saved from and that accrues or is attributable to the relevant Subject Interest, well or unit, as the case may be, after deducting all applicable royalties, overriding royalties, production payments and other payments out of production not owned by the Grantors or any of them. Where the Net Revenue Interest is listed opposite a well or unit, the relevant Subject Interests are listed below such well or unit.

The Leases set forth in PART TWO of this Exhibit A may be committed to more than one pool or unit, or may cover lands situated in more than one county or parish; consequently, such Leases may be listed more than once in this Exhibit A. Such repetition is not intended to nor shall it be construed as enlarging or otherwise affecting the Subject Interest or Subject Interests which appertain to such Lease.

All recording references in PART TWO of this Exhibit A are to the official records in the office of the county or parish clerk or recorder of the counties or parishes in which the relevant Subject Interests are situated.

On the pages of PART TWO of this Exhibit A relating to lands located in various Parishes within the State of Louisiana, the State of Louisiana is identified in the first line of the upper left corner of each of said pages by the letters "LA" and the respective Parishes are identified in the second line of the upper left corner of each of said pages. The column appearing on each of said pages under the heading "Recording Book-Page" or "Recorded Book-Page" sets forth recording references to the public records of the particular Parish concerned. The "Book" referred to is the book maintained by each Parish as a part of its official Conveyance Records, including the Conveyance

Book or any book which the Parish may maintain for the recordation of documents evidencing oil, gas and mineral transactions. In some instances, the recording reference set forth may also include (or consist solely of) the entry number, file number, original act number, or registry number, etc. under which a particular document is filed.

In the description of the Subject Interests for the states of New York, Pennsylvania and West Virginia, the Net Revenue Interest of Grantors is listed opposite a "Farm" number and name. The Farm designation denotes the interest of the Grantors with reference to a single and unique royalty interest originating from one grantor or lessor (either leasehold or fee). All of the Leases to which the Farm designations relate are described in the pages immediately following the listing of Farms, by county, and the description of such Leases, standing alone, constitutes a complete description of all of the Leases intended to be covered by this Conveyance.

PART ONE
OFFSHORE SUBJECT INTERESTS
TEXAS

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>PCI</u>	<u>PPC</u>
OCS-G-2398	8- 1-73	All of Block A-273, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	2.12639	11.24999
OCS-G-2403	8- 1-73	All of Block A-279, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	14.16666
OCS-G-2414	8- 1-73	All of Block A-323, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	11.66662
OCS-G-2416	8- 1-73	All of Block A-325, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	7.22016	57.14286
OCS-G-2418	8- 1-73	All of Block A-327, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2422	8- 1-73	All of Block A-332, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2739	7- 1-74	All of Block A-339, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2426	8- 1-73	All of Block A-340, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2429	8- 1-73	All of Block A-351, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	2.88528	36.62186
OCS-G-2745	7- 1-74	All of Block A-355, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	7.34246	9.44166

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PFC</u>
OCS-G-2746	7- 1-74	All of Block A-356, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.01245	12.49999
OCS-G-2366	8- 1-73	All of Block A-474, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2367	8- 1-73	S ½ of NE ¼ & SE ¼ of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.001241	9.999996
OCS-G-2372	8- 1-73	All of Block A-489, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.49999
OCS-G-3118	4- 1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.10137	13.66667
OCS-G-2378	8- 1-73	All of Block A-520, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2704	7- 1-74	All of Block A-545, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	6.67497	8.33333
OCS-G-2779	10- 1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2705	7- 1-74	All of Block A-547, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2706	7- 1-74	All of Block A-548, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2384	8- 1-73	All of Block A-555, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.08332
OCS-G-2388	8- 1-73	All of Block A-563, High Island Area, South Addition, OCS Official Leasing Map, Texas Map, No. 7B	1.00124	9.99999
OCS-G-2389	8- 1-73	All of Block A-564, High Island Area, South Addition, OCS Official Leasing Map, No. 7B	1.00124	9.99999

BLM or State Offering No.	Effective Date	Description	Net Revenue Interest	
			POCI	PFC
OCS-G-2390	8- 1-73	All of Block A-570, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.01958	16.97190
OCS-G-2719	7- 1-74	All of Block A-582, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.17780	11.76499

LOUISIANA

St. Ls. 7604	4-17-78	TRACT 14936 — PORTION OF BLOCK 3 SABINE PASS AREA, Cameron Parish, Louisiana. That portion of Block 3, Sabine Pass Area, Cameron Parish, Louisiana, belong- ing to the State of Louisiana and not under a mineral lease on January 23, 1978, described as follows: Beginning at a point on the North line of Block 3, Sabine Pass Area having Lambert Plane Coordinates of X = 1,217,855.14 and Y = 364,274.14; thence East 9,612.44 feet along said North line to a point having Lambert Plane Coord- inates of X = 1,227,467.58 and Y = 364,274.14; thence Southerly and Southwesterly along an arc having a radius of 18,240.60 feet and a vertex of X = 1,209,227 and Y = 364,245 to a point on the South line of said Block 3, having Lambert Plane Coordinates of X = 1,219,987.06 and Y = 349,516.10; thence West 2,131.92 feet along said South line to a point having Lambert Plane Coordinates of X = 1,217,855.14 and Y = 349,516.10; thence North 14,758.04 feet to the point of beginning, estimated to contain approximately 2,497.59 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources, LESS AND EXCEPT that portion thereof, if any, which is more than three nautical miles from the coast line as determined by the Report of the Special Master in the litigation in the Supreme Court of the United States styled United States v. State of Louisiana et al. No. 9 Original,	38.125	
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<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>POCI</u>	<u>PPC</u>
		said three mile line as set out in the June, 1975, decree of the Supreme Court. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone).		
OCS-G-4144	9- 1-79	That portion of Block 3 which is more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (United States vs. Louisiana, 422 U.S. 13) Sabine Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 12.		41.66665
OCS-G-4379	11- 1-80	All of Block 53, West Cameron Area, as shown on OCS Leasing Map, Louisiana Map No. 1		41.66665
OCS-G-2839	12- 1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	8.34372	20.83333
OCS-G-2224	2- 1-73	All of Block 532, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS-G-2225	2- 1-73	All of Block 533, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS-G-3284	8- 1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.03113	20.83332
OCS-G-2436	8- 1-73	All of Block 586, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.68742	
OCS-G-2021	2- 1-71	All of Block 587, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1 B	22.80504	
OCS-G-2850	12- 1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555
OCS-G-2559	5- 1-74	All of Block 617, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			FOGI	FFC
OCS-G-2860	12- 1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	2.22499	5.55555
OCS-G-2045	1- 1-71	All of Block 270, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.68741	
OCS-G-2062	2- 1-71	All of Block 334, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2439	8- 1-73	All of Block 335, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2078	2- 1-71	All of Block 228, Vermilion Area, OCS Official Leasing Map, Louisiana Map No. 3	17.9273	
OCS-G-2882	12- 1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2883	12- 1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2587	5- 1-74	All of Block 128, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-0419	12- 1-54	All of Block 53, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		83.33333
OCS-G-0478	1- 1-55	E 1/4 of Block 116, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		41.66665
OCS-G-2102	2- 1-71	All of Block 256, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	23.1054	
OCS-G-2900	12- 1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888
OCS-G-3156	7- 1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			FOG	RFC
OCS-G-2104	2- 1-71	All of Block 295, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	6.76497	
OCS-G-2607	5- 1-74	All of Block 312, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	2.22499	22.22221
OCS-G-2115	1- 1-71	All of Block 330, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	16.68741	
OCS-G-2317	2- 1-73	All of Block 333, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	2.22409	22.22221
OCS-G-3332	3- 1-76	All of Block 337, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	16.68741	
OCS-G-3409	1- 1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	8.34371	20.83333
OCS-G-0823	5- 1-60	All of Block 186, Ship Shoal Area, as shown on Official Leasing Map, Louisiana Map No. 5, Outer Continental Shelf Leasing Map (Louisiana Off-shore Operations)		28.33332
OCS-G-1525	7- 1-67	All of Block 222, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		15.83332
OCS-G-1984	9- 1-70	N 1/4 Block 225, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		19.79165
OCS-G-2177	11- 1-72	All of Block 49 South Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 9	3.33748	8.33333
OCS-G-3116	1- 1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs. Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 9	6.67497	16.66667

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
St. I.s. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	5.92738	14.80
OCS-G-2185	10- 1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on GCS Official Leasing Map, Louisiana Map No. 9A	5.00622	12.49999
OCS-G-3195	7- 1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-3417	1- 1-77	That portion of Main Pass Blocks 73 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-2947	12- 1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	7.54441	18.83758

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>FOGI</u>	<u>PFC</u>
OCS-G-2193	10- 1-72	All of Block 140, Main Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 10	3.33748	8.33333
OCS-G-3206	7- 1-75	All of Block N663E63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63), Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10	3.33748	8.33333
OCS-G-3500	8- 1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	10.01245	25.0000
OCS-G-3785	6- 1-78	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	12.4999	12.4999

PART TWO

**STATES OF ALABAMA, ARKANSAS, LOUISIANA, MONTANA, MISSISSIPPI,
NEW MEXICO, NORTH DAKOTA, TEXAS, WYOMING, NEW YORK,
PENNSYLVANIA AND WEST VIRGINIA**

EXHIBIT B
to
Instrument of
Conveyance of
Production Payment

DISCHARGE SCHEDULE

<u>Regular Application Date</u>	<u>Hydrocarbons Monthly Percentage</u>	<u>Minerals Monthly Percentage</u>
October 1, 1983	1.2011%	0.9320%
November 1, 1983	1.2011%	0.9320%
December 1, 1983	1.2011%	0.9320%
January 1, 1984	1.2011%	0.9320%
February 1, 1984	1.2279%	0.9800%
March 1, 1984	1.2279%	0.9800%
April 1, 1984	1.2279%	0.9800%
May 1, 1984	1.2279%	0.9800%
June 1, 1984	1.2279%	0.9800%
July 1, 1984	1.2279%	0.9800%
August 1, 1984	1.2279%	0.9800%
September 1, 1984	1.2279%	0.9800%
October 1, 1984	1.2279%	0.9800%
November 1, 1984	1.2279%	0.9800%
December 1, 1984	1.2279%	0.9800%
January 1, 1985	1.2279%	0.9800%
February 1, 1985	1.2708%	1.0600%
March 1, 1985	1.2708%	1.0600%
April 1, 1985	1.2708%	1.0600%
May 1, 1985	1.2708%	1.0600%
June 1, 1985	1.2708%	1.0600%
July 1, 1985	1.2708%	1.0600%
August 1, 1985	1.2708%	1.0600%
September 1, 1985	1.2708%	1.0600%
October 1, 1985	1.2708%	1.0600%
November 1, 1985	1.2708%	1.0600%
December 1, 1985	1.2708%	1.0600%
January 1, 1986	1.2708%	1.0600%
February 1, 1986	1.3834%	1.2440%
March 1, 1986	1.3834%	1.2440%
April 1, 1986	1.3834%	1.2440%
May 1, 1986	1.3834%	1.2440%
June 1, 1986	1.3834%	1.2440%
July 1, 1986	1.3834%	1.2440%
August 1, 1986	1.3834%	1.2440%
September 1, 1986	1.3834%	1.2440%
October 1, 1986	1.3834%	1.2440%

DISCHARGE SCHEDULE — Continued

Regular Application Date	Hydrocarbons Monthly Percentage	Surfactants Monthly Percentage
November 1, 1986	1.3834%	1.2440%
December 1, 1986	1.3834%	1.2440%
January 1, 1987	1.3834%	1.2440%
February 1, 1987	1.3137%	1.2720%
March 1, 1987	1.3137%	1.2720%
April 1, 1987	1.3137%	1.2720%
May 1, 1987	1.3137%	1.2720%
June 1, 1987	1.3137%	1.2720%
July 1, 1987	1.3137%	1.2720%
August 1, 1987	1.3137%	1.2720%
September 1, 1987	1.3137%	1.2720%
October 1, 1987	1.3137%	1.2720%
November 1, 1987	1.3137%	1.2720%
December 1, 1987	1.3137%	1.2720%
January 1, 1988	1.3137%	1.2720%
February 1, 1988	1.3244%	1.3720%
March 1, 1988	1.3244%	1.3720%
April 1, 1988	1.3244%	1.3720%
May 1, 1988	1.3244%	1.3720%
June 1, 1988	1.3244%	1.3720%
July 1, 1988	1.3244%	1.3720%
August 1, 1988	1.3244%	1.3720%
September 1, 1988	1.3244%	1.3720%
October 1, 1988	1.3244%	1.3720%
November 1, 1988	1.3244%	1.3720%
December 1, 1988	1.3244%	1.3720%
January 1, 1989	1.3244%	1.3720%
February 1, 1989	1.3351%	1.4920%
March 1, 1989	1.3351%	1.4920%
April 1, 1989	1.3351%	1.4920%
May 1, 1989	1.3351%	1.4920%
June 1, 1989	1.3351%	1.4920%
July 1, 1989	1.3351%	1.4920%
August 1, 1989	1.3351%	1.4920%
September 1, 1989	1.3351%	1.4920%
October 1, 1989	1.3351%	1.4920%
November 1, 1989	1.3351%	1.4920%
December 1, 1989	1.3351%	1.4920%
January 1, 1990	1.3351%	1.4920%
February 1, 1990	0.9320%	1.4464%
March 1, 1990	—	1.4464%
April 1, 1990	—	1.4464%
May 1, 1990	—	1.4464%
June 1, 1990	—	1.4464%

EXHIBIT C
to
Instrument of Conveyance
of Production Payment

PENNZOIL COMPANY, ET AL.

TO

NEW DUNSTAN, INC.

**Supplemental Instrument of Conveyance
of
Production Payment**

Dated as of, 198 .

**Supplementing the
Instrument of Conveyance of Production Payment
Dated July 16, 1981**

Return recorded counterparts to:

PENNZOIL COMPANY
Pennzoil Place, P.O. Box 2967
Houston, Texas 77002
Attention: Mr.

THIS SUPPLEMENTAL INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (the "Supplemental Conveyance") dated _____, 1981, from PENNZOIL COMPANY, a Delaware corporation, PENNZOIL PRODUCING COMPANY, a Delaware corporation, PENNZOIL OIL & GAS, INC., a Delaware corporation, and DEVAL CORPORATION, a Delaware corporation (the "Grantors"), to NEW LUSTAN, INC., a Delaware non-profit corporation (the "Grantee").

WITNESSETH:

WHEREAS, the Grantors and the Grantee have heretofore entered into an instrument of Conveyance of Production Payment dated July 15, 1981 (the "Conveyance") and an executed counterpart of the Conveyance was filed for record in Volume _____, Page _____ of the Deed Records of Culberson County, Texas, to which recorded counterpart reference is made for all purposes; and

WHEREAS, the Grantors desire to supplement Exhibit A to the Conveyance pursuant to and in the manner prescribed by subparagraph (b) of Paragraph 7 of the Conveyance;

Now, THEREFORE, the Grantors hereby execute and deliver this Supplemental Conveyance as follows:

1. **Additions to Exhibit A.** Exhibit A to the Conveyance is hereby supplemented by adding hereto the following:

PART THREE

**SULPHUR
CULBERSON COUNTY, TEXAS**

PATENTED MINERAL CLAIM

563.6 acres of land out of Section 2, Block 111, PS1 Survey, Culberson County, Texas, and being the same land covered by those certain thirty-four (34) Mineral Patents identified as (i) Nos. 358,363, Volume 40-B, recorded in Volume 6, Pages 56-57; (ii) No. 212, Volume 40-B, recorded in Volume 7, Page 58-59; and (iii) Nos. 379-391, Volume 40-B,

recorded in Volume 6, Pages 463-489, (all recordation in the Patent Records of Culberson County, Texas), subject, however, to (i) the royalty of the State of Texas equal to six and one-fourth percent (6¼%) of the value of the production of sulphur and certain other minerals from said unpatented claims and awards as shown by the net smelter, mill, mint or refinery returns or of the gross sums arising from the sale of the ore or products from such claims and awards and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one-thirty second of the gross value of all production from said mining claims of sulphur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967, and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas from Toyah Oil Corporation to Duval Corporation, insofar as the same relates to the above-described claims.

II.

LEASEHOLD

An undivided one-half ($\frac{1}{2}$) interest in and to 160 acres of land out of Sections 2 and 3, Block 111, PSL Survey, Culberson County, Texas, and being further identified as the "Dot" Mining Claim, Mineral Patent No. 70, covered by Sulphur Lease dated September 29, 1967, from R. B. McGowen, Jr., et al. to Duval Corporation, and recorded in Volume 3, page 212, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty on all sulphur mined, saved and marketed from said land by Lessee of one-sixth ($\frac{1}{6}$ th) (reduced to one twelfth (1/12th) by reason of proportionate reduction clause), f.o.b., mine site.

III.

LEASEHOLD

An undivided one-half ($\frac{1}{2}$) interest in and to 160 acres of land out of Sections 2 and 3, Block 111, PSL Survey, Culberson County, Texas, and being the "Dot" Mining Claim, Mineral Patent No. 70, covered by Sulphur Lease dated September 14, 1967, from Toyah Valley Sulphur Co. or Holders, Inc. to Fred Prickett, and recorded in Volume 3, Page

309, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($\frac{1}{6}$ th) (reduced to one-twelfth ($\frac{1}{12}$ th) by reason of proportionate reduction clause), of the gross production of sulphur produced from the leased premises.

IV.

LEASEHOLD

555 acres of land out of Section 5, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated November 7, 1967, from the State of Texas to W. C. Tillett, General Land Office Sulphur Lease No. 61880, and recorded in Volume 3, page 242, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($\frac{1}{6}$ th) of the gross production, or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

V.

PATENTED MINING CLAIMS

639.96 acres of land out of Section 4, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those thirty-six (36) Mineral Interests identified as Nos. 256-291, Volume 38-B, recorded in Volume 5, Pages 326-361, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mine, or refinery returns or of the gross sums arising from the sale of the ore or products from such claims and awards by the owner thereof.

VI.

LEASEHOLD

214.27 acres of land out of Section 9, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated April 15, 1968, from R. B. McGowan, Jr., et al, to Duval Corporation, General Land Office Mineral File No. M-61178, and

recorded in Volume 5, page 72, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($\frac{1}{6}$ th) of the gross production of sulphur produced from said leased premises, reserved in said lease.

VII.

PATENTED MINING CLAIMS

425.58 acres of land out of Section 9, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain twenty-three (23) Mineral Patents identified as Nos. 173-195, Volume 39-B, recorded in Volume 6, Pages 52-74, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to (i) the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims and awards as shown by the net smelter, mill, mint, or refinery returns or of the gross sums arising from the sale of ore or products from such claims or awards and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one-thirty second of the gross value of all production from said mining claims of sulphur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967, and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas, from Topat Oil Corporation to Duval Corporation, insofar as the same relates to the above-described claims and awards.

VIII.

PATENTED MINING CLAIMS

640.56 acres of land out of Section 10, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain thirty-six (36) Mineral Patents identified as (i) Nos. 220 and 221, Volume 38-B, recorded in Volume 5, Pages 290-291; (ii) Nos. 223-234, Volume 38-B, recorded in Volume 5, Pages 293-304; (iii) Nos. 236-240, Volume 38-B, recorded in Volume 5, Pages 306-310; (iv) Nos. 242-255, Volume 38-B, recorded in Volume 5, Pages 312-325; (v) No.

96, Volume 40-B, recorded in Volume 6, Page 76; (vi) Nos. 255 and 256, Volume 39-B, recorded in Volume 5, Pages 550 and 551 (all recordation in the Patent Records of Culberson County, Texas), subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

IX.

LEASEHOLD

480 acres of land out of Section 15, Block 111, PSL Survey, Culberson County, Texas, being the E- $\frac{1}{2}$, S- $\frac{1}{2}$ SW- $\frac{1}{4}$, N- $\frac{1}{2}$ NW- $\frac{1}{4}$, of said Section, and being the same land covered by Sulphur Lease dated November 7, 1967, from the State of Texas to W. C. Tillett, General Land Office Sulphur Lease No. M-61881, and recorded in Volume 3, page 246, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($\frac{1}{6}$ th) of the gross production or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

X.

PATENTED MINING CLAIM

380.79 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain twenty-six (26) Mineral Patents identified as Nos. 47-72, Volume 38-B, recorded in Volume 5, Pages 209-232, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

XI.**PATENTED MINING CLAIM**

31.54 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain two (2) Mineral Patents identified as Nos. 93 and 94, Volume 40-B, recorded in Volume 6, Pages 270-271 of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent (6¼%) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

XII.**LEASEHOLD ON PATENTED MINING CLAIM**

80 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, being the E-½ of the "Virginia" Mining Claim, Mineral Patent No. 68, Volume 1, below the elevation of 100 feet measured vertically from the surface thereof on July 1, 1968, and being the same land covered by Sulphur Lease dated March 26, 1968, from Violet G. O'Fiel to Jack R. Fraser, and recorded in Volume 4, page 267, of the Mineral Records of Culberson County, Texas, insofar only as the same covers below the elevation of 100 feet measured vertically from the surface of said land on July 1, 1968, subject, however, to royalty and overriding royalty aggregating four-forty seconds (4/42nds) of all sulphur produced and marketed.

XIII.**MINERAL DEED AND PATENTED MINING CLAIM**

80 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, being the W-½ of the "Virginia" Mining Claim, Mineral Patent No. 68, Volume 1, below the depth of 100 feet measured vertically from surface level thereof on February 28, 1968, and being the same land conveyed by Deed dated February 28, 1968, from Jack R. Fraser to Duval Corporation, and recorded in Volume 5, page

91, of the Mineral Records of Culberson County, Texas, and being the same land conveyed by Deed dated February 28, 1968, from Jack R. Fraser, Successor Trustee of Michigan Sulphur and Oil Co., to Duval Corporation, and recorded in Volume 5, page 89, of the Mineral Records of Culberson County, Texas.

XIV.

LEASEHOLD

40 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated May 7, 1968, from the State of Texas to Duval Corporation, General Land Office Sulphur Lease No. M-62083, and recorded in Volume 5, page 128, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($\frac{1}{6}$ th) of the gross production, or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

XV.

LEASEHOLD

33.02 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated May 7, 1968, from R. B. McGowen, Jr., et al, to Duval Corporation, General Land Office Mineral File No. M-61996, and recorded in Volume 5, page 75, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($\frac{1}{6}$ th) of the gross production of sulphur produced from said leased premises, reserved in said lease.

XVI.

PATENTED MINING CLAIMS

160.44 acres of land out of Section 11, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those nine (9) Mineral Patents identified as Nos. 438-446, Volume 38-B, recorded in Volume 5, Pages 455-463, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to (i) the royalty of

the State of Texas equal to six and one-fourth per cent (6¼%) of the value of the production of sulfur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or of the gross sum arising from the sale of the ore or products from such claims and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one-thirty second of the gross value of all production from said mining claims of sulfur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967 and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas, insofar as the same relates to the above described claims.

XVII.

FEE TITLE AND LEASEHOLD

(1) An undivided one-half (½) fee interest in and to the 160 acres comprising the south one-half of the northwest one-quarter and the north one-half of the southwest one-quarter of Section 15, Block 111; PSL Survey, Culberson County, Texas, being the same land covered by Deed dated July 29, 1971, and recorded in Volume 92, Page 206 of the Deed Records of Culberson County, Texas; and

(2) An undivided one-half (½) interest in and to the 160 acres comprising the south one-half of the northwest one-quarter and the north one-half of the southwest one-quarter of Section 15, Block 111, PSL Survey, Culberson County, Texas, and being the same and covered by a Mineral Lease dated July 22, 1971, from Jack Russell to Duval Corporation and recorded in Volume 8, Page 48, Mineral Records of Culberson County, Texas, subject, however, to an initial royalty of one-sixteenth (1/16) on sulphur, either in kind or market value at the railhead at the mine site, for the first 2,750,000 long tons whether produced or not and a subsequent royalty of one-sixteenth (1/16) on all sulphur actually produced in excess of 2,750,000 long tons reduced to .001% when 3,000,000 long tons have been produced.

XVIII

LEASEHOLD

2.256 acres of land out of Sections 14, 15, 22 and 23, Block 110, PSL Survey, Culberson County, Texas, being the same land covered by Sulphur Lease dated August 26, 1975, from Hillary Phillips, Jr.

FEE TITLE

160 acres of land, being all of Pre-emption Survey No. 86 as described in Patent dated November 14, 1945, recorded in Volume 7, Page 75 of the Deed Records of Culberson County, Texas, and being the same land covered by Deed dated January 31, 1969, from R. B. McGowen, Jr., et al., to Duval Corporation, recorded in Volume 86, Page 121 of the Deed Records of Culberson County, Texas.

2. **Conveyance of the Production Payment.** The Grantors, in consideration of the payments made and agreed to be made to them by the Grantee of the Purchase Price pursuant to the provisions of Paragraph 7 of the Conveyance and of other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, hereby confirm and ratify the estates and rights created by the Conveyance, as supplemented by this Supplemental Conveyance, and, in furtherance of such confirmation and ratification, the Grantors by these presents do hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, effective as of _____, 198 [first day of the calendar month in which the Supplemental Instrument of Conveyance of Production Payment is executed] as a production payment, that undivided percentage, or if 100%, the percentage, of the Subject Minerals (including, without limitation, those Subject Minerals in and under and which may be produced, saved and sold and which shall accrue and be attributable to, the Subject Interests described in Paragraph 1 of this Supplemental Conveyance) provided for in Subparagraphs First, Second, Third and Fourth of Paragraph 2 of the Conveyance, together with an easement of ingress and egress to remove the same from the applicable Subject Interests to the extent Grantors have the right to grant such an easement, for the purposes, upon the terms and conditions, and subject to the encumbrances, reservations

and limitations contained in the Conveyance, as supplemented by this Supplemental Conveyance.

3. Warranty of Title. The Grantors hereby make, as to the Subject Interests described and referred to in Paragraph 1 hereof, all of the representations and warranties contained in Paragraph 20 of the Conveyance.

4. Miscellaneous Provisions.

(a) From and after the execution and delivery of this Supplemental Conveyance, the Conveyance shall be deemed to be supplemented as herein provided (and the term "Conveyance" shall thereafter mean the Conveyance as so supplemented), and as so supplemented shall continue in full force and effect, and none of the rights, titles or interests existing or to exist thereunder shall be released, diminished or impaired.

(b) The Conveyance and this Supplemental Conveyance shall be read, taken and construed as one and the same instrument.

(c) Unless otherwise specifically provided herein, all terms contained in this Supplemental Conveyance which are defined in the Conveyance shall for all purposes hereof have the meanings given to such terms in the Conveyance.

IN WITNESS WHEREOF, the Grantors have executed this instrument in the presence of the undersigned witnesses on the date set forth in the acknowledgment annexed hereto, in multiple originals.

PENNZOIL COMPANY

[SEAL]

By
Vice President

Attest:

PENNZOIL PRODUCING COMPANY

[CORPORATE SEAL]

By
Vice President

Attest:

.....

PENNZOIL OIL & GAS, INC.

[CORPORATE SEAL]

By
Vice President

Attest:

.....

DUVAL CORPORATION

[CORPORATE SEAL]

By
Vice President

Attest:

.....

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

BE IT REMEMBERED, that I, _____, a
Notary Public duly qualified, commissioned, sworn and acting in and for
the County and State aforesaid, hereby certify that on this _____ day of
_____, 198 _____:

There appeared before me severally each of the following persons,
each residing at the address set opposite his name, and each the design-
ated officer of the corporation set opposite his name, each such cor-
poration being a corporation of the state indicated and being a party
to the foregoing instrument:

_____, Vice President of Pennzoil
Corporation, a Delaware corporation

_____, Vice President of Pennzoil
Producing Company, a Delaware corporation

_____, Vice President of Pennzoil
Oil & Gas, Inc., a Delaware corporation

_____, Vice President of Duval
Corporation, a Delaware corporation

_____, Vice President of New
Dunstan, Inc., a Delaware corporation.

Before me personally came each such person, to me personally
known, and each, being by me duly sworn, did depose and say that he
resides at the address set opposite his name and is the designated officer
of the corporation set opposite his name and that said corporation is
described upon and executed the above instrument; that he knows the seal
of the corporation; that the seal affixed to such instrument is such cor-
porate seal; that it was so affixed by order of the Board of Directors of
the corporation; and that he signed his name thereto by like order and
that the instrument was the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared each of such person, each of whom is 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 the corporation set opposite his name, and each acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this . . . day of . . . , 198..

Notary Public

Notary Public, State of New York

Qualified in New York County
Commission Expires, 19..

My commission expires
., 19..



EXHIBIT D
to
**Instrument of Conveyance
of Production Payment**

CERTIFICATE

Pennzoil Company, a Delaware corporation, Pennzoil Producing Company, a Delaware corporation, Pennzoil Oil & Gas, Inc., a Delaware corporation and Duval Corporation, a Delaware Corporation (the "Grantors"), do hereby state and certify as follows:

1. This Certificate is furnished pursuant to subparagraph (b) of Paragraph 7 of that certain Instrument of Conveyance of Production Payment dated as of July 16, 1981 between the Grantors and New Dunstan, Inc., a Delaware corporation (the "Grantee"), (said Instrument of Conveyance of Production Payment being herein called the "Conveyance"). Unless otherwise defined herein, defined terms used herein have the meanings assigned thereto in the Conveyance.

2. Except to the extent that the representations and warranties contained in Paragraph 20 of the Conveyance may not be true as a result of transactions or states of fact permitted by provisions of the Conveyance, the representations and warranties contained in Paragraph 20 of the Conveyance are true on and as of the date hereof as through made on and as of such date.

3. No Event of Default, or an event which with the giving of notice or the lapse of time, or both, would become an Event of Default, has occurred and is continuing, or would result from the payment of the installment of the Purchase Price to be made on the date hereof.

IN WITNESS WHEREOF, the Grantors have caused this certificate to be duly executed by officers of the Grantors thereunto duly authorized, as of this day of, 19 *.

PENNZOIL COMPANY

By
Title:

PENNZOIL PRODUCING COMPANY

By
Title:

PENNZOIL OIL & GAS, INC.

By
Title:

DUVAL CORPORATION

By
Title:

* Insert the date of payment of the applicable installment of the Purchase Price.

CULLEN R. LISKOW (803)-(971)
AUSTIN W. LEWIS (810)-(974)

WILLIAM M. MEYERS
ROBERT T. JORDEN
CHARLES C. GOREMILION
GENE W. LAFITTE
BILLY H. NINEZ
JAMES L. PELLETIER
THOMAS D. HARDEMAN
LINTON MORGAN
JOHN M. KING
STEPHEN T. VICTORY
EDWARD J. GAY III
KENNETH E. GORDON, JR.
WILLIAM B. PITTS
LEON J. REYMOND, JR.
J. BERRY ST. JOHN, JR.
DONALD R. ABANZA
JOHN M. WILSON
CHARLES M. STEEN
LAWRENCE R. SIMON, JR.
FREDERICK W. BRADLEY
HERRY M. MAGSAR
S. GENE FENDLER

LISKOW & LEWIS

ATTORNEYS AT LAW

A PARTNERSHIP OF LAW CORPORATION

NEW ORLEANS, LA 70139

ONE SHELL SQUARE

FIFTIETH FLOOR

TELEPHONE (504) 581-7079

TWX 510-951-9252

LAFAYETTE, LA 70505

321 TRAVIS ST.

P.O. BOX 52008 O.C.S.

TEL. PHONE (318) 232-7484

New Orleans, 70139

July 20, 1981

THOMAS F. GETTEN
GEORGE H. ROBINSON, JR.
GEORGE J. DOMAS
MARILYN C. MALONEY
ROBERT W. BOOKSH, JR.
JOSEPH C. GIGLIO, JR.
LARRY W. ROEDEL
LAW CORPORATIONS
BRUCE J. ORECH
PATRICK W. GRAY
DEBORAH BAHN PRICE
ROBERT E. HOLDEN
JOE B. NORMAN
THOMAS M. MCNAMARA
JAMES N. MANSFIELD III
BILLY J. DOMINGUE
LAMBERT M. LAPEROUSE
SUSAN S. LASITER
PHILIP R. JONES, JR.
ANNE E. TATE
WILLIAM W. PUGH
PAUL B. DAVID
LYNN C. HANTEL
JULIE E. HANTEL

Mr. John L. Rankin, Manager
New Orleans Outer Continental Shelf Office
Bureau of Land Management
500 Camp Street, Suite 841
New Orleans, Louisiana 70130



Re: Mortgage, Deed of Trust and Assignment of Production
New Dunstan, Inc. to F. D. Thompson and W. T. Fox III,
Trustees, and Citibank, N.A., as Agent

Dear Mr. Rankin:

By instrument of Conveyance of Production Payment (the "Conveyance") dated July 16, 1981 executed by Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation (the "Grantors") in favor of New Dunstan Inc. (the "Grantee"), the Grantors conveyed to Grantee a production payment relating to the properties and interests described in Part One and Part Two of Exhibit A attached to the Conveyance, including the interests of Grantors in and to the federal OCS oil and gas leases which are described in Part One of Exhibit A to the Conveyance ("Part One of Exhibit A"). A copy of Part One of Exhibit A is attached to this letter as a part thereof.

The production payment referred to above is subject to, and affected by, a Mortgage, Deed of Trust and Assignment of Production (the "Mortgage") dated July 16, 1981 executed by Grantee in favor of F. D. Thompson and W. T. Fox III, Trustees, and Citibank, N.A., as Agent.

Enclosed is a fully executed counterpart of the Mortgage which has a copy of the Conveyance attached thereto

July 20, 1981

PAGE 2

as Exhibit B and such copy of the Conveyance has attached thereto a complete copy of Part One and Part Two of Exhibit A to the Conveyance. In order to place third parties on notice as to the execution and efficacy of the Mortgage, please file this particular counterpart of the Mortgage, with a copy of this letter attached thereto, in the file maintained by your office with respect to Lease OCS-G 2115.

Also enclosed are sixty-six (66) fully executed counterparts of the Mortgage. Insofar as Exhibit A to the Conveyance is concerned, these counterparts of the Mortgage have attached thereto only Part One of Exhibit A. In order that third parties will be placed on notice as to the execution and efficacy of the Mortgage, please file one of these counterparts of the Mortgage, with a copy of this letter attached thereto, in the file maintained by your office with respect to each of the federal OCS leases listed in Part One of Exhibit A (other than Lease OCS-G 2115).

Enclosed is our check in the amount of \$1,675.00 in payment of filing fees.

It would be appreciated if you would acknowledge that filing as above requested has been accomplished by signing all copies of this letter in the space provided below.

Yours very truly,


LISKOW & LEWIS

BY: 

WHM:eeb

FILED AS REQUESTED

BY: (Orig. Sgd.) Ruby L Boehm

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

Date: July 20, 1981

PART ONE
OFFSHORE SUBJECT INTERESTS
TEXAS

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PFC</u>
OCS-G-2398	8- 1-73	All of Block A-273, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.12639	11.24999
OCS-G-2403	8- 1-73	All of Block A-279, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	14.16666
OCS-G-2414	8- 1-73	All of Block A-323, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	11.66662
OCS-G-2416	8- 1-73	All of Block A-325, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	7.22016	57.14286
OCS-G-2418	8- 1-73	All of Block A-327, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2422	8- 1-73	All of Block A-332, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2739	7- 1-74	All of Block A-339, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2426	8- 1-73	All of Block A-340, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2429	8- 1-73	All of Block A-351, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	2.88528	36.62186
OCS-G-2745	7- 1-74	All of Block A-355, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	7.34246	9.44166

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POCI	PFC
OCS-G-2746	7- 1-74	All of Block A-356, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.01245	12.49999
OCS-G-2366	8- 1-73	All of Block A-474, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2367	8- 1-73	S ½ of NE ¼ & SE ¼ of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.001241	9.999996
OCS-G-2372	8- 1-73	All of Block A-489, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.49999
OCS-G-3118	4- 1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.10137	13.66667
OCS-G-2378	8- 1-73	All of Block A-520, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2704	7- 1-74	All of Block A-545, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	6.67497	8.33333
OCS-G-2779	10- 1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2705	7- 1-74	All of Block A-547, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2706	7- 1-74	All of Block A-548, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2384	8- 1-73	All of Block A-555, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.08332
OCS-G-2388	8- 1-73	All of Block A-563, High Island Area, South Addition, OCS Official Leasing Map, Texas Map, No. 7B	1.00124	9.99999
OCS-G-2389	8- 1-73	All of Block A-564, High Island Area, South Addition, OCS Official Leasing Map, No. 7B	1.00124	9.99999

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
OCS-G-2390	8- 1-73	All of Block A-570, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.01958	16.97190
OCS-G-2719	7- 1-74	All of Block A-582, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.17780	11.76499

LOUISIANA

St. Ls. 7604	4-17-78	<p><i>TRACT 14836 — PORTION OF BLOCK 3 SABINE PASS AREA, Cameron Parish, Louisiana. That portion of Block 3, Sabine Pass Area, Cameron Parish, Louisiana, belonging to the State of Louisiana and not under a mineral lease on January 23, 1978, described as follows: Beginning at a point on the North line of Block 3, Sabine Pass Area having Lambert Plane Coordinates of X = 1,217,355.14 and Y = 364,274.14; thence East 9,612.44 feet along said North line to a point having Lambert Plane Coordinates of X = 1,227,467.58 and Y = 364,274.14; thence Southerly and Southwesterly along an arc having a radius of 18,240.60 feet and a vertex of X = 1,209,227 and Y = 364,245 to a point on the South line of said Block 3, having Lambert Plane Coordinates of X = 1,219,987.06 and Y = 349,516.10; thence West 2,131.92 feet along said South line to a point having Lambert Plane Coordinates of X = 1,217,355.14 and Y = 349,516.10; thence North 14,758.04 feet to the point of beginning, estimated to contain approximately 2,497.59 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources, LESS AND EXCEPT that portion thereof, if any, which is more than three nautical miles from the coast line as determined by the Report of the Special Master in the litigation in the Supreme Court of the United States styled United States v. State of Louisiana et al. No. 9 Original,</i></p>	38.125	
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<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>POCI</u>	<u>PPC</u>
		said three mile line set out in the June, 1975, decree of the Supreme Court. All bearing based on Louisiana Lambert Coordinate System (South Zone).		
OCS-G-4144	9- 1-79	That portion of Block 3 which is more than three geographical miles seaward from the line described in the supple- mental decree of the U.S. Supreme Court, June 16, 1975 (United States vs. Louisiana, 422 U.S. 13) Sabine Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 12.		41.66665
OCS-G-4379	11- 1-80	All of Block 53, West Cameron Area, as shown on OCS Leasing Map, Louisiana Map No. 1		41.66665
OCS-G-2839	12- 1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	8.34372	20.83333
OCS-G-2224	2- 1-73	All of Block 532, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS-G-2225	2- 1-73	All of Block 533, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS-G-3284	8- 1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.03113	20.83332
OCS-G-2436	8- 1-73	All of Block 586, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.68742	
OCS-G-2021	2- 1-71	All of Block 587, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1 B	22.80504	
OCS-G-2850	12- 1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555
OCS-G-2559	5- 1-74	All of Block 617, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555

SLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PPC
OCS-G-2860	12- 1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	2.22499	5.55555
OCS-G-2045	1- 1-71	All of Block 270, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.68741	
OCS-G-2062	2- 1-71	All of Block 334, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2439	8- 1-73	All of Block 335, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2078	2- 1-71	All of Block 228, Vermilion Area, OCS Official Leasing Map, Louisiana Map No. 3	17.9273	
OCS-G-2882	12- 1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2883	12- 1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2587	5- 1-74	All of Block 128, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-0479	12- 1-54	All of Block 53, Eugene Island Area as shown on Official Leasing Map. Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		83.33333
OCS-G-0478	1- 1-55	East 1/2 of Block 116, Eugene Island Area as shown on Official Leasing Map. Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		41.66665
OCS-G-2102	2- 1-71	All of Block 256, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	23.1054	
OCS-G-2900	12- 1-74	All of Block 261, Eugene Island Area OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888
OCS-G-3156	7- 1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PFC
OCS-G-2104	2- 1-71	All of Block 205, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	6.76497	
OCS-G-2607	5- 1-74	All of Block 312, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	2.22499	22.22221
OCS-G-2115	1- 1-71	All of Block 330, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	6.68741	
OCS-G-2317	2- 1-73	All of Block 333, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	2.22499	22.22221
OCS-G-3332	3- 1-76	All of Block 337, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	16.68741	
OCS-G-3409	1- 1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	6.34371	20.83333
OCS-G-0823	5- 1-60	All of Block 186, Ship Shoal Area, as shown on Official Leasing Map, Louis- iana Map No. 5, Outer Continental Shelf Leasing Map (Louisiana Off- shore Operations)		28.33332
OCS-G-1525	7- 1-67	All of Block 222, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		15.83332
OCS-G-1984	9- 1-70	All of Block 225, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		19.79165
OCS-G-2177	11- 1-72	All of Block 49 South Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 9	3.33748	8.33333
OCS-G-3416	1- 1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs. Louisiana, 422 U.S. 13) to one foot seaward of the Third Supple- mental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 9	6.67497	16.66667

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
St. Ls. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	5.92738	14.80
OCS-G-2185	10- 1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 9A	5.00622	12.49999
OCS-G-319	7- 1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-3417	1- 1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-2947	12- 1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	7.54441	18.83758

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
OCS-G-2193	10- 1-72	All of Block 140, Main Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 10	3.33748	8.33333
OCS-G-3206	7- 1-75	All of Block N663E63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63), Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10	3.33748	8.33333
OCS-G-3500	8- 1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	10.01245	25.0000
OCS-G-3786	6- 1-78	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	12.4999	12.4999

THIS INSTRUMENT IS A MORTGAGE OF AN INTEREST IN BOTH REAL AND PERSONAL PROPERTY, AND IS, AMONG OTHER THINGS, A MORTGAGE OF CHATTELS AND A SECURITY AGREEMENT.

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

Dated July 16, 1981

NEW DUNSTAN, INC.

TO

F. D. THOMPSON

AND

W. T. FOX III,

Trustees

AND

CITIBANK, N.A.,

As Agent

Return recorded counterparts to:

SHEARMAN & STERLING
153 E. 53rd Street
New York, New York 10022
Attention: Michael A. Ross, Esq.

This instrument was prepared by:

Frank W. R. Hubert, Jr.
3000 One Shell Plaza
Houston, Texas 77002

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THIS MORTGAGE, DEED OF TRUST AND ASSIGNMENT OF PRODUCTION dated July 16, 1981, from New Dunstan, Inc., a Delaware non-profit corporation (the "Company"), to F. D. THOMPSON of Houston, Texas and W. T. Fox III of Houston, Texas (herein collectively the "Trustees" and individually a "Trustee"), and CITIBANK, N.A., a national banking association (the "Agent"),

WITNESSETH:

WHEREAS, concurrently with the execution of this instrument, the Company is purchasing from Pennzoil Company, a Delaware corporation, Pennzoil Producing Company, a Delaware corporation, Pennzoil Oil & Gas, Inc., a Delaware corporation, and Duval Corporation, a Delaware corporation (the "Grantors"), the Production Payment defined and described in that certain Instrument of Conveyance of Production Payment dated July 16, 1981, from the Grantors to the Company (said Instrument of Conveyance of Production Payment being herein called the "Conveyance" and said Production Payment, as so defined and described, being herein called the "Production Payment"), having an initial primary sum of \$10,000,000; and

WHEREAS, the aforesaid primary sum of the Production Payment may be increased to an amount not to exceed \$2,500,000,000 in the manner provided in the Conveyance (the primary sum, as the same may at any time be so increased, being herein called the "Primary Sum"); and

WHEREAS, the Production Payment is dischargeable out of and consists of the fixed and varying percentages specified in the Conveyance (the applicable percentages at any time being herein and in the Conveyance called the "Production Payment Percentages") of the oil, gas and other gaseous and liquid hydrocarbons (herein and in the Conveyance called "Hydrocarbons") and, in the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered, sulphur (herein and in the Conveyance together with Hydrocarbons, called "Minerals") in and under, and which may be produced, mined and saved from, and which shall accrue or be attributable to the properties and interests described and referred to in the Conveyance

and Exhibit A thereto (said properties and interests being herein and in the Conveyance called the "Subject Interests" and the Minerals therein and thereunder, and which may be so produced, mined and saved therefrom, and which shall accrue or be attributable thereto, being herein and in the Conveyance called the "Subject Minerals") (the Production Payment Percentages of the Subject Minerals being herein and in the Conveyance called the "Production Payment Minerals"); and

WHEREAS, the Company has entered into a Credit Agreement dated as of July 16, 1981 (said Credit Agreement, as the same may at any time be amended and modified and in effect, being herein called the "Credit Agreement") with the banks named therein (the "Banks") and the Agent, providing for the making of advances ("Advances") to which the Domestic Rate or the Eurodollar Rate may be applicable by the Banks to the Company from time to time in an aggregate principal amount not to exceed \$2,500,000,000 for the purpose of enabling the Company to make installment payments on account of the purchase price of the Production Payment under the Conveyance; and

WHEREAS, in order to evidence its obligation to repay each and all of the Advances of each Bank to which the Domestic Rate may be applicable, the Company has executed its 25 promissory notes dated July 16, 1981 each substantially in the form of Exhibit A to the Credit Agreement, of which one is payable to the order of each Bank listed on the signature page of the Credit Agreement and is in the stated principal sum equal to the Total Commitment set forth opposite the name of such Bank on such signature page (such promissory notes of the Company, and any promissory notes issued in replacement thereof being called the "A Notes"); and

WHEREAS, in order to evidence its obligation to repay each and all of the Advances of each Bank to which the Eurodollar Rate may be applicable, the Company has executed its 25 promissory notes dated July 16, 1981, each substantially in the form of Exhibit B to the Credit Agreement, of which one is payable to the order of each Bank listed on the signature page of the Credit Agreement and is in the stated principal sum equal to the Total Commitment set forth opposite the name of such Bank on such signature page (such promissory notes of the Company, and any promissory notes issued in replacement thereof

being called the "B Notes", and together with the A Notes, collectively the "Notes" and individually a "Note"); and

WHEREAS, the actual Total Commitment (as defined in the Credit Agreement) of each Bank is the stated principal amount of each Note payable to the order of such Bank, and not the aggregate stated principal amount of all Notes payable to the order of such Bank; and

WHEREAS, the form of the Credit Agreement, with the forms of the Notes attached thereto, is attached hereto as Exhibit A, and hereby made a part hereof for all purposes; and attached hereto as Exhibit B and made a part hereof for all purposes is the form of the Conveyance, together with all of the property descriptions included in Exhibit A to the Conveyance as to that counterpart to be recorded in Terrebonne Parish, Louisiana and Culberson County, Texas and in the files maintained by the New Orleans Outer Continental Shelf Office of the Bureau of Land Management, U.S. Department of the Interior, as to Lease OCS-G-2115; and, as to those counterparts to be recorded in all recording jurisdictions (county or parish) other than in Terrebonne Parish, Louisiana and Culberson County, Texas, there is omitted from Exhibit A to the Conveyance attached to such counterparts of this Mortgage, the descriptions of property located in recording jurisdictions other than the jurisdiction (county or parish) in which the particular counterpart is to be recorded; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Mortgage, Deed of Trust and Assignment (as the same may at any time be amended and modified and in effect, being herein called the "Mortgage") and the issuance of the Notes have been complied with; and

WHEREAS, for all purposes of this Mortgage, unless the context otherwise requires or unless otherwise defined or stated herein:

(a) All terms in this Mortgage which are defined in the Conveyance have the respective meanings assigned to them by the Conveyance.

(b) All reference herein to "Articles", "Sections", "Subsections", "Clauses" or other subdivisions refer to the corresponding Articles, Sections, Subsections, Clauses and other subdivisions of this instrument; and the words "this instrument", "this Mortgage",

"herein", "hereof", "hereby", "hereunder" and words of similar import refer to this instrument as a whole and not to any particular Article, Section, Subsection, Clause or other subdivision hereof.

(c) The term "Event of Default" has the meaning stated in Section 5.1 hereof.

Now, THEREFORE, to secure the payment of the indebtedness hereinafter in Section 1.1 hereof described and the performance of the covenants herein and in the Notes contained, and in consideration of the loans made to the Company by the Banks pursuant to the Credit Agreement, the Company by these presents does grant, bargain, sell, mortgage, create a security interest in, pledge, assign, transfer, convey, set over and deliver unto the Trustees and their successors in this trust and unto their assigns, the Production Payment, including all the Company's interest in the Production Payment Minerals and the proceeds thereof, and all rights, titles, interests, estates, remedies, powers and privileges vested in the Company as the owner of the Production Payment or which the Company now has or may become entitled to under or by virtue of the terms and provisions of the Conveyance (the Production Payment, and all such rights, titles, interests, estates, remedies, powers and privileges, being herein collectively called the "Mortgaged Property").

SUBJECT, HOWEVER, to the pledge and assignment of production and other amounts contained in Article III hereof, but only insofar and so long as the same are not inoperative under the provisions of Section 3.3 hereof, and to the liens, charges and encumbrances set forth or referred to in Subsection II of Section 2.1 hereof. Reference is hereby made to Exhibit B attached hereto for a more complete description and statement of the Subject Interests, the Production Payment Minerals and the other rights, titles, interests, estates, remedies, powers and privileges constituting and appertaining to the Production Payment.

TO HAVE AND TO HOLD the Mortgaged Property, together with all rights, estates, powers and privileges appurtenant or incident thereto, unto the Trustees, their successors in this trust and their assigns forever.

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

ARTICLE I.

INDEBTEDNESS SECURED

SECTION 1.1. 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 of the Company evidenced by the Notes, including any extensions or renewals thereof, in an aggregate principal amount not to exceed \$2,500,000,000 with interest as therein provided (such Notes having a final maturity date of February 1, 1990 unless the Supplemental Instrument of Conveyance of Production Payment is executed and delivered by the Grantors in which case the final maturity date of the Notes shall be June 1, 1990).

B. All other indebtedness of the Company arising pursuant to the provisions of the Credit Agreement and this Mortgage (including, without limitation, all amounts payable by the Company under the Credit Agreement on account of commitment fees).

C. All costs of enforcing the Notes, the Credit Agreement and this Mortgage.

D. All fees and expenses payable to the Trustees under this Mortgage and the Credit Agreement.

The maximum indebtedness of the Company secured hereby in addition to that set forth in Section 1.1 A hereof shall not exceed 75% of the aggregate principal amount of the Notes.

ARTICLE II.

REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 2.1. The Company hereby represents and warrants to the Trustees, the Banks and the holders from time to time of the Notes as follows:

A. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority, corporate and otherwise, to conduct its business and to own its properties (including the Mortgaged Property), to enter into the Credit Agreement and to borrow thereunder and to execute and deliver the Credit Agreement, the Conveyance, this Mortgage and the Notes and to perform its obligations under each of the foregoing documents and instruments except to the extent that it may be necessary or advisable to qualify to do business in certain states in which the Mortgaged Property is located.

B. The making and performance by the Company of the Credit Agreement, the Conveyance, this Mortgage and the Notes and the purchase and ownership by the Company of the Mortgaged Property have been duly authorized by all necessary corporate action (including any necessary shareholder action) and do not 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 or of the Certificate of Incorporation or By-Laws of the Company, or (ii) 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 it or its property may be presently bound or affected, or (iii) result in or require the creation or imposition of any mortgage, lien, pledge, security interest or other 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, and all consents and approvals necessary to permit the Company to execute and deliver, and to perform its obligations under, the Credit Agreement, the Conveyance, this Mortgage and the Notes and to purchase the Mortgaged Property have been obtained, and the Company is not in violation or default under any such order, writ, judgment, decree, determination, award, indenture, agreement or instrument.

C. (i) Assuming the due authorization and execution thereof by each other necessary party thereto, the Credit Agreement, the Conveyance, this Mortgage and the Notes, when issued by the Com-

pany for value, constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms and (ii) subject to the accomplishment of all requisite filings and recordings in the States of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, New York, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming with respect to the property covered thereby prior to the intervention of rights of third parties therein, this Mortgage constitutes a legal, valid and effective first mortgage lien on the Mortgaged Property and a legal, valid and effective first security interest in and assignment of Production Payment Minerals and the proceeds of sale thereof.

D. The balance sheet of the Company as of July 16, 1981 (certified by the chief financial officer of the Company), copies of which have been furnished to the Banks, correctly and fairly sets forth the financial condition of the Company at said date, and since said date there has been no material adverse change in its condition, financial or otherwise.

E. There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its properties (including the Mortgaged Property) before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the Company, would have a material adverse effect on the financial condition, properties (including the Mortgaged Property) or operations of the Company or its ability to perform its obligations under or under the Credit Agreement, the Conveyance, this Mortgage or the Notes.

F. No authorization, consent, approval, license or exemption of, and no filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or was necessary to the valid execution, delivery and performance by the Company of the Credit Agreement, the Conveyance, this Mortgage or the Notes, except to the extent that it may be necessary or advisable to qualify to do business in certain states in which the Mortgaged Property is located.

G. The Company has the legal right and authority to grant, bargain, sell, mortgage, create a security interest in, pledge, assign, transfer, convey, set over and deliver the Mortgaged Property, and all rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto, in the manner and form hereby done or intended; the entire amount of the Production Payment initially sold to the Company is, on the date of this Mortgage, outstanding and undischarged; the Company has received, on the date of this Mortgage, nothing whatsoever towards the satisfaction of the Production Payment; and the Production Payment is not subject to any set-off, counterclaim, recoupment or defense.

H. The Company has good and indefeasible title to the Mortgaged Property initially sold to it free and clear of all liens, security interests, charges and encumbrances of every character other than (a) the lien and security interest of this Mortgage and (b) such liens, charges and encumbrances as are set forth in Exhibit A to the Conveyance or as are permitted by subparagraph (f) of Paragraph 14 of the Conveyance to the extent the same are applicable to the Production Payment.

I. There is no effective financing statement or other instrument similar in effect on file against the Company in any of the States of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, New York, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming covering the Mortgaged Property or any part thereof, or the proceeds of the Mortgaged Property or any part thereof, other than those related to this Mortgage and the Conveyance.

SECTION 2.2. The Company covenants and agrees with the Trustees, the Banks and the holders from time to time of the Notes that, so long as any indebtedness secured hereby remains unpaid, unless (except as to Subsection D of this Section) the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes shall have otherwise consented in writing:

A. The Company will maintain in good standing	orate
existence, rights, privileges and franchises in the State	ware
and will qualify and remain duly qualified to do business	l own

property in each jurisdiction in which any of the Mortgaged Property shall be located if such qualification is necessary in view of its business and operations, and will promptly pay all franchise, income and other taxes owing by it; and the Company will, as and when necessary, qualify and pay franchise and other taxes (subject to the right of the Grantors under the Conveyance to contest such taxes in good faith) in any jurisdiction in which any of the Subject Interests shall be located if required by the law of such jurisdiction for the full exercise of its rights or the full performance of its obligations under this Mortgage or the Conveyance.

B. The Company will promptly pay or discharge, and cause the same promptly to be paid or discharged, when the same shall become due (or, as to any thereof which are being contested in good faith, promptly following final determination of such contest), all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or any property belonging to it, including all *ad valorem*, severance, gross income, gross receipt, gross profits, gross production, drilling, occupation, excise, and franchise, income and other taxes and assessments of any kind whatsoever (including, without limitation, any excise tax imposed on any windfall profit from taxable crude oil by the Crude Oil Windfall Profit Tax of 1980 and any amendments or supplements thereto or tax enacted in substitution therefor and any interest and penalties payable thereon or with respect thereto), imposed upon or assessed with respect to or measured by or charged against or attributable to the Mortgaged Property (including the interest therein of the Trustees or of the holders of the Notes or other indebtedness secured hereby), the Production Payment, the Production Payment Minerals or the proceeds of sale thereof or the drilling for or extraction of any Production Payment Minerals or the acquisition, ownership, sale, assignment, transfer or other disposition by the Company in whole or in part of the Production Payment or the Production Payment Minerals and will maintain and preserve the lien and security interest created by this Mortgage.

C. The Company will, on request of any Trustee or of the holder of any of the Notes, promptly correct any defect, error or

omission which may be discovered in the contents of this instrument or in the execution hereof and will execute, acknowledge and deliver such further instruments and do such further acts and things as may be necessary or as may be reasonably requested by the Trustees or the holder of any of the Notes to carry out more effectively the purposes of this Mortgage and to subject to the lien and security interest hereby created any of the Mortgaged Property or the rights or interests covered or intended to be covered hereby, and to perfect and maintain such lien and security interest.

D. The Company will duly and punctually pay each and every obligation owing hereunder and under the Credit Agreement and on account of each Note in accordance with the terms hereof and thereof, unless the holders of all the Notes shall have otherwise consented in writing.

E. The Company will 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 the Conveyance, this Mortgage, any financing or continuation statements and every other instrument additional or supplemental hereto thereto that shall be required by law in order to perfect and maintain the validity and effectiveness of the Conveyance and the lien and security interest intended to be created hereby, in such manner and places and within such times as may be necessary to perfect and maintain such lien and security interest and preserve and protect the rights and remedies of the Trustees and of the holders of the Notes, and will furnish satisfactory evidence of every such recording, filing and registration to the Trustees and the holders of the Notes.

F. The Company will keep proper books of record and account in which complete and correct entries will be made of all of its business and financial transactions, such entries to be made in accordance with generally accepted accounting principles consistently applied in the case of financial transactions. All such books of record and account shall be kept, and the chief place of business of the Company shall be located, in the State of Delaware at the Company's address stated at the end of this Mortgage or at such

other place within the continental limits of the United States as the Trusts and the holders of 66 $\frac{2}{3}$ % or more in aggregate unpaid principal amount of the Notes shall have approved in writing prior to the change of the place of keeping of books of record and account or the location of its chief place of business.

G. The Company will furnish to the Trustees, the Agent and each of the holders of the Notes (a) promptly after the Company shall have obtained actual knowledge of the occurrence of an Event of Default under the Credit Agreement or under this Mortgage, and/or an event which without giving of notice or the lapse of time (or both) would become such an Event of Default, a statement of the chief financial officer of the Company setting forth details of such Event of Default or event, (b) within ninety (90) days after the end of each fiscal year of the Company, the balance sheet of the Company as of the end of such fiscal year, and the statement of income and retained earnings of the Company for such fiscal year, certified by an authorized financial officer of the Company or, if requested by the Trustees or the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes, by independent public accountants of recognized standing acceptable to the Trustees or the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Notes, (c) within thirty (30) days after the end of each of the first three quarters of each such fiscal year, the balance sheet of the Company as of the end of such quarter and statements of income and retained earnings of the Company for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by an authorized financial officer of the Company, (d) promptly following receipt thereof by the Company, copies of all information and each report or other statement or document furnished to the Company pursuant to the provisions of Paragraph 19 of the Conveyance, and (e) such other information respecting the business affairs, financial condition and/or operations of the Company as the Agent may from time to time reasonably request.

H. The Company will not,

(1) amend, modify, supplement or otherwise revise the Conveyance or consent to or permit any such amendment,

modification, supplement or other revision, except by execution and delivery of the Supplemental Instrument of Conveyance of Production Payment and pursuant to Subsection C of this Section 2.2;

(2) except with respect to actions as to which consent of the Company is not required by the terms of the Conveyance, consent to or permit any surrender, abandonment, release, sale, conveyance, assignment, lease or sublease, farmout or any participation in any pooling, communitization or unitization, by the Grantors under the Conveyance of all or any part of the Subject Interests;

(3) surrender, abandon, release, sell, convey, assign, lease or sublease the Mortgaged Property or any part thereof;

(4) liquidate or merge into or consolidate with any other corporation or permit any other corporation to be merged into the Company;

(5) sell, lease, assign, transfer or otherwise dispose of all or a substantial portion of its assets, including its accounts receivable, except as contemplated by the Conveyance and this Mortgage;

(6) issue or sell any shares of its capital stock having ordinary voting power or the election of its Board of Directors or other governing body; or

(7) declare or pay any dividends, purchase, redeem or otherwise acquire for value any of its capital stock now or hereafter outstanding, return any capital to stockholders or make any distribution of assets to stockholders, except that the Company may (i) declare and pay dividends to its stockholders in an amount not to exceed the amount received by it pursuant to Paragraph 4(c) of the Conveyance; *provided, however,* that no such dividends or distributions shall be permitted pursuant to this clause (i) if an Event of Default shall have occurred and be continuing and (ii) declare and pay dividends to its stockholders in amounts equal to interest and dividends, if any, received on the securities referred to in Subsection C of this Section 2.2; *provided, however, that*

no such dividends or distributions shall be permitted pursuant to this clause (ii) which shall reduce the current market value of the Company's assets (other than the Production Payment) below the amount set forth in Subsection O of this Section 2.2.

I. The Company will promptly notify the Trustees and the Banks in writing of any default, of which it has knowledge, in the observance or performance of any term, covenant, agreement or condition on the Grantors' part to be performed or observed under the Conveyance.

J. The Company will, on the request of the Trustees or of the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes, and at the expense of the Company, promptly take all such action as may be so requested to enforce or secure the observance or performance of any term, covenant, agreement or condition of the Conveyance to be observed or performed by the Grantors thereunder, or to exercise any of its rights, remedies, powers and privileges under the Conveyance, all in accordance with the terms thereof, *provided, however*, that the Trustees shall not be obligated to make any such request to the Company under this Subsection J unless directed to do so in writing by the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes.

K. If the title or rights of the Trustees to the Mortgaged Property or any part thereof or the lien of or security interest created by this Mortgage shall be in danger, or shall be attacked directly or indirectly, or if any legal proceedings are instituted against the Company, the Trustees or the holders of the Notes with respect thereto, the Company will promptly give written notice thereof to the Trustees and the holders of the Notes and at its own cost and expense will undertake diligently to cure any defect that may have developed or may be claimed and will take all necessary and proper steps for the protection and defense thereof and will take such action as is reasonably appropriate to the defense of any such legal proceedings, including, but not limited to, the employment of counsel, the prosecution and defense of litigation and, if approved by the holders of not less than 66 $\frac{2}{3}$ %

in aggregate unpaid principal amount of the Notes, the compromise or release and discharge of any adverse claims made. The Trustees shall not be obligated to exercise any rights under this Subsection K unless directed to do so in writing by the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes.

L. Except as permitted by Subsection O of this Section 2.2, the Company will not conduct any activity unrelated to the ownership of the Mortgaged Property or to the exercise of any rights appertaining thereto and, in any event, will not open or maintain an office in any state other than the State of Delaware. The Company will not qualify to do business as a foreign corporation in any state other than the state or states the laws of which shall require such qualification for the full exercise of the Company's rights or the full performance of the Company's obligations under this Mortgage or the Conveyance.

M. The Company will not create, assume or incur, or in any manner be or become liable in respect of, any indebtedness, whether current or funded, direct or contingent, other than

(1) the Notes and other indebtedness of the Company secured hereby;

(2) taxes, assessments and governmental charges or levies not due and delinquent or the validity of which is currently being contested in good faith by appropriate proceedings; and

(3) current accounts, payable or accrued, necessary to the conduct of the ordinary course of business of the Company, provided that all such indebtedness shall from time to time be promptly paid and discharged when due.

For the purposes of this Subsection M, the term "indebtedness" shall mean (i) any obligation, by whomsoever incurred, properly shown on the liability side of a balance sheet in accordance with generally accepted accounting principles (other than items properly shown in the capital account of a corporate balance sheet), (ii) any obligation secured by a mortgage, conditional sales agreement or other title retention or security instrument, whether

or not any person has personal responsibility to discharge the same, and (iii) any obligation for the payment of rent or hire for property of any kind whatsoever, whether real, personal or mixed.

N. The Company will not create or assume, or suffer to be created or assumed or to incur any mortgage, pledge, security interest, charge or encumbrance of any kind upon or in any of its property of any character, whether owned at the date hereof or hereafter acquired, as security for any indebtedness or acquire or agree to acquire any property subject to any conditional sale agreement or other title retention agreement, *excluding, however*, from the operation of this Subsection

- (1) the lien of this Mortgage;
- (2) other liens securing indebtedness of the kinds permitted by clauses (1) and (2) of Subsection M of this Section 2.2; and
- (3) such liens, charges and encumbrances as are set forth in Exhibit A to the Conveyance or are permitted by Paragraph 14(f) of the Conveyance to the extent the same are applicable to the Production Payment.

O. The Company will at all times maintain assets (other than the Production Payment) in the form of cash or readily marketable securities, of a current market value or principal amount of not less than \$10,000 in the aggregate.

P. The Company will not file or join in the filing of any consolidated federal or state income or franchise tax return with any other corporation or entity.

Q. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and, in the case of any such loss, theft or destruction, upon delivery of a bond of indemnity (or in the case of any Bank, upon written indemnification by such Bank) satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such Note, the Company will issue, in replacement of such lost, stolen, destroyed or mutilated Note, a new Note of like tenor, dated the date to which interest has been paid on such Note and not to show any payments or prepayments of principal thereof.

R. Upon execution and delivery by the Grantors of the Supplemental Instrument of Conveyance of Production Payment, the Company will execute and deliver to the Trustees the Supplemental Mortgage, Deed of Trust and Assignment of Production substantially in the form attached hereto as Exhibit C;

S. The Company will not assume, guarantee, endorse or otherwise be or become directly or indirectly liable in respect of or in effect responsible for (whether by guarantee or by agreement to purchase securities, to contribute capital or to make lease payments or otherwise) any obligation of any other person, except by endorsement of negotiable instruments for deposit or collection or similar transactions necessary to the conduct of the ordinary business of the Company.

T. The Company will not make any loan or advance to any person.

U. Subject to the provisions of Subsection H of Section 2.1 hereof, the Company hereby binds itself to warrant and forever defend unto the Trustees, their successors in this trust and their assigns, the Production Payment against every person whomsoever lawfully claiming or to claim the same or any part thereof. This Mortgage is made with full substitution and subrogation of the Trustees in and to all covenants and warranties heretofore given or made by others in respect of the Production Payment or the Subject Interests, or any part thereof.

SECTION 2.3. To the full extent that it lawfully may, the Company hereby agrees that the Trustees or the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes shall be entitled at any time and from time to time (i) to exercise all of the rights, remedies, powers and privileges vested in the Company as Grantee under the Conveyance and by virtue of its ownership of the Production Payment, (ii) to give or withhold all consents, requests, directions, notices, approvals and waivers required or permitted by the Company which the Company as such Grantee would otherwise be entitled to give or withhold thereunder or pursuant thereto and (iii) to perform or cause to be performed any act which the Company is required to perform under Subsections J and K of Section 2.2 hereof and to perform in the manner and extent of the performance by the Com-

pany of any such act. The Company will, upon request of the Trustees or the holders of not less than 66⅔% in aggregate unpaid principal amount of the Notes, execute and deliver to such person or persons as may be designated by the Trustees or such holders appropriate powers of attorney to act for and on behalf of the Company in all transactions of the Company with an agency, department or subdivision of any state or of the United States relating to the Mortgaged Property or any part thereof. Except in connection with enforcement of the Trustees' right to be paid by the Company any sums to be paid to them by the Company under this Mortgage, the Trustees shall take any action which they are authorized to take pursuant to the provisions of this Section 2.3 only in accordance with the written directions of the holders of not less than 66⅔% in aggregate unpaid principal amount of the Notes, and the Trustees shall be fully protected in so doing.

SECTION 2.4. 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 Trustees or the holder of any Note may (subject to the provisions of Section 2.3 with respect to performance of the Company's obligations under Subsection J or K of Section 2.2), but shall not be obligated to, perform or cause to be performed such act and may pay such money. The Trustees shall not be obligated to exercise any rights under this Section 2.4 unless directed to do so in writing by the holders of not less than 66⅔% in aggregate unpaid principal amount of the Notes.

SECTION 2.5. The Company agrees that any Trustee and any holder of a Note, at its own expense, shall have the right to visit and inspect any of the properties belonging to the Company, to examine and make copies of and take abstracts from its books and records and to discuss its affairs, finances or accounts with the Company's officers, all at such times and intervals as the Trustees or such holder may reasonably request and shall have the right to make all inspections, and to receive all reports, certificates, statements and other documents and all other information which the Company shall be entitled to make or receive under Paragraphs 15, 16 and 19 of the Conveyance, *subject, however*, to the limitations and conditions provided in said Paragraphs 15, 16 and 19.

ARTICLE III.

ASSIGNMENT OF PRODUCTION

SECTION 3.1. The Company, to the extent in this Article provided, effective as of 7 o'clock A.M., local time in effect at the location of each of the Subject Interests, on July 1, 1981, hereby bargains, sells, assigns, transfers, conveys, pledges, sets over and delivers unto the Agent, its successors and assigns, all the Company's right, titles, interests, estates, remedies, powers and privileges in and with respect to the production of Production Payment Minerals, together with all proceeds derived from the sale of such Minerals, including all moneys due and to become due under any of the Sales Contracts and all of the Company's rights to receive all amounts payable to or otherwise receivable by the Company on account of payments pursuant to Paragraphs 14(c) and 25 of the Conveyance. All parties producing, purchasing, taking, processing or receiving Minerals from any properties from which the Production Payment is dischargeable, or having in their possession such Minerals, or proceeds therefrom, or making any payment pursuant to Paragraphs 14(c) and 25 of the Conveyance, for which they or others are accountable to the Agent by virtue of the provisions of this Article, are authorized and directed to treat and regard the Agent as the assignee and transferee of the Company and entitled in the place and stead of the Company to receive such proceeds accruing or attributable to the Production Payment, and said parties and each of them shall be fully protected in so treating and regarding the Agent and shall be under no obligation to see to the application by the Agent of any such proceeds received by it. 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 instrument are receivable by the Agent, the Company will hold the same in trust and will remit such proceeds or amounts, or cause such proceeds or amounts to be remitted, immediately to the Agent. The Company will, at the request of the Agent, furnish it with or obtain for it the names of all parties purchasing or receiving Subject Minerals from any properties from which the Production Payment is dischargeable and the names of all parties having in their possession such Minerals, or proceeds therefrom, and the Company will execute and deliver any and all instruments that may be requested by the Agent for the pur-

...effectuating the assignment hereby made by the Company and the payment to the Agent of the proceeds so assigned.

SECTION 3.2. All monies received by the Agent pursuant to the assignment made by the Company in Section 3.1 hereof which are deemed to be proceeds of Production Payment Minerals under Paragraph 4 of the Conveyance shall be held by the Agent as security for the payment of the Notes and shall be applied as provided in Paragraphs FIRST through FIFTH of this Section. Monies so received by the Agent pursuant to Section 3.1 hereof up to 11:00 A.M. (local time in effect in the City of New York) on any Application Date (commencing with September 1, 1981) and not theretofore applied pursuant to this Section 3.2, shall be deemed to have been received and shall be applied as follows:

FIRST: There shall be paid to the holders of the Notes the aggregate amount then applied with respect to the Company pursuant to, and in the order of priority specified in subparagraphs (a) and (b) of Paragraph 6 of the conveyance.

SECOND: There shall be paid to the Company the amount deemed to have been then applied with respect to the Company pursuant to subparagraph (c) of Paragraph 6 of the Conveyance; *provided, however*, that if an Event of Default (as set forth in Section 5.1 hereof) hereunder shall have occurred and then be continuing, the Agent shall have the right to apply such amount to the payment and/or prepayment without penalty or premium of the indebtedness secured hereby; and

THIRD: There shall be paid to the Company (or to the Trustees or the holders of the relevant Notes to the extent that such Trustees or holders have incurred any expense or made any payment on behalf of the Company pursuant to Section 2.4 hereof for which the Company would be entitled to be reimbursed under subparagraphs (d) and (e) of Paragraph 6 of the Conveyance) the aggregate amount deemed to have been then applied with respect to the Company pursuant to, and in the order of priority specified in, said subparagraphs (d) and (e) of said Paragraph 6 of the Conveyance; *provided, however*, that, in the case of the taxes, assessments, costs and expenses referred to in said subparagraphs of the Conveyance, the Agent shall have received satisfactory

evidence of the Company's payment or obligation to pay such taxes, assessments, costs and expenses in respect of which such amount is deemed to have been so applied and shall have approved the same; and

FOURTH: The balance shall be applied to the payment or prepayment of the unpaid principal of the Notes; and

FIFTH: After payment in full of the Notes and all other indebtedness secured hereby, there shall be paid to the Company an amount equal to all amounts (if any) previously applied by the Agent pursuant to the proviso of clause **SECOND** above;

SECTION 3.3. Notwithstanding the other provisions of this Article, the Trustees or any receiver appointed in judicial proceedings for the enforcement of this instrument shall have the right to receive all the income, revenues, rents, profits and proceeds from the Mortgaged Property (including the Production Payment Minerals and all proceeds therefrom) and all other amounts payable to or receivable by the Company pursuant to the Conveyance. After the Notes have been declared due and payable in accordance with the provisions of Section 5.1 hereof and to apply all said income, revenues, rents, profits and proceeds in the order of priority set forth in Section 3.2 hereof and to exercise all the rights, privileges, powers and remedies conferred upon the Company by the Conveyance in the sole interest of the holders of the Notes without regard to the effect such action may have upon the rights of any other person under the assignment contained in Section 3.1 hereof. Upon any sale of the Mortgaged Property or any part thereof pursuant to Article V hereof, the Production Payment Minerals thereafter produced from that portion of the Mortgaged Property so sold, and the proceeds therefrom, shall be included in such sale and shall pass to the purchaser free and clear of the assignment contained in this Article.

SECTION 3.4. The Agent shall not be liable for failure to collect or for failure to enforce collection of any proceeds assigned pursuant to this Article and shall have no other responsibility in connection therewith, except the responsibility to account for funds actually received. For all purposes of this Mortgage, any proceeds, amounts or moneys shall be deemed to have been "actually received" by the Agent when

such proceeds, amounts or moneys shall be immediately available to the Agent at the office of the Agent at 399 Park Avenue, New York, New York 10043 or at such other office of the Agent in New York City as shall be designated from time to time by the Agent. The Agent, if and to the extent that the Agent receives and applies funds under this Article III, shall account to the Grantors, the Company and the holders of the Notes for funds so received and applied under this Article III by furnishing to the Grantors, the Company and the holders of the Notes, quarterly within 15 Business Days after each Application Date (or the Next Preceding Business Day, as applicable), the written statement referred to in the last sentence of Paragraph 6 of the Conveyance with respect to any funds applied on such Application Date (or the Next Preceding Business Day, as applicable).

SECTION 3.5. Nothing herein contained shall detract from or limit the absolute obligation of the Company to make payment of the Notes at maturity and of all amounts owing hereunder by the Company at the time and in the manner provided herein and in the Notes, regardless of whether the proceeds of production assigned by this Article are sufficient to pay the same, and the rights under this Article shall be in addition to all other security of any and every character now or hereafter existing to secure the indebtedness of the Company secured hereby.

SECTION 3.6. The Company agrees to indemnify the Trustees, the Banks, the Agent and the holders of the Notes against all claims, actions, liabilities, judgments, costs, charges and attorney's fees made against or incurred by them, or any of them, with respect to the Production Payment, as a consequence of an assertion that they received funds from the production of Minerals claimed by third persons either before or after the payment in full of the Notes; and the Trustees, the Banks, the Agent 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, the Banks, the Agent or 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 any of them.

SECTION 3.7. Without limiting the foregoing provisions of this Article III, the Company agrees that this Article III is intended to grant to the Agent for the benefit of the holders of the Notes a security interest in Minerals to be extracted from or attributable to the Subject Interests which are or may become subject to the Production Payment and in and to the proceeds resulting from the sales thereof (including, but not limited to, sales at the wellhead or mine), such security interest to attach to such Minerals as extracted and to the accounts resulting from such sale. The Company, as owner of the Production Payment, has an interest of record in the Subject Interests which are now subject to the Production Payment and, upon execution and delivery of the Supplemental Instrument of Conveyance of Production Payment referred to in the Conveyance, will have an interest of record in the Subject Interests described in said Supplemental Instrument of Conveyance of Production Payment. Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation, each a Delaware corporation, are the record owners of said Subject Interests subject to the Production Payment to the extent provided in the Conveyance.

ARTICLE IV.

DEFEASANCE

SECTION 4.1. If all indebtedness of the Company secured hereby shall be paid, then, upon receipt by the Trustees of evidence satisfactory to them of the payment in full of the indebtedness secured hereby, this Mortgage shall become null and void and the interest of the Company in the Mortgaged Property shall become wholly clear of the lien, security interest, conveyance and assignment created hereby, and such lien and security interest shall be released in due course at the cost of the Company. Otherwise this Mortgage, Deed of Trust and Assignment of Production shall remain and continue in full force and effect.

ARTICLE V.

REMEDIES IN EVENT OF DEFAULT

SECTION 5.1. In case any one or more of the following "*Events of Default*" shall occur and shall not have been remedied:

A. Default by the Company in any payment of the principal of or interest on the Notes when due or in any payment of any costs or other amounts required by or under the Credit Agreement or the Notes when such costs or other amounts become due and payable; or

B. Any representation or warranty contained in Section 2.1 hereof, or in any certificate furnished by the Company in connection with the Credit Agreement, shall prove to have been untrue in any material respect when made; or

C. Default by the Company in the due performance or observance of any covenant or condition herein or in the Credit Agreement contained, which shall have continued unremedied for a period of 30 days after it shall have become known to the Company; or

D. At any time the unliquidated balance of the Primary Sum shall be less than the aggregate unpaid principal amount of the Notes; or

E. The Company shall (1) become insolvent or be unable to pay its debts as they mature or generally not pay its debts as such debts become due, (2) apply for or consent to the appointment of a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets, (3) be adjudicated a bankrupt or insolvent, or file a voluntary petition in bankruptcy, (4) make a general assignment for the benefit of creditors, (5) file a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law, (6) file an answer admitting the material allegations of, or consent to, or default in answering, reorganization or insolvency proceedings or proceedings or (7) take any corporate action to authorize any of the actions set forth in this Subsection E; or

F. An "Event of Default" under Paragraph 17(c) or (d) of the Conveyance shall occur; or

G. An order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of the Company or appointing a receiver, trustee or liquidator of the Company or of all or a substantial part of

its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of 30 consecutive days;

then, and in any such event, the Agent may with the consent, or shall at the direction, of the holders of not less than 66⅔% in aggregate unpaid principal amount of the Notes, by notice in writing to the Company, the Trustees and the holders of the Notes, declare the entire unpaid principal of and interest on all the Notes and all other amounts then owing by the Company hereunder and under the Credit Agreement and the Notes to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable without other notice or demand of any kind and the liens and security interests evidenced hereby shall be subject to foreclosure in the manner provided for herein or provided for by law as the Trustees may elect.

SECTION 5.2. All costs and expenses (including attorneys' fees) incurred by the Trustees, or by the holders of the Notes in protecting and enforcing their rights hereunder shall constitute a demand obligation owing by the Company and shall bear interest at a rate equal to the Applicable Rate (but in no event to exceed the maximum rate permitted by applicable law) in effect during the period such obligation is outstanding, all of which shall constitute a portion of the indebtedness secured by this instrument.

SECTION 5.3. If the entire unpaid principal of and interest payable on the Notes and all other amounts owing by the Company hereunder and under the Credit Agreement and the Notes shall have become due and payable, whether at the stated date of maturity thereof or prior thereto, and shall not have been paid, the Trustees, upon and only upon the written request of the holders of not less than 66⅔% in aggregate unpaid principal amount of the Notes, shall have the following rights and powers:

A. To sell, to the extent permitted by law, the Mortgaged Property, 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 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

B. To proceed by a suit or suits in equity or at law, whether 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 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; or

C. To take such other action as may be authorized or permitted by any applicable law including without limitation the Uniform Commercial Code.

SECTION 5.4. Any sale by the Trustees of any part of the Mortgaged Property located in the State of Texas may be made in any county in which any part of the Mortgaged Property to be sold at such sale may be situated, *provided* that the notice hereinafter mentioned shall designate the county where the item of property will be sold. All items of property may be sold singly, or together, or in lots or parcels, and in such order, as to the Trustees may seem expedient. The items of property shall be sold at the door of the county courthouse in the county in which the sale is held, and between the hours of 10:00 a.m. and 4:00 p.m. on the first Tuesday in any month, after having given notice of such sale in accordance with the applicable statute of Texas now in force (Article 3810 of the Revised Civil Statutes of Texas now in governing sales of real estate under powers of sale conferred by a deed of trust. If such applicable statutes should be hereafter amended to provide a different notice of sale applicable to sales of real estate under power of sale in a deed of trust, then the Trustees may, in their sole discretion and to the extent permitted by law, give either the notices of sale now provided to be given under said Article 3810 or that prescribed by the amended statute. 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 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 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.

Any sale by the Trustees of any part of the Mortgaged Property located in any county in the State of Alabama may be made at public outcry at the front door of the courthouse of said county, for cash to the highest bidder, after first giving thirty days' notice of the time, place and terms of sale, together with a description of the property to be sold, by publication once a week for three consecutive weeks, in a newspaper published in said county.

SECTION 5.5. In exercising the power of sale hereby given, the Trustees may conduct any number of sales from time to time to the extent permitted by law. 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 the Mortgaged Property shall have been sold or the Notes and all indebtedness of the Company secured hereby shall have been paid.

The sale of all or any portion of the Mortgaged Property may, to the extent permitted by law, 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, no necessity shall exist for 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, the Trustees or Trustee making such sale 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 Trustee (as the case may be) making such sale and their or his 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 Trustee (as the case may be) making such sale or by any purchaser, confirm any such sale or transfer by executing and delivering to the Trustees or such Trustee or to such purchaser all proper instruments of conveyance and transfer and releases as may be specified in any such request.

SECTION 5.6. Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of any Trustee, or of 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 of a Trustee or of 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 5.7. The proceeds of sale of the Mortgaged Property and all other monies received by the Trustees hereunder or in any proceedings for the enforcement hereof, the application of which has 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 instrument, including, but not limited to, a reasonable compensation to the agents, attorneys and counsel of the Trustees and of the holders of the Notes;

SECOND: To the payment of any indebtedness of the Company secured hereby, other than indebtedness referred to in the following Paragraphs Third and Fourth;

THIRD: To the payment of accrued interest payable on the Notes (ratably according to amount accrued and unpaid thereon), costs and other amounts (excluding principal) due under the Notes;

FOURTH: To the payment of the unpaid principal of the Notes (ratably according to the unpaid principal amounts thereof); and

FIFTH: The remainder, if any, shall be paid to the Company, its successors or assigns, or to whomsoever may be lawfully entitled

to receive the same or as a court of competent jurisdiction may direct.

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

SECTION 5.8. The holder or holders of any Note or Notes shall have the right to become the purchaser at any sale held by a Trustee or by any receiver or public officer, and such holder purchasing at any such sale shall 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 5.9. The Company agrees that, after any Event of Default hereunder shall have occurred, the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes 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 of such holders' choice, 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 irrevocably consent to the appointment of such receiver or receivers and agrees not to oppose any application therefor by such holder or any appointment pursuant thereto.

SECTION 5.10. 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 holder of any Note shall, in addition to the remedies herein expressly provided for, be entitled to avail itself or himself 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 contained and the foreclosure of the lien and security interest created hereby and the resort to any remedy provided for hereunder or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

SECTION 5.11. The holders of the Notes may resort to any security given by this instrument 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 such holders 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 instrument.

SECTION 5.12. 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 instrument or the absolute sale of the Mortgaged Property, or any part thereof, or the possession thereof by any purchaser at any such sale, and 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. 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 marshalled upon any foreclosure hereof.

If any law in this Section referred to and now in force, of which the Company or its successors might take advantage despite this Section, 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 this Section.

SECTION 5.13. Pursuant to Section 39-5-19 New Mexico Statutes, Annotated, 1978, Comp., the Company agrees that, as to the Mortgaged Property situated in the State of New Mexico, the redemption period shall be shortened to one (1) month.

ARTICLE VI.

SPECIAL MORTGAGE OF PROPERTY IN LOUISIANA

SECTION 6.1. With respect to this instrument, in so far as the portions of the Mortgaged Property situated in the State of Louisiana are concerned, or as to which laws of the State of Louisiana are applicable as a matter of Federal law, the general language of conveyance to the Trustee in this instrument is intended and shall be construed as words of hypothecation and not of conveyance, and this instrument shall be considered under the laws of the State of Louisiana as an Act of Mortgage and Pledge and Assignment of Production in authentic form by the Company for the benefit of the holders of the Notes. Whenever the terms "mortgage" and "pledge" appear herein, such terms shall be construed to entitle any holder of a Note to, without limitation, all of the rights and remedies provided for in LSA-R.S.9:4301-04 and LSA-R.S.31:197, *et seq.*

SECTION 6.2. In order that the Act of Mortgage and Pledge and Assignment of Production shall be an authentic act under the laws of the State of Louisiana, the Company does hereby declare, before the undersigned Notary Public of the State of New York and in the presence of the undersigned witnesses to the execution of this instrument by the Company that, in order to secure full and punctual payment of the Notes at maturity, or when otherwise due hereunder (as provided in Article V hereof), or as the same may be extended, and any and all its other indebtedness secured by this instrument, it does, by these presents, mortgage, pledge and specially hypothecate in favor of the the holders of the Notes represented herein by the Trustees and the Agent, such portion of the Mortgaged Property as is situated in the State of Louisiana or as to which laws of the State of Louisiana are applicable as a matter of Federal law. The Company does further declare that attached hereto as Exhibit D and made a part hereof is a certified copy of the resolutions adopted by the Board of Directors of the Company on July 9, 1981, and pursuant to which this instrument is executed on behalf of the Company.

SECTION 6.3. The Company hereby acknowledges the obligations secured hereby whether now existing or arising hereafter, and con-

fesses judgment in favor of the Trustees, for the benefit of each holder of the Notes, up to the full amount of the unpaid principal thereof and interest thereon, together with all costs, charges, expenses, taxes, assessments, fees and other amounts payable by the Company in accordance with the terms hereof in the event that the same is not paid at maturity, and does by these presents consent, agree and stipulate that, upon the occurrence of an Event of Default hereunder, the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes, may at the option of such holders, without making demand and without notice or putting in default, all the same being hereby expressly waived, cause all and singular the property of the Company herein mortgaged to be seized and sold by executory process issued by any competent court, or to proceed with the enforcement of this Act of Mortgage and Pledge and Assignment of Production in any manner prescribed by law, the Company hereby waiving the benefit of any laws or parts of laws relating to the appraisalment of the property seized and sold under executory process or other legal process, and consenting that the Mortgaged Property be sold without appraisalment to the highest bidder for cash. Each Trustee is irrevocably appointed special attorney-in-fact for the holders of the Notes and vested with full power in their behalf to effect and enforce the mortgage and pledge hereby constituted for their benefit, or otherwise to act as herein provided for.

SECTION 6.4. The Company agrees that its interest in the Mortgaged Property shall remain mortgaged, hypothecated and pledged until full and final payment of unpaid principal of and interest payable on the Notes and any and all other amounts owing by the Company and secured by this instrument, and the Company further agrees and binds itself, its successors and assigns, not to sell, alienate or encumber the Mortgaged Property or any part thereof to the prejudice of this Act of Mortgage and Pledge and Assignment of Production.

SECTION 6.5. The Notes have been paraphed "Ne Varietur" for identification with this Act of Mortgage and Pledge and Assignment of Production by the undersigned Notary Public of the State of New York.

SECTION 6.6. The Company hereby expressly waives: (a) the benefit of appraisalment, as provided in Articles 2332, 2336, 2723 and 2724;

Louisiana Code of Civil Procedure, and all other laws conferring the same; (b) the demand and three (3) days delay accorded by Articles 2639 and 2721, Louisiana Code of Civil Procedure; (c) the notice of seizure required by Articles 2293 and 2721, Louisiana Code of Civil Procedure; (d) the three (3) days delay provided by Articles 2331 and 2722, Louisiana Code of Civil Procedure; and (e) the benefit of the other provisions of Articles 2331, 2722 and 2723, Louisiana Code of Civil Procedure, and the benefit of any other Articles or laws relating to rights of appraisalment, notice, or delay not specifically mentioned above; and Company expressly agrees to the immediate seizure of the Mortgaged Property in the event of suit hereon.

SECTION 6.7. If any Note transferred by notarial Act of Assignment, in accordance with the laws of the State of Louisiana then obtaining, such transfer shall carry with it into the hands of any future holder of the transferred Note full and entire subrogation of title in and to the Note so transferred and to any and all rights and privileges under this instrument hereby granted to the Trustees and the present holder of such Note.

SECTION 6.8. The Company hereby expressly authorizes and agrees that the Trustees shall have the right to appoint a keeper of the Mortgaged Property pursuant to the terms and provisions of La. S. 9:514 et seq.

SECTION 6.9. The execution by the Trustees of this instrument shall be deemed to constitute acceptance by the Agent.

ARTICLE VII

CONCERNING THE TRUSTEES

SECTION 7.1. The Trustees hereby accept the trusts hereunder, but only upon the terms set forth in this Mortgage, including the following:

A. It shall be no part of the duty of the Trustees to see to any recording or re-recording, filing or refiling, or registration or reregistration of this Mortgage or any instrument in addition or supplemental hereto, or to see to the payment of or be under any

duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Company, or to see to the performance or observance by the Company of any of the covenants or agreements contained in this Mortgage.

B. Except with respect to the matters set forth in their respective acknowledgments hereto, the Trustees shall not be responsible for the execution, acknowledgment or validity of this Mortgage, the Conveyance or any instrument in addition or supplement hereto or thereto or of the Notes, or for the truth of the statements contained herein or therein, or for the sufficiency of the security purported to be created hereby or thereby, or for the proper authorization hereof or thereof by corporate or public action, and the Trustees make no representation in respect hereof or thereof or in respect of the rights of the holders of the Notes.

C. The Trustees shall have the right to employ and obtain the advice of counsel selected by them, who may also be counsel for the Company, the Agent or the holders of the Notes, and shall not be liable hereunder for any action taken, suffered or omitted by them hereunder in good faith and in reliance upon such advice.

D. The Company will indemnify and save harmless each of the Trustees from and against any liability or damage which he may incur in the exercise and performance of any of his powers or duties hereunder except as a result of his own gross negligence or wilful misconduct.

E. The Trustees shall be protected hereunder in relying on any instrument, document or signature believed by them to be genuine and to have been signed by the proper party or parties or by any person or person authorized to act on its or their behalf. The Trustees may accept a copy of a resolution of the Board of Directors of any corporation certified by the Secretary or an Assistant Secretary of such corporation to have been duly adopted by such Board and to be in full force and effect on the date of such certification as conclusive evidence that such resolution has been duly adopted by such Board and that the same is still in full force and effect. A certificate signed by the President or one or more Vice Presidents or the Treasurer of the Company as to the

existence or non-existence of any fact pertinent to the right of the Trustees to take or refrain from taking any action under this Mortgage may be accepted by the Trustees as conclusive evidence of the facts therein stated, and shall constitute full protection hereunder to the Trustees for any action taken or omitted to be taken by them in good faith in reliance thereon.

F. The Trustees shall be fully protected hereunder in any action taken or omitted to be taken by them at the request or on the direction of the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes, unless the request or direction is required or permitted by the terms of this Mortgage to be made by the holder or holders of a lesser or greater amount of the Notes and, in that event, the Trustees shall be fully protected hereunder in any action taken or omitted to be taken at the request or on the direction of such holders.

G. Unless and until the Trustees shall have received written notice to the contrary from the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes, as provided in Section 5.1, they may for all purposes conclusively assume that the Company has paid the principal of and interest on the Notes according to the terms thereof and that no circumstances exist or events have occurred by reason of which the holders of the Notes have or will have the right to declare the unpaid principal amounts thereof and interest thereon to be immediately due and payable, as provided therein and in Section 5.1.

H. The Trustees shall not be required to take any action for the enforcement of this Mortgage or the exercise of any rights or remedies hereunder or to appear in or defend any action, suit or other proceeding in connection therewith, when, in the opinion of the Trustees, such action will be likely to involve them in expense or liability, unless the Trustees have been tendered security or indemnity satisfactory to them against the costs, expenses and liabilities which might be incurred by them in connection therewith.

I. Any moneys received by or on behalf of the Trustees under any provision of this Mortgage need not be segregated from other funds except to the extent required by law. The Trustees shall not be under any liability for interest on any moneys received by

or on behalf of them hereunder except as otherwise agreed with the Company.

J. The Trustees shall not be personally liable hereunder, in the case of entry by them upon any of the Subject Interests or any of the appurtenant and other property situated upon or used or useful or held for future use in connection with the exploration, development or operation of the Subject Interests or for the production, gathering, treating, storing or transporting of Subject Minerals or other minerals pursuant to the provisions hereof or of the Conveyance, for debts contracted or liabilities or damages incurred in connection with the enforcement of any of the rights, remedies, powers or other interests of the Trustees in, to or under the Subject Interests or such property.

K. The Trustees shall not be personally liable hereunder for any action taken or omitted by them in good faith and without gross negligence, and believed by them to be authorized or within the discretion or rights or powers conferred upon them by this Mortgage and which is not contrary to any of the express provisions of this Mortgage.

L. The Trustees shall not be liable hereunder except for the performance of duties which are required to be performed by the Trustees by the express terms of this Mortgage, and no implied covenants or obligations shall be read into this Mortgage against the Trustees.

M. The Trustees shall not waive the exercise of any rights, powers, privileges or remedies granted to them under this Mortgage or any default by the Company under this Mortgage or give any consent permitted to be given by them under this Mortgage, unless expressly directed to do so in writing by the holders of not less than 66 2/3% of the aggregate unpaid principal amount of the Notes.

Section 7.2. The Company agrees:

A. Except as otherwise expressly provided herein, to reimburse the Trustees upon their request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Mortgage (including the reasonable compensation and the expenses and disbursements of

their agents and counsel), except any such expense, disbursement or advance as may be attributable to their gross negligence or bad faith.

D. To indemnify the Trustees for and to hold them harmless against, any loss, liability or expense incurred without gross negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of the trusts hereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

All such payments and reimbursements which are not made within 10 days of the date when due or requested hereunder shall be made with interest at a rate per annum equal to 2% over the Applicable Rate in effect from time to time (but in no event in excess of the maximum rate permitted under applicable law) from and including the eleventh day after the date when due or requested hereunder to (but not including) the date on which such payments and reimbursements shall be made.

As security for the performance of the obligations of the Company under this Section, the Trustees shall have a lien prior to the Notes on the Mortgaged Property and upon all property and moneys assigned pursuant to Section 5.1. The obligations of the Company under this Section shall be payable from proceeds of Production Payment Minerals and, if such proceeds shall be insufficient, payment of such obligations may be made from and out of any moneys held by or upon behalf of the Trustees, or either of them, hereunder and from and out of the Mortgaged Property prior to any payment therefrom on account of the Notes or to or on the order of the Company.

Section 7.3. Any Trustee may resign at any time by giving written notice thereof to the other Trustee, the Company and the holders of the Notes or be removed at any time with or without cause by an instrument in writing duly executed by or on behalf of the Agent. In case of the death, resignation or removal of a Trustee the remaining Trustee may act alone or a successor Trustee may be appointed by the Agent, by an instrument of substitution complying with applicable requirements of law, or, in the absence of any such requirements, without other formality than appointment and designation in writing. Such

appointment and designation by the Agent shall be full evidence of the right and authority of the Agent to make the same and of all facts therein recited, and upon the making of any such appointment and designation, and compliance by the successor Trustee with the requirements for a successor Trustee set forth in Section 7.4, the successor Trustee named in the appointment and designation shall without further act deed or conveyance forthwith become vested with all the estate and title of the Trustees named herein in and to all the Mortgaged Property, and shall thereupon succeed to all the rights, powers, privileges, immunities and duties hereby conferred upon the Trustees named herein, and one such appointment and designation shall not exhaust the right to appoint and designate successor Trustees hereunder but such right may be exercised repeatedly as long as any indebtedness secured hereby remains unpaid.

If no successor Trustee shall have been appointed as contemplated by the foregoing provisions of this Section, or if a successor Trustee shall have been appointed but shall not have accepted the appointment, within 30 days after the resignation of the last remaining Trustee or the occurrence of a vacancy in the office of the Trustees, the holder of any Note or such retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee or Trustees.

SECTION 7.4. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to any retiring Trustee an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, privileges, immunities and duties of the Trustee being succeeded; but, at the request of the Company or the successor Trustee, any retiring Trustee who has resigned or been removed shall, upon payment of any amounts then due him under Section 7.2, execute and deliver an instrument transferring to such successor Trustee all the rights, powers, privileges, immunities and duties of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and moneys held by such retiring Trustee hereunder, subject nevertheless to his lien, if any, provided for in Section 7.2. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers, privileges, immunities and duties.

SECTION 7.5. In this Mortgage, unless the context otherwise requires, the term "Trustees" shall mean the Trustees hereinbefore named, a Trustee acting alone under the provisions of Section 7.3 or any successor Trustee appointed pursuant to the provisions of Sections 7.3 and 7.4.

SECTION 7.6. Any Trustee from time to time serving hereunder shall have the absolute right, acting independently, to take any action and to give any consent and to exercise any right, remedy, power or privilege conferred upon the Trustees, or upon any individual Trustee, hereunder, and any action taken by any Trustee from time to time serving hereunder shall be binding upon all other Trustees, and no person dealing with any Trustee from time to time serving hereunder shall be obligated to confirm the power and authority of such Trustee to act without the concurrence of the other Trustee.

SECTION 7.7. The powers and duties of Trustees conferred or imposed by Section 126 of the Real Property Law of the State of New York, which powers and duties are hereby incorporated by reference herein, shall be in addition to those conferred or imposed by this Mortgage, and, in the case of a conflict, the provision of such Section 126 shall prevail, *provided, however*, that if such Section 126 shall not apply to this Mortgage or shall be repealed or shall cease to apply to this Mortgage, the incorporation by reference hereinabove contained in this Section 7.7 shall have no force and effect.

ARTICLE VIII.

MISCELLANEOUS PROVISIONS

SECTION 8.1. Whenever in this Mortgage it is provided that the holders of a specified percentage in aggregate unpaid principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such percentage have joined therein may be evidenced by any instrument or any number of instruments of similar tenor executed by such holders in person or by agent or proxy appointed in writing.

SECTION 8.2. All options and rights of election herein provided for the benefit of the Trustees and any of 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. By the acceptance of payment of any indebtedness secured hereby after its due date, the holder of such indebtedness does not waive the right either to require prompt 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 8.3. No release of any part of the Mortgaged Property shall in anywise alter, vary or diminish the force, effect or lien of this instrument on the balance of the Mortgaged Property.

SECTION 8.4. Any notice herein provided to be mailed to the Company by the Trustees or by the holders of the Notes shall be mailed, first class postage prepaid, addressed to the Company at 100 West Tenth Street, Wilmington, Delaware 19801, Attention: Joseph A. Barbera, or to such other address as the Company may have furnished to the Trustees and the Agent in writing for the purpose. Any notice hereunder to be mailed to the Trustees or the Agent shall be mailed, first class postage prepaid, addressed to the Trustees or the Agent, as the case may be, to the Trustees c/o Citibank, N.A., 399 Park Avenue, New York, New York 10043, Attention: North American Banking Group/Energy Central, with a copy thereof sent as well c/o Citicorp (USA), Inc., 2100 Two Allen Center, 1200 Smith Street, Houston, Texas 77002, Attention: Houston Energy Department.

SECTION 8.5. 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, the Agent 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 8.6. This instrument is made with full substitution and subrogation of the Trustees and their successors in this trust and his assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or the Subject Interests, or any part of either thereof.

SECTION 8.7. 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, the Agent and the holders from time to time of the Notes.

SECTION 8.8. In addition to any supplement or amendment hereof entered into pursuant to the provisions of Subsection R of Section 2.2, the Company and the Trustees, with the written consent of the holders of not less than 66 $\frac{2}{3}$ % in aggregate unpaid principal amount of the Notes, may amend or supplement this Mortgage for the purposes of adding any provisions to or changing in any manner or eliminating any of the provisions of this Mortgage or of modifying in any manner the rights of the holders of the Notes under this Mortgage, except that, without the written consent of the holders of all the Notes at the time outstanding, no amendment or supplement to this Mortgage shall extend the maturity of any Note or reduce the rate or extend the time of payment of interest payable with respect to any Note or reduce the principal amount of any Note or change the percentage of the aggregate unpaid principal amount of the Notes required for any amendment or supplement hereof or any consent or other action hereunder.

SECTION 8.9. No recourse shall be had for the payment of the principal of or interest on any of the Notes or for any claim based thereon or on this Mortgage or any instrument amendatory thereof or supplemental thereto or based upon any representation, warranty or statement contained herein or therein or in any certificate or other document delivered in connection with the transactions contemplated hereby, against any incorporator or against any member, beneficiary, distributee, grantee, director or officer, past, present or future, of

the Company or any successor corporation, as such, either directly or through the Company or any such successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, any and all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, members, beneficiaries, distributees, grantees, directors or officers, as such, being released as a condition of and in consideration for the execution hereof and the issue of the Notes.

SECTION 8.10. The validity, effect and construction hereof as a mortgage, deed of trust and assignment affecting any Mortgaged Property and the remedies herein provided for or provided for by law with respect to any Mortgaged Property shall be governed by the laws of the States where the Mortgaged Property is located or which are made applicable to the Mortgaged Property as a matter of Federal law. With respect to all other matters (including, without limitation, matters of construction, validity and performance other than as set forth above in this Section 8.10), this Mortgage shall be governed by and construed in accordance with the laws of the State of Texas.

SECTION 8.11. For purposes of any legal action or proceeding against the Company arising out of or based upon this Mortgage, the Notes or the Credit Agreement, the Company hereby irrevocably submits to the jurisdiction of the courts of the State of New York and of the United States for the Southern District of New York, and hereby irrevocably designates and appoints CT Corporation System 1633 Broadway, New York, New York 10019, as the Company's agent for service of summons and other legal process on the Company in any such action or proceeding, which service may be made by mailing a copy of any summons or other legal process in any such action or proceeding to the Company, in care of such agent, at the address of CT Corporation System set forth above; and such agent is hereby authorized and directed to accept for and on behalf of the Company service of summons and other legal process in any such action or proceeding against the Company. The mailing, as herein provided, of such summons or other legal process in any such action or proceeding shall be deemed personal service and accepted by the Company for all the purposes of such action or proceeding. Final judgment (a certified or exemplified copy of which shall be conclusive evidence of the

fact and of the amount of any indebtedness of the Company therein described) against the Company in any such legal action or proceeding shall be conclusive and may be enforced in other jurisdictions, by suit on the judgment, *provided* that any legal action or proceeding against the Company arising out of or based upon this Mortgage, the Notes or the Credit Agreement may be brought against the Company in the courts of any other appropriate jurisdiction and that summons or other legal process may be served upon the Company or any agent designated to receive such summons or service of process in such other jurisdiction in any manner authorized by the laws of such jurisdiction. The Company further agrees to take any and all action, including the execution and filing of all such instruments and documents as may be necessary, to continue the designation and appointment of CT Corporation System as its agent for service of summons and other legal process, as aforesaid, until six years from the satisfaction and discharge of this Mortgage pursuant to Article IV.

SECTION 8.12. No provision of this Mortgage shall require the payment or permit the collection of interest in excess of the rate permitted by applicable law. If any excess of interest in such respect has been provided for herein, or shall be adjudicated to be so provided for herein, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the amount permitted by applicable law.

SECTION 8.13. This Mortgage, Deed of Trust and Assignment of Production is being executed in multiple originals.

IN WITNESS WHEREOF, the Company and the Trustees have executed this instrument before the undersigned Notary Public in the presence of the undersigned competent witnesses after a due reading of the whole on the date set forth in the acknowledgments annexed hereto.

[CORPORATE SEAL]

NEW DUNSTAN, INC.

By:


Vice President

Not:



Assistant Secretary

The address of New Dunstan,
Inc. is:

100 West Tenth Street
Wilmington, Delaware 19801

The address of F. D. Thompson
and W. T. Fox III is:

c/o Citicorp (USA), Inc.
2106 Two Allen Center
1200 Smith Street
Houston, Texas 77002
Attention: Houston
Energy Department

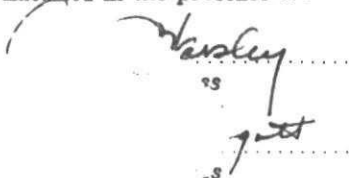


(F. D. Thompson)
Trustee



(W. T. Fox III)
Trustee

Executed in the presence of:



Before me:



Notary Public of New York

Notary Public, State of New York
No. 31-4729635
Qualified in New York County
Commission Expires March 30, 1983

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

BE IT REMEMBERED THAT, I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that on this 16th day of July, 1981:

There appeared before me the following person, residing at the address set forth below his name, and being the designated officer of the corporation set opposite his name, such corporation being a corporation of the designated jurisdiction and being a party to the foregoing instrument:

Joseph Nalle Vice President of New Dunstan, Inc.,
3024 Chevy Chase a Delaware corporation
Houston, Texas

(Alabama)

Before me personally appeared such person, whose name is signed to the foregoing conveyance, and who is known to me, and acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer of the corporation set opposite his name and with full authority, executed the same voluntarily for and as the act of said corporation.

(Arkansas)

Before me appeared such person, to me personally well known, and stated that he is the designated officer of the corporation set opposite his name, and he is duly authorized in his capacity to execute the foregoing instrument for and in the name of said corporation, and further stated and acknowledged that he had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

(Louisiana)

Before me appeared such person, to me personally known, who being by me duly sworn, did say that he is the designated officer of the corporation set opposite his name, and that the seal of such corporation affixed to the foregoing instrument is the corporate seal of the corporation set opposite his name and that the instrument was signed and sealed in behalf of the corporation set opposite his name by authority of the Board of Directors of such corporation and that he acknowledged the instrument to be the free act and deed of the corporation set opposite his name.

(Mississippi) Before me personally appeared such person and acknowledged that he signed and delivered the foregoing instrument on the day and year therein mentioned, the act and deed of the corporation set opposite his name, having first been authorized to do so.

(Montana) Before me personally appeared such person, known to me to be the designated officer of the corporation set opposite his name that executed the within instrument, and acknowledged to me that such corporation set opposite his name executed the same.

(New Mexico) Before me on this date appeared such person, who personally known, who being by me duly sworn, did say that he is the designated officer of the corporation set opposite his name, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and such person acknowledged said instrument to be the free act and deed of said corporation.

(New York) Before me personally came such person, to me personally known, and he, being by me duly sworn, did depose and say that he resides at the address set opposite his name and is the designated officer of the corporation set opposite his name and that said corporation is described in and executed the above instrument; that he knows the seal of the corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the corporation; and that he signed his name thereto by like order and that the instrument was the free act and deed of the corporation.

(North Dakota) Before me on this date personally appeared such person, known to me to be the designated officer of the corporation set opposite his name, which corporation is described in and executed the within instrument, and he acknowledged to me that such corporation executed the same.

(Pennsylvania) Before me personally appeared such person and acknowledged himself to be the designated officer of the corporation set opposite his name, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

(Texas)

Before me on this day personally appeared such person, who is 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 the corporation set opposite his name, and each acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

(West Virginia)

Such person has this day in my said County, before me, acknowledged the said instrument to be the act and deed of the corporation set opposite his name.

(Wyoming)

Before me on this day appeared such person to me personally known, who, being by me duly sworn, did say he is the designated officer of the corporation set opposite his name, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and such person acknowledged it to be the free act and deed of said corporation.

There appeared before me the following persons, each residing at the address set opposite his name and each being a party to the foregoing instrument:

F. D. Thompson, 2100 Two Allen Center, 1200 Smith Street, Houston, Texas 77002

W. T. Fox III, 2100 Two Allen Center, 1200 Smith Street, Houston, Texas 77002

(Alabama)

Each such person, known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he executed the same voluntarily on the day the same bears date.

(Arkansas)

Each such person personally appeared, and being to me personally well known, each stated that he executed and delivered said foregoing instrument as Trustee and for the consideration, uses and purposes therein mentioned and set forth.

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

(Mississippi) Personally appeared before me each such person and acknowledged that he signed and delivered the foregoing instrument as Trustee on the day and the year therein mentioned

(Montana) Before me each such person personally appeared, each known to me to be the person whose name is subscribed to the within instrument as Trustee, and acknowledged to me that he executed the same.

(New Mexico) The foregoing instrument was acknowledged before me this day by each such person as Trustee.

(New York) Before me personally came each such person, to me known to be the person described in and who executed the foregoing instrument as Trustee, and acknowledged that he executed the same.

(North Dakota) Before me personally appeared each such person, known to me to be the person who is described in and who executed the within and foregoing instrument as Trustee, and acknowledged to me that he executed the same.

(Pennsylvania) Before me, personally appeared each such person, known to me to be the person whose name is subscribed to the within instrument as Trustee and acknowledged that he executed the same for the purposes therein contained.

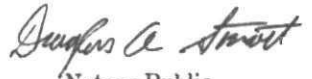
(Texas) Before me personally appeared each such person, known to me to be the person whose name is subscribed to the foregoing instrument as Trustee, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(West Virginia) Each such person, whose name is signed to the writing above as Trustee, has this day acknowledged the same before me, in my said county.

(Wyoming)

The foregoing instrument was acknowledged before me by each such person, as Trustee, this day.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this 16th day of July, 1981.



Notary Public
Notary Public, State of New York
No. 31-4729635
Qualified in New York County
Commission Expires March 30,
1983.

My commission expires
March 30, 1983

Credit Agreement

Dated as of July 16, 1981

AMONG

NEW DUNSTAN, INC.

THE BANKS NAMED HEREIN

AND

CITIBANK, N.A.

as Agent

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 - M. Opinion of Messrs. Liskow & Lewis, special Louisiana counsel.
 - N. Opinion of Messrs. Brumini, Grantham, Grower & Hewes, special Mississippi counsel.
 - O. Opinion of Messrs. Crowley, Haughey, Hanson, Toole & Dietrich, special Montana counsel.
 - P. Opinion of Messrs. Hinkle, Cox, Eaton, Coffield & Hensley, special New Mexico counsel.
 - Q. Opinion of Messrs. Shearman & Sterling, special New York counsel.
 - R. Opinion of Messrs. Fleck, Mather, Strutz & Mayer, Ltd., special North Dakota counsel.
 - S. Opinion of Messrs. Reed Smith Shaw & McClay, special Pennsylvania counsel.
 - T. Opinion of Messrs. Baker & Botts, special Texas counsel.
 - U. Opinion of Messrs. Jackson, Kelley, Holt & O'Farrell, special West Virginia counsel.
 - V. Opinion of Messrs. Brown, Drew, Apostolos, Massey & Sullivan, special Wyoming counsel.
 - W. Opinion of Messrs. Shearman & Sterling, counsel to the Agent.
 - X. Opinion of Messrs. Baker & Botts, counsel to the Company.
 - Y. Opinion of Messrs. Baker & Botts, counsel to the Grantors.
 - Z. Opinion of Messrs. Baker & Botts, special Texas counsel.
- AA. Opinion of Messrs. Shearman & Sterling, special counsel to the Agent.
- BB. Opinion of Messrs. Shearman & Sterling, special New York counsel.

CREDIT AGREEMENT

Dated as of July 16, 1981

NEW DUNSTAN, INC., a Delaware non profit corporation (the "*Company*"), the banks (the "*Banks*") listed on the signature pages hereof, and CITIBANK, N.A. ("*Citibank*"), as agent (the "*Agent*") for the Banks hereunder, agree as follows:

ARTICLE I

CERTAIN DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. *Certain Defined Terms.* As used in this Credit Agreement, unless otherwise defined herein, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"*A Advance*" has the meaning specified in Section 2.01(a).

"*A Borrowing*" means a Borrowing comprised of A Advances.

"*A Commitment*" means, with respect to any Bank, at any time from the date of this Credit Agreement to and including the Termination Date, the amount set opposite such Bank's name on the signature pages hereof under the heading "*A Commitment*", as such amount may be, or may have been, reduced at or prior to such time pursuant to Section 2.03.

"*A Loan*" means, at any time for the determination thereof, the aggregate principal amount of all A Advances made by the Banks.

"*Advance*" means an A Advance or a B Advance.

"*B Advance*" has the meaning specified in Section 2.01(b).

"*B Borrowing*" means a Borrowing comprised of B Advances.

"*B Commitment*" means, with respect to any Bank, at any time from the date of this Credit Agreement to and including the Termination Date, the amount set opposite such Bank's name on the signature pages hereof under the heading "*B Commitment*", as such amount may be, or may have been, reduced at or prior to such time pursuant to Section 2.03.

"*B Loan*" means, at any time for the determination thereof, the aggregate principal amount of all B Advances made by the Banks.

"*Borrowing*" means a borrowing by the Company of simultaneous Advances.

"*Citibank New York*" means the principal office of Citibank, N.A. in New York City, located on the date hereof at 399 Park Avenue, New York, New York 10043.

"*Conveyance*" means the Instrument of Conveyance of Production Payment, dated the date hereof, among the Grantors and the Company, substantially in the form attached hereto as Exhibit C (excluding for such purposes Exhibit A thereto), including, from and after the date of the execution and delivery thereof, the Conveyance Supplement.

"*Conveyance Supplement*" means the Supplemental Instrument of Conveyance of Production Payment, dated on or prior to the date of the initial B Borrowing, by the Grantors, substantially in the form attached to the Conveyance as Exhibit C.

"*Domestic Note*" has the meaning specified in Section 2.11.

"*Drilling Operations Certificate*" means the certificate dated as of the date hereof of the Grantors (other than Duval Corporation) with respect to, among other things, the operation of the wells located on the Subject Interests in Hydrocarbons in accordance with applicable laws, rules and regulations.

"*Eurodollar Lending Office*" means, with respect to any Bank, the office of such Bank located at its address specified on the signature pages of this Agreement under the heading "Eurodollar Lending Office" or any other office or affiliate of such Bank hereafter selected and notified to the Company and the Agent from time to time by such Bank.

"*Eurodollar Note*" has the meaning specified in Section 2.12.

"*Event of Default*" has the meaning specified in Section 4.01.

"*Excluded Taxes*" has the meaning specified in Section 2.10.

"*Grantors*" means Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation, each a Delaware corporation.

"*Lending Office*" means (except as used otherwise in Section 2.10), with respect to any Bank, the Domestic Lending Office, Eurodollar Lending Office or affiliate of such Bank located at the address specified on the signature pages of this Agreement or any other office or affiliate of such Bank hereafter selected and notified to the Company and the Agent from time to time by such Bank.

"*Letters in Lieu of Transfer and Division Orders*" means those undated Letters in Lieu of Transfer and Division Orders signed by each of the Grantors (except Duval Corporation), the Company, the Trustees and the Agent, to the purchasers of production from the Subject Interests in Hydrocarbons, notifying said purchasers of the interests of the Company, the Trustees, the Agent and the Banks in and to the sales proceeds and authorizing said purchasers to continue to pay the sales proceeds to such Grantors until further notice by the Agent.

"*Majority Banks*" means at any time Banks holding at least 66 $\frac{2}{3}$ % of the then aggregate unpaid principal amount of the Notes held by all of the Banks, or, if no such principal amount is then outstanding, Banks having at least 66 $\frac{2}{3}$ % of the Total Commitments.

"*Mortgage*" means the Mortgage, Deed of Trust and Assignment of Production dated the date hereof, from the Company to the Trustees and the Agent, substantially in the form attached hereto as Exhibit D, providing, among other things, for the mortgage by the Company to the Trustees of the Production Payment and the assignment by the Company to the Agent of Production Payment Minerals and the proceeds thereof, as security for the repayment of the Notes and certain other indebtedness of the Company specified in Section 1.1 thereof, including from and after the execution and delivery thereof, the Mortgage Supplement.

"*Mortgage Supplement*" means the Supplemental Mortgage, Deed of Trust and Assignment of Production, dated on or prior to the date of the initial B Borrowing, from the Company to the Trustees and the Agent, substantially in the form attached to the Mortgage as Exhibit A.

"Notes" has the meaning specified in Section 2.12.

"Notice of Borrowing" has the meaning specified in Section 2.02.

"Process Agent" means CT Corporation System in its capacity as process agent for the Company pursuant to Section 8.11 of the Mortgage.

"Tax Indemnity Letter" means that certain Letter Agreement, dated as of the date hereof, among the Grantors and the Company, providing, among other things, for the indemnification of the Company from all liabilities for the payment of certain taxes referred to therein.

"Taxes" has the meaning specified in Section 2.10.

"Termination Date" means the earliest of (a) July 31, 1983, (b) the date on which the Commitment of each Bank shall be terminated pursuant to Section 2.03 or 4.01, or (c) the date of a notice from the Grantors to the Company under Paragraph 25 of the Conveyance, to the effect that they intend to make a payment to the Company sufficient to discharge the Production Payment in full pursuant to said Paragraph 25.

"Total Commitment" means, for each Bank, the sum of its A Commitment and its B Commitment.

"Trustees" means the trustees acting under the Mortgage.

SECTION 1.02. *Terms Defined in the Conveyance.* "Applicable Rate", "Application Date", "Business Day", "Domestic Rate", "Eurodollar Rate", "Excess Rate", "Exhibit A", "Hydrocarbons", "LIBO Rate", "Minerals", "Next Preceding Business Day", "Person", "Primary Surety", "Production Payment", "Production Payment Minerals", "Purchase Price", "Rate", "Rate Period", "Subject Interests" and "Subject Sulphur" have the respective meanings specified in the Conveyance.

SECTION 1.03. *Accounting Terms.* All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. *Advances and Commitment.* (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make advances ("A Advances") to the Company from time to time during the period from the date hereof to and including the Termination Date, in an aggregate principal amount not to exceed at any time outstanding such Bank's A Commitment; *provided, however*, that no Bank shall be obligated to make an A Advance if the sum of such A Advance and all other A Advances of such Bank outstanding hereunder would be in excess of such Bank's A Commitment.

(b) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make advances ("B Advances") to the Company from time to time during the period from the date hereof to and including the Termination Date, in an aggregate principal

principal amount not to exceed at any time outstanding such Bank's B Commitment *provided, however*, that no Bank shall be obligated to make a B Advance if the sum of such B Advance and all other B Advances of such Bank outstanding hereunder would be in excess of such Bank's B Commitment.

(c) Each Borrowing shall be in an aggregate amount of not less than \$50,000,000 (except as provided in paragraph (d) of this Section 2.01 and except that any Borrowing which would cause the aggregate amount of the A Loan to equal \$1,000,000,000 or \$1,865,000,000 or the aggregate amount of the B Loan to equal \$635,000,000 may be made in such lesser amount as shall cause the aggregate amount of the A Loan to equal \$1,000,000,000 or \$1,865,000,000 or the aggregate amount of the B Loan to equal \$635,000,000, as the case may be) and shall consist of Advances made on the same day by each of the Banks ratably according to their respective Commitments; *provided, however*, that no Bank shall be obligated to make an Advance if the sum of such Advance and all other Advances of such Bank outstanding hereunder would be in excess of such Bank's Total Commitment.

(d) The initial Borrowing shall be in the aggregate amount of \$10,000,000 and no further Borrowings shall be made until evidence that the requirements of Section 4.01(b) have been met has been received by the Company and the Agent.

SECTION 2.02. Making the Advances. (a) Each Borrowing shall be made on at least four Business Days' notice (except in the case of the initial A Advance for which two Business Days' notice shall be given) from the Company to the Agent, which shall give prompt notice thereof, and of each other notice received from the Company hereunder, to each Bank. Each such notice (a "Notice of Borrowing") shall be substantially the form of Exhibit E hereto, specifying the date and aggregate amount of the proposed Borrowing. Subject to the respective provisions of the definitions of Applicable Rate, LIBOR Rate and Rate Period referred to in Section 1.02, the Company shall select the Rate which is to be applicable to the Advances to be made as part of such Borrowing and to the extent that the Eurodollar Rate is to be applicable thereto, the Rate Period therefor. Not later than 11:00 A.M. (New York City time) on the date of such Borrowing, each Bank (through the Eurodollar Lending Office of such Bank to the extent that the Eurodollar Rate is to be applicable to the Advances to be made as part of such Borrowing) shall make available to the Agent at Citibank New York such Bank's ratable share of such Borrowing, in immediately available funds. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Company at Citibank New York, in like funds as so received by the Agent.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Company, and, in respect of any proposed Borrowing to be comprised of Advances bearing interest at the Eurodollar Rate, the Company shall indemnify each Bank against any loss or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits) or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Borrowing in accordance with and to the extent provided in subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Company severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Agent, at the Rate applicable at the time to the Advances comprising such Borrowing. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Advance as part of such Borrowing for purposes of this Agreement.

(d) The failure of any Bank to make an Advance hereunder shall not relieve any other Bank of its obligation to do so.

SECTION 2.03. *Reduction of the Commitments.* The Company may at any time after the date of the initial Borrowing, upon at least four Business Days' notice to the Agent, terminate in whole or reduce ratably in part the respective A Commitments or the B Commitments of such Banks then in effect; *provided, however*, that no reduction in the A Commitments shall be made unless the B Commitments shall, at or prior to the date of such reduction, have been terminated in whole, and *provided further*, that any partial reduction in either the A Commitments or the B Commitments shall be in the aggregate amount of \$50,000,000 or an integral multiple thereof.

SECTION 2.04. *Use of Proceeds of Advances.* The Company covenants and agrees to use the proceeds of each Advance solely for the purpose of making installment payments on account of the Purchase Price of the Production Payment pursuant to Paragraph 7 of the Conveyance.

SECTION 2.05. *Commitment Fee.* The Company shall pay to the Agent for the account of each Bank a commitment fee at the rate of $\frac{3}{4}$ of 1% per annum, on the average daily unused portion of such Bank's Total Commitment in effect from time to time, payable monthly in arrears from July 16, 1981 until the Termination Date, on each Application Date during such term and on the Termination Date (or, if the Termination Date is not an Application Date, on the Application Date next succeeding the Termination Date). All computations of commitment fee hereunder shall be made by the Agent on the basis of a year of 365/366 days for the actual number of days (including the first day but excluding the last day) elapsed.

SECTION 2.06. *Repayment of the Advances; Interest.* (a) Unless sooner prepaid in accordance with the provisions of Section 2.07 hereof, or unless the maturity of the Notes is accelerated in accordance with the provisions of Section 4.01 hereof, the aggregate principal amount of the Advances made by each Bank shall be repayable in a lump sum on June 1, 1990, unless the Conveyance Supplement has not been executed and delivered by the Grantors on or prior to July 31, 1983, in which case, the aggregate principal amount of the Advances made by each Bank shall be repayable in a lump sum on February 1, 1990.

(b) Each Advance or portion thereof shall bear interest, payable on the respective dates specified in the appropriate Note for such Advance or portion thereof, at the Rate in effect under the Conveyance from time to time for that portion of the Primary Sum funded with such Advance or such portion thereof. The Company shall deliver to the Agent, promptly after receipt thereof by the Company, a copy of any notice from the Grantors required by the Conveyance with respect to the Applicable Rate thereunder.

(c) The Notes and accrued interest thereon, and certain other amounts payable hereunder and under the Notes, are subject to payment or prepayment from time to time by the application of monies actually received by or on behalf of the Banks under the Mortgage by virtue of the assignment in Article III of the Mortgage, in the manner, at the time and to the extent set forth in the Mortgage.

SECTION 2.07. *Prepayments.* In the event that any Grantor shall make a payment to the Company to be applied to the discharge of the Production Payment pursuant to Paragraphs 9 or 25 of the Conveyance, the Company shall, on the date on which such payment is received, make a prepayment in the amount of such payment.

SECTION 2.08. *Payments and Computations.* (a) The Company shall make each payment to be made by it hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in United States dollars to the Agent at Citibank New York in immediately available funds. The Agent will promptly after its receipt thereof distribute to each Bank (for the account of the Eurodollar Lending Office of such Bank in the case of any such payment in respect of an Advance (or portion of an Advance) made by such Bank to which the Eurodollar Rate is applicable) its ratable share of each such payment received by the Agent for the account of the Banks.

(b) If for any reason the Company makes any payment hereunder with respect to which the Eurodollar Rate is applicable on a date other than the last day of the Rate Period applicable hereto, the Company agrees to pay the Banks on the Application Date next succeeding any demand therefor an amount computed on the basis of the Excess Rate applied to the amount of such payment for the period commencing with the date of such payment and ending on the last day of the current Rate Period applicable thereto with interest at the Applicable Rate from the date of the payment to which the Eurodollar Rate was applicable.

(c) Each notice pursuant to the last sentence of Paragraph 6 of the Conveyance of a payment with respect to which the Eurodollar Rate is applicable shall be given to the Agent and shall be irrevocable and binding with respect to the corresponding payment to be made by the Company pursuant to Section 2.07 hereof. The Company agrees to pay the Banks on the Application Date next succeeding any demand therefor an amount sufficient to indemnify each Bank against any loss or expense incurred by such Bank as a result of the Company's failure to make such payment on the date specified in such notice.

SECTION 2.09. *Payment on Non-Business Days.* Whenever any payment to be made hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the Next Preceding Business Day.

SECTION 2.10. *Taxes.* (a) The Company agrees to bear all present or future taxes, levies, imposts, deductions, charges, withholdings or other governmental charges

("Taxes") imposed on a Bank or the Agent (the term "*Bank*" being used hereinafter in this Section 2.10 also to encompass the Agent in its capacity as such) which are attributable to the Credit Agreement, the Notes, payments thereunder or any transactions or other documents contemplated therein, other than the Taxes excluded in clauses (i) and (ii) below ("*Excluded Taxes*"):

(i) Except as provided in clause (iii) below, the Company shall not bear any type of income, withholding, property or franchise Taxes imposed on a Bank by a Jurisdiction if such Bank is organized under the laws of, or maintains a Lending Office in, such Jurisdiction or any income or withholding Taxes imposed by the United States or a political subdivision thereof on any Bank organized outside the United States which is unable, as of the date of execution hereof, validly to furnish the representations and forms provided for in paragraph (d)(ii) of this Section 2.10. For purposes of this Section 2.10, "Lending Office" means an office or other location within a Jurisdiction which has physical custody of the Notes or the activities of which in connection with the Credit Agreement, the Notes or any transactions or other documents contemplated therein constitute the engaging in, or doing of, business in such Jurisdiction; and "Jurisdiction", when applied to a political subdivision, includes the nation of which it is a part and any overlapping political subdivision, but does not include any non-overlapping political subdivision, and when applied to the nation, includes only the nation.

(ii) The Company shall not bear any stamp, documentary or other excise Taxes which may arise from the sale or other transfer of a Note by a Bank other than a transfer to the Company or a sale made pursuant to Section 6.05(b).

(iii) The Company shall bear any property Taxes imposed on a Bank by a Jurisdiction to the extent such property Taxes are imposed as a result of Subject Interests being located in such Jurisdiction.

(b) If the Company shall be required by law to deduct any Taxes (other than Excluded Taxes) from or in respect of, any sum payable hereunder or under any Note to any Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.10) such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall pay the full amount deducted to the appropriate taxation authority or other authority in accordance with applicable law and furnish appropriate receipts therefor to the Agent.

(c) The Company will indemnify each Bank for the full amount of Taxes (other than Excluded Taxes) paid by such Bank or any liability (including penalties, interest and expenses and any increase in Taxes, including Excluded Taxes, to the extent such increase is attributable to amounts payable under this Section 2.10) arising from, or with respect to, such Taxes whether or not such Taxes were correctly or legally asserted. This indemnification payment shall be made within 30 days from the date such Bank makes written demand therefor.

(d) Each Bank organized outside of the United States represents either (i) that it conducts business in the United States and that interest payable to it hereunder is and will be effectively connected with the conduct of a trade or business in the United States

within the meaning of Section 864(c) of the United States Internal Revenue Code as amended ("Code") and the Regulations thereunder as they currently exist and are interpreted, and that the Bank will execute and deliver to the Company as required from time to time copies of Internal Revenue Service Form 4224 (or any successor form) completed in accordance with applicable U.S. Treasury Regulations, or (ii) any amount payable hereunder to such Bank is not subject to withholding under Section 1481(a)(1) of the Code by virtue of an applicable income tax treaty, and that the Bank will cause copies of Internal Revenue Service Form 1001 (or any successor form) completed in accordance with applicable U.S. Treasury Regulations or in lieu thereof a certificate to be furnished in accordance with any income tax treaty to which the United States is a party.

(c) Without prejudice to the survival of any other agreement of the Company hereunder, the agreements and obligations of the Company contained in this Section 2.10 shall survive the payment in full of principal and interest hereunder and under the Notes.

SECTION 2.11. *Sharing of Payments, Etc.* If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Notes held by it in excess of its ratable share of payments on account of the Notes obtained by all the Banks, such Bank shall purchase from the other Banks such participations in the Notes held by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; *provided, however*, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest if interest thereon is required to be paid by such Bank pursuant to court order. The Company agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.11 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were a direct creditor of the Company in the amount of such participation.

SECTION 2.12. *Evidence of Debt.* (a) The indebtedness of the Company resulting from each Advance made by each Bank shall, so long as and to the extent that such Advance bears interest at the Domestic Rate, be evidenced by a promissory note of the Company payable to the order of such Bank, substantially in the form of Exhibit A hereto (a "*Domestic Note*").

(b) The indebtedness of the Company resulting from each Advance made by each Bank shall, so long as and to the extent that such Advance bears interest at the Eurodollar Rate, be evidenced by a promissory note of the Company payable to the order of such Bank, substantially in the form of Exhibit B hereto (a "*Eurodollar Note*"); the Eurodollar Notes, together with the Domestic Notes, being collectively the "*Notes*" and individually a "*Note*").

(c) All Advances made by each Bank shall be recorded by such Bank and all adjustments required by changes in the Rate or Rates applicable to such Advances, and all payments made on account of principal thereof, shall be recorded by such Bank. Prior to the transfer by any Bank of its Notes, a record of the Advances evidenced thereby shall be endorsed by such Bank on the grids attached thereto and forming a part of such Notes. Said adjustments to a Note evidencing Advances bearing interest at a particular Rate

shall consist of additions of principal amounts due to changes in the interest rate applicable to such Advances from the other Rate to such Rate, and shall consist of subtractions of principal amounts due to changes in the interest rate applicable to such Advances from such Rate to the other Rate.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. *Conditions Precedent to the Initial A Borrowing.* The obligation of each Bank to make its initial A Advance is subject to the conditions precedent that (a) all conditions precedent contained in Paragraph 7 of the Conveyance to the obligation of the Company to pay the installment of the Purchase Price of the Production Payment to be paid with the proceeds of the Borrowing of which such Advance is a part shall have been satisfied, (b) the Grantors shall have paid the Agent a management fee in the amount of \$750,000 and (c) the Agent shall have received at Citibank New York all of the following, each dated (unless otherwise indicated below) the date of the initial A Borrowing and each in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

- (i) A Domestic Note and a Eurodollar Note drawn to the order of each Bank.
- (ii) The Conveyance, duly executed by the Grantors and the Company and delivered.
- (iii) The Mortgage, duly executed and delivered by the Company, the Trustees and the Agent.
- (iv) The Letters in Lieu of Transfer and Division Orders, duly signed on behalf of the Grantors (except Duval Corporation), the Company, the Trustees and the Agent.
- (v) The Tax Indemnity Letter, duly executed by the Grantors and the Company.
- (vi) The balance sheet of the Company as of the date of this Credit Agreement, certified by a duly authorized officer of the Company.
- (vii) The written confirmatory Notice of Borrowing with respect to the initial A Borrowing, dated at least two Business Days prior to the initial A Borrowing.
- (viii) Each opinion, certificate, notice and other document required pursuant to the Conveyance to be furnished to the Company by the Grantors in connection with the payment of the installment of the Purchase Price of the Production Payment to be paid with the proceeds of the initial A Borrowing, dated as provided in the Conveyance.
- (ix) The Certificate of Incorporation of the Company and each amendment thereto, certified (as at a date reasonably near the date of the initial A Borrowing) by the Secretary of State of the State of Delaware as being a true and correct copy thereof.
- (x) A certificate of the Secretary of State of the State of Delaware, dated reasonably near the date of the initial A Borrowing, listing the Certificate of Incorporation of the Company and each amendment thereto on file in his office and certifying that (A) such amendments are the only amendments to the Certificate of Incorporation of the

Company on file in his office, (B) the Company has paid all franchise taxes, if any, to the date of such certificate and (C) the Company is duly incorporated and validly existing in good standing under the laws of the State of Delaware.

(xi) The Certificate of Incorporation of each Grantor and each amendment thereto, certified (as at a date reasonably near the date of the initial A Borrowing) by the Secretary of State of the State of Delaware as being a true and correct copy thereof.

(xii) A certificate of the Secretary of State of the State of Delaware, dated reasonably near the date of the initial A Borrowing, listing the Certificate of Incorporation of each Grantor and each amendment thereto on file in his office and certifying that (A) such amendments are the only amendments to the Certificate of Incorporation of such Grantor on file in his office, (B) such Grantor has paid all franchise taxes, if any, to the date of such certificate and (C) such Grantor is duly incorporated and in good standing under the laws of the State of Delaware.

(xiii) A certificate of the President or any Vice President of the Company and the Secretary or any Assistant Secretary of the Company, the statements in which shall be true and correct, substantially in the form of Exhibit F hereto.

(xiv) A certificate of the President or any Vice President or the Treasurer of each of the Grantors and the Secretary or any Assistant Secretary of each of the Grantors, the statements in which shall be true and correct, substantially in the form of Exhibit G hereto.

(xv) A Certificate of Ryder Scott Company Petroleum Engineers, to the effect that all of the properties and interests with respect to which value was given in their report dated June 29, 1981, entitled "Estimated Future Net Production and Income Data Attributable to the Leasehold and Royalty Interests of Pennzoil Exploration and Production Company U.S.A. On-shore and Off-shore Beginning January 1, 1981," submitted to the Company and the Bank in connection with the negotiations for the purchase and financing of the Production, Payment are Subject Interests (or, if less than all, specifying the differences and confirming that the net effect of such differences is negligible).

(xvi) A Certificate of the Grantors to the effect that all of the properties and interests with respect to which value was given in engineering and financial reports submitted by the Grantors to the Company and the Banks with respect to sulphur in connection with the negotiations for the purchase and financing of the Production Payment are included in the Subject Sulphur (or, if less than all, such certificate shall confirm that the net effect of the difference is negligible); and a letter of DeGolyer and MacNaughton to the effect that all of the properties and interests included in their letter report dated July 2, 1981 regarding proved sulphur reserves as of January 1, 1981 are included in the Subject Sulphur (or, if less than all, such certificate shall confirm that the net effect of the difference is negligible).

(xvii) A copy of the Drilling Operations Certificate duly signed on behalf of each of the Grantors (except Duval Corporation).

(xviii) A letter from the Process Agent, substantially in the form of Exhibit H hereto, agreeing to act as Process Agent and to forward forthwith all process received by it to the Company.

(xix) An opinion of Messrs. Baker & Botts, counsel to the Grantors, addressed to the Banks and the Agent, substantially in the form of Exhibit I hereto and as to such other matters as any Bank, through the Agent, may reasonably request.

(xx) An opinion of Messrs. Baker & Botts, counsel to the Company, addressed to the Banks and the Agent, substantially in the form of Exhibit J hereto and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxi) An opinion of Messrs. Lyons, Pipes & Cook, special Alabama counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit K hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxii) An opinion of Messrs. Rose, Nash, Williamson, Carroll, Clay & Giroir, special Arkansas counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit L hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxiii) An opinion of Messrs. Liskow & Lewis, special Louisiana counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit M hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxiv) An opinion of Messrs. Brunini, Grantham, Grower & Hewes, special Mississippi counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit N hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxv) An opinion of Messrs. Crowley, Haughey, Hanson, Toole & Dietrich, special Montana counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit O hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxvi) An opinion of Messrs. Hinkle, Cox, Eaton, Coffield & Hensley, special New Mexico counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit P hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxvii) An opinion of Messrs. Shearman & Sterling, special New York counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit Q hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxviii) An opinion of Messrs. Fleck, Mather, Strutz & Mayer, Ltd., special North Dakota counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit R hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxix) An opinion of Messrs. Reed Smith Shaw & McClay, special Pennsylvania counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit S hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxx) An opinion of Messrs. Baker & Botts, special Texas counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit T hereto (with the

blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxxi) An opinion of Messrs. Jackson, Kelley, Holt & O'Farrell, special West Virginia counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit U hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxxii) An opinion of Messrs. Brown, Drew, Apostolos, Massey & Sullivan, special Wyoming counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit V hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xxxiii) An opinion of Messrs. Shearman & Sterling, counsel to the Agent, addressed to the Banks and the Agent, substantially in the form of Exhibit W hereto.

(xxxiv) Such other instruments and documents (including, without limitation, documents evidencing any necessary governmental authorizations, consents, approvals, licenses and exemptions) as any Bank, through the Agent, may reasonably request.

SECTION 3.02. *Conditions Precedent to the Initial B Borrowing.* The obligation of each Bank to make its initial B Advance is subject to the conditions precedent that (a) all conditions precedent contained in Paragraph 7 of the Conveyance to the obligation of the Company to pay the installment of the Purchase Price of the Production Payment to be paid with the proceeds of the Borrowing of which such B Advance is a part shall have been satisfied, (b) the A Commitments of the Banks shall have been or, contemporaneously with the initial B Borrowing will be, fully utilized, and (c) the Agent shall have received at Citibank New York all of the following, each dated on or prior to the date of the initial B Borrowing and each in form and substance satisfactory to the Agent and in sufficient copies for each Bank:

(i) The Conveyance Supplement, duly executed by the Grantors and delivered, together with:

(A) evidence that the Conveyance Supplement has been duly filed for record in the State of Texas where necessary to establish, preserve and protect the rights thereunder of the parties thereto (it being understood that the opinion of Messrs. Baker & Botts provided for in clause (ix) of this Section 3.02 shall constitute such evidence);

(B) acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of the State of Texas with respect to certain interests of the Company under the Conveyance Supplement; and

(C) certified copies of Requests for Information or Copies (Form UCC 11), or certificates from a reliable commercial Uniform Commercial Code search service, listing the Financing Statements referred to in subclause (B) of this clause (i) and all other effective financing statements which name the Grantors (under their present names and any previous names) as debtors and which are filed in the jurisdiction referred to in said subclause (B) together with copies of such other financing statements (none of which shall cover the interests intended to be covered by said Financing Statements).

(ii) The Mortgage Supplement, duly executed by the Company and delivered, together with:

(A) evidence that the Mortgage Supplement has been filed for record in the State of Texas where necessary in order to establish and perfect the security interests intended to be created thereby (if being understood that the opinion of Messrs. Baker & Botts provided for in clause (ix) of this Section 3.02 shall constitute such evidence);

(B) acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of the State of Texas with respect to certain interests of the Agent and the Trustees under the Mortgage Supplement; and

(C) certified copies of Requests for Information or Copies (Form UCC-11), or certificates from a reliable commercial Uniform Commercial Code search service, listing the Financing Statements referred to above in subclause (B) of this clause (ii) and all other effective financing statements which name the Company (under its present name and any previous name) as debtor and which are filed in the jurisdiction referred to in said subclause (B), together with copies of such financing statements (none of which shall cover the interests intended to be covered by said Financing Statements).

(iii) The written confirmatory Notice of Borrowing with respect to the initial B Borrowing, dated at least four Business Days prior to the initial B Borrowing.

(iv) Each opinion, certificate, notice and other document required pursuant to the Conveyance to be furnished to the Company by the Grantors in connection with the payment of the installment of the Purchase Price of the Production Payment to be paid with the proceeds of the initial B Borrowing, dated as provided in the Conveyance.

(v) The Certificate of Incorporation of Duval Corporation and each amendment thereto, certified (as at a date reasonably near the date of the initial B Borrowing) by the Secretary of State of the State of Delaware as being a true and correct copy thereof.

(vi) A certificate of the Secretary of State of the State of Delaware, dated reasonably near the date of the initial B Borrowing, listing the Certificate of Incorporation of Duval Corporation and each amendment thereto on file in his office and certifying that (A) such amendments are the only amendments to the Certificate of Incorporation of Duval Corporation on file in his office, (B) Duval Corporation has paid all franchise taxes, if any, to the date of such certificate and (C) Duval Corporation is duly incorporated and in good standing under the laws of the State of Delaware.

(vii) A certificate of the President or any Vice President of the Company and the Secretary or any Assistant Secretary of the Company, dated the date of the initial B Borrowing, the statements in which shall be true and correct, substantially in the form of Exhibit F hereto.

(viii) A certificate of the President or any Vice President or the Treasurer of each of the Grantors and the Secretary or any Assistant Secretary of each of the Grantors, dated the date of the initial B Borrowing, the statements in which shall be true and correct, substantially in the form of Exhibit G hereto.

(ix) An opinion of Messrs. Baker & Botts, counsel to the Company, addressed to the Banks and the Agent, dated the date of the initial B Borrowing, substantially

in the form of Exhibit X hereto and as to such other matters as any Bank, through the Agent, may reasonably request.

(x) An opinion of Messrs. Baker & Botts, counsel to the Grantors, addressed to the Banks and the Agent, dated the date of the initial B Borrowing, substantially in the form of Exhibit Y hereto and as to such other matters as any Bank, through the Agent, may reasonably request.

(xi) An opinion of Messrs. Baker & Botts, special Texas counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit Z hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

(xii) An opinion of Messrs. Shearman & Sterling, special counsel to the Agent, addressed to the Banks and the Agent, substantially in the form of Exhibit AA hereto.

(xiii) Such other instruments and documents (including, without limitation, documents evidencing any necessary governmental authorizations, consents, approvals, licenses and exemptions) as any Banks, through the Agent, may reasonably request.

SECTION 3.03. *Conditions Precedent to Borrowings Other than the Initial A Borrowing and the Initial B Borrowing.* The obligation of each Bank to make an Advance on the occasion of each Borrowing subsequent to the initial A Borrowing (other than its initial B Advance) is subject to the conditions precedent that (a) all conditions precedent contained in Paragraph 7 of the Conveyance to the obligation of the Company to pay the installment of the Purchase Price of the Production Payment to be paid with the proceeds of the Borrowing of which such Advance is a part shall have been satisfied, (b) the statements made in the certificates delivered pursuant to clauses (iii) and (iv) below shall be true and correct on the date of such Borrowing and (c) the Agent shall have received at Citibank New York all of the following, each dated (unless otherwise indicated below) the date of such Borrowing and each in form and substance satisfactory to the Agent and in sufficient copies for each Bank:

(i) The written confirmatory Notice of Borrowing with respect to such Borrowing, dated at least four Business Days prior to such Borrowing.

(ii) Each opinion, certificate, notice and other document required to be furnished pursuant to the Conveyance to the Company by the Grantors in connection with the payment of the installment of the Purchase Price of the Production Payment to be paid with the proceeds of such Advance, dated as provided in the Conveyance.

(iii) A certificate of the President or any Vice President and the Secretary or any Assistant Secretary of the Company, substantially in the form of Exhibit F hereto.

(iv) A certificate of President or any Vice President or the Treasurer of each of the Grantors and the Secretary or any Assistant Secretary of each of the Grantors substantially in the form of Exhibit G hereto.

(v) In the event of any change after the date hereof in any applicable law, rule or regulation which might materially adversely affect the rate of discharge of the Production Payment or the rights of the Banks hereunder, such other instruments and documents related to such change (including, without limitation, documents evidencing

any necessary governmental authorizations, consents, approvals, licenses and exemptions necessitated by such change) as the Majority Banks, through the Agent, may reasonably request.

(vi) such other documents and evidence as the Majority Banks, through the Agent, may reasonably request, in order to establish compliance with the conditions set forth herein and in the Conveyance.

SECTION 3.04. *Additional Conditions Precedent.* The obligation of each Bank to make an A Advance on the occasion of any Borrowing which would increase the A Loan to an amount equal to or greater than \$1,000,000,000 is subject to the conditions precedent that (a) each of the Grantors having Subject Interests located in the State of New York, and, if necessary or advisable, the Company, are duly qualified to do business as foreign corporations in, and are in good standing under the laws of, the State of New York, (b) the Grantors' representations and warranties contained in Paragraph 20 of the Conveyance as to their title to the Subject Interests located in the State of New York and the Production Payment were true on the date of the Conveyance, (c) none of the Grantors has executed any document purporting to convey title to or any interest in the Subject Interests located in the State of New York or the Production Payment to the extent attributable to such Subject Interests, the Grantors have paid all taxes that are due and payable with respect to the New York Subject Interests and no rights of any third party have intervened with respect thereto since the execution and delivery of the Conveyance, (d) the representations and warranties of the Company contained in the Mortgage as to factual matters were true on the date of the Mortgage, (e) the Company has not executed any documents purporting to convey title to or any interest in the Subject Interests located in the State of New York or the Production Payment to the extent attributable to such Subject Interests, the Company has paid all taxes that are due and payable with respect to the Mortgaged Property (as defined in the Mortgage), and no rights of any third party have intervened with respect thereto since the execution and delivery of the Mortgage, and (f) the Agent shall have received at Citibank New York City of the following, each dated on or prior to the date of such Borrowing and each in form and substance satisfactory to the Agent and in sufficient copies for each Bank:

(i) evidence that the Conveyance has been filed for record in the State of New York;

(ii) acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of the State of New York with respect to certain interests of the Company under the Conveyance;

(iii) certified copies of Requests for Information or Copies (Form UCC-11) or certificates from a reliable commercial Uniform Commercial Code search service listing the Financing Statements referred to in clause (ii) above and all other effective financing statements which name the Grantors (under their present names and any previous names) as debtors and which are filed in the State of New York, together with copies of such other financing statements (none of which shall cover the interests intended to be covered by said Financing Statements);

(iv) evidence that the Mortgage has been duly filed for record in the State of New York where necessary to establish, preserve and protect the rights thereunder of the parties thereto;

(v) acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of the State of New York with respect to certain interests of the Agent under the Mortgage;

(vi) certified copies of Requests for Information or Copies (Form UCC-11) or certificates from a reliable commercial Uniform Commercial Code search service listing the Financing Statements referred to in clause (v) above and all other effective financing statements which name the Company (under its present name and any previous name) as debtor and which are filed in the State of New York, together with copies of such financing statements (none of which cover the interests intended to be covered by said Financing Statement(s)); and

(vii) An opinion of Messrs. Shearman & Sterling, special New York counsel, addressed to the Banks and the Agent, substantially in the form of Exhibit BB hereto (with the blanks therein appropriately filled in) and as to such other matters as any Bank, through the Agent, may reasonably request.

ARTICLE IV EVENTS OF DEFAULT

SECTION 4.01. *Events of Default.* Any one or more of the following events shall be an Event of Default (each such event being called an "*Event of Default*") hereunder and under the Notes:

- (a) an Event of Default under and as defined in the Mortgage;
- (b) a failure by the Company and the Agent to receive:

(i) within 30 days after the date of the initial A Borrowing, evidence that the Conveyance has been duly filed for record in the States of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming with respect to the Subject Interests located in such states where necessary (as indicated in the opinions of counsel delivered pursuant to clauses (xxi)-(xxxii) of Section 3.01(e)) to establish, preserve and protect the rights thereunder of the parties thereto;

(ii) within 30 days after the date of the initial A Borrowing, acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of each of the States of Alabama, Arkansas, Mississippi, Montana, New Mexico, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming with respect to certain interests of the Company under the Conveyance with respect to the Subject Interests located in such states where necessary (as indicated in the opinions of counsel delivered pursuant to clauses (xxi)-(xxxii) of Section 3.01(e)) to establish, preserve and protect the rights thereunder of the parties thereto;

(iii) within 45 days after the date of the initial A Borrowing, certified copies of Requests for Information or Copies (Form UCC-11) or certificates from a reliable commercial Uniform Commercial Code search service listing the Financing Statements referred to above in subclause (ii) of this clause (b) and all other effective financing statements which name any of the Grantors (under their present names and any previous name) as debtors and which are filed in the jurisdictions referred to in said subclause (ii), together with copies of such other

financing statements (none of which shall cover the interests intended to be covered by said Financing Statements to any extent which would cause the representations and warranties of the Grantors contained in subparagraph (a) of Paragraph 20 of the Conveyance to be untrue);

(iv) within 30 days after the date of the initial A Borrowing, evidence that the Mortgage has been duly filed for record in the states of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming with respect to the Mortgaged Property located in such states where necessary (as indicated in the opinions of counsel delivered pursuant to clauses (xxi) (xxxii) of Section 3.01(e)) in order to establish and perfect the security interests to be created thereby;

(v) within 30 days after the date of the initial A Borrowing, acknowledgment copies of proper Financing Statements duly filed under the Uniform Commercial Code of each of the States of Alabama, Arkansas, Mississippi, Montana, New Mexico, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming with respect to certain interests of the Agent under the Mortgage with respect to the Mortgaged Property located in such states where necessary (as indicated in the opinions of counsel delivered pursuant to clauses (xxi) (xxxii) of Section 3.01(e)) in order to establish and perfect the security interests to be created thereby; and

(vi) within 45 days after the date of the initial A Borrowing, certified copies of Requests for Information or Copies (Form UCC 11), or certificates from a reliable commercial Uniform Commercial Code search service, listing the Financing Statements referred to above in subclause (v) of this clause (b) and all other effective financing statements which name the Company (under its present name and any previous name) as debtor and which are filed in the jurisdictions referred to in said subclause (v), together with copies of such other financing statements (none of which shall cover the interests intended to be covered by said Financing Statements to any extent which would cause the representations and warranties of the Grantors contained in subparagraph (a) of Paragraph 20 of the Conveyance to be untrue);

if such non receipt shall continue for a period of 30 days after written notice thereof shall have been given to the Company; and

(c) a default by the Company in the performance or observance of any term, covenant or condition on its part to be performed or observed hereunder, and such default shall remain unremedied for a period of 30 days after written notice thereof shall have been given to the Company.

If any such Event of Default shall occur and be continuing, the Agent shall at the request, or may with the consent, of the Majority Banks, by notice to the Company, (a) declare the Total Commitment of each Bank to make Advances to be terminated, whereupon the same shall forthwith terminate, and (b) declare the entire unpaid principal amount of the Notes, all accrued and unpaid thereon and all other amounts payable under this Credit Agreement and the Notes to be forthwith due and payable, whereupon the Notes, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company.

ARTICLE V

THE AGENT

SECTION 5.01. *Authorization and Action.* Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Credit Agreement, the Notes, the Conveyance and the Mortgage as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Credit Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of holders of at least 66 $\frac{2}{3}$ % in principal amount of the Notes then outstanding (or if no Notes are at the time outstanding, upon the instructions of Banks having at least 66 $\frac{2}{3}$ % of the Total Commitments), and such instructions shall be binding upon all Banks and all holders of Notes; *provided, however*, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Credit Agreement or applicable law.

SECTION 5.02. *Agent's Reliance, Etc.* Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Credit Agreement, the Notes, the Conveyance or the Mortgage, except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (b) may consult with legal counsel (including counsel for the Company and counsel for the Grantors), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Credit Agreement, the Notes, the Conveyance or the Mortgage; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Credit Agreement, the Notes, the Conveyance or the Mortgage or to inspect the property (including the books and records) of the Company or any of the Grantors; (e) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Credit Agreement, the Notes, the Conveyance or the Mortgage or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Credit Agreement, the Notes, the Conveyance or the Mortgage by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 5.03. *Citibank and Affiliates.* With respect to its A, B and Total Commitments, the Advances made by it and the Notes issued to it, Citibank shall have the same rights and powers under this Credit Agreement, its Notes, the Conveyance and the Mortgage as any other Bank and may exercise the same as though it were not the Agent; and the term "Banks" or "Banks" shall, unless otherwise expressly indicated,

include Citibank in its individual capacity. Citibank and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Company, the Grantors, any of their respective subsidiaries and any person or entity who may do business with or own securities of the Company, any Grantor or any of their respective subsidiaries, all as if Citibank were not the Agent and without any duty to account therefor to the Banks.

SECTION 5.04. *Bank Credit Decision.* Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Credit Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Credit Agreement.

SECTION 5.05. *Indemnification.* The Banks agree to indemnify the Agent (to the extent not reimbursed by or on behalf of the Company), ratably according to the respective aggregate outstanding principal amounts of the Notes then held by each of them (or, if no Notes are at the time outstanding, ratably according to the respective amounts of their Total Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Credit Agreement, the Notes, the Conveyance or the Mortgage or any action taken or omitted by the Agent under this Credit Agreement, the Notes, the Conveyance or the Mortgage, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or wilful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, filing, recording, registration (or refiling, rerecording or reregistration), administration or enforcement of, or legal advice in respect of rights or responsibilities under, this Credit Agreement, the Notes, the Conveyance or the Mortgage, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company.

SECTION 5.06. *Successor Agent.* The Agent may resign at any time by giving written notice thereof to the Banks and the Company and may be removed at any time with or without cause by the Majority Banks, upon appointment by the Majority Banks of a successor Agent or, if Majority Banks are unable to agree, the appointment of a successor Agent by the retiring Agent, which successor Agent in any case shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under and in connection with this Credit Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article V shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Credit Agreement.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01. *No Waiver; Modifications in Writing; Remedies.* No failure or delay on the part of any Bank or the Agent in exercising any right, power or remedy under this Credit Agreement, the Notes, the Conveyance or the Mortgage shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or thereunder. No amendment, modification or waiver of any provision of this Credit Agreement or the Notes, nor consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed on behalf of the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, modification, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Article III; (b) increase the A, B or Total Commitments of the Banks or subject the Banks to any additional obligations; (c) reduce the principal of, or interest on, the Notes or any fees hereunder; (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees hereunder; or (e) change the percentage of the Total Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Agent or the Banks or any of them to take any action under or in connection with this Credit Agreement. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 6.02. *Addresses for Notices.* All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing or by telex, telegram or cable and mailed or sent or delivered, if to the Company, at 100 West Tenth Street, Wilmington, Delaware 19801, Attention: Joseph A. Barbera; if to any Bank, at its address set forth under its name under the heading "Address for Notices" on the signature pages hereof; and if to the Agent, at its address at 399 Park Avenue, New York, New York 10043, Attention: North American Banking Group Energy Central, with a copy to Citicorp (USA), Inc., 2100 Two Allen Center, 1290 Smith Street, Houston, Texas 77002, Attention: Houston Energy Department, or, as to each such 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 6.02. All such notices and communications, when mailed or sent by telex, telegram or cable, shall be effective when deposited in the mails or sent by telex, telegram or cable, respectively, addressed as aforesaid, except that notices and communications to the Agent pursuant to any of the provisions of Article II or V shall not be effective until received by the Agent.

SECTION 6.03. *Costs and Expenses.* (a) The Company agrees to pay (i) the reasonable fees and disbursement of Messrs. Shearman & Sterling in connection with the matters contemplated by this Credit Agreement; (ii) the reasonable disbursements of the Trustees; (iii) the reasonable fees and disbursements of each of the counsel referred to in Section 3.01(c)(v) through (xxvii) in connection with the matters contemplated by this Credit Agreement; (iv) all reasonable printing and other expenses in connection with this Credit Agreement, the Notes, the Conveyance and the Mortgage, and all documents re-

ferred to herein or therein or contemplated hereby or thereby or delivered in connection herewith or therewith; (v) all documentary stamp and other taxes (including penalties and interest assessed on any such taxes), and all fees payable in connection with the execution, delivery, filing, recording and registration (and refiling, rerecording, and reregistration) of this Credit Agreement, the Notes, the Conveyance, the Mortgage, financing statements, any continuation statements and any and all other documents referred to herein or therein or contemplated hereby or thereby or delivered in connection herewith or therewith; (vi) the reasonable expenses incurred by the Agent in connection with the transactions contemplated hereby, including the reasonable fees and out-of-pocket expenses of legal counsel, independent public accountants and other outside experts retained by the Agent in connection with the administration of this Credit Agreement, the Notes, the Conveyance and the Mortgage, and any and all other documents referred to herein or therein or contemplated hereby or thereby or delivered in connection herewith or therewith; and (vii) all reasonable costs and expenses, of the Agent and the Banks, if any, in connection with the enforcement of this Credit Agreement, the Notes, the Conveyance and the Mortgage and any and all other documents referred to herein or therein or contemplated hereby or thereby or delivered in connection herewith or therewith.

(b) The Company agrees to indemnify and hold harmless the Agent and each Bank from and against any and all claims, damages, liabilities and expenses (including, without limitation, fees and disbursements of counsel) which may be incurred by or asserted against the Agent or such Bank in connection with or arising out of any investigation, litigation or proceeding related to any acquisition or proposed acquisition of all or any portion of the stock or substantially all of the assets of any Person directly or indirectly with the proceeds of any Advances hereunder, whether or not the Agent or such Bank is a party to such acquisition.

(c) The Company covenants and agrees to pay to the Trustee or any holder of a Note, as the case may be, on the Application Date next succeeding any demand therefor, any monies paid and any expenses incurred by the Trustees or such holder of a Note pursuant to Section 2.4 of the Mortgage with interest at a rate equal to 2% over the Applicable Rate in effect (but in no event in excess of the maximum rate permitted by law) during the period from and including the date of the incurring of such expenses or the making of such payment to the date payment thereof is made in full and any monies so paid shall be part of the indebtedness secured by the Mortgage and the Trustees or such holder making such payment shall be subrogated to all the rights of the person, corporation or body politic receiving such payment.

SECTION 6.04. *Execution in Counterparts.* This Credit Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 6.05. *Binding Effect; Assignment; Substitution of Banks.* (a) This Credit Agreement shall become effective when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon, and inure to the benefit of, the Company, the Agent and each Bank and their respective successors and assigns, *provided* that the Company may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Banks; and *provided further* that no Bank may assign

its rights or obligations hereunder or any interest herein or under a Note to any Person other than a financial institution which shall, upon the effectiveness of such assignment, make to the Company the representation contained in subsection (d) of Section 2.10.

(b) In the event that it shall become unlawful for any Bank to fund or continue to fund or maintain any loan hereunder carrying interest at the Eurodollar Rate, or any Bank shall demand payment of Increased Financing Costs or the Company shall be required to make a payment on account of Taxes with respect to such Bank or the Company shall be required to bear any Taxes with respect to such Bank, such Bank shall, at the Company's request, consult with the Company and the Agent in good faith to ascertain whether any arrangement (including, but not limited to, a change in such Bank's Eurodollar Lending Office) satisfactory to the Company, such Bank and the Agent and the Grantors can be made with a view to eliminating such illegality or Increased Financing Costs or Taxes and, if no satisfactory arrangement is available, such Bank may be replaced by another financial institution designated by the Company through an assignment and transfer by such Bank to such financial institution of its Notes and its rights and obligations hereunder, provided that such financial institution is acceptable to the Banks and is prepared to assume all of the rights and obligations of such original Bank on terms acceptable to such Bank. Any such financial institution which shall replace any such Bank shall be deemed to be a Bank for all purposes hereof.

SECTION 6.06. *Governing Law.* This Credit Agreement and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6.07. *Severability of Provisions.* Any provision of this Credit Agreement or any Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or of the Notes or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 6.08. *Limitation on Interest.* No provision of this Credit Agreement or the Notes shall require the payment or permit the collection of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect has been provided for herein or in the Notes, or shall be adjudicated to be so provided for herein or in the Notes, neither the Company nor its successors or assigns shall be obligated to pay such interest in excess of the amount permitted by applicable law.

SECTION 6.09. *Headings.* Article and Section headings used in this Credit Agreement are for convenience only and shall not affect the construction of this Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed and delivered by their respective officers thereunto duly authorized, as of the date first above written.

NEW DUNSTAN, INC.

By _____
Title: *Vice President*

CITIBANK, N.A., as Agent

by _____
Vice President

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>
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\$ 171,580,000	\$ 58,420,000	\$ 230,000,000	CITIBANK, N.A.
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By
Title:

Domestic Lending Office and
 Address for Notices:

Citibank, N.A.
 399 Park Avenue
 New York, New York 10043

Eurodollar Lending Office:

Citibank, N.A.
 399 Park Avenue
 New York, New York 10043

149,200,000	50,800,000	200,000,000	CHEMICAL BANK
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By
Title:

Domestic Lending Office and
 Address for Notices:

Chemical Bank
 277 Park Avenue
 New York, New York 10017

Eurodollar Lending Office:

Chemical Bank
 P. O. Box 4872
 Norfolk House
 Frederick Street
 Nassau, Bahamas

149,200,000	50,800,000	200,000,000	MANUFACTURERS HANOVER TRUST COMPANY
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By
Title:

Domestic Lending Office and
 Address for Notices:

Manufacturers Hanover Trust Company
 350 Park Avenue
 New York, New York 10022

Eurodollar Lending Office:

Manufacturers Hanover Trust Company
 350 Park Avenue
 New York, New York 10022

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 149,200,000	\$ 50,800,000	\$ 200,000,000	MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By
Title:

Domestic Lending Office and
 Address for Notices:
 Morgan Guaranty Trust Company
 of New York
 23 Wall Street
 New York, New York 10015

Eurodollar Lending Office:
 Morgan Guaranty Trust Company
 of New York
 St. Helier Office
 Queensway House
 Queen Street
 Jersey, Channel Islands

130,550,000	44,450,000	175,000,000	BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
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By
Title:

Domestic Lending Office and
 Address for Notices:
 Bank of America National Trust
 and Savings Association
 MAD Corporate Service Center South
 1000 West Temple
 Los Angeles, California 90012

Eurodollar Lending Office:
 Bank of America National Trust
 and Savings Association
 Grand Cayman Branch
 West Wind Building
 Fort and South Church Street
 P. O. Box 1078
 Georgetown, Grand Cayman
 B.W.I.

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 59,680,000	\$ 20,320,000	\$ 80,000,000	MELLON BANK, N.A.

By
Title:

Domestic Lending Office and
 Address for Notices:

Mellon Bank, N.A.
 Mellon Square
 Pittsburgh, Pa. 15230

Eurodollar Lending Office:

Mellon Bank, N.A.
 P.O. Box 710
 Grand Cayman
 Cayman Islands, B.W.I.

96,980,000	33,020,000	130,000,000	THE BANK OF NOVA SCOTIA
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By
Title:

Eurodollar Lending Office and
 Address for Notices:

BNS International (UNITED
 KINGDOM) Limited
 c/o The Bank of Nova Scotia
 International, Ltd.
 P.O. Box N7545
 Nassau, Bahamas

Domestic Lending Offices:

The Bank of Nova Scotia
 Suite 909
 First National Bank Building
 2 Peachtree Street S.W.
 Atlanta, Georgia 30383

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 96,980,000	\$ 33,020,000	\$ 130,000,000	CANADIAN IMPERIAL BANK OF COMMERCE

By
Title:

Domestic Lending Office and
Address for Notices:

Canadian Imperial Bank of Commerce
Atlanta Agency
Suite 1400
First Atlanta Tower
Atlanta, Georgia 30383

Eurodollar Lending Office:

Canadian Imperial Bank of Commerce
Grand Cayman Branch
c/o Suite 1400
First Atlanta Tower
Atlanta, Georgia 30383

96,980,000	33,020,000	130,000,000	TORONTO DOMINION BANK
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By
Title:

Domestic Lending Office and
Address for Notices:

Toronto Dominion Bank
Peachtree Center
South Tower, Suite 1600
225 Peachtree Street, N.E.
Atlanta, Georgia 30303

Eurodollar Lending Office:

Toronto Dominion Bank
Peachtree Center
South Tower, Suite 1600
225 Peachtree Street, N.E.
Atlanta, Georgia 30303

<u>A Commitment</u>	<u>Expenditure</u>	<u>Total Commitment</u>	
\$ 85,790,000	\$ 29,210,000	\$ 115,000,000	THE FIRST NATIONAL BANK OF CHICAGO

By _____
Title:

Domestic Lending Office and
Address for Notices:

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Eurodollar Lending Office:

The First National Bank of Chicago
Panama Branch
Via Espana con Venezuela
P.O. Box 8051
Panama 7, Republic of Panama

82,060,000	27,940,000	110,000,000	SECURITY PACIFIC NATIONAL BANK
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By _____
Title:

Domestic Lending Office and
Address for Notices:

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90051

Eurodollar Lending Office:

Security Pacific National Bank
333 South Hope Street
Los Angeles, California 90051

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>
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\$ 67,140,000	\$ 22,860,000	\$ 90,000,000	CREDIT SUISSE
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By _____

Title: _____

By _____

Title: _____

Domestic Lending Office and
Address for Notices:

Credit Suisse
100 Wall Street
New York, New York 10005

Eurodollar Lending Office:

Credit Suisse
100 Wall Street
New York, New York 10005

67,140,000	22,860,000	90,000,000	DEUTSCHE BANK, A.G.
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By _____

Title: _____

By _____

Title: _____

Domestic Lending Office and
Address for Notices:

Deutsche Bank, A.G.
New York Branch
9 West 57th Street
New York, New York 10019

Eurodollar Lending Office:

Deutsche Bank, A.G.
Cayman Islands Branch
c/o New York Branch
9 West 57th Street
New York, New York 10019

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 67,140,000	\$ 22,860,000	\$ 90,000,000	NATIONAL WESTMINSTER BANK LIMITED

By
Title:

Domestic Lending Office and
Address for Notices:

National Westminster Bank Limited
100 Wall Street
New York, New York 10005

Eurodollar Lending Office:

International Westminster Bank Limited
41 Threadneedle Street
London EC2 RSAP, England

67,140,000	22,860,000	90,000,000	TEXAS COMMERCE BANK NATIONAL ASSOCIATION
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By
Title:

Domestic Lending Office and
Address for Notices:

Texas Commerce Bank National
Association
P.O. Box 2558
Houston, Texas 77001

Eurodollar Lending Office:

Texas Commerce Bank National
Association
Nassau Branch
Nassau, Bahamas
c/o P.O. Box 2558
Houston, Texas 77001

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 7,140,000	\$ 22,860,000	\$ 90,000,000	WELLS FARGO BANK, N.A.
			By
			<i>Title:</i>
			Domestic Lending Office and
			Address for Notices:
			Wells Fargo Bank, N.A.
			770 Wilshire Blvd., 7th Floor
			Los Angeles, California 90017
			Eurodollar Lending Office:
			Wells Fargo Bank, N.A.
			770 Wilshire Blvd., 7th Floor
			Los Angeles, California 90017
52,220,000	17,780,000	70,000,000	FIRST CITY NATIONAL BANK OF HOUSTON
			By
			<i>Title:</i>
			Domestic Lending Office and
			Address for Notices:
			First City National Bank of Houston
			1001 Main Street
			Houston, Texas 77001
			Eurodollar Lending Office:
			First City National Bank of Houston
			99 Bishopsgate, 20th Floor
			London EC2M 3XD, England
33,570,000	11,430,000	45,000,000	AMSTERDAM-ROTTERDAM BANK, N.V.,
			New York Branch
			By
			<i>Title:</i>
			By
			<i>Title:</i>
			Domestic Lending Office and
			Address for Notices:
			Amsterdam-Rotterdam Bank, N.V.
			Amro London Branch
			29-30 King Street
			London EC2V 5EQ, England
			Eurodollar Lending Office:
			Amsterdam-Rotterdam Bank, N.V.
			Amro London Branch
			29-30 King Street
			London EC2V 5EQ, England

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>	
\$ 29,840,000	\$ 10,160,000	\$ 40,000,000	EUROPEAN AMERICAN BANKING CORPORATION
			By _____ Title:
			Domestic Lending Office and Address for Notices: European American Banking Corporation 10 Hanover Square New York, New York 10015
			Eurodollar Lending Office: European American Banking Corporation Nassau (Bahamas) Branch 10 Hanover Square New York, New York 10015
29,840,000	10,160,000	40,000,000	THE FIRST NATIONAL BANK OF BOSTON
			By _____ Title:
			Domestic Lending Office and Address for Notices: The First National Bank of Boston 100 Federal Street Boston, Massachusetts 02110
			Eurodollar Lending Office: The First National Bank of Boston 100 Federal Street Boston, Massachusetts 02110
29,840,000	10,160,000	40,000,000	NATIONAL BANK OF DETROIT
			By _____ Title:
			Domestic Lending Office and Address for Notices: National Bank of Detroit 611 Woodward Avenue Detroit, Michigan 48226
			Eurodollar Lending Office: National Bank of Detroit 611 Woodward Avenue Detroit, Michigan 48226

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>
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\$ 22,380,000	\$ 7,620,000	\$ 30,000,000
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AMERITRUST COMPANY

By

Title:

Domestic Lending Office and
Address for Notices:

Ameritrust Company
900 Euclid Avenue
Cleveland, Ohio 44101

Eurodollar Lending Office:

Ameritrust Company
Nassau, Bahamas Branch
c/o 900 Euclid Avenue
Cleveland, Ohio 44101

22,380,000	7,620,000	30,000,000
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COMPAGNIE LUXEMBOURGEOISE DE LA
DRESNER BANK, A.G.

— Dresdner Bank Internationale —

By

Title:

Eurodollar Lending Office:

Compagnie Luxembourgeoise de la
Dresdner Bank, A.G.
— Dresdner Bank Internationale —
Case Postale 355 Luxembourg
26, Rue du Marché-aux-Herbes
Luxembourg

Domestic Lending Office and
Address for Notices:

Compagnie Luxembourgeoise de la
Dresdner Bank, A.G.
— Dresdner Bank Internationale —
Case Postale 355 Luxembourg
26, Rue du Marché-aux-Herbes
Luxembourg

22,380,000	7,620,000	30,000,000
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THE NORTHERN TRUST COMPANY

By

Title:

Domestic Lending Office and
Address for Notices:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

Eurodollar Lending Office:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

<u>A Commitment</u>	<u>B Commitment</u>	<u>Total Commitment</u>
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\$ 18,650,000	\$ 6,350,000	\$ 25,000,000
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BANQUE NATIONALE DE PARIS

By
Title:

Domestic Lending Office and
 Address for Notices:

Banque Nationale de Paris
 New York Branch
 499 Park Avenue
 New York, New York 10022

Eurodollar Lending Office:

Banque Nationale de Paris
 New York Branch
 499 Park Avenue
 New York, New York 10022

<u>\$1,865,000,000</u>	<u>\$635,000,000</u>	<u>\$2,500,000,000</u>
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EXHIBIT A
to
Credit Agreement

DOMESTIC NOTE

U.S.\$

New York, New York
July 16, 1981

FOR VALUE RECEIVED, NEW DUNSTAN, INC., a Delaware non-profit corporation (the "*Company*"), hereby promises to pay to _____ (the "*Bank*"), or order, the principal sum of [amount of the Bank's Total Commitment in words] United States Dollars (U.S.\$ [amount of the Bank's Total Commitment in figures]) or, if less, the aggregate unpaid principal amount of all Domestic Advances (as defined below) on June 1, 1990, unless the Conveyance Supplement (as defined in the Credit Agreement referred to below) has not been executed and delivered on or prior to July 31, 1983, in which case, the Company promises to pay such principal sum on February 1, 1990.

The Company hereby also promises to pay interest at the Domestic Rate in effect from time to time as provided in the Credit Agreement hereinafter referred to (a) on September 1, 1981, on the aggregate principal amount of all Domestic Advances outstanding from time to time from the date hereof to and including August 31, 1981, (b) on the first day of each calendar month thereafter (commencing October 1, 1981), on the aggregate principal amount of all Domestic Advances outstanding from time to time during the calendar month next preceding such date, (c) on the date the aggregate unpaid principal amount of all Domestic Advances shall be paid in full (to the extent not paid pursuant to clauses (a) and (b) above), on the aggregate principal amount of all Domestic Advances outstanding from time to time during the period from the first day of the calendar month next preceding such final payment date for which interest was paid pursuant to clause (b) above to such final payment date and (d) (to the extent permitted by applicable law) on demand, on any amount of interest not paid on the due date therefor referred to in clause (a), (b) or (c) above.

As used herein, the term "*Domestic Advances*" means those advances (or portions of advances) made by the Bank to the Company pursuant to the Credit Agreement which bear interest at the Domestic Rate as provided in the Credit Agreement. As used herein, the term

"Domestic Rate" has the meaning specified in the Conveyance (as defined in the Mortgage referred to below).

Both principal and interest are payable in lawful money of the United States of America to the Agent (as defined below), in immediately available funds, at the office of Citibank, N.A., at 399 Park Avenue, New York, New York 10043, for the account of the Bank, free and clear of and without deduction for any and all present and future Taxes (other than Excluded Taxes) as set forth in the Credit Agreement.

The grid attached hereto is a part of this Note and, prior to any transfer hereof, the Bank shall endorse the relevant information on such grid as provided in the Credit Agreement.

This Note evidences certain advances (or portions of advances) made to the Company by the Bank pursuant to a Credit Agreement, dated as of July 16, 1981 (the *"Credit Agreement"*), among the Company, the Bank, certain other banks parties thereto and Citibank, N.A., as agent (the *"Agent"*), and is secured by a Mortgage, Deed of Trust and Assignment of Production, dated July 16, 1981 (the *"Mortgage"*), from the Company to F. D. Thompson and W. T. Fox III, as Trustees, and the Agent, to which Mortgage reference is hereby made for a description of the property thereby mortgaged, pledged, assigned, transferred and conveyed, the nature and extent of the security and the rights of said Trustees, the Agent, the holder of this Note and the Company in respect of such security.

This Note is subject to prepayment from time to time prior to its maturity by the application of monies actually received by or on behalf of the Bank by virtue of the assignment in Article III of the Mortgage, in the manner, at the time and to the extent set forth in the Mortgage.

Upon the occurrence of an Event of Default specified in the Mortgage, the unpaid principal hereof and the interest accrued hereon may be declared to be forthwith due and payable in the manner and with the effect provided 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 should 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 and other amounts payable hereunder, reasonable attorneys' and collection fees.

The Company, and any endorser hereof, hereby waives presentation for payment, demand, notice of nonpayment, protest and notice of protest. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

No holder of this Note shall have recourse for the payment of the principal of or interest on this Note or for any amounts payable hereunder or for any claims based hereon against any incorporator or against any member, beneficiary, grantee, distributee, director or officer, past, present or future, of the Company or any successor corporation, as such, either directly or through the Company or any such successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, any and all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, members, beneficiaries, grantees, distributees, directors or officers, as such, being released as a condition of and in consideration for the issue of this Note.

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

NEW DUNSTAN, INC.

By _____
Vice President

Ne Varietur

To identify this Note with the above mentioned Mortgage, Deed of Trust and Assignment of Production, passed before me this 16th day of July, 1981.

.....
Notary Public

EXHIBIT B
to
Credit Agreement

EURODOLLAR NOTE

U.S. \$

New York, New York
July 16, 1981

FOR VALUE RECEIVED, NEW DUNSTAN, INC., a Delaware non-profit corporation (the "*Company*"), hereby promises to pay to (the "*Bank*"), or order, the principal sum of [amount of the Bank's Total Commitment in words] United States Dollars (U.S. \$ [amount of the Bank's Total Commitment in figures]) or, if less, the aggregate unpaid principal amount of all Eurodollar Advances (as defined below) on June 1, 1990, unless the Conveyance Supplement (as defined in the Credit Agreement referred to below) has not been executed and delivered on or prior to July 1, 1983, in which case the Company promises to pay such principal sum on February 1, 1990.

The Company hereby also promises to pay interest at the Eurodollar Rates in effect from time to time as provided in the Credit Agreement hereinafter referred to (a) on September 1, 1981, on the aggregate principal amount of all Eurodollar Advances outstanding from time to time from the date hereof to and including August 31, 1981, (b) on the first day of each calendar month thereafter (commencing October 1, 1981), on the aggregate principal amount of all Eurodollar Advances outstanding from time to time during the calendar month next preceding such date, (c) on the date the aggregate unpaid principal amount of all Eurodollar Advances shall be paid in full (to the extent not paid pursuant to clause (a) and (b) above), on the aggregate principal amount of all Eurodollar Advances outstanding from time to time during the period from the first day of the calendar month next preceding such final payment date for which interest was paid pursuant to clause (b) above to such final payment date and (d) (to the extent permitted by applicable law) on demand, on any amount of interest not paid on the due date therefor referred to in clause (a), (b) or (c), above.

As used herein, the term "*Eurodollar Advances*" means those advances (or portions of advances) made by the Bank to the Company

pursuant to the Credit Agreement which bear interest at the Eurodollar Rate as provided in the Credit Agreement. As used herein, the term "Eurodollar Rate" has the meaning specified in the Conveyance (as defined in the Mortgage referred to below).

If due to (a) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in, or in the interpretation of, any law or regulation since November 1, 1980, (b) the compliance by the Bank with any request from any central bank or other governmental authority (whether or not having the force of law) or (c) the inability of the Company to comply with a Notice of Borrowing (as defined in the Credit Agreement), there shall be any increase in the cost to the Bank of funding or continuing to fund or maintaining this Note through funds obtained in the London interbank market then the Company shall from time to time upon the Application Date next succeeding any demand therefor by the Bank, pay to the Bank additional amounts sufficient to indemnify the Bank against such increased costs together with interest at the rate provided in the Conveyance. A certificate as to the amount of such increased costs, submitted to the Company by or on behalf of the Bank, shall be conclusive as to all such costs, absent manifest error.

Both principal and interest are payable in lawful money of the United States of America to the Agent (as defined below), in immediately available funds at the office of Citibank, N.A., at 399 Park Avenue, New York, New York 10043, for the account of the Bank's Eurodollar Lending Office (as defined in the Credit Agreement), free and clear of and without deduction for any and all present and future Taxes (other than Excluded Taxes) as set forth in the Credit Agreement.

The grid attached hereto is a part of this Note and, prior to any transfer hereof, the Bank shall endorse the relevant information on such grid as provided in the Credit Agreement.

This Note evidences certain advances (or portions of advances) made to the Company by the Bank pursuant to a Credit Agreement, dated as of July 16, 1981 (the "Credit Agreement"), among the Company, the Bank, certain other banks parties thereto and Citibank, N.A., as agent (the "Agent"), and is secured by a Mortgage, Deed of Trust and Assignment of Production, dated July 16, 1981 (the "Mortgage"), from the Company to F. D. Thompson and W. T. Fox III, as Trustees, and the Agent, to which Mortgage reference is hereby made

for a description of the property hereby mortgaged, pledged, assigned, transferred and conveyed, the nature and extent of the security and the rights of said Trustee, the Agent, the holder of this Note and the Company in respect of such security.

This Note is subject to prepayment from time to time prior to its maturity by the application of monies actually received by or on behalf of the Bank by virtue of the assignment in Article III of the Mortgage, in the manner at the time and to the extent set forth in the Mortgage. If, due to any prepayment of the principal hereof by virtue of the assignment in Article III of the Mortgage or due to acceleration of the maturity of this Note or due to any other reason, the Bank receives payments of principal of this Note on other than the last day of a Rate Period (as defined in the Conveyance), the Company shall pay to the Agent for the account of the Bank on the Application Date next succeeding any demand therefor an amount in accordance with clause (ii) of subparagraph (c) of Paragraph 4 of the Conveyance to compensate the Bank for any losses, costs or expenses which the Bank may incur as a result of such payment, with interest from the date of such prepayment at the rate provided in the Conveyance.

Upon the occurrence of an Event of Default specified in the Mortgage, the unpaid principal hereof and the interest accrued hereon may be declared to be forthwith due and payable in the manner and with the effect provided 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 should 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 and other amounts payable hereunder, reasonable attorneys' and collection fees.

The Company and any endorser hereof, hereby waives presentation for payment on demand, notice of nonpayment, protest and notice of protest. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

No holder of this Note shall have recourse for the payment of the principal of or interest on this Note or for any amounts payable hereunder or on any claims based hereon against any incorporator or

against any member, beneficiary, grantee, distributee, director or officer, past, present or future, of the Company or any successor corporation, as such, either directly or through the Company or any such successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise, any and all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, members, beneficiaries, grantees, distributees, directors or officers, as such, being released as a condition of and in consideration for the issue of this Note.

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

NEW DUNSTAN, INC.

By
Vice President

Re Varietur:

To identify this Note with the above-mentioned Mortgage, Deed of Trust and Assignment of Production, passed before me this 16th day of July, 1981.

.....
Notary Public

Eurodollar Note Grid

ADVANCES, ADJUSTMENTS AND PAYMENTS OF PRINCIPAL

[illegible]

[EXHIBITS C THROUGH BB TO THE CREDIT AGREEMENT
ARE NOT INCLUDED IN THE FORM OF THE CREDIT AGREEMENT
ATTACHED TO THE MORTGAGE, DEED OF TRUST AND
ASSIGNMENT OF PRODUCTION]

EXHIBIT B
to
**Mortgage, Deed of Trust and
Assignment of Production**

PENNZOIL COMPANY, ET AL.

TO

NEW DUNSTAN, INC.

**Instrument of Conveyance
of
Production Payment**

Dated July 16, 1981

Return recorded counterparts to:

PENNZOIL COMPANY
Pennzoil Place P.O. Box 2967
Parsippany, Texas 77001
Attention: Ms. Sally Hazen

This instrument was prepared by:

Frank W. R. Hubert, Jr.
3000 One Shell Plaza
Houston, Texas 77002

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THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (the "Conveyance") dated July 16, 1981, between PENNZOIL COMPANY, a Delaware corporation, PENNZOIL PRODUCING COMPANY, a Delaware corporation, PENNZOIL OIL & GAS, INC., a Delaware corporation and DUVAL CORPORATION, a Delaware corporation (the "Grantors"), and NEW DUNSTAN, INC., a Delaware non-profit corporation (the "Grantee"),

WITNESSETH :

WHEREAS, the Grantors desire to sell and the Grantee desires to purchase the Production Payment hereinafter described,

Now, THEREFORE, it is agreed by and between the Grantors and the Grantee as follows:

1. Certain Definitions. The following terms, when used in this Conveyance, have the meanings indicated below:

"Accounting Month" means any monthly period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on the first day of any calendar month and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on the first day of the next succeeding calendar month.

"Affiliate" means, as to the party specified, any Person controlling, controlled by or under common control with such party, with the concept of control in such context meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by contract or otherwise.

"Alternate Base Rate" means a fluctuating rate per annum equal at all times to the higher of:

(a) the Base Rate; or

(b) $\frac{1}{2}$ of 1% above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average

being determined weekly by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest $\frac{1}{4}$ of 1% or, if none, to the next higher $\frac{1}{4}$ of 1%,

each change in such fluctuating rate to take effect simultaneously with the corresponding change in such Base Rate or moving average.

"Applicable Rate" means, for each day, the weighted average of the Eurodollar Rates and the Domestic Rate applicable to the unliquidated balance of the Primary Sum on such day determined on the basis of the proportion which that portion of such unliquidated balance to which each Eurodollar Rate and the Domestic Rate is applicable bears to the total amount of such unliquidated balance; *provided, however*, that in no event shall the Applicable Rate exceed the maximum rate which would be permitted by the laws of the State of New York if the Applicable Rate were being applied to a borrowing of money in an amount equal to the unliquidated balance of the Primary Sum. Except as provided hereinafter, the Grantors may from time to time select the Eurodollar Rate to be in effect with respect to all or any portion of the then unliquidated balance of the Primary Sum for a Rate Period, on the condition that notice of such selection (including notice of said portion of such unliquidated balance and of the duration of the Rate Period therefor) is delivered to the Grantee and to Citibank not later than 11:00 A.M. (New York City time) at least four Business Days prior to the commencement of such Rate Period, and provided that in no event shall the Grantors be permitted to have selected the Eurodollar Rate to be in effect concurrently with respect to more than three portions of such unliquidated balance; and except to the extent that the Eurodollar Rate shall have been so selected by the Grantors in accordance herewith to be applicable to all or one or more portions of such unliquidated balance, the Domestic Rate shall be applicable to the

entire unliquidated balance of the Primary Sum. Notwithstanding the foregoing, and except as set forth in the next succeeding sentence hereto, if either

(i) it shall become unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any lender to the Grantee to obtain funds in the London interbank market in order to fund or continue to fund or maintain its loan to the Grantee, upon such lender giving notice thereof to the Grantee (which shall give prompt notice thereof to the Grantors), or

(ii) the Grantee shall demand payment of Increased Financing Costs referred to in Section 4(d) hereof, and the Grantors shall have given the Grantee four Business Days' notice of their selection of the Domestic Rate in substitution for the Eurodollar Rate,

the Applicable Rate shall thereupon be the Domestic Rate as to those portions of the unliquidated balance of the Primary Sum previously subject to the Eurodollar Rate as to which clause (i) or (ii) is applicable, and the right of the Grantors to select the Eurodollar Rate hereunder shall thereupon terminate unless and until such funding is no longer unlawful or so asserted to be unlawful or the circumstances giving rise to such Increased Financing Costs have ceased to exist. Notwithstanding the foregoing sentence, in the event of the happening of any circumstance described in clause (i) of said sentence with respect to any such lender to the Grantee, or of demand for payment of any such Increased Financing Costs described in clause (ii) of said sentence attributable to any such lender, the Grantee covenants and agrees that, at the Grantors' request, it will consult with such lender in good faith to ascertain whether any arrangement (including, but not limited to, a change in such lender's Lending Office) satisfactory to such lender, the Grantors and the Grantee can be made with a view to eliminating such Increased Financing Costs and, upon demand of the Grantors, the Grantee will cause such lender to be replaced by another financial institution designated by

the Grantors, provided that such financial institution is acceptable to the Grantee and the lenders to the Grantee and is prepared to assume all of the rights and obligations of such original lender on terms acceptable to such lender; and if upon said replacement there shall not be continuing any circumstances described in either clause (i) or (ii) of the foregoing sentence, the Grantors shall thereupon once again be entitled to select the Eurodollar Rate hereunder. Any such financial institution which shall replace any such lender in connection with any loan in accordance with the preceding sentence shall be deemed to be a lender to the Grantee for all purposes hereof.

"Application Date" means a Regular Application Date or, if such Regular Application Date is not a Business Day, the Next Preceding Business Day. For purposes of this Conveyance, an Application Date shall be deemed to occur *"at or near the end"* of the Accounting Month which ends on such Application Date or, if such Application Date is a Next Preceding Business Day, the next following Regular Application Date.

"Base Rate" means a fluctuating interest rate per annum equal at all times to the rate of interest announced publicly by Citibank in New York, New York from time to time as Citibank's base rate.

"Business Day" means a day on which banks are not required or authorized to close in New York City and, if the Eurodollar Rate is relevant, on which dealings are carried on in the London interbank market and banks are open for business in London.

"Citibank" means Citibank, N.A., a national banking association.

"Discharge Schedule" means the tabulation set forth in Exhibit B attached to this Conveyance and hereby made a part hereof.

"Domestic Rate" means a fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days — including the first day but excluding the last day — occurring in the period for which such rate is computed) equal at all times to:

(i) from the date hereof to and including July 31, 1983, $\frac{1}{4}$ of 1% per annum above the Alternate Base Rate in effect from time to time;

(ii) from and after August 1, 1983 to and including July 31, 1987, $\frac{1}{2}$ of 1% per annum above the Alternate Base Rate in effect from time to time; and

(iii) from and after August 1, 1987, $\frac{3}{4}$ of 1% per annum above the Alternate Base Rate in effect from time to time.

"Effective Date" means 7:00 A.M., local time in effect at the location of each Subject Interest, on July 1, 1981.

"Eurodollar Rate" means, with respect to any portion of the unliquidated balance of the Primary Sum as to which such rate is applicable, a fluctuating rate per annum (computed on the basis of a year of 360 days for the actual number of days — including the first day but excluding the last day — occurring in the period for which such rate is computed), subject to funds being available to the lenders to the Grantee on reasonable terms under routine interbank market conditions (all as determined in the discretion of the lenders to the Grantee), equal at all times to:

(i) from the date hereof to and including July 31, 1983, $\frac{5}{8}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum;

(ii) from and after August 1, 1983 to and including July 31, 1987, $\frac{3}{4}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum; and

(iii) from and after August 1, 1987, $\frac{7}{8}$ of 1% per annum above the LIBO Rate in effect from time to time for such portion of the Primary Sum.

"Excess Rate" has the meaning assigned to that term in Paragraph 4(d) hereof.

"Exhibit A" means Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes of interpreting, construing and enforcing this Conveyance, *provided*, that if at any time said Exhibit A has been supplemented by the Grantors by

the execution and delivery of the Supplemental Instrument of Conveyance of Production Payment, then at such time Exhibit A shall mean said Exhibit A as so supplemented.

"First Production Period" means the period commencing with the Effective Date and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on August 1, 1983.

"Hydrocarbons" means all oil, gas and other gaseous and liquid hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

"Increased Financing Costs" means any increase in the cost to the Grantee of obtaining or maintaining loans from any lender during any period in which the Eurodollar Rate is applicable to all or any portion of the unliquidated balance of the Primary Sum, and which is due to any increase in the cost to such lender to fund or continue to fund or maintain any loan to the Grantee through funds obtained in the London interbank market, arising from (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in, or in the interpretation of, any law or regulation since November 1, 1980 or (ii) the compliance by such lender with any request from any central bank or other governmental authority whether or not having the force of law, and if the Grantors shall exercise their option to select the Domestic Rate as the Applicable Rate prior to the last day of a Rate Period applicable to all or any portion of the Primary Sum, shall also include any costs to such lender incurred as a result of the selection of such Rate. A certificate from such lender to the Grantee as to the amount of such increased costs shall be conclusive as to the amount of such increased costs to the Grantee, absent manifest error.

"Lease" means any oil and/or gas lease or sub-lease, or any oil, gas and/or mineral lease or sub-lease, or any mining claim or award, or any fee or leasehold interest in, or any contractual right to produce or receive the proceeds of production of, any Mineral.

"LIBO Rate" means a rate per annum, if any, equal at all times during each Rate Period for any portion of the unliquidated balance of the Primary Sum to which the Eurodollar Rate is

applicable to the average (rounded upward, if necessary, to the nearest whole multiple of 1/16 of 1% per annum) of the rate of interest per annum at which deposits in United States dollars in immediately available funds are offered by each of the Reference Banks to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Rate Period for a period equal to such Rate Period and in an amount substantially equal to such portion of such unliquidated balance of the Primary Sum (such rate for each Rate Period being determined by Citibank on the basis of applicable quotations for the LIBO Rate furnished to and received by Citibank from the Reference Banks two Business Days prior to the first day of such Rate Period and, if any one or more of the Reference Banks shall not so furnish such a quotation for any Rate Period, the LIBO Rate for such Rate Period shall be based upon the quotations furnished by the other Reference Banks).

"Minerals" means Hydrocarbons and, in the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered (and from and after the effective date thereof), also includes sulphur.

"Next Preceding Business Day" means, when used with reference to a Regular Application Date or Quarterly Regular Application Date, the first Business Day next preceding such Regular Application Date or Quarterly Regular Application Date if such Regular Application Date or Quarterly Regular Application Date is not a Business Day.

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

"Primary Sum" means at any time the aggregate amount of the Purchase Price which shall at such time have been paid.

"Production Payment" has the meaning assigned to that term in Paragraph 2 hereof.

"Production Payment Minerals" has the meaning assigned to that term in Paragraph 2 hereof.

"Production Payment Percentage" has the meaning assigned to that term in Paragraph 2 hereof.

"Purchase Price" has the meaning assigned to that term in Paragraph 7 hereof.

"Quarterly Application Date" means a Quarterly Regular Application Date or, if such Quarterly Regular Application Date is not a Business Day, the next Preceding Business Day.

"Quarterly Regular Application Date" means the Regular Application Date falling on the first day of any January, April, July or October during the term of the Production Payment.

"Rate" means the Domestic Rate or the Eurodollar Rate.

"Rate Period" means any of the periods selected from time to time by the Grantors to apply in respect of the application of the Eurodollar Rate to all or any portion of the unliquidated balance of the Primary Sum. Each Rate Period shall be one, two, three or six months, as the Grantors shall, upon notice received by the Grantee not later than 11:00 A.M. (New York time) at least four Business Days prior to the commencement of such Rate Period, select; *provided, however*, that (a) if the Grantors shall fail on a timely basis to select a Rate Period for any portion of the Primary Sum to which the Eurodollar Rate is applicable, the Domestic Rate shall apply to such portion of the Primary Sum as of the end of the then current Rate Period and (b) any Rate Period determined in accordance with Paragraph 4(d) hereof shall be for the period of time specified therein. Whenever the last day of any Rate Period would otherwise occur on a day other than a Business Day, the last day of such Rate Period shall occur on the next succeeding Business Day; *provided, however*, that if such extension would cause the last day of such Rate Period to occur in the next following calendar month, the last day of such Rate Period shall occur on the next preceding Business Day.

"Reference Banks" means the respective principal London offices of (a) Citibank, Morgan Guaranty Trust Company of New York and Mellon Bank, N.A. and (b) in addition to or in substitution for any such bank any bank designated by the Grantors and approved by the Grantee.

"Regular Application Date" means the first day of any calendar month.

"Reserve Report" shall mean a report of Ryder Scott Company Petroleum Engineers or other independent petroleum engineers agreed upon by the Grantors and the Grantee furnished pursuant to subparagraph (c) of Paragraph 19 of this Conveyance.

"Sales Contracts" has the meaning assigned to that term in Paragraph 8 hereof.

"Second Production Period" means the period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on August 1, 1983, and ending at 7:00 A.M., local time in effect at the location of each Subject Interest, on January 1, 1990, unless the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, in which case the Second Production Period shall end at 7:00 A.M., local time in effect at the location of each Subject Interest, on May 1, 1990.

"Subject Hydrocarbons" means all Hydrocarbons in and under, and which may be produced, saved and sold from, and which shall accrue and be attributable to, the Subject Interests from and after the Effective Date and throughout the period specified in this Conveyance for the term of the Production Payment, subject to the provisions of Paragraph 3 of this Conveyance.

"Subject Interests" shall mean each and every kind and character of right, title, claim or interest which any Grantor now has in the Leases or portions thereof which are described in Exhibit A and all unitization and pooling agreements and the units created thereby which cover or include such Leases or portions thereof, and all the right, title, claim or interest which any Grantor now has in and to the lands specifically described or referred to in Exhibit A or covered by the Leases which are described in Exhibit A, whether such right, title, claim or interest be under and by virtue of a Lease, a unitization or pooling agreement, a unitization or pooling order, a mineral deed, a royalty deed, an operating agreement, a division order, a transfer order or any other type of contract, conveyance or instrument or under any other type of claim or title, legal or equitable, recorded or unrecorded, even

though such Grantor's interests be incorrectly or incompletely described in, or a description thereof be omitted from, Exhibit A, all as the same shall be enlarged by any reversionary interest or by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which any Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument. Without in any way limiting the foregoing, the Subject Interests shall include each and every kind and character of right, title, claim or interest which any Grantor has in any and all Leases covering lands situated in those counties in the States of New York, Pennsylvania or West Virginia named in Exhibit A, regardless of whether such Leases are described in Exhibit A.

"Subject Minerals" means Subject Hydrocarbons and Subject Sulphur.

"Subject Sulphur" means, in the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered, all sulphur in and under, and which may be produced, saved and sold from, and which shall accrue and be attributable to, the Subject Interests described in the Supplemental Instrument of Conveyance of Production Payment from and after the effective date thereof and throughout the remainder of the period specified in this Conveyance for the term of the Production Payment, subject to the provisions of Paragraph 3 of this Conveyance.

"Subject Taxes" has the meaning assigned to that term in Paragraph 13 hereof.

"Supplemental Instrument of Conveyance of Production Payment" means the Supplemental Instrument of Conveyance of Production Payment in the form of Exhibit C attached hereto and hereby made a part hereof. The execution and delivery of the Supplemental Instrument of Conveyance of Production Payment

shall not require the consent or joinder of the Grantee or any mortgagee or trustee referred to in Paragraph 24 hereof.

"Third Production Period" means the period commencing at 7:00 A.M., local time in effect at the location of each Subject Interest, on January 1, 1990, unless the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, in which case the Third Production Period shall commence at 7:00 A.M., local time in effect at each of the Subject Interests, on May 1, 1990 and end on the date the Production Payment is discharged or terminated as herein provided.

2. Conveyance of the Production Payment. The Grantors, in consideration of the payment to them by the Grantee of the Purchase Price pursuant to the provisions of Paragraph 7 of this Conveyance and of other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents do hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, effective as of the Effective Date, subject to the limitations and encumbrances set forth in Paragraphs 14(f) and 20 of this Conveyance and in Exhibit A, as a production payment, the undivided percentages, or if 100%, the percentage, of Subject Minerals provided for in the following subparagraphs First through Fourth of this Paragraph 2:

First: The undivided percentage of the Subject Minerals conveyed under this subparagraph First during the First Production Period shall be that undivided percentage (up to 100%) or, if 100%, the percentage, of the Subject Minerals as shall be required to cause the Grantee to be entitled to receive, out of the Subject Minerals produced and saved during each Accounting Month during the First Production Period, a sum which, when actually received by the Grantee in accordance with the terms of this Conveyance, would equal a sum hereby specified to be the aggregate amount referred to in subparagraphs (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance to the extent such aggregate amount shall have been ascertained or accrued during (or, in the case of said subparagraphs (c), (d), (e) and (f), prior to) such Accounting Month and remains unpaid;

Second: Subject to the provisions of subparagraph *Third* of this Paragraph 2, the undivided percentages of the Subject Minerals conveyed under this subparagraph *Second* during each Accounting Month during the Second Production Period shall be the undivided percentages specified in the following clause (a) or clause (b) whichever entitles the Grantee to receive the greater amount of proceeds out of Subject Minerals produced and saved during such Accounting Month;

(a) an undivided 65% of the Subject Hydrocarbons and an undivided 35% of the Subject Sulphur produced and saved during such Accounting Month, *provided, however*, that in the event the Primary Sum at the close of business on July 31, 1983 is less than \$2,500,000,000, then (1) if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, said undivided percentages of Subject Hydrocarbons and Subject Sulphur shall be adjusted to the percentages determined by multiplying each of 65% and 35% by a fraction the numerator of which shall be the unliquidated balance of the Primary Sum at the close of business on July 31, 1983 and the denominator of which shall be \$2,500,000,000 or (2) if the Supplemental Instrument of Conveyance of Production Payment has not been executed and delivered, said undivided percentage of Subject Hydrocarbons shall be adjusted to the percentage determined by multiplying 65% by a fraction the numerator of which shall be the unliquidated balance of the Primary Sum on July 31, 1983 and the denominator of which shall be \$1,865,000,000; or

(b) that undivided percentage (up to 90%) of the Subject Hydrocarbons and (but only if said undivided percentage of the Subject Hydrocarbons for such Accounting Month is 90% and is insufficient to entitle the Grantee to receive the sum specified in this subparagraph (b)) that undivided percentage (up to 40%) of the Subject Sulphur produced and saved during such Accounting Month as shall be required to cause the Grantee to be entitled to receive, out of the Subject Minerals produced and saved during such Accounting Month, a sum which, when actually received by the Grantee in accordance with the terms of this Conveyance, would equal a sum hereby

specified to be the total of (i) the aggregate amount referred to in subparagraphs (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance to the extent such aggregate amount shall have been ascertained or accrued during (or, in the case of said subparagraphs (c), (d), (e) and (f), prior to) such Accounting Month and remains unpaid, *plus* (ii) an amount determined by multiplying the unliquidated balance of the Primary Sum at the close of business on July 31, 1983 by the percentage shown on the Discharge Schedule under the heading "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, the percentage shown on the Discharge Schedule under the heading "Minerals Monthly Percentage", opposite the Regular Application Date occurring at or near the end of such Accounting Month;

Third: If on any Application Date during the Second Production Period the aggregate amount of reductions in the unliquidated balance of the Primary Sum made on such Application Date and prior thereto is less than an amount determined by multiplying 95% times the cumulative total of the amounts determined for such Application Date and all amounts determined for all previous Application Dates as provided in subclause (ii) of clause (b) of subparagraph Second of this Paragraph 2 by reference to the "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, by reference to the "Minerals Monthly Percentage", then notwithstanding the provisions of subparagraph Second above (which shall not be effective during any period during which the provisions of this subparagraph Third are operative), during the Accounting Month beginning at or near such Application Date, the undivided percentages of the Subject Minerals conveyed under this subparagraph Third shall be an undivided 90% of the Subject Hydrocarbons and an undivided 40% of the Subject Sulphur;

and

Fourth: The percentage of the Subject Minerals conveyed under this subparagraph Fourth during the Third Production

Period shall be one hundred percent (100%) of the Subject Minerals;

together with an easement of ingress and egress to remove the same from the applicable Subject Interests to the extent Grantors have the right to grant such an easement (the undivided percentages of the Subject Minerals so granted, bargained, sold, conveyed, assigned, transferred and delivered and at any time in effect being herein called the "Production Payment Percentages"; the Subject Minerals attributable to the Production Payment Percentages being herein called the "Production Payment Minerals"; and the Production Payment Minerals, together with such easement of ingress and egress and all other interests hereby granted, bargained, sold, conveyed, assigned, transferred and delivered, or intended so to be, being herein called the "Production Payment").

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, titles, interests, estates, remedies, powers, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing the Production Payment. All the provisions of this Conveyance shall be subject to the following principles:

(a) Except as provided in Paragraphs 14(b)(ii) and 14(c) hereof, for the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Production Payment Minerals, and the Grantors shall not be liable for such discharge.

(b) Except as provided in the proviso clause below, the Production Payment shall not be dischargeable out of any advance payments made to the Grantors for Production Payment Minerals to be produced in the future and covered by, and made in advance of such production under the terms of, any advance payment or take or pay agreement, *provided, however*, that the Production Payment shall be dischargeable out of, and the Grantors shall (except to the extent that payment is made directly to the Grantee by the purchaser or unless the Production Payment shall have been fully discharged) make payment to the Grantee hereunder on account of,

any Production Payment Minerals covered by any such advance payment or take or pay agreement when such Production Payment Minerals shall be produced and saved, on the basis of the full purchase price under the Sales Contract for such Production Payment Minerals so produced and saved (such full purchase price to be without regard to any deduction from or credit against the payment of such price due to any previous payment made in advance of production).

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantors shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to any of the Grantors in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Minerals any Minerals unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantors in conformity with good field practices for drilling, mining and production operations (including gas injection, secondary recovery, pressure maintenance, repressuring or cycling operations) conducted for the purpose of producing Minerals from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Minerals are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalties; *provided, however*, that during the period of any such suspension, the Production Payment Percentage applicable to production from

each other Lease included in the Subject Interests, or portion or zone thereof, shall (subject to the provisions of Paragraph 2 hereof) be increased to that percentage necessary to cause the Grantee to receive, in addition to the production from each such other Lease (or portion or zone thereof) attributable to the Production Payment Percentages otherwise applicable under Paragraph 2 hereof, proceeds of production from each such other Lease, or portion or zone thereof, equivalent in the aggregate to the amount of proceeds of production the Grantee would have received from the Lease, or portion or zone thereof, as to which the Grantee's rights to production have been suspended had such rights not been so suspended. The increases in the Production Payment Percentages pursuant to the foregoing provisions of this subparagraph (e) are hereby conveyed by the Grantors to the Grantee effective as of the Effective Date as a part of the Production Payment.

(f) There shall not be included in the Subject Minerals any Minerals attributable to nonconsent operations conducted with respect to the Subject Interests (or any portion thereof) as to which any Grantor shall be a nonconsenting party and dedicated to the recoupment or reimbursement of costs and expenses of the consenting party or parties by the terms of the relevant operating agreement, unit agreement, contract for development or other instrument providing for such nonconsent operations, provided such Grantor's election not to participate in such operations is made in conformity with the provisions of Paragraph 14(a) of this Conveyance.

(g) Whenever reference is made in this Conveyance to the term "fair market value at the wellhead or mine" in determining the price to be paid or obtained for Production Payment Minerals sold for the account of the Grantee, or purchased by any Grantor, or taken in kind by the Grantee, such term shall be understood to mean the price paid or payable for such Minerals at the wellhead or mine in the case of Minerals customarily sold at the wellhead or mine or, in the case of Minerals customarily sold or disposed of otherwise than at the wellhead or mine, the price paid or payable for such Minerals at the nearest point where such Minerals may be marketed and sold after production, less all costs of transporting such Minerals to such point from the wellhead or mine.

(h) In the case of Production Payment Minerals sold or disposed of other than at the wellhead or mine, the amount of all reasonable costs incurred and paid by the Grantors in transporting such Minerals to the point of sale or disposition shall be deducted from the proceeds of sale of the Production Payment Minerals, and the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by the Grantee.

(i) Cognizant of Sections 171.26(d), 172.22(d), 173.21(d) and 174.38(b) of Title 25 of the Code of Federal Regulations, it is agreed, with respect to any Lease from Indian tribes, bands or groups, and any Lease on lands allotted to Indians in severalty, included in the Subject Interests, that nothing in this Conveyance shall be construed as modifying any of the obligations of the lessee under such Lease, including, but not limited to, obligations for diligent development and operation, protection against drainage, compliance with oil and gas operating regulations (30 CFR Part 221), and the requirement for departmental approval before abandonment of any well situated on such Lease. All such obligations are to remain in full force and effect, the same as if free of the Production Payment. The existence of the Production Payment, whether or not actually paid, shall not be considered as justification for the approval of abandonment of any well situated on such Lease.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized out of the proceeds of Production Payment Minerals, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The Primary Sum; *plus*

(b) An amount computed at the Applicable Rate on the unliquidated balance from time to time of the Primary Sum,

(i) The first such computation to be made on September 1, 1981, for the period commencing with and including the date hereof up to and including August 31, 1981, on the amount of such unliquidated balance of the Primary Sum from time to time during such period, and

(ii) Subsequent computations to be made monthly on the first day of each calendar month for the preceding calendar month on the amount of the unliquidated balance from time to time of the Primary Sum during such preceding calendar month;

plus

(c) The sum of \$100,000 payable on September 1, 1981, and, in the event the Primary Sum at any date exceeds \$1,000,000,000, the additional sum of \$100,000 payable on the Application Date next following such date, and, in the event the Primary Sum at any date exceeds \$1,865,000,000, the additional sum of \$50,000 payable on the Application Date next following such date;

plus

(d) A sum equal to the aggregate of (i) all Increased Financing Costs from time to time of the Grantee and (ii) with respect to each portion of the unliquidated balance of the Primary Sum to which the Eurodollar Rate is applicable which may be paid on other than the last day of the Rate Period therefor (including without limitation any payments made pursuant to subparagraph (f) of Paragraph 6 hereof or Paragraph 25 hereof), an amount computed, on the basis of the Excess Rate (as defined below) for such portion of the unliquidated balance of the Primary Sum on the amount of such portion so paid, for the period commencing on the day of such payment and ending on the last day of the current Rate Period for such portion (for the purpose of computing such amount, the "Excess Rate" in respect of any portion of the Primary Sum so paid shall be a rate per annum equal to the excess (if any) of (x) the LIBO Rate in effect for the current Rate Period for such portion *over* (y) the LIBO Rate computed on the basis of a Rate Period commencing on the day of such payment and ending on the last day of the current Rate Period for such portion) and (iii) interest on the amounts specified in clauses (i) and (ii) at the Applicable Rate (but not to exceed the maximum rate permitted by applicable law);

plus

(e) A sum equal to the aggregate of the Subject Taxes to the extent that such taxes have not been paid by the Grantors

pursuant to Paragraph 13 hereof, together with interest on the unliquidated amount thereof at a rate equal to the Applicable Rate (but in no event in excess of the maximum rate permitted by applicable law) in effect during the period from and including the date of payment of each such amount by the Grantee (notice of each such payment to be given promptly to the Grantors) to the date the Grantee is reimbursed therefor; *plus*

(1) A sum equal to the aggregate of all reasonable expenses of the Grantee incidental to the acquisition, ownership, mortgaging and transfer of the Production Payment or any part thereof, the obtaining of any loan secured thereby and the receipt and disbursement of funds on account thereof (including, without limitation, any commitment fees, any withholding or other similar taxes (together with any interest, penalties and expenses in connection therewith), any costs and expenses of any lender making such loan incurred as a result of any installment of the Purchase Price not being paid on the date specified in a notice by the Grantors pursuant to Paragraph 7(c) of this Conveyance or failure to make a payment on the date and before the time specified in a notice provided pursuant to Paragraph 6 with respect to any portion of the unliquidated balance of the Primary Sum to which the Euro-dollar Rate is applicable and all fees and expenses of accountants and counsel for the Grantee and of counsel for the agent for any lenders making such loan, all expenses and taxes imposed by any state within which any Subject Interest is wholly or partially located on such lender attributable to the mortgaging of the Production Payment, all fees incurred in connection with, and all other expenses and costs of litigation and the contest, release or discharge of, any adverse claim or demand made or proceedings instituted by any person affecting in any manner whatsoever the Production Payment, the Production Payment Minerals or the proceeds thereof and all other fees, costs and expenses of the Grantee and any lender making such loan in connection with or arising out of any investigation, litigation or proceeding related to any acquisition or proposed acquisition of all or any portion of the stock or substantially all of the assets of any Person, directly or indirectly, with any of the proceeds of the Purchase Price, which shall have been paid or incurred by the Grantee or any lender making such loan, together with interest on the unliquidated

amount thereof at a rate equal to the Applicable Rate (but not to exceed the maximum rate permitted by applicable law) in effect during the period from and including the date of payment of each such amount by the Grantee (notice of each such payment to be given promptly to the Grantors) to the date the Grantee is reimbursed therefor.

IT BEING THE INTENTION OF THE GRANTORS AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Production Payment Minerals the full aggregate sum of the amounts described in subparagraphs (a), (b) and (c) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Minerals (which expenses, costs and fees shall be borne by the Grantors) and over and above all taxes, assessments, fees, expenses and costs of the character and amount described, specified or referred to in subparagraphs (d), (e) and (f) of this Paragraph 4.

All of the Subject Taxes may be deducted from the proceeds of the Production Payment Minerals and paid for the account of the Grantee and, in the event of any such deduction, the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by the Grantee. Similarly (and anything in this Conveyance to the contrary notwithstanding), the tax under the Crude Oil Windfall Profit Tax Act of 1980 and any amendments or supplements thereto (or any tax enacted in substitution therefor) imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment Minerals or the proceeds thereof and for which the Grantors are liable may be deducted from the proceeds of the Production Payment Minerals and paid by the Grantors and, in the event of any such deduction, the amount so deducted shall be deemed not to be proceeds of the Production Payment Minerals received or realized by or payable to the Grantee.

5. Termination of the Production Payment. When the full aggregate sum of the amounts specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance (as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate, and all interest therein shall immediately revert to and become vested in the

Grantors to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination and upon indemnification against loss by reason of such acts and by reason of the restitution of proceeds of Production Payment Minerals as provided in Paragraph 11 of this Conveyance, it shall execute or cause to be executed, upon the request and at the expense of the Grantors, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. Application of the Proceeds of Production Payment Minerals.

For all purposes of this Conveyance, the proceeds of Production Payment Minerals actually received by the Grantee at or before 11:00 A.M. (local time in effect in The City of New York) on any Application Date (commencing with September 1, 1981) and not theretofore applied pursuant to this Paragraph 6, shall be deemed to have been received and applied on such Application Date as follows:

(a) *First*, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance to the extent such amount has been ascertained or accrued up to (but not including) such Application Date and which has not been added to the Primary Sum pursuant to the proviso to this Paragraph 6 or paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(b) *Second*, to the amount referred to in subparagraph (d) of said Paragraph 4 to the extent such amount has been ascertained or accrued up to (but not including) such Application Date and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(c) *Third*, to the amount referred to in subparagraph (e) of said Paragraph 4 and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(d) *Fourth*, to the amount referred to in subparagraph (e) of said Paragraph 4, to the extent then ascertained and which has not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

tion Payment Minerals pursuant to the provisions of this Paragraph 6, and

(e) *Fifth*, to all other amounts referred to in subparagraph (f) of said Paragraph 4, to the extent then ascertained and which have not been paid by any previous application of proceeds of Production Payment Minerals pursuant to the provisions of this Paragraph 6, and

(f) *Sixth*, to the reduction of the unliquidated balance of the Primary Sum, *initially* by reduction of that portion of the unliquidated balance of the Primary Sum to which the Domestic Rate is applicable and *then* by reduction of those one or more portions of the unliquidated balance of the Primary Sum to which a Eurodollar Rate is applicable in such order as may be selected by the Grantors by not less than four Business Days' prior written notice to the Grantee or, if and to the extent not so selected, in the order in which the last days of the respective Rate Periods then in effect are scheduled to occur;

provided, however, that, in the event such proceeds so applied on the relevant Application Date shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased by an amount equal to the amount of such deficiency.

Within 15 Business Days after the date of each such application by the Grantee of any proceeds of Production Payment Minerals, the Grantee will furnish or cause to be furnished to the Grantors a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

If the Eurodollar Rate is applicable to any portion of the unliquidated balance of the Primary Sum to which proceeds are to be applied on an Application Date and such Application Date is on a date other than the last day of the Rate Period for such Eurodollar Rate Grantors shall give written notice to the Grantee (and any lenders to the Grantee) at least four Business Days prior to such Application Date that the Grantors will pay such portion of the unliquidated balance of the Primary Sum prior to 11:00 A.M. (local time in effect in The City of New York) on such Application Date.

7. Payment of Consideration for the Conveyance

(a) In consideration of the conveyance by the Grantors to the Grantee of the Production Payment pursuant to this Conveyance, the Grantee hereby agrees to pay to the Grantors the sum of \$2,500,000,000 (such sum, less the aggregate amount of reductions thereto pursuant to the provisions of subparagraph (d) of this Paragraph 7, being herein called the "Purchase Price", of which \$10,000,000 is being paid by the Grantee to the Grantors concurrently with the execution and delivery of this Conveyance and the remaining \$2,490,000,000 is payable in one or more installments, each to be in an amount not less than \$50,000,000 (except that any installment which causes the aggregate amount of the Purchase Price then paid to equal \$1,865,000,000 or, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, \$2,500,000,000, may be in such lesser amount which shall cause the aggregate amount of the Purchase Price then paid to equal \$1,865,000,000 or \$2,500,000,000 as the case may be), payable by the Grantee at the times and in the amounts specified by the Grantors as hereinafter in this Paragraph 7 provided.

(b) Each installment of the remaining \$2,490,000,000 of the Purchase Price shall become payable on the Business Day as to which the Grantee shall have received from the Grantors at least four Business Days' prior written notice specifying the amount of such installment and the Business Day for payment of such installment. Any provision of this Paragraph 7 to the contrary notwithstanding, the obligation of the Grantee to pay each installment of the Purchase Price on the Business Day on which such installment shall otherwise be payable hereunder shall be subject to the conditions precedent that on such Business Day (i) the Grantee shall have received a certificate, substantially in the form of Exhibit D attached hereto and hereby made a part hereof, of the Grantors signed by duly authorized officers of the Grantors and dated such Business Day (the statements made in which certificate shall be true and correct on such Business Day), and (ii) as to the installment which, when paid, would cause the aggregate amount of the Purchase Price then paid to exceed \$1,865,000,000, the Grantors shall have executed and delivered to the Grantee the Supplemental Instrument of Conveyance of Production Payment.

(c) Any provision of this Paragraph 7 to the contrary notwithstanding, the obligation of the Grantee to pay any further installments

of the Purchase Price pursuant to this Paragraph 7 shall terminate upon the occurrence of an Event of Default specified in clause (c) or (d) of Paragraph 17.

(d) The obligation of the Grantee to pay any installment or installments of the Purchase Price which is not or are not payable on or prior to (i) the date of termination of the Production Payment pursuant to Paragraph 5 hereof or (ii) July 31, 1983, whichever date first occurs, shall terminate on such date and thereupon the amount of the Purchase Price shall be reduced by the amount of the unpaid portion of the Purchase Price which the Grantee is not obligated to pay.

(e) All payments made by the Grantee on account of the Purchase Price shall be paid in lawful money of the United States of America and in immediately available funds by a deposit to the credit of the Grantors' account (No. 39019761) with Citibank at 399 Park Avenue, New York, New York 10043.

(f) The Grantors hereby irrevocably and unconditionally waive and relinquish (i) any express or implied vendor's lien, and any other lien, security interest, charge or encumbrance, which would otherwise be imposed on or affect the Production Payment or the Production Payment Minerals on account of any unpaid installment or installments of the Purchase Price and (ii) with respect to the obligations of the Grantors to make payments under this Conveyance (including, without limitation, payments of proceeds of Production Payment Minerals under Paragraphs 3, 8, 9 and 11 hereof and payments under Paragraphs 13, 17 and 25 hereof), any set-off, counterclaim, credit, recoupment, defense, abatement, suspension, reduction and other right or claim which the Grantors may have against the Grantee as a result of or arising out of the failure of the Grantee to pay any amount on account of the Purchase Price.

8. Marketing of Production Payment Minerals. The Grantors, at their own expense, shall market or cause to be marketed the Production Payment Minerals, on behalf of and for the account of Grantee, on the same basis as the Grantors market their share of Subject Minerals, and for such purpose the Grantee agrees that sales of Production Payment Minerals may continue to be made by the Grantors with their share of Subject Minerals pursuant to existing contracts and agree-

ments entered into by the Grantors for the sale of, or commitment to sell, Subject Minerals and that the Grantors may enter into one or more contracts and agreements in the future for the sale of Subject Minerals (including Production Payment Minerals included therein) at the best prices and on the best terms as the Grantors shall determine in their good faith judgment are reasonably obtainable in the circumstances (all such present and future contracts and agreements for the sale of or commitment to sell Subject Minerals being herein called "Sales Contracts"), and it shall not be necessary for the Grantee to join in any Sales Contract or any amendment thereof: *provided, however*, that the Grantors will not agree to, or permit, any amendment, modification or termination in any manner adverse to the interests of the Grantee of any Sales Contract with an Affiliate of any Grantor, nor will the Grantors enter into any Sales Contract in the future with an Affiliate of any Grantor (except pursuant to the terms of any presently existing Sales Contract) in any manner adverse to the interests of the Grantee, without the prior written consent of the Grantee, and the Grantors will give the Grantee at least 15 days' prior written notice of the terms of any proposed amendment, modification or termination of any Sales Contract with an Affiliate of any Grantor, or any proposed future Sales Contract with an Affiliate of any Grantor. Subject to the rights of purchasers under then existing Sales Contracts and to any existing right of the Grantee to take in kind pursuant to notice given in accordance with Paragraph 10 hereof, and (so long as the Grantors are not in default in the performance or observance of any covenant or agreement on the Grantors' part to be performed or observed hereunder) the Grantors shall be entitled at any time and from time to time to purchase all or any part of the Production Payment Minerals (including Production Payment Minerals which the Grantee has elected to take in kind provided that the Grantors shall have, within 30 days of the giving of any notice by the Grantee in accordance with Paragraph 10 hereof, given written notice to the Grantee that the Grantors elect to purchase all or part of the Production Payment Minerals specified in such notice given by the Grantee and specifying when the Grantors' purchases shall commence and the duration thereof), and, in such case, the Grantors shall pay to the Grantee, on or before 11:00 A.M. (local time in effect in the City of New York) on the Application Date at or near the end of the Accounting Month next succeeding the Accounting Month in which such purchase by the Grantors occurs, in immediately available funds, a price

equal to the fair market value at the wellhead or mine at the time of purchase of the Production Payment Minerals so purchased, less the amount of all severance taxes and assessments, payable by the Grantee or the Grantors, of the character referred to in Paragraph 4(c) or the last sentence of Paragraph 4, attributable to the production and sale of such Production Payment Minerals, and the amount of such taxes and assessments so deducted shall be deemed not to be proceeds of Production Payment Minerals received or realized by the Grantee.

9. Performance of Sales Contracts; Payments; Etc. The Grantors will duly perform all obligations binding on them under all Sales Contracts in accordance with the terms thereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Production Payment Minerals sold by the Grantors, whether pursuant to Sales Contracts or otherwise, shall be delivered by the Grantors to the purchasers thereof, for the credit of the Grantee, to such point of purchase as is reasonably required in the marketing of such Production Payment Minerals. So long as no Event of Default has occurred and is continuing, the proceeds of the sale of all Subject Minerals (whether pursuant to Sales Contracts or otherwise) shall be paid to the Grantors by the purchasers thereof or other parties obligated to make payment therefor. All proceeds of Production Payment Minerals shall constitute trust funds in the possession of the Grantors and all such proceeds of Production Payment Minerals received by the Grantors on or before the next to last Business Day of each calendar month which are proceeds of Production Payment Minerals produced and saved during any Accounting Month prior to the Accounting Month ending on the first day of such calendar month and not theretofore paid over shall be paid over to the Grantee at or before 11:00 A.M. (local time in effect in The City of New York) on the Application Date which next follows the next to last Business Day of such calendar month in lawful money of the United States of America and in immediately available funds by a deposit to the credit of the Grantee's account (No. 39019753) with Citibank at 399 Park Avenue, New York, New York 10043. Upon the occurrence and during the continuance of any Event of Default (but not otherwise), the Grantee shall have the right to receive directly from the purchasers of the Production Payment Minerals, and to direct

such purchasers to pay directly to the Grantee, amounts to be paid for purchases of Production Payment Minerals, whether pursuant to Sales Contracts or otherwise.

10. Taking In Kind. From time to time upon the giving of at least 120 days' prior written notice to the Grantors (except that no such notice shall be required if an Event of Default shall have occurred and is continuing), the Grantee shall have the right, at its option, to take in kind all or any part of the Production Payment Minerals; *subject, however*, to (i) the rights of any purchasers under then existing Sales Contracts, and (ii) the right of the Grantors to purchase Production Payment Minerals pursuant to Paragraph 8 hereof. Each such notice from the Grantee shall specify the Minerals to be taken in kind, the date such taking is to commence and the proposed duration thereof. The Grantee shall market any such Production Payment Minerals promptly at the best price and on the best terms the Grantee shall determine in its good faith judgment are reasonably obtainable in the circumstances, and the Production Payment shall be credited with the proceeds of any such sale, in the same manner as if such Production Payment Minerals had been marketed by the Grantors. No such taking by the Grantee shall obligate the Grantors to incur additional expenses by reason of such taking, but the Grantors shall continue to pay all costs and expenses incurred by them in the same manner and to the same extent hereunder as if there had been no such taking, provided that the Grantors shall be reimbursed out of the proceeds of sale of such Production Payment Minerals marketed by the Grantee pursuant to this Paragraph 10, to the extent actually incurred by the Grantors, for the amount of all the transportation costs of the character referred to in Paragraph 3(h) and for the amount of all Subject Taxes attributable to the production and sale of the Production Payment Minerals so taken and marketed by the Grantee and the amount of any such transportation costs and Subject Taxes so reimbursed to the Grantors shall be deemed not to be proceeds of Production Payment Minerals received or realized by the Grantee.

11. Withholding and Restitution of Proceeds of Production Payment Minerals. All obligations of the Grantors hereunder shall be subject to the applicable provisions of each statute purporting to provide regulation of the sale of Minerals or establishing maxi-

mum prices at which the same may be sold and all applicable rules and regulations thereunder of each governmental agency, board or commission having jurisdiction. Rates permitted under each such statute and the rules and regulations thereunder to be paid for natural gas or other Minerals included in the Production Payment Minerals shall be controlling if lower than prices established in Sales Contracts or if lower than the fair market value at the wellhead or mine. The Grantors shall be entitled to use their reasonable discretion in making filings, for themselves and on behalf of the Grantee, with any governmental agency, board or commission having jurisdiction, affecting the price or prices at which Subject Minerals may be sold. If any proceeds of Production Payment Minerals shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantors pending a final, non-appealable order on any application for certificates or determinations with respect to a sale, or a rate increase, filed with any governmental agency, board or commission having jurisdiction (and the Grantors are hereby authorized to make such withholding pending such final determination), the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the Grantee; *provided, however*, that promptly (and in no event later than 30 days) following the receipt by the Grantors of a final non-appealable order in any such rate proceeding, the Grantors shall promptly pay over to the Grantee the amount of any proceeds of Production Payment Minerals so withheld by the Grantors, in conformity with such non-appealable order. If, at any time before or after receipt of the full aggregate sum specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of the proceeds of Production Payment Minerals, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; *provided, however*, that, if, at the time of such payment or restitution, the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the un-

liquidated balance of the Primary Sum shall thereupon be deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

12. Protection to Purchasers of Production. No person purchasing or taking or processing any Subject Minerals shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

13. Certain Payments by Grantor. The Grantors will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), the following:

(a) all *ad valorem* taxes (or taxes imposed in lieu thereof), all gross production, severance, excise and sales taxes, the excise tax imposed on any windfall profit from taxable crude oil by the Crude Oil Windfall Profit Tax Act of 1980 and any amendments or supplements thereto or tax enacted in substitution therefor, and any similar tax imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment or the Production Payment Minerals, or the proceeds thereof, or against the Grantee by reason of its ownership of the Production Payment or against any assignee or mortgagee of the Production Payment by reason of his or its interest as assignee or mortgagee, together with any interest or penalty payable in connection therewith, but any other tax, including, but not limited to, any tax imposed on net income or the right to do business shall be payable only to the extent provided in subparagraph (b) below;

(b) all taxes or other governmental charges of any kind or character whatsoever imposed on the Grantee (but not an assignee of Grantee) by any jurisdiction, including franchise and income taxes, other than income taxes imposed on (i) the amount received pursuant to subparagraph (c) of Paragraph 4 hereof, and (ii) any gain attributable to the sale or other disposition, in whole or in part, of the Production Payment to the extent such gain is attrib-

utable to consideration received by the Grantors in excess of the unliquidated balance of the Primary Sum allocable to the portion of the Production Payment so sold or disposed of; and

(c) obligations of the character referred to in subparagraph (f) of Paragraph 4 hereof.

Grantors shall have the right at their expense to contest any tax in good faith. The taxes which Grantors have agreed to pay or cause to be paid in subparagraphs (a) and (b) above are herein called "Subject Taxes".

14. Covenants of the Grantors. Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantors will, at their expense and regardless of who may be the operator or operators of the Subject Interests:

(a) subject to the provisions of subparagraph (c) of this Paragraph 14 and the provisions of Paragraph 21 of this Conveyance, cause the Subject Interests to be maintained and developed and continuously operated for the production of Minerals in a good and workmanlike manner and in accordance with sound field or mining practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith), all such operations to be carried on, to the extent reasonably practicable, without any preference being given to Minerals from sources other than the Subject Interests because of the fact that Grantors have created and conveyed the Production Payment: *provided, however*, that nothing contained in this subparagraph (a) shall be deemed to prevent or restrict any Grantor from electing not to participate in any operation which is to be conducted under the terms of any operating agreement, unit operating agreement, contract for development or similar instrument affecting or pertaining to the Subject Interests (or any portion thereof) and allowing consenting parties to conduct nonconsent operations thereon, if such election is made by such Grantor in good faith and in conformity with sound field or mining practices;

(b) jointly and severally assume liability for, and hereby agree to indemnify, protect, defend, save and keep harmless the

Grantee, and any lender to the Grantee and their representatives, and any successors and assigns from and against any and all royalties and all liabilities, obligations, losses, damages, penalties, fines, claims, actions, suits, costs, expenses and disbursements (including, without limitation, fees and disbursements of counsel and other legal and investigative fees and expenses) of whatsoever kind and nature, which may at any time be imposed on, be incurred by or on behalf of or be asserted against the Grantee or any such lender and in any way related to or arising out of (i) the ownership, producing, handling, storing, transporting, refining, controlling or other disposition of any Subject Minerals or any Production Payment Minerals (including, without limitation, the leakage or spillage of, or other pollution by, any Subject Minerals or Production Payment Minerals, or any tort claim or claim for damages of any kind or nature and any claim or liability in respect of any adverse environmental impact or effect) or (ii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition of all or any portion of the stock or substantially all of the assets of any Person directly or indirectly with any of the proceeds of the Purchase Price, whether or not the Grantee or any such lender is a party to such acquisition. The obligations of the Grantors under this subparagraph (b) shall survive the termination of the Production Payment. All payments required to be made pursuant to clause (ii) of this subparagraph (b) shall be made directly to the Grantee or such lender at Citibank New York, upon written demand by the Grantee or such lender. No provision of this subparagraph (b) or any other provision of this Conveyance shall be construed to be a waiver on the part of the Grantee or such lender of the benefit of any limitation of, or exemption from, liability accorded by any statute or rule of law;

(c) cause all machinery, equipment and facilities of any kind (including production platforms) now or hereafter located on the Subject Interests (or any portion thereof) and necessary to the effective operation thereof for the production of minerals therefrom to be provided and to be kept in good and efficient operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided for; *provided, however, that the Grantors*

shall not be required to repair, replace or rebuild any such machinery, equipment or facilities as to Subject Interests from which Minerals are produced (i) when such Subject Interests are jointly owned and are operated by a party other than any Grantor or an Affiliate of any Grantor and the operator decides not to repair, replace or rebuild such equipment, (ii) when failure to do so would not materially adversely affect the rate of production of Minerals, or (iii) if, as to any production platform located on the Subject Interests (or any portion thereof), including without limitation, equipment, machinery and facilities of any kind thereon, or any well or wells located on any such production platform, the Grantors shall pay over to the Grantee, for application to the discharge of the Production Payment, (x) quarterly, on or before 11:00 A.M. (local time in effect in The City of New York) on each Quarterly Application Date (herein in this Paragraph 14(c) called a "relevant Quarterly Application Date"); commencing with the second such Quarterly Application Date next following the date of loss of or damage to the relevant platform, that amount which, when added to all other amounts received by the Grantee pursuant to the provisions of Paragraph 6 hereof during the quarterly period commencing with (but not including) the last preceding Quarterly Application Date and ending with and including the relevant Quarterly Application Date, will cause the Grantee to receive on or before the relevant Quarterly Application Date a sum equal to (A) the aggregate of the amounts to be applied in accordance with subparagraphs (a), (b), (c), (d) and (e) of Paragraph 6 hereof during said quarterly period, *plus*, after the commencement of the Second Production Period, (B) an amount to be applied in accordance with subparagraph (f) of said Paragraph 6 sufficient to reduce the unliquidated balance of the Primary Sum on or before the relevant Quarterly Application Date to an amount equal to (1) the unliquidated balance of the Primary Sum on the last preceding Quarterly Application Date (after the application made on that date) less (2) an amount determined by multiplying the Primary Sum at the close of business on July 31, 1983 by the percentage shown on the Discharge Schedule under the heading "Hydrocarbons Monthly Percentage" or, in the event the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, under the heading "Minerals Monthly

Percentage", for each of the Application Dates in said quarterly period, and aggregating the products of such calculations (the aggregate of all such quarterly payments made under this clause (x) in respect of such platform (including all wells located thereon) not to exceed the aggregate fair market value at the wellhead, as reasonably determined by the Grantors with the concurrence of the Grantee, or, if the Grantee shall not concur with such determination by the Grantors, as determined by Ryder Scott Company Petroleum Engineers or other independent petroleum engineers satisfactory to the Grantors and the Grantee, as of the date of loss of or damage to the relevant platform, of all Subject Minerals that would have been produced from wells previously completed on such platform had the necessary repairs, replacements or rebuilding of such production platform, and any necessary redrilling or reworking of such wells, been carried out), or, at the sole option of the Grantors, (y) within thirty (30) days after the first to occur of (A) the receipt by the Grantors of the proceeds of any insurance recovered by the Grantors on account of loss of or damage to such platform or (B) the expiration of one (1) year from the date of such loss or damage, an amount equal to the aggregate fair market value at the wellhead of the Subject Minerals referred to, and determined as provided in, clause (x) above, and the amount of any such payments to the Grantee shall be deemed to be proceeds of Production Payment Minerals for all purposes of this Conveyance and shall be included in the written statement to be furnished to the Grantors by the Grantee pursuant to the last paragraph of Paragraph 6 hereof, but may be reflected as a payment received from the Grantors pursuant to this subparagraph(c);

(d) cause all necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Minerals and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand;

(e) cause written notice to be given to the Grantee of every adverse claim or demand made by any Person materially affecting the Subject Interests, the Subject Minerals or the proceeds there-

of in any manner whatsoever, and of any proceeding instituted in respect thereof;

(f) cause the interest of the Grantors in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling, mining and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance;

(g) subject to the provisions of Paragraph 21 of this Conveyance, cause all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance;

(h) (i) maintain, or cause to be maintained, insurance insuring the Grantors, to the extent of their respective interests therein, against loss of or damage to any and all machinery, equipment and facilities of any kind (including all production platforms) now or hereafter located on the Subject Interests (or any portion thereof) in amounts equal to the full insurable value of the Grantors' interest (as if this Conveyance had not been executed and delivered) in such machinery, equipment and facilities and covering loss or damage due to fire and windstorms, hurricanes and such other events, including blowout and cratering, usually covered by insurance carried by companies engaging in similar business and owning similar properties in the same general area or areas in which the relevant Subject Interests are located, and (ii) in addition to the insurance coverage required under clause (i) above, maintain, or cause to be maintained, insurance in such 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 relevant Subject Interests are located and as may be required by applicable law, which coverage shall in any event include the following:

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

(B) automobile public liability and property damage insurance, insuring the Grantor 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 (A) above, with a limit of liability of not less than \$500,000 for each occurrence;

(C) aviation public liability and property damage insurance, insuring the Grantors 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 (A) above, with a limit of liability of not less than \$10,000,000 for each occurrence; and

(D) marine public liability and property insurance, insuring the Grantors 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 (A) above, with a limit of liability of not less than \$500,000 for each occurrence.

All insurance required by this subparagraph (h) shall be maintained with responsible and reputable insurance companies or associations.

(i) In the event the Supplemental Instrument of Conveyance of Production Payment is executed and delivered, cause all contracts and rights (as in effect on the date hereof), with respect to the gas and water supply used in connection with the mining of the Subject Subsurface, to be maintained in full force and effect without any amendment, modification or waiver which might materially adversely affect the rights of the Grantee.

Notwithstanding the provisions of subparagraphs (a) and (g) of this Paragraph 14, the Grantors shall have the right to abandon any Subject Interest or any portion thereof from which Minerals have been produced and to discontinue performance of their obligations under said subparagraphs with respect to such Subject Interest or such portion thereof when (A) with respect to Subject Interests in Hydrocarbons there is no well located on such Subject Interest or such portion thereof which is capable of producing Hydrocarbons in paying quantities and when the Grantors have reasonably determined (i) that no existing well may be recompleted, and no additional well may be completed, thereon which would be capable of producing Hydrocarbons in paying quantities, and (ii) that no pressure maintenance or other recovery techniques or methods then currently in use by prudent operators may be instituted with respect to any existing well which would result in the production from such well of Hydrocarbons in paying quantities (for purposes of this sentence, any Subject Interest or any portion thereof which is committed to a unit or a joint operation and which is thereafter permanently abandoned under the applicable unit or operating agreement prior to termination of the unit or joint operation, shall be deemed an abandonment of such Subject Interest or such portion, as the case may be, by the Grantors which is permitted); and (B) with respect to Subject Interests in Sulphur, there is no mine located on such Subject Interest or such portion thereof which is capable of producing Sulphur in paying quantities.

For all purposes of this Paragraph 14, an existing well or mine located on any Subject Interest shall be deemed to be capable of producing Minerals "in paying quantities" unless a condition not of a temporary nature shall exist whereby the aggregate value of the Minerals produced from such well or mine, as the case may be, is less than the direct costs of operating such well or mine and preparing the production thereof for marketing. Further, a well on any Subject Interest in Hydrocarbons which may result from additional drilling or which may be the subject of recompletion, pressure maintenance or other recovery techniques or methods shall not be deemed to be capable of producing Hydrocarbons "in paying quantities" if, in the light of condition existing at the time of the determination and which are not of a temporary nature, it is estimated that the aggregate value of the Hydrocarbons to be produced from such well shall not exceed the then

estimated direct costs of operating such well and preparing the production therefrom for marketing, as well as the direct costs of providing the necessary installations for, and carrying out, any pressure maintenance or other recovery techniques or methods properly allocable to such well and the direct costs of recompleting such existing well or drilling, completing and equipping such additional well, in each case to the extent such direct costs are allocable to such Subject Interest.

As used herein, "direct costs" shall mean and include only (i) the cost of labor, transportation, other services, materials, equipment and supplies, (ii) amounts paid or to be paid independent contractors and (iii) amounts charged under applicable operating or unit agreements for or in lieu of general or administrative overhead or, with respect to those Subject Interests which are not subject to operating agreements, a reasonable amount for general and administrative overhead (which latter amount shall not in any event exceed 5% of the costs and amounts referred to in clauses (i) and (ii) above). Payments on account of the Production Payment or on account of royalties, overriding royalties or any other payments out of production shall not be deemed to constitute "direct costs".

Anything contained in this Paragraph 14 to the contrary notwithstanding, the Grantors shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantors with respect to individual Subject Interests of which none of them is the operator. In such case, however, the Grantors will use their best efforts to secure the performance of each of such undertakings.

15. Access to the Subject Interests. The Grantors shall permit any one or more representatives designated by the Granter to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition, the Grantors shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Minerals therefrom, provided that the Grantee shall conform to such confidentiality and secrecy requirements respecting such information as the Grantors shall in writing reasonably request.

16. Pooling and Unitization. Anything herein to the contrary notwithstanding, the Grantors may, without the consent of the Grantee (unless any party having an interest in the proposed unit is an Affiliate of any Grantor holding an interest in the unit not attributable to a Subject Interest, in which case the prior written consent of the Grantee shall be required to be obtained (except as to a unit required by governmental authority, for which no consent shall be required), which consent shall not be unreasonably withheld), pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units, or to reform, expand or modify units theretofore formed, when, in the judgment of the Grantors, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were specifically described in Exhibit A. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

17. Default by the Grantors and the Remedies of the Grantee. Any of the following events shall be an Event of Default (each such event being herein called an "Event of Default") under this Conveyance:

(a) any representation or warranty contained in Paragraph 20 of this Conveyance or in any certificate or statement delivered by the Grantors (or any of their officers) pursuant to subparagraph (b) of Paragraph 7 of this Conveyance shall be untrue when made in any respect which adversely affects the rate of discharge of the Production Payment or otherwise materially adversely affects the interests of the Grantee hereunder; or

(b) any Grantor shall default in the performance or observance of any term, covenant or condition on such Grantor's part to be performed or observed hereunder which default adversely affects the rate of discharge of the Production Payment or

otherwise adversely affects the interests of the Grantee hereunder, and such default shall continue unremedied for a period of 30 days after written notice shall have been given to such Grantor by the Grantee's demanding the performance or observance of the relevant term, covenant or condition (or, if such default is capable of being remedied by such Grantor but cannot be remedied within such 30-day period, such Grantor shall not have commenced to remedy such default within such period after receipt of such notice and thereafter shall not continuously and diligently pursue the remedying of the same until remedied); or

(c) any Grantor shall become insolvent, or be adjudicated a bankrupt, or make a general assignment for the benefit of its creditors, or shall generally not pay its debts as such debts become due, or admit in writing its inability to pay its debts generally as they mature, or voluntarily commence any proceeding or file any petition under any bankruptcy, insolvency or similar law or seeking dissolution or reorganization or the appointment of a receiver, trustee or liquidator for it or for a substantial portion of its assets, or file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it under any bankruptcy, insolvency or similar law; or

(d) an involuntary proceeding shall be commenced or an involuntary petition shall be filed against any Grantor under any bankruptcy, insolvency or similar law or seeking the dissolution or reorganization of such Grantor or the appointment of a receiver, trustee or liquidator for such Grantor or a substantial part of the property of such Grantor and such involuntary proceeding or involuntary petition shall not be dismissed within 60 days after the commencement or filing thereof, as the case may be.

Upon the occurrence and during the continuance of any Event of Default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity, do any of the following:

1. effect performance or observance of any such term, covenant or condition referred to in subparagraph (b) above on behalf of the expense of the Grantors, in which event the Grantee shall expend funds reasonably necessary to effect such purpose;

and shall be entitled to reimbursement therefor from the Grantors, together with interest on such amounts at a rate equal to the lesser of (x) the maximum rate of interest that may be lawfully charged on such amounts under applicable law or (y) the Applicable Rate in effect during the period from and including the date of such expenditure to the date of reimbursement; or

(ii) upon written notice to the Grantors, succeed to all rights of the Grantors with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon the Subject Interests (or any portion thereof) or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Minerals, and the Grantee shall have the right, on behalf of and for the account of the Grantors, to sell the Subject Minerals, and the Grantors shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at a rate equal to the Applicable Rate in effect during the period from and including the date of such expenditure to the date of reimbursement; or

(iii) apply to a court of equity for the specific performance or observance of any such term, covenant or condition referred to in subparagraph (b) above or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Minerals.

18. Exercise and Termination of the Remedies of the Grantee. All rights and remedies granted by the provisions of Paragraph 17 of this Conveyance and otherwise belonging to the Grantee shall be cumulative, and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All such rights and remedies shall terminate:

(a) when the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 17 of this Conveyance (including amounts payable on account of interest) shall have been paid in full, or

(b) at any earlier time when all defaults of the Grantors shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights conferred upon the Grantee upon any subsequent failure of the Grantors to perform or observe any of the terms, covenants or conditions herein provided to be performed or observed by the Grantors.

19. Reports to the Grantee. While the Production Payment remains in force and effect, the Grantors will, at their expense, furnish to the Grantee:

(a) Monthly, on or before the 25th day of each Accounting Month, or if such information is not available to the Grantors by such date, within five days after the required information is received by the Grantors, a report, in form and substance satisfactory to the Grantee, showing (i) the gross quantity of oil, condensate, plant products and gas and, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, of sulphur, included in the Subject Minerals sold by the Grantors, or taken by the Grantors for their own use, during the preceding Accounting Month, (ii) the net quantity of oil, condensate, plant products and gas (after deduction of oil and gas used in connection with the operation of the Subject Interests) included in the Subject Minerals produced and sold by the Grantors, or taken by the Grantors for their own use, during such preceding Accounting Month, (iii) the gross proceeds received from such sale, or attributable to such taking, of Subject Minerals (to the extent of the Grantors' net revenue interest therein) during such preceding Accounting Month, separately stated as to oil, condensate, plant products, gas and, if the Supplemental Instrument of Conveyance of Production Payment has been executed and delivered, as to sulphur, (iv) the amount of all costs incurred by the Grantors in transporting Subject Minerals so sold to the point of sale if sale is not made at the wellhead or mine, (v) the amount of all taxes and assessments attributable to the production and sale of such Subject Minerals, (vi) that portion of the foregoing quantities, proceeds, transportation costs, taxes and assessments allocable to the Production Payment Minerals and (vii) all

direct costs and operating costs incurred by the Grantors in producing and processing Subject Minerals.

(b) Annually, within 90 days after the end of each fiscal year of the Grantors, a reserve report of Ryder Scott Company Petroleum Engineers (or other independent petroleum engineers satisfactory to the Grantee and the lenders to the Grantee), substantially in the form and containing the same information (as of the end of such fiscal year) and using the same definitions and assumptions with respect to the Hydrocarbons recoverable from proved reserves attributable to the Subject Interests, as the latter report of Ryder Scott, dated June 29, 1981, delivered to the Grantee and the lenders to the Grantee prior to the date hereof.

(c) Such other information and reports (including financial statements of the Grantors and/or reports in respect of sulphur) as the Grantee may from time to time reasonably request in writing.

20. Representations, Warranties and Covenants. (a) The Grantors jointly and severally represent and warrant as follows:

(i) the Grantors have good and marketable title to the Subject Interests, which are presently valid, subsisting and in full force and effect, subject only to this Conveyance and the exceptions, restrictions, reservations, liens, charges, encumbrances and other matters, if any, as are set forth in Exhibit A relative thereto, and such Sales Contracts, operating agreements, unitization and pooling agreements and other agreements as are customarily found in connection with comparable drilling, mining and producing operations, none of which, singly or in the aggregate, materially adversely affect the Production Payment or the Production Payment Minerals or the proceeds thereof, or the rights of the Grantee therein or adversely affects the rate of discharge of the Production Payment;

(ii) the Grantors' interest in production of Hydrocarbons produced from each Subject Interest specifically described in Exhibit A hereto (after deducting all applicable royalties, overriding royalties, production payments and other payments out of

production not owned by the Grantors and before giving effect to the Production Payment hereby conveyed to the Grantee) is at the date hereof no less than that interest shown under the heading "Net Revenue Interest" opposite the description of each such Subject Interest;

(iii) the Grantors have the legal right, power and authority to create and confer upon the Grantee the rights of the Grantee granted by the terms of this Conveyance;

(iv) the Production Payment is, and at the time of proper recording of this Conveyance in each place as may be required by law in order fully to preserve and protect the interest of the Grantee in the Production Payment will be, free and clear of all liens, charges and encumbrances of every character, except the liens, charges and encumbrances permitted by Paragraph 14(f) hereof and except such liens, charges and encumbrances as may be vested in persons claiming the Production Payment or any interest therein by, through or under the Grantee;

(v) all taxes and assessments of any kind whatsoever (other than those contested by the Grantor in good faith) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests have been duly paid or provided for;

(vi) there are no suits or proceedings pending or, to the knowledge of the Grantors, threatened against or affecting the Subject Interests, or any part thereof, or the sale of Subject Minerals produced therefrom, before any court or by or before any governmental commission, bureau or any regulatory authority, which if decided adversely to the interests of the Grantors would materially adversely affect the Production Payment, or the Production Payment Minerals or the proceeds thereof or rights of the Grantee therein or would adversely affect the rate of discharge of the Production Payment;

(vii) to Grantors' knowledge, all rents and royalties that have become due prior to the Effective Date with respect to the Subject Interests or production therefrom, and all liabilities of any kind or nature incurred with respect to the Subject Interests prior

to such date, have been paid or have been provided for, and no Grantor has received any notice of default or claimed default with respect to the Subject Interests or any part thereof or any interest in production therefrom; and

(viii) all prices received by Grantors under presently existing Sales Contracts are collected in accordance with all existing rules, regulations, and orders of the Federal Energy Regulatory Commission, or its predecessor, establishing maximum lawful prices for the sale of natural gas.

(b) The Grantors hereby jointly and severally bind themselves, their successors and assigns, to warrant and forever defend their title to the Subject Interests and the Grantee's title to the Production Payment against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantors will indemnify and hold the Grantee harmless from and against all loss suffered by the Grantee resulting from any failure of or defect in the title to the Subject Interests or the Production Payment as warranted above in this Paragraph 20. This Conveyance is made with full substitution and subrogation of the Grantee in and to all covenants and warranties by others heretofore given or made in respect of the Subject Interests or any part thereof.

(c) The Grantors jointly and severally represent and warrant as follows:

(i) Each of the Grantors is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is duly qualified and in good standing as a foreign corporation in each State in which such Grantor owns Subject Interests and has the legal right, power and authority, corporate or otherwise, to conduct its business and to own its properties (including the Subject Interests) and to convey to the Grantee the Production Payment and all of the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto in the manner hereby contemplated, and to execute and deliver, and to perform all of its obligations under, this Conveyance.

(ii) The making and performance by the Grantors of this Conveyance, and the conveying by the Grantors to the Grantee of

the Production Payment, have been duly authorized by all necessary corporate action (including any shareholder approval) on the part of each Grantor and do not and will not (A) violate any provision of any law, rule, regulation, order, writ, judgment, decree or determination presently in effect having applicability to any Grantor or of the Certificate of Incorporation or By-laws of any Grantor, or (B) 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 any Grantor is a party or by which it or its properties may be presently bound or affected or (C) result in or require the creation or imposition of any mortgage, lien, pledge, security interest, charge or other encumbrance on, upon or of any of the properties or assets of any Grantor (including the Subject Interests) under any such indenture, bank loan or credit agreement or other agreement or instrument; and no Grantor is in default under any such order, writ, judgment, decree, determination, indenture, agreement or instrument in any way which materially adversely affects, or may materially adversely affect, the ability of the Grantors to perform their obligations under this Conveyance; and all consents or approvals under such indentures, agreements and instruments necessary to permit the valid execution, delivery and performance by the Grantors of this Conveyance and the conveying of the Production Payment by the Grantors to the Grantee have been obtained.

(iii) Assuming the due authorization and execution thereof on the part of the Grantee, this Conveyance constitutes the legal, valid and binding obligation of the Grantors enforceable against the Grantors in accordance with its terms, except as limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights.

(iv) All consents and waivers necessary to permit the valid conveying of the Production Payment to the Grantee have been obtained or the time for giving such consents or waivers has expired following a written request therefor given by the Grantor.

(v) No authorization, consent, approval, license or exemption of, and no filing or registration with, any court or governmental

department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or was necessary to the valid execution and delivery by the Grantors of this Conveyance or to the conveying by the Grantors to the Grantee of the Production Payment or to the performance by the Grantors of their obligations under this Conveyance (other than, in the State of Louisiana, with regard to leases from the State of Louisiana or political subdivisions thereof, certain governmental approvals which are not obtainable prior to the execution and delivery hereof and which are normally routine and will be obtained in due course) and in the case of the performance by the Grantors of such obligations, such authorizations, consents, approvals, licenses or exemptions which are routine and either have been obtained or will be obtained in due course.

(vi) No fire, explosion, accident, earthquake, act of the public enemy or other casualty (whether or not covered by insurance) materially adversely affecting any material portion of the Subject Interests or the operation thereof, or materially adversely affecting the ability of the Grantors to perform their obligations under this Conveyance, has occurred.

(vii) The offices where the Grantors keep their respective records concerning the Subject Interests and the Production Payment and the payments to be made to the Grantors in respect of production from the Subject Interests and in respect of the Production Payment are located in the State of Texas. The Grantors hereby agree that such records will be kept in such State or, after 60 days' prior written notice to the Grantee in respect thereof, in any other State or States of the United States.

(viii) No information, exhibit, memorandum or report (excluding estimates contained therein) furnished in writing by the Grantors to the Grantee in connection with the sale of the Production Payment, or by the Grantors to Ryder Scott Company Petroleum Engineers or DeGolyer and MacNaughton in connection with their evaluation of the Subject Interests contained any material misstatement of fact or omitted to state a material fact relative to the subject matter thereof or any fact necessary to make the statements contained therein not misleading. All estimates so furnished were prepared on the basis of assumptions, data, information,

tests or conditions believed to be valid or accurate or to exist at the time such material was so furnished.

(ix) All of the properties and interest with respect to which value was given in the financial and engineering reports submitted by Ryder Scott Company Petroleum Engineers and the Grantors to the Grantee and its lenders in connection with the negotiations for the purchase and financing of the Production Payment are Subject Interests (or, if less than all, the net effect of such difference is negligible).

(x) Since March 31, 1981 there has not been such a significant adverse change in the financial condition of the Grantors, viewed as a whole, as to materially impair their ability to perform the obligations of the Grantors set forth in this Conveyance.

The covenants, representations and warranties contained in this Paragraph 20 shall survive the discharge of the Production Payment.

21. Transfer of the Subject Interests. Except to the extent required by the terms of the relevant operating agreement, unit operating agreement, contract for development or other instrument in connection with nonconsent operations conducted with respect to any Subject Interest (or any portion thereof) as to which any Grantor's election not to participate shall have been made in conformity with the provisions of Paragraph 14(a) of this Conveyance, and except as otherwise permitted by Paragraphs 14 and 16 of this Conveyance, the Grantors shall not, prior to the termination of the Production Payment, without the prior written consent of the Grantee, which consent shall not be unreasonably withheld, make or permit (i) any surrender, abandonment, sale, conveyance, assignment, lease, sublease or farmout, in whole or in part, of any of the Subject Interests insofar as they include or cover Hydrocarbons, or (ii) after the execution and delivery of the Supplemental Instrument of Conveyance of Production Payment, any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests insofar as they include or cover sulphur.

22. Exception to Payments. The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking excep-

tion to the correctness of the amount thereof; *provided, however*, that any such exception must be specified by the Grantee in a notice given to the Grantors within 12 months after the date such payment is made.

23. Transfer of the Production Payment. Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

24. Rights of Mortgagee or Trustee. If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee(s) or trustee(s) therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantors, but the provisions of this Paragraph 24 shall in no way be deemed or construed to impose upon the Grantors any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

25. Grantors' Rights to Make Payments to be Applied to Discharge of Production Payment. Anything in this Conveyance to the contrary notwithstanding, the Grantors shall have the right, at any time and from time to time, upon written notice furnished to the Grantee and each of the mortgagees and trustees referred to in Paragraph 24 hereof not less than 15 days before the Application Date on which the Grantors exercise such right, to make payment (out of any funds of the Grantors whether or not such funds are proceeds from the Subject Minerals) to the Grantee on any Application Date, which payments shall be deemed to be proceeds of Production Payment Minerals for purposes of this Conveyance and shall be applied to the discharge of the Production Payment pursuant to the provisions of Paragraph 6 hereof, *provided, however*, that the Grantee has been provided with the indemnity specified in Paragraph 5. Any such payment shall be in an amount sufficient to reduce the Primary Sum by \$50,000,000, or a multiple thereof (unless the full aggregate sum of the amount specified in subparagraphs (a), (b), (c), (d), (e) and (f) of Paragraph 4 hereof, after application of

the proceeds of Production Payment Minerals on such Application Date, is less than \$50,000,000, in which event such payment shall be an amount equal to such full aggregate sum), and shall be made by a deposit to the credit of Grantee's account (No. 39019753) with Citibank at 399 Park Avenue, New York, New York 10043, in lawful currency of the United States of America and in immediately available funds. No payment made by the Grantors pursuant to this Paragraph 25 shall be added to, or have the effect of increasing, the Purchase Price.

26. Notices. Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other Person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or Person or to an officer of such party or Person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantors to Pennzoil Company, Pennzoil Place, P.O. Box 2967, Houston, Texas 77002, Attention: Harold E. Sortor, and if to the Grantee to 100 West Tenth Street, Wilmington, Delaware 19801, Attention: Joseph A. Barbera, or to such other address as the party or Person to be addressed shall have designated by written notice to the party or Person giving such notice or furnishing such report or making such request or demand.

27. Further Assurances. So long as permitted by applicable law so to do, the Grantors will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary and more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

28. Binding Effect. All the covenants and agreements of the Grantors contained in this Conveyance shall be deemed to be covenants running with the land and the Subject Interests and shall be binding upon all successors in interest to, and all assigns of, the Grantors and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. All references herein to either the Grantors or the Grantee shall include their respective successors and assigns, except that the term "Grantee" as used in this Conveyance shall not

include any collection agent of any mortgagee or assignee for security purposes of the Grantee appointed by such mortgagee or assignee without the consent of the Grantors.

29. Release or Failure of Title. No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing, or increasing the amount of production of Subject Minerals out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interests until the full amount of the Production Payment has been received by the Grantee as herein provided.

30. Governing Law. The validity, effect and construction of this Conveyance insofar as it relates to any conveyance or other disposition affecting any Subject Interest, any warranties of title relating thereto and the remedies herein provided for or provided for by law with respect to such Subject Interest shall be governed by the laws of the jurisdiction in which such Subject Interest is located. With respect to all other matters (including, without limitation, matters of construction, validity and performance other than as set forth above in this Paragraph 30), this Conveyance shall be governed by and construed in accordance with the laws of the State of Texas.

31. Final Termination. Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate one day prior to the expiration of 21 years after the death of the survivor of all the descendants of Joseph P. Kennedy, father of the late President of the United States, who are living on the Effective Date.

32. Headings. Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, the Grantors and the Grantee have executed this instrument in the presence of the undersigned witnesses on the date set forth in the acknowledgments annexed hereto, in several counter-

parts (one of which with all of the property descriptions included in Exhibit A is on file at the office of the Grantee referred to in Paragraph 26 hereof, one of which with all said property descriptions is to be recorded in Terrebonne Parish, Louisiana, and one of which with all said property descriptions is to be recorded in Culberson County, Texas) each of which is an original and all of which are identical, except that, to facilitate recordation, there are omitted from certain counterparts those property descriptions in Exhibit A which contain descriptions of property located in recording jurisdictions other than the jurisdiction (County or Parish) in which the particular counterpart is to be recorded. Each of the counterparts of this Conveyance so executed shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Conveyance.

PENNZOIL COMPANY
 PENNZOIL PRODUCING COMPANY
 PENNZOIL OIL & GAS, INC.
 DUVAL CORPORATION

By _____
Group Vice President,
 Pennzoil Company

[CORPORATE SEAL]

Vice President,
 Pennzoil Producing
 Company

[CORPORATE SEAL]

Vice President,
 Pennzoil Oil & Gas, Inc.

[CORPORATE SEAL]

Vice President,
 Duval Corporation

[CORPORATE SEAL]

Attest:

.....
 SALLY HAZEN, *Secretary*, Pennzoil Company
Secretary, Pennzoil Producing Company
Secretary, Pennzoil Oil & Gas, Inc.
Assistant Secretary, Duval Corporation

Grantors

The address of Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation is:

c/o Pennzoil Company
 Pennzoil Place
 P.O. Box 2967
 Houston, Texas 77002

[CORPORATE SEAL]

NEW DUNSTAN, INC.

Attest:

By
Vice President

Grantee

The address of New Dunstan, Inc. is:

100 West Tenth Street
 Wilmington, Delaware 19801

.....
 ANDREW M. BAKER,
Assistant Secretary

Executed by all parties in the presence of the undersigned competent witnesses:

.....
Witness

.....
Witness

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

BE IT REMEMBERED, that I, Douglas A. Stuart, a Notary Public duly qualified, commissioned, sworn and acting in and for the County and State aforesaid, hereby certify that on this 16th day of July, 1981:

There appeared before me severally each of the following persons, each residing at the address set forth below his name, and each the designated officer of the corporations set opposite his name, each such corporation being a corporation of the state indicated and being a party to the foregoing instrument:

Harold E. Sortor	Group Vice President of Pennzoil Com-
910 Oak Valley	pany, a Delaware corporation.
Houston, Texas 77024	

Vice President of Pennzoil Producing
Company, a Delaware corporation.

Vice President of Pennzoil Oil & Gas, Inc.,
a Delaware corporation.

Vice President of Duval Corporation, a
Delaware corporation.

Joseph Nalle	Vice President of New Dunstan, Inc., a
3024 Chevy Chase	Delaware corporation.
Houston Texas	

(Alabama)

Before me personally appeared each such person, whose names are signed to the foregoing conveyance, and who are known to me, and acknowledged before me on this day that, being informed of the contents of the conveyance, each, as such officer of each of the corporations set opposite his name and with full authority, executed the same voluntarily for and as the act of said corporation.

(Arkansas)

Before me appeared each such person, to me personally well known, and each stated that he is the designated officer of each of the corporations set opposite his name, and he is duly authorized in his capacity to execute the foregoing instrument for and in the name of said corporation, and further stated and acknowledged that he had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

(Louisiana)

Before me appeared each such person, to me personally known, who being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal of such corporation affixed to the foregoing instrument is the corporate seal of the corporation and that the instrument was signed and sealed in behalf of the corporation by authority of the Board of Directors of such corporation and that each acknowledged the instrument to be the free act and deed of the corporation.

(Mississippi)

Before me personally appeared each such person and acknowledged that he signed and delivered the foregoing instrument on the day and year therein mentioned as the act and deed of each of the corporations set opposite his name, having first been authorized to do so.

(Montana)

Before me personally appeared each such person, known to me to be the designated officer of each of the corporations set opposite his name that executed the within instrument and acknowledged to me that such corporation executed the same.

(New Mexico)

Before me on this date appeared each such person, to me personally known, each of whom, being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and each such person acknowledged said instrument to be the free act and deed of said corporation.

(New York) Before me personally came each such person, to me personally known, and each, being by me duly sworn, did depose and say that he resides at the address set forth below his name and is the designated officer of each of the corporations set opposite his name and that said corporation is described in and executed the above instrument; that he knows the seal of the corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed in order of the Board of Directors of the corporation; and that he signed the same thereto by like order and that the instrument was the free act and deed of the corporation.

(North Dakota) Before me on this date personally appeared each such person, known to me to be the designated officer of each of the corporations set opposite his name, which corporation is described in and executed the within instrument, and each acknowledged to me that such corporation executed the same.

(Pennsylvania) Before me personally appeared each such person and acknowledged himself to be the designated officer of each of the corporations set opposite his name, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

(Texas) Before me on this day personally appeared each such person, each of whom is 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 each of the corporations set opposite his name, and each acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

(West Virginia) Each such person has this day in my said County, before me, acknowledged the said instrument to be the act and deed of each of the corporations set opposite his name.

(Wyoming) Before me on this day appeared each such person to me personally known, each of whom, being by me duly sworn, did say that he is the designated officer of each of the corporations set opposite his name, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and each such person acknowledged it to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this 16th day of July, 1981.

Notary Public

.....
Notary Public State of New York

No. 1729635

Qualified in New York County

Commission Expires March 30, 1983

My Commission expires
March 30, 1983.

EXHIBIT A
to
**Instrument of Conveyance
of Production Payment**

**ATTACHED TO AND FORMING A PART OF THAT CERTAIN
INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT
DATED JULY 16, 1981 BETWEEN
PENNZOIL COMPANY, ET AL. AND
NEW DUNSTAN, INC.**

This Exhibit A contains the specific descriptions of the Subject Interests which are referred to in Paragraph 1 of this Instrument of Conveyance of Production Payment as being specifically described or referred to in this Exhibit A.

PART ONE of this Exhibit A sets forth those Subject Interests located on shore Texas and Louisiana, and PART TWO of this Exhibit A sets forth those Subject Interests located in the States of Alabama, Arkansas, Louisiana, Mississippi, Montana, New Mexico, New York, North Dakota, Pennsylvania, Texas, West Virginia and Wyoming.

The Subject Interests are expressly limited to the Leases set forth in this Exhibit A insofar and only insofar as they cover lands and depth intervals in which one or more of the Grantors own or hold an interest and do not include lands and depth intervals in which none of the Grantors own an interest, even though such lands or depth intervals are covered by the Leases set forth in this Exhibit A.

PART ONE of this Exhibit A refers to the "BLM or State Lease No." for each of the Leases listed therein. Those Leases so listed having a number with the prefix "OCS-G" are Leases issued by the United States of America as Lessor through the Bureau of Land Management (the "BLM") of the United States Department of the Interior. Those Leases listed in Part One of this Exhibit A having a number with the prefix "St. Ls." are Leases issued by the State of Louisiana as Lessor.

In the case of each Subject Interest set forth in PART ONE of this Exhibit A, there is shown under the heading "Net Revenue Interest" Pennzoil Oil & Gas, Inc.'s (under the sub-heading "POGI") and Pennzoil Producing Company's (under the sub-heading "PPC") respective interest (expressed in per centages) in total production of Hydro-

carbons produced and saved from and that accrues or is attributable to the relevant Subject Interest, after deducting all applicable royalties, overriding royalties, production payments and other payments out of production not owned by Pennzoil Oil & Gas, Inc. or Pennzoil Producing Company, as the case may be.

In PART TWO of this Exhibit A, there is shown opposite (i) the description of each Subject Interest, or (ii) the well located upon or from which production is attributable to such Subject Interest or (iii) the unit which contains such Subject Interest or a portion thereof, under the heading "Net Revenue Interest" the aggregate interest of Grantors (expressed in decimals) in total production of Hydrocarbons produced and saved from and that accrues or is attributable to the relevant Subject Interest, well or unit, as the case may be, after deducting all applicable royalties, overriding royalties, production payments and other payments out of production not owned by the Grantors or any of them. Where the Net Revenue Interest is listed opposite a well or unit, the relevant Subject Interests are listed below such well or unit.

The Leases set forth in PART TWO of this Exhibit A may be committed to more than one pool or unit, or may cover lands situated in more than one county or parish; consequently, such Leases may be listed more than once in this Exhibit A. Such repetition is not intended to nor shall it be construed as enlarging or otherwise affecting the Subject Interest or Subject Interests which appertain to such Lease.

All recording references in PART TWO of this Exhibit A are to the official records in the office of the county or parish clerk or recorder of the counties or parishes in which the relevant Subject Interests are situated.

On the pages of PART TWO of this Exhibit A relating to lands located in various Parishes within the State of Louisiana, the State of Louisiana is identified in the first line of the upper left corner of each of said pages by the letters "LA" and the respective Parishes are identified in the second line of the upper left corner of each of said pages. The column appearing on each of said pages under the heading "Recording Book-Page" or "Recorded Book-Page" sets forth recording references to the public records of the particular Parish concerning the "Book" referred to is the book maintained by each Parish as a part of its official Conveyance Records, including the Conveyance

Book or any book which the Parish may maintain for the recordation of documents evidencing oil, gas and mineral transactions. In some instances, the recording reference set forth may also include (or consist solely of) the entry number, file number, original act number, or registry number, etc. under which a particular document is filed.

In the Description of the Subject Interests for the states of New York, Pennsylvania and West Virginia, the Net Revenue Interest of Grantors is listed opposite a "Farm" number and name. The Farm designation denotes the interest of the Grantors with reference to a single and unique royalty interest originating from one grantor or lessor (either leasehold or fee). All of the Leases to which the Farm designations relate are described in the pages immediately following the listing of Farms, by county, and the description of such Leases, standing alone, constitutes a complete description of all of the Leases intended to be covered by this Conveyance.

PART ONE
OFFSHORE SUBJECT INTERESTS
TEXAS

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>FOGI</u>	<u>PPC</u>
OCS-G-2398	8- 1-73	All of Block A-273, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.12639	11.24999
OCS-G-2403	8- 1-73	All of Block A-279, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	14.16666
OCS-G-2414	8- 1-73	All of Block A-323, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	11.66662
OCS-G-2416	8- 1-73	All of Block A-325, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	7.22016	57.14286
OCS-G-2418	8- 1-73	All of Block A-327, High Island Area, East Addition, South Extension OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2422	8- 1-73	All of Block A-332, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	8.33333
OCS-G-2739	7- 1-74	All of Block A-339, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2426	8- 1-73	All of Block A-340, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	1.00124	28.33332
OCS-G-2429	8- 1-73	All of Block A-351, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	2.88528	36.62186
OCS-G-2745	7- 1-74	All of Block A-355, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	7.34246	9.44166

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POGI	PPC
OCS-G-2746	7- 1-74	All of Block A-356, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.01245	12.49999
OCS-G-2366	8- 1-73	All of Block A-474, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2367	8- 1-73	S 1/2 of NE 1/4 & SE 1/4 of Block A-475, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.001241	9.999996
OCS-G-2372	8- 1-73	All of Block A-489, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.49999
OCS-G-3118	4- 1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	1.10137	13.66667
OCS-G-2378	8- 1-73	All of Block A-520, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	9.99999
OCS-G-2704	7- 1-74	All of Block A-545, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	6.67497	8.33333
OCS-G-2779	10- 1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2705	7- 1-74	All of Block A-547, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2706	7- 1-74	All of Block A-548, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	8.67746	11.66666
OCS-G-2384	8- 1-73	All of Block A-555, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.00124	12.08332
OCS-G-2388	8- 1-73	All of Block A-563, High Island Area, South Addition, OCS Official Leasing Map, Texas Map, No. 7B	1.00124	9.99999
OCS-G-2389	8- 1-73	All of Block A-564, High Island Area, South Addition, OCS Official Leasing Map, No. 7B	1.00124	9.99999

BLM or State Leasing No.	Effective Date	Description	Net Revenue Interest	
			POGI	PFC
OCS-G-239C	8- 1-73	All of Block A-570, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.01958	16.97190
OCS-G-2719	7- 1-74	All of Block A-582, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	1.17780	11.76499

LOUISIANA

St. Ls. 7604	4-17-76	<p><i>TRACT 14836 — PORTION OF BLOCK 3 SABINE PASS AREA, Cameron Parish, Louisiana. That portion of Block 3, Sabine Pass Area, Cameron Parish, Louisiana, belonging to the State of Louisiana and not under a mineral lease on January 23, 1978, described as follows: Beginning at a point on the North line of Block 3, Sabine Pass Area having Lambert Plane Coordinates of X = 1,217,855.14 and Y = 364,274.14; thence East 9,612.44 feet along said North line to a point having Lambert Plane Coordinates of X = 1,227,467.58 and Y = 364,274.14; thence Southerly and Southwesterly along an arc having a radius of 18,240.60 feet and a vertex of X = 1,209,227 and Y = 364,245 to a point on the South line of said Block 3, having Lambert Plane Coordinates of X = 1,219,987.06 and Y = 349,516.10; thence West 2,131.92 feet along said South line to a point having Lambert Plane Coordinates of X = 1,217,855.14 and Y = 349,516.10; thence North 14,758.04 feet to the point of beginning, estimated to contain approximately 2,497.59 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources, LESS AND EXCEPT that portion thereof, if any, which is more than three nautical miles from the coast line as determined by the Report of the Special Master in the litigation in the Supreme Court of the United States styled United States v. State of Louisiana et al. No. 9 Original,</i></p>	38.125	
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<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>FOCI</u>	<u>PPC</u>
		said three mile line as set out in the June, 1975, decree of the Supreme Court. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone).		
OCS-G-4144	9- 1-79	That portion of Block 3 which is more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (United States vs. Louisiana, 422 U.S. 13) Sabine Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 12.		41.66665
OCS-G-4379	11- 1-80	All of Block 53, West Cameron Area, as shown on OCS Leasing Map, Louisiana Map No. 1		41.66665
OCS-G-2839	12- 1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	8.34372	20.83333
OCS-G-2224	2- 1-73	All of Block 532, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS-G-2225	2- 1-73	All of Block 533, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	2.22609	22.22499
OCS G-3284	8- 1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.03113	20.83332
OCS-G-2436	8- 1-73	All of Block 586, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	16.68742	
OCS-G-2021	2- 1-71	All of Block 587, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1 B	22.80504	
OCS-G-2850	12- 1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555
OCS-G-2559	5- 1-74	All of Block 617, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	8.89996	5.55555

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			FOGI	PFC
OCS-G-2860	12- 1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	2.22499	5.55555
OCS-G-2045	1- 1-71	All of Block 270, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.68741	
OCS-G-2062	2- 1-71	All of Block 334, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2439	8- 1-73	All of Block 335, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	23.36239	
OCS-G-2078	2- 1-71	All of Block 228, Vermilion Area, OCS Official Leasing Map, Louisiana Map No. 3	17.9273	
OCS-G-2882	12- 1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2883	12- 1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-2587	5- 1-74	All of Block 128, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	8.89995	5.55555
OCS-G-0479	12- 1-54	All of Block 53, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		83.33333
OCS-G-0478	1- 1-55	E 1/4 of Block 116, Eugene Island Area as shown on Official Leasing Map, Louisiana Map No. 4 Outer Continental Shelf Leasing Map (Louisiana Offshore Operations)		41.66665
OCS-G-2102	2- 1-71	All of Block 256, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	23.1054	
OCS-G-2900	12- 1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888
OCS-G-3156	7- 1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	5.56247	13.88888

BLM or State Lease No.	Effective Date	Description	Net Revenue Interest	
			POCA	RFC
OCS-G-2104	2- 1-71	All of Block 295, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	6.76497	
OCS-G-2607	5- 1-74	All of Block 312, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	2.22499	22.22221
OCS-G-2115	1- 1-71	All of Block 330, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	16.68741	
OCS-G-2317	2- 1-73	All of Block 333, Eugene Island Area, South Addition, OCS Official Leasing Map No. 4A	2.22499	22.22221
OCS-G-3332	3- 1-76	All of Block 337, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	16.68741	
OCS-G-3409	1- 1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	8.34371	20.83333
OCS-G-0823	5- 1-60	All of Block 186, Ship Shoal Area, as shown on Official Leasing Map, Louisiana Map No. 5, Outer Continental Shelf Leasing Map (Louisiana Off-shore Operations)		28.33332
OCS-G-1525	7- 1-67	All of Block 222, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		15.83332
OCS-G-1984	9- 1-70	N 1/4 Block 225, Ship Shoal Area, OCS Official Leasing Map, Louisiana Map No. 5		19.79165
OCS-G-2177	11- 1-72	All of Block 49 South Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 9	3.33748	8.33333
OCS-G-3416	1- 1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs. Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 9	6.67497	16.66667

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
St. Ls. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	5.92738	12.80
OCS-G-2185	10- 1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 288), South Pass Area, South and East Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 9A	5.00622	12.49999
OCS-G-3195	7- 1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-3417	1- 1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975 (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971) as shown on OCS Official Leasing Map, Louisiana Map No. 10	7.54441	18.83758
OCS-G-2947	12- 1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	7.54441	18.83758

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Net Revenue Interest</u>	
			<u>POGI</u>	<u>PPC</u>
OCS-G	10- 1-72	All of Block 140, Main Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 10	3.33748	8.33333
OCS-G-3206	7- 1-75	All of Block N663E63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63), Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10	3.33748	8.33333
OCS-G-3500	8- 1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	10.01245	25.0000
OCS-G-3785	6- 1-78	All of Block 372, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A	12.4999	12.4999

PART TWO

STATES OF ALABAMA, ARKANSAS, LOUISIANA, MONTANA, MISSISSIPPI,
NEW MEXICO, NORTH DAKOTA, TEXAS, WYOMING, NEW YORK,
PENNSYLVANIA AND WEST VIRGINIA

EXHIBIT B
to
Instrument of
Conveyance of
Production Payment

DISCHARGE SCHEDULE

<u>Regular Application Date</u>	<u>Hydrocarbons Monthly Percentage</u>	<u>Minerals Monthly Percentage</u>
October 1, 1983	1.2011%	0.9320%
November 1, 1983	1.2011%	0.9320%
December 1, 1983	1.2011%	0.9320%
January 1, 1984	1.2011%	0.9320%
February 1, 1984	1.2279%	0.9800%
March 1, 1984	1.2279%	0.9800%
April 1, 1984	1.2279%	0.9800%
May 1, 1984	1.2279%	0.9800%
June 1, 1984	1.2279%	0.9800%
July 1, 1984	1.2279%	0.9800%
August 1, 1984	1.2279%	0.9800%
September 1, 1984	1.2279%	0.9800%
October 1, 1984	1.2279%	0.9800%
November 1, 1984	1.2279%	0.9800%
December 1, 1984	1.2279%	0.9800%
January 1, 1985	1.2279%	0.9800%
February 1, 1985	1.2708%	1.0600%
March 1, 1985	1.2708%	1.0600%
April 1, 1985	1.2708%	1.0600%
May 1, 1985	1.2708%	1.0600%
June 1, 1985	1.2708%	1.0600%
July 1, 1985	1.2708%	1.0600%
August 1, 1985	1.2708%	1.0600%
September 1, 1985	1.2708%	1.0600%
October 1, 1985	1.2708%	1.0600%
November 1, 1985	1.2708%	1.0600%
December 1, 1985	1.2708%	1.0600%
January 1, 1986	1.2708%	1.0600%
February 1, 1986	1.3834%	1.2440%
March 1, 1986	1.3834%	1.2440%
April 1, 1986	1.3834%	1.2440%
May 1, 1986	1.3834%	1.2440%
June 1, 1986	1.3834%	1.2440%
July 1, 1986	1.3834%	1.2440%
August 1, 1986	1.3834%	1.2440%
September 1, 1986	1.3834%	1.2440%
October 1, 1986	1.3834%	1.2440%

DISCHARGE SCHEDULE — Continued

Regular Application Date	Hydrocarbons Monthly Percentage	Minerals Monthly Percentage
November 1, 1986	1.3834%	1.2440%
December 1, 1986	1.3834%	1.2440%
January 1, 1987	1.3834%	1.2440%
February 1, 1987	1.3137%	1.2720%
March 1, 1987	1.3137%	1.2720%
April 1, 1987	1.3137%	1.2720%
May 1, 1987	1.3137%	1.2720%
June 1, 1987	1.3137%	1.2726%
July 1, 1987	1.3137%	1.2720%
August 1, 1987	1.3137%	1.2720%
September 1, 1987	1.3137%	1.2720%
October 1, 1987	1.3137%	1.2720%
November 1, 1987	1.3137%	1.2720%
December 1, 1987	1.3137%	1.2720%
January 1, 1988	1.3137%	1.2720%
February 1, 1988	1.3244%	1.3720%
March 1, 1988	1.3244%	1.3720%
April 1, 1988	1.3244%	1.3720%
May 1, 1988	1.3244%	1.3720%
June 1, 1988	1.3244%	1.3720%
July 1, 1988	1.3244%	1.3720%
August 1, 1988	1.3244%	1.3720%
September 1, 1988	1.3244%	1.3720%
October 1, 1988	1.3244%	1.3720%
November 1, 1988	1.3244%	1.3720%
December 1, 1988	1.3244%	1.3720%
January 1, 1989	1.3244%	1.3720%
February 1, 1989	1.3351%	1.4920%
March 1, 1989	1.3351%	1.4920%
April 1, 1989	1.3351%	1.4920%
May 1, 1989	1.3351%	1.4920%
June 1, 1989	1.3351%	1.4920%
July 1, 1989	1.3351%	1.4920%
August 1, 1989	1.3351%	1.4920%
September 1, 1989	1.3351%	1.4920%
October 1, 1989	1.3351%	1.4920%
November 1, 1989	1.3351%	1.4920%
December 1, 1989	1.3351%	1.4920%
January 1, 1990	1.3351%	1.4920%
February 1, 1990	0.9320%	1.4464%
March 1, 1990	—	1.4464%
April 1, 1990	—	1.4464%
May 1, 1990	—	1.4464%
June 1, 1990	—	1.4464%

EXHIBIT C
to
Instrument of Conveyance
of Production Payment

PENNZOIL COMPANY, ET AL.

TO

NEW DUNSTAN, INC.

Supplemental Instrument of Conveyance
of
Production Payment

Dated as of, 198 .

Supplementing the
Instrument of Conveyance of Production Payment
Dated July 16, 1981

Return recorded counterparts to:

PENNZOIL COMPANY
Pennzoil Place, P.O. Box 2967
Houston, Texas 77002
Attention: Mr.

THIS SUPPLEMENTAL INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (the "Supplemental Conveyance") dated _____, 1981, from PENNZOIL COMPANY, a Delaware corporation, PENNZOIL PRODUCING COMPANY, a Delaware corporation, PENNZOIL OIL & GAS, INC., a Delaware corporation, and DUVAL CORPORATION, a Delaware corporation (the "Grantors"), to NEW DESTAN, INC., a Delaware non-profit corporation (the "Grantee"),

WITNESSETH :

WHEREAS, the Grantors and the Grantee have heretofore entered into _____ Instrument of Conveyance of Production Payment dated July 16, 1981 (the "Conveyance") and an executed counterpart of the Conveyance was filed for record in Volume _____, Page _____ of the Deed Records of Culberson County, Texas, to which recorded counterpart reference is made for all purposes; and

WHEREAS, the Grantors desire to supplement Exhibit A to the Conveyance pursuant to and in the manner prescribed by subparagraph (b) of Paragraph 7 of the Conveyance;

NOW, THEREFORE, the Grantors hereby execute and deliver this Supplemental Conveyance as follows:

1. Additions to Exhibit A. Exhibit A to the Conveyance is hereby supplemented by adding thereto the following:

PART THREE

**SULPHUR
CULBERSON COUNTY, TEXAS**

I.

PATENTED MINING CLAIM

563.6 acres of land out of Section 2, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain thirty-four (34) Mineral Patents identified as (i) Nos. 358-368, Volume 40-B, recorded in Volume 6, Pages 456-466; (ii) No. 212, Volume 42-B, recorded in Volume 7, Page 584; and (iii) Nos. 370-391, Volume 40-B,

recorded in Volume 6, Pages 468-489, (all recordation in the Patent Records of Culberson County, Texas-), subject, however, to (i) the royalty of the State of Texas equal to six and one-fourth percent (6¼%) of the value of the production of sulphur and certain other minerals from said unpatented claims and awards as shown by the net smelter, mill, mint or refinery returns or of the gross sums arising from the sale of the ore or products from such claims and awards and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one-thirty second of the gross value of all production from said mining claims of sulphur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967, and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas from Topat Oil Corporation to Duval Corporation, insofar as the same relates to the above-described claims.

II.

LEASEHOLD

An undivided one-half ($\frac{1}{2}$) interest in and to 160 acres of land out of Sections 2 and 3, Block 111, PSL Survey, Culberson County, Texas, and being further identified as the "Dot" Mining Claim, Mineral Patent No. 70, covered by Sulphur Lease dated September 29, 1967, from R. B. McGowan, Jr., et al, to Duval Corporation, and recorded in Volume 3, page 212, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty on all sulphur mined, saved and marketed from said land by Lessee of one-sixth ($\frac{1}{6}$ th) (reduced to one twelfth ($\frac{1}{12}$ th) by reason of proportionate reduction clause), f.o.b., mine site.

III.

LEASEHOLD

An undivided one-half ($\frac{1}{2}$) interest in and to 160 acres of land out of Sections 2 and 3, Block 111, PSL Survey, Culberson County, Texas, and being the "Dot" Mining Claim, Mineral Patent No. 70, covered by Sulphur Lease dated September 14, 1967, from Toyah Valley Sulphur Co. Bondholders, Inc. to Fred Prickett, and recorded in Volume 3, Page

309, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($1/6$ th) (reduced to one-twelfth ($1/12$ th) by reason of proportionate reduction clause), of the gross production of sulphur produced from the leased premises.

IV.

LEASEHOLD

555 acres of land out of Section 3, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated November 7, 1967, from the State of Texas to W. C. Tillett, General Land Office Sulphur Lease No. 61880, and recorded in Volume 3, page 242, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($1/6$ th) of the gross production, or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

V.

PATENTED MINING CLAIMS

639.96 acres of land out of Section 4, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those thirty-six (36) Mineral Patents identified as Nos. 256-291, Volume 38 B, recorded in Volume 5, Pages 326-361, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or of the gross sums arising from the sale of the ore or products from such claims and awards by the owner thereof.

VI.

LEASEHOLD

214.27 acres of land out of Section 9, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated April 15, 1968, from R. B. McGowen, Jr., et al, to Duval Corporation, General Land Office Mineral File No. M-61178, and

recorded in Volume 5, page 72, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($\frac{1}{6}$ th) of the gross production of sulphur produced from said leased premises, reserved in said lease.

VII.

PATENTED MINING CLAIMS

425.58 acres of land out of Section 9, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain twenty-three (23) Mineral Patents identified as Nos. 173-195, Volume 39-B, recorded in Volume 6, Pages 52-74, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to (i) the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims and awards as shown by the net smelter, mill, mint, or refinery returns or of the gross sums arising from the sale of ore or products from such claims or awards and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one-thirty second of the gross value of all production from said mining claims of sulphur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967, and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas, from Topat Oil Corporation to Duval Corporation, insofar as the same relates to the above-described claims and awards.

VIII.

PATENTED MINING CLAIMS

640.56 acres of land out of Section 10, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain thirty-six (36) Mineral Patents identified as (i) Nos. 220 and 221, Volume 38-B, recorded in Volume 5, Pages 290-291; (ii) Nos. 223-234, Volume 38-B, recorded in Volume 5, Pages 293-304; (iii) Nos. 236-240, Volume 38-B, recorded in Volume 5, Pages 306-310; (iv) Nos. 242-255, Volume 38-B, recorded in Volume 5, Pages 312-325; (v) No.

96, Volume 40-B, recorded in Volume 3, Page 76; (vi) Nos. 255 and 256, Volume 39-B, recorded in Volume 5, Pages 559 and 551 (all recordation in the Patent Records of Culberson County, Texas), subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

IX.

LEASEHOLD

480 acres of land out of Section 15, Block 111, PSL Survey, Culberson County, Texas, being the E- $\frac{1}{2}$, S- $\frac{1}{2}$ SW- $\frac{1}{4}$, N- $\frac{1}{2}$ NW- $\frac{1}{4}$, of said Section, and being the same land covered by Sulphur Lease dated November 7, 1967, from the State of Texas to W. C. Tillett, General Land Office Sulphur Lease No. M-61881, and recorded in Volume 3, page 246, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($\frac{1}{6}$ th) of the gross production or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

X.

PATENTED MINING CLAIM

380.79 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain twenty-six (26) Mineral Patents identified as Nos. 47-72, Volume 38-B, recorded in Volume 5, Pages 209-232, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

XI.**PATENTED MINING CLAIM**

31.54 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those certain two (2) Mineral Patents identified as Nos. 93 and 94, Volume 40-B, recorded in Volume 6, Pages 270-271 of the Patent Records of Culberson County, Texas, subject, however, to the royalty of the State of Texas equal to six and one-fourth per cent ($6\frac{1}{4}\%$) of the value of the production of sulphur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or the gross sums arising from the sale of the ore or products from such claims and received by the owner thereof.

XII.**LEASEHOLD ON PATENTED MINING CLAIM**

80 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, being the E- $\frac{1}{2}$ of the "Virginia" Mining Claim, Mineral Patent No. 68, Volume 1, below the elevation of 100 feet measured vertically from the surface thereof on July 1, 1968, and being the same land covered by Sulphur Lease dated March 26, 1968, from Violet G. O'Fiel to Jack R. Fraser, and recorded in Volume 4, page 267, of the Mineral Records of Culberson County, Texas, insofar only as the same covers below the elevation of 100 feet measured vertically from the surface of said land on July 1, 1968, subject, however, to royalty and overriding royalty aggregating four-forty seconds (4/42nds) of all sulphur produced and marketed.

XIII.**MINERAL DEED AND PATENTED MINING CLAIM**

80 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, being the W- $\frac{1}{2}$ of the "Virginia" Mining Claim, Mineral Patent No. 68, Volume 1, below the depth of 100 feet measured vertically from surface level thereof on February 28, 1968, and being the same land conveyed by Deed dated February 28, 1968, from Jack R. Fraser to Duval Corporation, and recorded in Volume 5, page

91, of the Mineral Records of Culberson County, Texas, and being the same land conveyed by Deed dated February 28, 1968, from Jack R. Fraser, Successor Trustee of Michigan Sulphur and Oil Co., to Duval Corporation, and recorded in Volume 5, page 89, of the Mineral Records of Culberson County, Texas.

XIV.

LEASEHOLD

40 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated May 7, 1968, from the State of Texas to Duval Corporation, General Land Office Sulphur Lease No. M-62083, and recorded in Volume 5, page 128, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of one-sixth ($\frac{1}{6}$ th) of the gross production, or the value thereof, of the sulphur; but in no event, to be less than Four and 50/100 Dollars (\$4.50) per long ton.

XV.

LEASEHOLD

33.02 acres of land out of Section 16, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by Sulphur Lease dated May 7, 1968, from R. B. McGewen, Jr., et al, to Duval Corporation, General Land Office Mineral File No. M-61996, and recorded in Volume 5, page 75, of the Mineral Records of Culberson County, Texas, subject, however, to a royalty of one-sixth ($\frac{1}{6}$ th) of the gross production of sulphur produced from said leased premises, reserved in said lease.

XVI.

PATENTED MINING CLAIMS

160.44 acres of land out of Section 11, Block 111, PSL Survey, Culberson County, Texas, and being the same land covered by those nine (9) Mineral Patents identified as Nos. 438-446, Volume 38-B, recorded in Volume 5, Pages 455-463, inclusive, of the Patent Records of Culberson County, Texas, subject, however, to (i) the royalty of

the State of Texas equal to six and one-fourth per cent (6¼%) of the value of the production of sulfur and certain other minerals from said patented claims as shown by the net smelter, mill, mint, or refinery returns or of the gross sum arising from the sale of the ore or products from such claims and received by the owner thereof, and (ii) a perpetual royalty interest of an undivided one thirty second of the gross value of all production from said mining claims of sulfur, salt, potash and any other minerals covered by said mining claims, being an undivided one-half of that certain royalty reserved in that certain Conveyance of Unpatented Mining Claims dated September 1, 1967 and recorded in Volume 3, page 217, of the Mineral Records of Culberson County, Texas, insofar as the same relates to the above described claims

XVII.

FEE TITLE AND LEASEHOLD

(1) An undivided one-half (½) fee interest in and to the 160 acres comprising the south one-half of the northwest one-quarter and the north one-half of the southwest one-quarter of Section 15, Block 111, PSL Survey, Culberson County, Texas, being the same land covered by Deed dated July 29, 1971, and recorded in Volume 92, Page 136 of the Deed Records of Culberson County, Texas; and

(2) An undivided one-half (½) interest in and to the 160 acres comprising the south one-half of the northwest one-quarter and the north one-half of the southwest one-quarter of Section 15, Block 111, PSL Survey, Culberson County, Texas, and being the same and covered by a Mineral Lease dated July 22, 1971, from Jack Russell to Duval Corporation and recorded in Volume 8, Page 48, Mineral Records of Culberson County, Texas, subject, however, to an initial royalty of one-sixteenth (1/16) on sulphur, either in kind or market value at the railhead at the mine site, for the first 2,750,000 long tons whether produced or not and a subsequent royalty of one-sixteenth (1/16) on all sulphur actually produced in excess of 2,750,000 long tons reduced to .001% when 3,000,000 long tons have been produced.

XVIII

LEASEHOLD

2,256 acres of land out of Sections 14, 15, 22 and 23, Block 110, PSL Survey, Culberson County, Texas, being the same land covered by Sulphur Lease dated August 26, 1975, from Hillary Phillips, Jr.

and Benny Gail T. Humblett to Fred T. Armstrong, General Land Office Mineral File No. M-72194 and recorded in Volume 8, Page 414 of the Mineral Records of Culberson County, Texas, subject, however, to a royalty reserved to the State of Texas in said Lease of 16.67% of the gross production of sulphur, and subject to an overriding royalty interest of .00332 of all sulphur that may be produced from the land covered by said Lease reserved in Assignment dated September 15, 1975, from Fred T. Armstrong to Duval Corporation, recorded in Volume 9, Page 51 of the Mineral Records of Culberson County, Texas.

XIX

FEE TITLE

160 acres of land, being all of Pre-emption Survey No. 86 as described in Patent dated November 14, 1945, recorded in Volume 7, Page 75 of the Deed Records of Culberson County, Texas, and being the same land covered by Deed dated January 31, 1969, from R. B. McGowan, Jr., et al., to Duval Corporation, recorded in Volume 86, Page 121 of the Deed Records of Culberson County, Texas.

2. Conveyance of the Production Payment. The Grantors, in consideration of the payments made and agreed to be made to them by the Grantee of the Purchase Price pursuant to the provisions of Paragraph 7 of the Conveyance and of other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, hereby confirm and ratify the estates and rights created by the Conveyance, as supplemented by this Supplemental Conveyance, and, in furtherance of such confirmation and ratification, the Grantors by these presents do hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, effective as of _____ 1, 198 [first day of the calendar month in which the Supplemental Instrument of Conveyance of Production Payment is executed] as a production payment, that undivided percentage, or if 100%, the percentage, of the Subject Minerals (including, without limitation, those Subject Minerals in and under and which may be produced, saved and sold and which shall accrue and be attributable to, the Subject Interests described in Paragraph 1 of this Supplemental Conveyance) provided for in Subparagraphs First, Second, Third and Fourth of Paragraph 2 of the Conveyance, together with an easement of ingress and egress to remove the same from the applicable Subject Interests to the extent Grantors have the right to grant such an easement, for the purposes, upon the terms and conditions, and subject to the encumbrances, reservations

and limitations contained in the Conveyance, as supplemented by this Supplemental Conveyance.

3. Warranty of Title. The Grantors hereby make, as to the Subject Interests described and referred to in Paragraph 1 hereof, all of the representations and warranties contained in Paragraph 20 of the Conveyance.

4. Miscellaneous Provisions.

(a) From and after the execution and delivery of this Supplemental Conveyance, the Conveyance shall be deemed to be supplemented as herein provided (and the term "Conveyance" shall thereafter mean the Conveyance as so supplemented), and as so supplemented shall continue in full force and effect, and none of the rights, titles or interests existing or to exist thereunder shall be released, diminished or impaired.

(b) The Conveyance and this Supplemental Conveyance shall be read, taken and construed as one and the same instrument.

(c) Unless otherwise specifically provided herein, all terms contained in this Supplemental Conveyance which are defined in the Conveyance shall for all purposes hereof have the meanings given to such terms in the Conveyance.

IN WITNESS WHEREOF, the Grantors have executed this instrument in the presence of the undersigned witnesses on the date set forth in the acknowledgment annexed hereto, in multiple originals.

PENNZOIL COMPANY

[CORPORATE SEAL]

By
Vice President

Attest:

PENNZOIL PRODUCING COMPANY

[CORPORATE SEAL]

By
Vice President

Attest:

.....

PENNZOIL OIL & GAS, INC.

[CORPORATE SEAL]

By
Vice President

Attest:

.....

DUVAL CORPORATION

[CORPORATE SEAL]

By
Vice President

Attest:

.....

STATE OF NEW YORK }
 COUNTY OF NEW YORK }

BE IT REMEMBERED that _____, a
 Notary Public duly qualified, competent, sworn and acting in and for
 the County and State aforesaid, do hereby certify that on this _____ day of
 _____, 198____ :

There appeared before _____ severally each of the following persons,
 each residing at the address set opposite his name, and each the design-
 ated officer of the corporation set opposite his name, each such cor-
 poration being a corporation of the state indicated and being a party
 to the foregoing instrument:

_____, Vice President of Pennzoil
 Corporation, a Delaware corporation

_____, Vice President of Pennzoil
 Producing Company, a Delaware corporation

_____, Vice President of Pennzoil
 Oil & Gas, Inc., a Delaware corporation

_____, Vice President of Duval
 Corporation, a Delaware corporation

_____, Vice President of New
 Dunstan, Inc., a Delaware corporation.

Before me personally came each such person, to me personally
 known, and each, being by me duly sworn, did depose and say that he
 resides at the address set opposite his name and is the designated officer
 of the corporation set opposite his name and that said corporation is
 described in and executed the above instrument; that he knows the seal
 of the corporation; that the seal affixed to such instrument is such cor-
 porate seal; that it was so affixed by order of the Board of Directors of
 the corporation; and that he signed his name thereto by like order and
 that the instrument was the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared each of such person, each of whom is 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 the corporation set opposite his name, and each acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this . . . day of . . . , 198 .

Notary Public

Notary Public, State of New York

Qualified in New York County
Commission Expires . . . , 19..

My commission expires
. . . , 19 .

EXHIBIT D
to
Instrument of Conveyance
of Production Payment

CERTIFICATE

Pennzoil Company, a Delaware corporation, Pennzoil Producing Company, a Delaware corporation, Pennzoil Oil & Gas, Inc., a Delaware corporation and Duval Corporation, a Delaware Corporation (the "Grantors"), do hereby state and certify as follows:

1. This Certificate is furnished pursuant to subparagraph (b) of Paragraph 7 of that certain Instrument of Conveyance of Production Payment dated as of July 16, 1981 between the Grantors and New Dunstan, Inc., a Delaware corporation (the "Grantee"), (said Instrument of Conveyance of Production Payment being herein called the "Conveyance"). Unless otherwise defined herein, defined terms used herein have the meanings assigned thereto in the Conveyance.

2. Except to the extent that the representations and warranties contained in Paragraph 20 of the Conveyance may not be true as a result of transactions or states of fact permitted by provisions of the Conveyance, the representations and warranties contained in Paragraph 20 of the Conveyance are true on and as of the date hereof as through made on and as of such date.

3. No Event of Default, or an event which with the giving of notice or the lapse of time, or both, would become an Event of Default, has occurred and is continuing, or would result from the payment of the installment of the Purchase Price to be made on the date hereof.

IN WITNESS WHEREOF, the Grantors have caused this certificate to be duly executed by officers of the Grantors thereunto duly authorized, as of this day of , 19 *.

PENNZOIL COMPANY

By
 Title:

PENNZOIL PRODUCING COMPANY

By
 Title:

PENNZOIL OIL & GAS, INC.

By
 Title:

DUVAL CORPORATION

By
 Title:

* Insert the date of payment of the applicable installment of the Purchase Price.

EXHIBIT C
to Mortgage, Deed of Trust
and Assignment of Production

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

Dated, 198 . .

NEW DUNSTAN, INC.

TO

F. D. THOMPSON

AND

W. T. FOX III,

Trustees

AND

CITIBANK, N.A.,

As Agent

Return recorded counterparts to:

SHEARMAN & STERLING
399 Park Avenue
New York, New York 10022
Attention: Michael A. Ross, Esq.

This instrument was prepared by:

Frank W. R. Hubert, Jr.
3000 One Shell Plaza
Houston, Texas 77002

THIS SUPPLEMENTAL MORTGAGE, DEED OF TRUST AND ASSIGNMENT OF PRODUCTION (the "Supplemental Mortgage") dated _____, 1981, from NEW DUNSTAN, INC., a Delaware non-profit corporation (the "Company"), to F. D. THOMPSON of Houston, Texas and W. T. Fox III of Houston, Texas (herein collectively the "Trustees" and individually a "Trustee"), and CITIBANK, N.A., a national banking association (the "Agent"),

WITNESSETH:

WHEREAS, the Company, the Trustees and the Agent have heretofore entered into that certain Mortgage, Deed of Trust and Assignment of Production dated July 16, 1981 (the "Mortgage"), an executed counterpart of which is recorded in Volume _____, Page _____ of the Deed of Trust Records of Culberson County, Texas, to which recorded counterpart reference is made for all purposes;

WHEREAS, concurrently with the execution of this Supplemental Mortgage, the Company and the Grantors have executed and delivered a Supplemental Instrument of Conveyance of Production Payment, in the form attached hereto as Exhibit A; and

WHEREAS, the Company desires to supplement the Mortgage by executing this Supplemental Mortgage as provided in Subsection R of Section 2.2 of the Mortgage;

Now, THEREFORE, the Company hereby executes and delivers this Supplemental Mortgage as follows:

Addition to Mortgaged Property. The Mortgaged Property hereby includes the Production Payment as defined and described in the Conveyance, as supplemented by the Supplemental Conveyance.

2. Confirmation of Mortgage. The Company hereby confirms and ratifies the estates and rights created by the Mortgage, as supplemented by this Supplemental Mortgage, and, in furtherance of such confirmation and ratification and to secure the payment of the indebtedness described in Section 1.1 of the Mortgage and the performance of the covenants therein and in the Notes contained, for full consideration of the loans made to the Company by the Banks pursuant to the Credit

Agreement, the Company by these presents does grant, bargain, sell, mortgage, create a security interest in, pledge assign, transfer, convey, set over and deliver unto the Trustees and their successors in this trust and unto their assigns, the Production Payment, including all the Company's interest in the Production Payment Minerals and the proceeds thereof, and all rights, titles, interests, estates, remedies, powers and privileges vested in the Company as the owner of the Production Payment or which the Company now has or may become entitled to under or by virtue of the terms and provisions of the Conveyance as supplemented by the Supplemental Conveyance.

3. Miscellaneous Provisions.

(a) From and after the execution and delivery of this Supplemental Mortgage, the Mortgage shall be deemed to be supplemented as herein provided (and the term "Mortgage" shall thereafter mean the Mortgage as so supplemented and the term "Conveyance" as used in the Mortgage shall thereafter mean the Conveyance as supplemented by the Supplemental Conveyance), and as so supplemented shall continue in full force and effect, and none of the rights, titles or interests existing or to exist thereunder shall be released, diminished or impaired.

(b) The Mortgage and this Supplemental Mortgage shall be read, taken and construed as one and the same instrument.

(c) Unless otherwise specifically provided herein, all terms contained in this Supplemental Mortgage which are defined in the Mortgage shall for all purposes hereof have the meanings given to such terms in the Mortgage.

IN WITNESS WHEREOF, the Company has executed this instrument before the undersigned Notary Public in the presence of the undersigned competent witnesses after a due reading of the whole on the date set forth in the acknowledgment annexed hereto.

NEW DUNSTAN, INC.

[CORPORATE SEAL]

By:
President

Attest:

.....
Assistant Secretary

The address of New Dunstan,
Inc is:

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

BE IT REMEMBERED THAT, I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that on this of, 198..:

There appeared before me the following person, residing at the address set opposite his name, and being the designated officer of the corporation set opposite his name, such corporation being a corporation of the designated jurisdiction and being a party to the foregoing instrument:

....., Vice President of New Dunstan, Inc.,
a Delaware corporation.

(New York)

Before me personally came such person, to me personally known, and he, being by me duly sworn, did depose and say that he resides at the address set opposite his name and is the designated officer of the corporation set opposite his name and that said corporation is described in and executed the above instrument; that he knows the seal of the corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of the corporation; and that he signed his name thereto by like order and that the instrument was the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared such person, who is 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 the corporation set opposite his name, and he acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal, in the City, County and State of New York, this ____ day of _____, 198 ..

Notary Public
Notary Public, State of New York
Qualified in New York County
Commission Expires _____,
198 ..

My commission expires
_____, 19 ..



EXHIBIT D
to
Mortgage, Deed of Trust
and Assignment of
Production

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS
OF
NEW DUNSTAN, INC.

RESOLVED, that the Company purchase from Pennzoil Company, Pennzoil Producing Company, Pennzoil Oil & Gas, Inc. and Duval Corporation, each a Delaware corporation, (collectively referred to herein as the "Grantors"), for a cash consideration of up to \$2,500,000,000 (subject to reduction as provided in the below-mentioned Instrument of Conveyance of Production Payment ("Conveyance")), payable in installments as provided in the Conveyance, a production payment ("Production Payment"), which is dischargeable out of the varying and fixed percentages specified in the Conveyance of the Minerals (as that term is defined in the Conveyance) in and under, and which may be produced and saved from, and which may accrue or be attributable to, the Subject Interests, as defined or described in the Conveyance, commencing on the Effective Date referred to in the Conveyance executed and delivered on behalf of the Company pursuant to these resolutions; and further

RESOLVED, that the form, terms and provisions of the Instrument of Conveyance of Production Payment, as submitted with this Written Consent, pursuant to which the Production Payment is to be conveyed to the Company by the Grantors, be and the same is hereby approved, and that the President or any Vice President of the Company be and each of them hereby is authorized to execute and deliver to the Grantors, on behalf of and in the name of the Company and under its corporate seal attested by the Secretary or any Assistant Secretary of the Company, a conveyance of production payment substantially in the form of the Conveyance, with such changes therein as may be approved by the officer of the Company executing the same, his execution thereof to be conclusive evidence of such approval; and further

RESOLVED, that the form, terms and provisions of the Credit Agreement ("Credit Agreement") among the Company, the banks named therein ("Banks") and Citibank, N.A., as Agent, providing for the borrowing by the Company of up to \$2,500,000,000 from time to time, together with the form of promissory notes attached to the Credit Agreement as Exhibit A ("A Notes"), and the form of the promissory notes attached to the Credit Agreement as Exhibit B ("B Notes"), (all such promissory notes and any promissory notes of the Company issued in exchange or substitution therefor hereinafter referred to as "Notes"), all as submitted with this Written Consent, be and the same hereby are approved, and the President or any Vice President of the Company is each hereby authorized to execute and deliver on behalf of and in the name of the Company a credit agreement substantially in the form of the Credit Agreement, with such changes therein as such officer executing the same may deem necessary or appropriate, his execution thereof to be conclusive evidence of his approval for and in the name of and on behalf of the Company of any changes therein; and further

RESOLVED, that in order to make payments on account of the purchase price of the Production Payment, the Company borrow from time to time an aggregate principal amount not to exceed \$2,500,000,000 under the Credit Agreement and that, as evidence of

such borrowing, the President, or any Vice President of the Company be and each of them is hereby authorized and directed to execute and deliver, on behalf and in the name of the Company, promissory notes payable to the order of the Banks, substantially in the form of the A Notes and B Notes, respectively, dated the date of the initial borrowing under the Credit Agreement and payable as to principal and bearing interest thereon as therein provided, with such changes therein as such officer executing the same shall approve, his execution thereof to be conclusive evidence of such approval; and further:

RESOLVED, that as security for the repayment of the indebtedness evidenced by the Notes and the other indebtedness of the Company referred to in Section 14 of the below-mentioned Mortgage, the Company mortgage to F. D. Thompson, Houston, Texas, and W. T. Fox, III, Houston, Texas as Trustees, the Production Payment (including all the Company's interests in the Production Payment Minerals (as that term is defined in the Conveyance) and all rights, titles, interests, estates, remedies, powers and privileges of the Company therein, and assign to Citibank, N.A., as Agent for the Account of the Banks, the Company's interest in the Production Payment Minerals and the proceeds thereof; and that the Company take all necessary action to record, file and perfect the security interests created thereby; and further:

RESOLVED, that the form and terms of the Mortgage, Deed of Trust and Assignment of Production ("Mortgage") accompanying this Written Consent by which the Company is to mortgage the Production Payment to the Trustees and assign to Citibank, N.A., as Agent for the Account of the Banks, all production of the Production Payment Minerals and the proceeds thereof, as aforesaid, be and the same are hereby approved, and that the President or any Vice President of the Company be and each of them hereby is authorized and directed to execute and deliver to the Trustees and Citibank, N.A., as Agent, on behalf of and in the name of the Company and under its corporate seal attested by the Secretary or any Assistant Secretary of the Company, a mortgage, deed of trust and assignment of production in substantially the form of the Mortgage, with such changes therein as may be approved by the officer of the Company executing the same, his approval thereof being conclusive evidence of such approval; and further:

RESOLVED, that the Conveyance, the Mortgage, the Credit Agreement and copies of the Notes be filed by the Secretary or any Assistant Secretary of the Company among the records of the Company; and further:

RESOLVED, that the officers of the Company be and they hereby are authorized to do and perform such acts and things and to sign such documents and certificates and to take all such other action, as they may deem to be necessary or advisable or convenient or proper to carry out the intent of the foregoing resolutions, including, without limitation, in the event the Supplemental Instrument of Conveyance of Production Payment, as defined in the Conveyance, is executed and delivered, the execution and delivery to the Trustees and Citibank, N.A., as Agent, of a Supplemental Mortgage, Deed of Trust and Assignment of Production substantially in the form of Exhibit C to the Mortgage as executed, with such changes therein as may be approved by the officer of the Company executing the same, his execution thereof to be conclusive evidence of such approval, the execution of division orders, transfer orders and payment orders and of any other instruments or documents which they may deem to be necessary or proper to place the Company or any assignee of the Company or mortgagee of the Production Payment in line for payment of all or any part of the proceeds of production accruing or attributable to the Production Payment and fully to perform the provisions of the conveyance, the credit agreement, the mortgage, the notes and the other agreements executed and delivered on behalf of the Company pursuant to these resolutions.

CERTIFICATE

I, the undersigned, Assistant Secretary of NEW DUNSTAN, INC., a Delaware non-profit corporation (the "Company"), do hereby certify that the foregoing is a true and correct copy of Resolutions duly adopted by the Board of Directors of the Company by unanimous consent on July 9, 1981, which Resolutions have not been revoked, rescinded or modified and are currently in full force and effect, and that the Mortgage, Deed of Trust and Assignment dated July 16, 1981 to which this Exhibit D is attached and made a part, executed and delivered by the Company, is substantially the form of that instrument referred to in said Resolutions submitted to and approved by the Board of Directors by unanimous consent as aforesaid.

WITNESS my hand and the seal of the Company this 16th day of July, 1981.

ANDREW M. BAKER, *Assistant Secretary*
NEW DUNSTAN, INC.

[CORPORATE SEAL]

CULLEN R. LISKOW (1993-1970)
AUSTIN W. LEWIS (1910-1974)

WILLIAM H. HEYER*
ROBERT T. JORDEN*
CHARLES C. GRIFFIN*
JENE W. LAFITTE*
BILLY H. HINES*
JAMES L. PELLETIER*
THOMAS J. HARDEMAN*
L. LYNN HODGSON*
JOHN H. KING*
STERNEN T. VICTORY*
EDWARD W. DAY III*
KENNETH E. GORDON JR.*
WILLIAM R. RITTS*
LEON J. REYMOND JR.*
J. BERRY ST. JOHN*
DONALD R. ABRAHAM*
JOHN M. WILSON*
CHARLES M. STEEN*
LAWRENCE R. SIMON JR.*
FREDERICK W. BRADLEY*
HARRY M. HASSARI*
S. GENE FENDLER*
THOMAS F. BETTER*
GEORGE H. ROBINSON JR.*
GEORGE J. DOMAS*
MARILYN C. MALONEY*
ROBERT W. BOOKER JR.*

LISKOW & LEWIS
ATTORNEYS AT LAW

NEW ORLEANS, LA. 70139

ONE SHELL SQUARE

FIFTIETH FLOOR

TELEPHONE (504) 581-7979

TELEX 810-951-8282

LAFAYETTE, LA. 70505

321 TRAVIS ST.

P.O. BOX 52008

TELEPHONE (318) 232-7424

New Orleans, 70139-5099

February 28, 1983

JOSEPH C. GIOIO JR.*
LARRY M. ROEDEL*
BRUCE J. DRECK*
PATRICK W. DRAH*
DEBORAH BAHN PRICE*
ROBERT E. HOLDEN*
JOE B. NORMAN*
THOMAS M. MCNAMARA*
JAMES N. HANSFIELD III*
BILLY J. DOMINGUE*
LAMBERT M. LAPROUSE*
SILVIAN S. LASITER*
FRANK E. HADENGALE*
PHILIP P. JONES JR.*
ANNE E. TATE*
WILLIAM W. RUGH*
PAUL B. DAVID*
LYNN C. HANTEL*
JULIE E. SCHWARTZ*
CHARLES B. GRIFFIS III*
RICHARD W. REVELS JR.*
NATHAN Q. THOMAS*
JOSEPH F. HEBERT*
MARQUERITE A. NOONAN*
DONNA H. SLOCUM*
BRUCE V. SCHWE*
JANE C. BUDGER*
DAVID W. LEEFE*
JAMES D. HUGHES*
*PROFESSIONAL CORPORATION

United States Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region
Imperial Office Building
Metairie, Louisiana 70010
Attention: LE-3-1 Ms. Boehm

Re: Lease Numbers	OCS-G 2317	OCS-G 2912
	OCS-G 2398	OCS-G 3141
	OCS-G 2403	OCS-G 2185
	OCS-G 2410	OCS-G 3299
	OCS-G 2412	OCS-G 3388
	OCS-G 2421	OCS-G 3390
	OCS-G 2426	OCS-G 3400
	OCS-G 2607	OCS-G 3414
	OCS-G 2739	OCS-G 3589
	OCS-G 2743	OCS-G 2271
	OCS-G 2786	OCS-G 3416
	OCS-G 3286	OCS-G 2619
	OCS-G 2591	OCS-G 2887
	OCS-G 2910	OCS-G 2888

Gentlemen:

Mesa Petroleum Co. ("Mesa") has executed an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production (Louisiana) dated February 17, 1983 ("Collateral Mortgage") securing a Collateral Mortgage Note in the amount of \$3,000,000,000 which has been pledged to Citibank, N.A. The Collateral Mortgage affects Mesa's interest in the above-captioned leases and further pledges and assigns production from those leases.

In order that third persons may be placed on notice as to the execution and efficacy of the Collateral Mortgage,

February 28, 1983

please file one copy of this letter, with an attached duplicate original of the Collateral Mortgage in the files in your office relating to each of the above-captioned leases.

By your signature in the space provided on the photocopies of this letter, please acknowledge that filing has been accomplished pursuant to this request.

Yours very truly,

LISKOW & LEWIS

By *Marilyn C. Maloney*

MCM:mb
Enclosures

Filing accomplished as requested

MINERALS MANAGEMENT SERVICE

By *Ruby L. Boehm*

February 28, 1983

STATE OF NEW YORK
COUNTY OF NEW YORK

} ss.

**ACT OF
COLLATERAL MORTGAGE,
COLLATERAL CHATTEL MORTGAGE,
PLEDGE AND ASSIGNMENT OF PRODUCTION
(LOUISIANA)**

Dated February 17, 1983

BE IT KNOWN, that on this seventeenth day of February, 1983, before me, the undersigned authority, a Notary Public in and for the County of New York, State of New York, and in the presence of the two undersigned competent witnesses, personally came and appeared MESA PETROLEUM CO., a Delaware corporation (herein called the "Mortgagor"), being herein represented by John F. Boros, its Vice President, said person being duly authorized so to act by resolutions of the Board of Directors of his corporation, a certified copy of which is attached hereto as Exhibit A-1, and said person declared unto me, said Notary, in the presence of said witnesses, that the Mortgagor desires to obtain funds from any person, firm or corporation willing to lend the same; and the Mortgagor is desirous of securing the performance of any obligation it may have previously incurred; and for such purpose, the Mortgagor by these presents declares and acknowledges an indebtedness in the sum of THREE BILLION DOLLARS (\$3,000,000,000) and to evidence such indebtedness the Mortgagor has executed a demand promissory note, being dated even date herewith, said promissory note being in the principal amount of \$3,000,000,000, made payable to the order of Bearer, due on demand at the offices of Citibank, N.A., at 399 Park Avenue, New York, New York 10043, and said promissory note is stipulated to bear interest at the rate of eighteen percent (18%) per annum from date thereof until paid, and to provide for attorneys' fees, fixed at ten percent (10%) of the amount due or sued for or claimed or sought to be protected, preserved or enforced thereunder (said promissory note being hereinafter referred to as the "Mortgage Note"), all as set forth in the unexecuted copy of the Mortgage Note which is attached hereto as a part hereof and identified as Exhibit A-3, said Mortgage Note having been paraphrased "Ne Varietur" by me, Notary, for identification with this Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production (herein referred to as this "Mortgage"), was delivered to the Mortgagor, which hereby acknowledges receipt thereof, and Mortgagor further declared that the Mortgage Note would be pledged to CITIBANK, N.A. for the purpose of raising funds, as hereofore stated; and the Mortgagor hereby acknowledges that it is justly indebted unto any future holder or holders of all or any part of the indebtedness evidenced by the Mortgage Note in the full amount thereof, together with interest, attorneys' fees, and collection fees, and all other costs and indebtedness provided for herein, including the compensation of a keeper, should any accrue (all such future holder or holders of the Mortgage Note being hereinafter referred to as the "Bank", whether one or more).

In the event that the Mortgage Note should be placed in the hands of an attorney, after its maturity, to institute legal proceedings to recover the amount thereof, or any part thereof, in principal or interest, or to protect the interests of the holder or holders thereof, or in the event that the same should be placed in the hands of an attorney for collection, compromise, or other action, the Mortgagor hereby binds itself to pay the fees of the attorney who may be employed for that purpose, which fees are hereby fixed at ten percent (10%) of the amount due or sued for, or claimed or sought to be protected, preserved, or enforced.

For all purposes of this instrument, unless the context otherwise requires:

A. "oil and gas leases" shall include oil, gas and mineral leases and shall also include subleases and assignments of operating rights.

B. "Hydrocarbons" shall mean oil, gas, casinghead gas and other liquid or gaseous hydrocarbons.

C. "Production Sale Contracts" shall mean contracts now in effect, or hereafter entered into by the Mortgagor, or the Mortgagor's predecessors in interest, for the sale, purchase, exchange or processing of Hydrocarbons produced from the lands under the oil and gas leases, mineral, overriding royalty, royalty and other interests described in Exhibit B attached hereto and made a part hereof.

D. "lands described in Exhibit B" shall include any lands either described in Exhibit B or the description of which is incorporated in Exhibit B by reference to another instrument or document or which are covered or affected by an oil and gas lease, mineral, overriding royalty, royalty and other interests, and shall also include any lands now or hereafter unitized or pooled with lands which are either described in Exhibit B or the description of which is incorporated in Exhibit B by reference.

E. "Related Contracts" shall mean all unitization, operating and pooling agreements and other contracts and agreements that relate to the Mortgagee's interest in the lands described in Exhibit B or the oil and gas leases described on Exhibit B.

F. "Commercial Movables" shall mean all corporeal movable property of whatever kind or character now or hereafter owned by the Mortgagor and placed upon the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B at which location the Mortgagor operates as a commercial and industrial facility oil and gas wells, and which corporeal movables are used by the Mortgagor in the conduct of such activity, or are dedicated to the use and exploitation of any mineral right, it being the intention of the Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by the Mortgagor that are located from time to time on the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B for use in the conduct of the foregoing commercial and industrial activity or are dedicated to the use and exploitation of any mineral right.

G. "Operating Equipment" shall mean all surface or subsurface machinery, equipment, facilities, supplies or other property of whatsoever kind or nature (excluding drilling rigs, drill pipe, mud pumps, trucks, automotive equipment or other property taken to the premises to drill a well or for other similar temporary uses) now or hereafter located on or under any of the lands described in Exhibit B or on a unit including all or part of the lands described in Exhibit B which are used or useful for the production, treatment, storage or transportation of or exploration for hydrocarbons, including, but not by way of limitation, all oil wells, gas wells, platforms, water wells, injection wells, casing, tubing, rods, pumping units and engines, christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for gathering, treating, compression, disposal and injection), chemicals, solutions, water systems (for treating, disposal and injection), pipe, pipelines, boilers, compressors, connectors, power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telegraph, telephone and other communication systems, roads, loading docks, loading racks and shipping facilities, together with all improvements, betterments and additions thereto and replacements thereof.

H. "Mortgaged Property" shall mean the properties, rights and interests hereinafter described and defined as the Mortgaged Property.

I. "Indebtedness" shall have the meaning stated below.

And now, in order to secure the full, due, and punctual payment of all indebtedness evidenced by the Mortgage Note, and/or any extension or renewal thereof, as well as all costs, taxes, assessments, charges, insurance premiums, attorneys' and collection fees, and other costs and indebtedness incurred or paid hereunder, including the compensation of a keeper, and any sums advanced or expenses or costs incurred by the Bank (or any receiver or keeper appointed hereunder) which are made or incurred pursuant to, or permitted by, the terms hereof, plus interest at the rate herein specified or otherwise agreed upon, from the date of the advances or the incurring of such expenses or costs until reimbursed, and to secure the faithful performance and observance of all obligations, agreements, covenants and stipulations contained herein and in the Mortgage Note (all of the preceding being hereinafter sometimes collectively referred to as the "Indebtedness"), the Mortgagor declares that it does by these presents mortgage, effect, pledge, assign and hypothecate to the Bank, whether the Mortgage Note may be held by the Bank as an original obligation or in pledge, all of the Mortgagor's right, title and interest, whether now owned or hereafter acquired, in and to the following properties, rights and interests:

(a) the lands described in Exhibit B, and the oil and gas leases, the fee, mineral, overriding royalty, royalty and other interests which are specifically described in Exhibit B,

(b) the presently existing unitization and pooling agreements and the interests covered and the units created thereby (including all units formed under orders, rules, regulations or other official acts of any federal, state or other governmental agency having jurisdiction) which are specifically described in Exhibit B or which relate to the lands and properties and interests specifically described in Exhibit B,

(c) the Hydrocarbons which are in, under, upon, produced or to be produced from the lands described in Exhibit B,

(d) the Production Sale Contracts,

(e) the Related Contracts,

(f) the Commercial Movables,

(g) the Operating Equipment,

(h) all subleases, farmout agreements, assignments of interest, assignments of operating rights, contracts, operating agreements, rights of way, franchises, privileges, permits, licenses, easements, tenements, hereditaments, appurtenances and benefits now existing or in the future obtained and incident to or in the future obtained and incident and appurtenant to any of the foregoing,

(i) all rights in and to all lease records well records and production records which relate to any of the foregoing, and

(j) all other rights, titles and interests of the Mortgagor in, to and under or derived from the lands, leases and properties described in Exhibit B, even though the Mortgagor's interest therein may be incorrectly or insufficiently described or referred to in Exhibit B.

(all the aforesaid properties, rights and interests, together with any additions thereto which may be subjected to the lien of this instrument by means of Supplements hereto, being hereinafter collectively called the "Mortgaged Property"),

and notwithstanding, however, to (i) the restrictions, exceptions, reservations, conditions, limitations, and other matters, if any, set forth or specified to in the specific descriptions of such properties and interests in Exhibit B (including all presently existing royalties, overriding royalties, payments out of production and other burdens which are specified in Exhibit B and which are taken into consideration in computing any decimal interests set forth in Exhibit B), and (ii) the assignment of production contained in Article II hereof, but only insofar and so long as said assignment of production is not inoperative under the provisions of Section 2.4 hereof and under the condition that the Bank shall not be liable in any respect for the

performance of any covenant or obligation of the Mortgagor in respect of the Mortgaged Property;

TO HAVE AND TO HOLD the Mortgaged Property unto the Bank forever to secure the payment of the Indebtedness and to secure the performance of the obligations of the Mortgagor herein contained.

The Mortgagor, in consideration of the premises and to induce the Bank to make the loan above described, hereby covenants and agrees with the Bank as follows:

ARTICLE I **Particular Covenants and** **Warranties of the Mortgagor**

1.1 *Payment of the Indebtedness.* The Mortgagor will duly and punctually pay the Indebtedness, including, without limitation, each and every obligation owing on account of the Mortgage Note.

1.2 *Warranties.* The Mortgagor warrants that (a) the oil and gas leases described in Exhibit B are valid, subsisting leases, superior and paramount to all other oil and gas leases respecting the properties to which they pertain, (b) the Mortgagor, to the extent of the interest specified in Exhibit B, has and will have good and marketable title to each property right or interest constituting the Mortgaged Property and has a good and legal right to mortgage the same to the Bank, it being understood that the Mortgagor's interest in each oil and gas lease shall exceed the Mortgagor's net interest in production from such oil and gas lease to the extent of the Mortgagor's proportionate share of the burden of all royalties, overriding royalties and other such payments out of production, (c) the Mortgaged Property is free from all encumbrances or liens whatsoever, except as may be specifically set forth in Exhibit B or as permitted by the provisions of *Section 1.5(e)* hereof, (d) the Mortgagor is not obligated, by virtue of any prepayment under any contract providing for the sale by the Mortgagor of Hydrocarbons which contains a "take or pay" clause or under any similar arrangement, to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor, (e) each of the oil and gas leases described in Exhibit B is in full force and effect, and all royalties due and payable have been timely and correctly paid, and all severance and production taxes with respect thereto have been timely and correctly paid, and (f) all producing wells located thereon have been drilled, operated, and produced in conformity with all applicable laws, and rules, regulations, and orders of all regulatory authorities having jurisdiction, and are subject to no penalties on account of past production, and that such wells are in fact bottomed under and are producing from, and the well bores are wholly within, lands described in Exhibit B. The Mortgagor hereby covenants that it will warrant and forever defend the Mortgaged Property unto the Bank, against every person whomsoever lawfully claiming the same or any part thereof, will maintain and preserve the Mortgaged Property free from all encumbrances or liens whatsoever, except as may be specifically set forth in Exhibit B or as permitted by the provisions of *Section 1.5(e)* hereof and will maintain and preserve the lien hereby created so long as any of the Indebtedness remains unpaid. The Mortgagor also warrants that (w) the Mortgagor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which any part of the Mortgaged Property is located, (x) the execution and delivery of this instrument and the Mortgage Note are within the Mortgagor's corporate powers and have been duly authorized by the Mortgagor by all necessary corporate action (no shareholder action of the Mortgagor being required for the Mortgagor to execute and deliver this instrument), (y) the Mortgagor is now in a solvent condition and no bankruptcy or insolvency proceedings are pending or contemplated by the Mortgagor and (z) this instrument and the Mortgage Note each is the legal, valid and binding obligation of the Mortgagor enforceable against the Mortgagor in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization or

moratorium or other similar laws relating to creditors' rights and by general equitable principles which may limit the right to obtain equitable remedies.

1.3 *Further Assurances.* The Mortgagor will execute and deliver such other and further instruments and will do such other and further acts as in the opinion of the Bank may be necessary or desirable to carry out more effectively the purposes of this instrument including, without limiting the generality of the foregoing, (a) prompt correction of any defect which may hereafter be discovered in the title to the Mortgaged Property or in the execution and acknowledgment of this instrument, the Mortgage Note, or any other note or document executed in connection herewith, and (b) prompt execution and delivery of all division or transfer orders which in the opinion of the Bank are needed to transfer effectually to the Bank the assigned proceeds of production from the Mortgaged Property.

1.4 *Taxes.* Subject to the Mortgagor's right to contest the same, the Mortgagor will promptly pay all taxes, assessments and governmental charges (including but not limited to severance taxes) legally imposed upon this instrument or upon the Mortgaged Property or production therefrom or upon the interest of the Bank therein, or upon the income and profits thereof.

1.5 *Operation of the Mortgaged Property.* So long as the Indebtedness or any part thereof remains unpaid, and whether or not the Mortgagor is the operator of the Mortgaged Property, the Mortgagor shall, at the Mortgagor's own expense:

(a) Do all things necessary to keep unimpaired the Mortgagor's rights in the Mortgaged Property and not, except in the ordinary course of business, abandon any well or forfeit, surrender or release any oil and gas lease or any rights in the Mortgaged Property with respect to the Mortgaged Property without the prior written consent of the Bank;

(b) Cause the lands described in Exhibit B to be maintained, developed, protected against drainage, and continuously operated for the production of Hydrocarbons in a good and workmanlike manner as would a prudent operator, and in accordance with generally accepted practices, applicable operating agreements, and all applicable federal, state and local laws, rules and regulations, excepting those being contested in good faith;

(c) Pay, or cause to be paid, promptly as and when due and payable, all rentals and royalties payable in respect of the Mortgaged Property, and all expenses incurred in or arising from the operation or development of the Mortgaged Property and furnish the Bank as and when requested with full information with respect to such payments;

(d) Cause the Operating Equipment to be kept in good and effective operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto, needful to the production of Hydrocarbons from the lands described in Exhibit B, to be promptly made;

(e) Cause the Mortgaged Property to be kept free and clear of liens, charges and encumbrances of every character, other than (1) the lien hereof, (2) taxes constituting a lien but not due and payable, (3) defects or irregularities in title, and liens, charges or encumbrances, which are not such as to interfere materially with the development, operation or value of the Mortgaged Property and not such as to affect materially title thereto, (4) those set forth in Exhibit B, (5) those being contested by the Mortgagor in good faith in such manner as not to jeopardize the Bank's rights in and to the Mortgaged Property, and (6) those consented to in writing by the Bank; and

(f) Carry in standard insurance companies and in amounts satisfactory to the Bank the following insurance: (1) workmen's compensation insurance and public liability and property damage insurance in respect of all activities in which the Mortgagor might incur personal liability for the death of or injury to an employee or third person, or damage to or destruction of another's property, and (2) to the extent such insurance is generally carried by others engaged in similar undertakings in the same general areas in which the Mortgaged Property is located, insurance in respect of the Operating Equipment (with loss

payable clauses in favor of the Bank), against loss or damage by fire, lightning, hail, tornado, explosion and other similar risks.

The Bank may from time to time, in its discretion, perform any agreement of the Mortgagor under this Section 1.5 or Section 1.4 hereof which the Mortgagor shall fail to perform and take any other action which the Bank deems necessary for the maintenance or preservation of the Mortgaged Property or its interest therein, and the Mortgagor agrees forthwith to reimburse the Bank for any and all expenses of the Bank in connection with such performance or action together with interest thereon at the rate of eighteen percent (18%) per annum from the date such expenses are incurred until such expenses are reimbursed by the Mortgagor.

1.6 *Recording, etc.* The Mortgagor will promptly, and at its own expense, record, register, deposit and file this and every other instrument in addition or supplemental hereto in such offices and places, at such times and with such frequency as may be necessary to preserve, protect and renew the lien hereof as a first lien on real and personal property, as the case may be, and the rights and remedies of the Bank, and otherwise will do and observe all things or matters necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States of America or of any other competent authority, for the purpose of effectively creating, maintaining and preserving the lien hereof on the Mortgaged Property.

1.7 *Sale or Mortgage of the Mortgaged Property.* Except as provided in Section 1.5(e) hereof and except for sales of severed Hydrocarbons in the ordinary course of the Mortgagor's business and the lien and security interest created by this instrument, the Mortgagor will not sell, convey, mortgage, pledge or otherwise dispose of or encumber the Mortgaged Property nor any portion thereof, nor any of the Mortgagor's right, title or interest therein, without first securing the written consent of the Bank.

1.8 *Records, Statements and Reports.* The Mortgagor will keep proper books of record and account in which complete and correct entries will be made of the Mortgagor's transactions in accordance with generally accepted accounting principles and will furnish or cause to be furnished to the Bank (a) upon its request, but not more than once a year, reports prepared by an independent person or firm acceptable to the Bank concerning (1) the quantity of Hydrocarbons recoverable from the Mortgaged Property, (2) the projected income and expense attributable to the Mortgaged Property, and (3) the expediency of any change in methods of treatment or operation of all or any wells productive of Hydrocarbons, any new drilling or development, any method of secondary recovery by repressuring or otherwise, or any other action with respect to the Mortgaged Property, the decision as to which may increase or reduce the quantity of Hydrocarbons ultimately recoverable, or the rate of production thereof, (b) monthly, a report showing the gross proceeds from the sale of Hydrocarbons produced from the lands described in Exhibit B (including any thereof taken by the Mortgagor for the Mortgagor's own use), the quantity of such Hydrocarbons sold, the severance, gross production, occupation, or gathering taxes deducted from or paid out of such proceeds, the number of wells operated, drilled or abandoned, and such other information as the Bank may reasonably request (upon request of the Bank, such reports referred to in clauses (a) and (b) above shall set forth such information on a lease or unit basis), and (c) such other information concerning the business and affairs and financial condition of the Mortgagor as the Bank may from time to time reasonably request.

1.9 *No Governmental Approvals.* The Mortgagor warrants that no approval or consent of any regulatory or administrative commission or authority, or of any other governmental body, is necessary to authorize the execution and delivery of this instrument or of the Mortgage Note, or to authorize the observance or performance by the Mortgagor of the covenants contained herein or in the Mortgage Note.

1.10 *Right of Entry.* The Mortgagor will permit the Bank, or its agents, to enter upon the Mortgaged Property, and all parts thereof, for the purpose of investigating and inspecting the condition and operation thereof.

1.11 *Corporate Status.* The Mortgagor (a) will continue to be a duly organized and existing under the laws of the State of Delaware, duly qualified to transact business in each state where the conduct of its business requires it to be qualified and duly authorized to observe and perform its obligations under the Mortgage Note and this instrument and (b) will not without the prior written consent of the Bank, consolidate or merge with any other corporation.

1.12 *Legal Proceedings.* The Mortgagor will notify the Bank in writing, promptly of the commencement of any legal proceedings materially and adversely affecting the Mortgaged Property or any part thereof and will take such action as may be necessary to preserve the and the Bank's rights affected thereby; and should the Mortgagor fail or refuse to take any such action, the Bank may at its election take such action in behalf and in the name of the Mortgagor and at the Mortgagor's expense. Moreover, the Bank at its option may take such independent action on its own behalf as holder of rights or liens on said properties as it may in its discretion deem proper, all expenses incurred in such actions, together with interest thereon at the rate of eighteen percent (18%) per annum, also being reimbursable to it by the Mortgagor and being payable by the Mortgagor to the Bank on demand.

ARTICLE II Pledge and Assignment of Production

2.1 *Pledge and Assignment.* As further security for the payment of the Indebtedness and to facilitate the discharge of all indebtedness for which the Mortgage Note may be pledged as security, the Mortgagor hereby transfers, pledges, assigns, warrants and conveys to the Bank, effective as of the date hereof, at 7:00 A.M., local time, all Hydrocarbons which are thereafter produced from and which accrue to the Mortgaged Property, and all proceeds therefrom. The Mortgagor will immediately cause the title to all Hydrocarbons produced from and which accrue to the Mortgaged Property, together with the proceeds therefrom, to be delivered to the credit of the Bank, to be applied to the indebtedness for which the Mortgage Note may be pledged as security. All parties producing, purchasing or receiving any such Hydrocarbons, or having such, or proceeds therefrom, in their possession for which they or others are accountable to the Bank by virtue of the provisions of this Article, are authorized and directed to treat and regard the Bank as the assignee and transferee of the Mortgagor and entitled in the Mortgagor's place and stead to receive such Hydrocarbons and all proceeds therefrom; and said parties and each of them shall be fully protected in so treating and regarding the Bank, and shall be under no obligation to see to the application by the Bank of any such proceeds or payments received by it. The Mortgagor will furnish the Bank the names of all parties purchasing or receiving any of such Hydrocarbons or proceeds therefrom, and will promptly execute and deliver any and all transfer orders, division orders, and other instruments that may be requested by the Bank for the purpose of effectuating the pledge and assignment hereunder.

2.2 *No Liability of the Bank in Collecting.* The Bank is hereby absolved from all liability for failure to enforce collection of any proceeds so assigned and from all other responsibility in connection therewith, except the responsibility to account to the Mortgagor for funds actually received.

2.3 *Assignment Not a Restriction on the Bank's Rights.* Nothing herein contained shall detract from or limit the absolute obligation of the Mortgagor to make payment of the Indebtedness and of all obligations for which the Mortgage Note may be pledged as security regardless of whether the proceeds pledged and assigned by this Article are sufficient to pay the same, and the rights under this Article shall be in addition to all other security now or hereafter existing to secure the payment of the Indebtedness and of all obligations for which the Mortgage Note may be pledged as security.

2.4 *Status of Pledge and Assignment.* Notwithstanding the other provisions of this Article, the Bank or any receiver or keeper appointed in judicial proceedings for the enforcement of this instrument shall have the right to receive all of the Hydrocarbons herein pledged

and assigned and the proceeds therefrom after the Mortgage Note or any other promissory notes of the Mortgagor held by the Bank have been declared due and payable in accordance with the provisions of *Section 3.1* hereof. Upon any sale of the Mortgaged Property or any part thereof pursuant to *Article IV* hereof, the Hydrocarbons thereafter produced from the property so sold, and the proceeds therefrom, shall be included in such sale and shall pass to the purchaser free and clear of the pledge and assignment contained in this Article.

2.5 Indemnity. The Mortgagor agrees to indemnify the Bank against all claims, actions, liabilities, judgments, costs, attorneys' fees or other charges of whatsoever kind or nature (hereinafter in this *Section 2.5* collectively called "claims") made against or incurred by the Bank as a consequence of the assertion, either before or after the payment in full of the Indebtedness and of all obligations for which the Mortgage Note may be pledged as security, that the Bank received Hydrocarbons herein assigned or the proceeds thereof claimed by third persons, and the Bank shall have the right to defend against any such claims, employing attorneys therefor, and unless furnished with reasonable indemnity, the Bank shall have the right to pay or compromise and adjust all such claims. The Mortgagor will indemnify and pay to the Bank any and all such amounts as may be paid in respect thereof or as may be successfully adjudged against the Bank. The obligations of the Mortgagor as hereinabove set forth in this *Section 2.5* shall survive the release of this instrument.

ARTICLE III Events of Default

3.1 Certain Events of Default. In case any one or more of the following "events of default" shall occur and shall not have been remedied:

(a) default, and the continuance thereof for five (5) days, in the payment of principal or of interest on any Indebtedness when due, whether by demand or otherwise;

(b) any warranty or representation made herein shall prove to be untrue in any material respect;

(c) failure by the Mortgagor within thirty (30) days after notice thereof from the Bank, to cure a default in the due performance or observance of any covenant or agreement contained in this instrument and not constituting a default in the payment of principal or of interest upon the Mortgage Note or in the payment of any other Indebtedness; or

(d) failure by the Mortgagor within five (5) days after demand from the Bank to pay over to the Bank any proceeds of Hydrocarbons which are paid to the Mortgagor rather than the Bank as provided in *Section 2.1* hereof;

(e) the title of the Mortgagor to the Mortgaged Property or any substantial part thereof shall become the subject matter of litigation which would or might, in the Bank's opinion, upon final determination result in substantial impairment or loss of the security provided by this instrument and upon notice by the Bank to the Mortgagor such litigation is not dismissed within thirty (30) days,

then, and in any such event, the Bank, at its option, may declare the entire unpaid principal of and the interest accrued on the Mortgage Note and all other Indebtedness secured hereby to be forthwith due and payable, without any notice or demand of any kind, both notice and demand being hereby expressly waived.

ARTICLE IV Enforcement of the Security

4.1 Remedies on Default. The Mortgagor for itself, its successors and assigns, does by these presents stipulate that it shall be lawful for, and the Mortgagor hereby authorizes the Bank, upon the occurrence and during the continuance of any event of default, to cause all and singular of the Mortgaged Property to be seized and sold by executory process, without appraisalment, either in its entirety or in lots or parcels as the Bank may determine, to the

highest bidder for cash, or on such terms as the Bank in such proceedings may direct; and the Mortgagor for itself, its successors and assigns, hereby acknowledges the obligations secured hereby whether now existing or to arise hereafter and confesses judgment for the full amount of the Mortgage Note, together with all costs, attorneys' and collection fees and all other charges and indebtedness secured hereby if the same are not paid at maturity.

4.2 *Waiver of Appraisalment, Other Rights, etc.* To the extent allowed by law, the Mortgagor hereby waives: (a) the benefit of appraisalment, as provided in Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure, and all other laws conferring the same; (b) the demand and three (3) days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (c) the notice of seizure required by Articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (d) the three (3) days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (e) the benefit of the other provisions of Articles 2331, 2722, and 2723 of the Louisiana Code of Civil Procedure and the benefits of any other articles or laws relating to rights of appraisalment, notice or delay not specifically mentioned above; and the Mortgagor expressly agrees to the immediate seizure of the Mortgaged Property in the event of suit hereon.

4.3 *Judicial Proceedings.* Upon the occurrence of any event of default and if such event shall be continuing, the Bank may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder, or for the sale of the Mortgaged Property, or for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for the appointment of a receiver or a keeper pending any foreclosure hereunder or the sale of the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy.

4.4 *Certain Aspects of a Sale.* The Bank shall have the right to become the purchaser at any sale held by the court, receiver or public officer, and the Bank so purchasing shall have the right to credit the amount of the bid made therefor upon the amount payable out of the net proceeds of such sale to it. Recitals contained in any conveyance made to any purchaser at any sale made hereunder shall conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, and the interest accrued on, the Mortgage Note after the same shall have become due and payable, and advertisement and conduct of such sale in the manner provided herein.

4.5 *Receipt to Purchaser.* Upon any sale, the receipt of the Bank, or of the officer making sale under judicial proceedings, shall be sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers and his or their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt of the Bank or of such officer therefor, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication or nonapplication thereof.

4.6 *Effect of Sale.* Any sale or sales of the Mortgaged Property shall operate to divest all right, title, interest, claim and demand whatsoever either at law or in equity, of the Mortgagor of, in and to the premises and the property sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns, and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through or under the Mortgagor, its successors and assigns; nevertheless, the Mortgagor, if requested by the Bank so to do shall join in the execution and delivery of all proper conveyances, assignments and transfers of the properties so sold.

4.7 *Operation of the Mortgaged Property by the Bank.* Upon the occurrence of an event of default, and in addition to all other rights herein conferred on the Bank, the Bank or its agent is hereby appointed a keeper of the Mortgaged Property pursuant to the terms and provisions of Louisiana Revised Statutes 9:5131, *et seq.* The keeper may operate the same without any liability to the Mortgagor in connection with such operations, except to use

ordinary care in the operation of said properties, and the keeper, to the extent permitted by law, shall have the right (a) to enter into and upon and take possession of the Mortgaged Property, to lease the same, collect and receive all rents, issues and profits thereof and apply the same, less the necessary expenses of collection thereof, for the care, operation and preservation of the Mortgaged Property, including without limitation, the payment of fees, insurance premiums, cost of operation of the Mortgaged Property, taxes, assessments, interest, penalties and water charges; (b) to collect, receive and receipt for all Hydrocarbons produced and sold from the Mortgaged Property, to make repairs, purchase machinery and equipment, conduct work-over operations, and drill additional wells; (c) to exercise every power, right and privilege of the Mortgagor with respect to the Mortgaged Property; and (d) to exercise every power, right and privilege now or hereafter granted to a keeper of the Mortgaged Property under applicable law. The compensation for the services of the keeper are hereby fixed at five percent (5%) of the amount due or sold for or claimed or sought to be protected, preserved or enforced in the proceeding for the recognition of this Mortgage and, together with all costs, expenses and liabilities of every character incurred by the Bank in managing, operating and maintaining the Mortgaged Property, as Keeper or otherwise, and interest thereon at the rate of eighteen percent (18%) per annum, shall be secured by the privilege and mortgage herein granted.

ARTICLE V Miscellaneous Provisions

5.1 *Defense of Claims.* The Mortgagor will notify the Bank, in writing, promptly of the commencement of any legal proceedings affecting the lien hereof or the Mortgaged Property, or any part thereof, and will take such action, employing attorneys agreeable to the Bank, as may be necessary to preserve the Mortgagor's or the Bank's rights affected thereby; and should the Mortgagor fail or refuse to take any such action, the Bank may take such action in behalf and in the name of the Mortgagor and at the Mortgagor's expense. Moreover, the Bank may take such independent action in connection therewith as it may in its discretion deem proper, the Mortgagor hereby agreeing that all sums advanced or all expenses incurred in such actions, plus interest at the rate of eighteen percent (18%) per annum, will, on demand, be reimbursed to the Bank.

5.2 *Costs and Expenses.* All costs, expenses and advances (including, without limitation, cost of defense of claims, attorneys' fees, taxes, insurance, and operation cost) incurred or paid by the Bank in preserving and protecting the Mortgaged Property and in preserving, protecting and enforcing its rights hereunder, all to the extent the Bank is given such right herein, up to twenty percent (20%) of the face amount of the Mortgage Note, shall constitute a demand obligation owing by the Mortgagor to the party incurring such costs and expenses and shall draw interest at the rate of eighteen percent (18%) per annum, all of which shall constitute a portion of the Indebtedness.

5.3 *Renewals, Amendments and Other Security.* Renewals and extensions of the Indebtedness may be given at any time and amendments may be made to agreements relating to any part of such Indebtedness or the Mortgaged Property and the Bank may take or may now hold other security for its Indebtedness without notice to or consent of the Mortgagor. The Bank may resort first to such other security or any part thereof or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action shall not be a waiver of any rights conferred by this Mortgage, which shall continue as a first lien upon the Mortgaged Property not expressly released until the Mortgage Note and all other Indebtedness secured hereby is fully paid.

5.4 *Limitation on Interest.* No provision of this instrument or of the Mortgage Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law or which is otherwise contrary to law. If any excess of interest in such respect is herein or in the Mortgage Note provided for, or shall be adjudicated to be so provided for herein or in the Mortgage Note, the Mortgagor shall not be obligated to pay such excess.

5.5 *Unenforceable or Inapplicable Provisions.* If any provision hereof or of the Mortgage Note is invalid or unenforceable in any jurisdiction, the other provisions hereof or of the Mortgage Note shall remain in full force and effect in such jurisdiction, and the remaining provisions hereof shall be liberally construed in favor of the Bank in order to effectuate the provisions hereof, and the invalidity of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

5.6 *Advances by the Bank.* Each and every covenant herein contained shall be performed and kept by the Mortgagor solely at the Mortgagor's expense. If the Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this instrument, the Bank or any receiver or keeper appointed hereunder may, but shall not be obligated to, make advances to perform the same in the Mortgagor's behalf, and the Mortgagor hereby agrees to repay such sums upon demand plus interest at the rate of eighteen percent (18%) per annum or, in the event any promissory note evidences such indebtedness, upon the terms and conditions thereof. No such advance shall be deemed to relieve the Mortgagor from any default hereunder.

5.7 *Rights Cumulative.* Each and every right, power and remedy herein given to the Bank shall be cumulative and not exclusive; and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Bank, and the exercise, or the beginning of the exercise, of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by the Bank in the exercise of any right, power or remedy shall impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing. The Bank may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the Indebtedness secured hereby or any indebtedness secured by a pledge of the Mortgage, in whole or in part, and in such portions and in such order as may seem best to the Bank in its sole discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits, or liens evidenced by this instrument. The maximum amount for which this Mortgage shall be deemed to secure the obligations of the Mortgagor as herein stipulated to reimburse the Bank for all costs, expenses and fees of whatever kind or nature incurred by Mortgagee hereunder is hereby fixed at twenty percent (20%) of the original principal amount of the Mortgage Note.

5.8 *Waiver by the Bank.* Any and all covenants in this instrument may from time to time by instrument in writing signed by the Bank be waived to such extent and in such manner as the Bank may desire, but no such waiver shall ever affect or impair the Bank's rights or liens hereunder, except to the extent specifically stated in such written instrument.

5.9 *Successors and Assigns.* This instrument is binding upon the Mortgagor, the Mortgagor's successors and assigns, and shall inure to the benefit of the Bank, its successors and assigns, and the provisions hereof shall likewise be covenants running with the land.

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

5.11 *Construction.* This instrument is in all respects to be construed under the laws of the State of Louisiana as a special mortgage, hypothecation, pledge and assignment and confession of judgment by the Mortgagor in favor of and for the benefit of the Bank, to secure the payment of all Indebtedness and the performance of all obligations of the Mortgagor.

5.12 *Waiver.* The parties hereto waive the production of any mortgage, conveyance, and tax certificates and agree to hold the undersigned Notary harmless in the pre

5.13 *Notices.* Any notice, request, demand or other instrument which may be required or permitted to be given or served upon the Mortgagor shall be sufficiently given when mailed by

first class mail, addressed to the Mortgagor at the address shown below its signature at the end of this instrument or to such different address as the Mortgagor shall have designated by written notice received by the Bank.

JW MB AH R

NOW, PERSONALLY INTERVENES Jerome W. Gates, an individual residing in New York, New York, acting on behalf of any future holder or holders of the Mortgage Note and hereby accepts this Mortgage.

THUS DONE AND PASSED, in multiple originals, before me, the undersigned Notary Public, in and for the County of New York, State of New York, in the presence of the undersigned competent witnesses, who have hereto signed their names with said appearers and me, said Notary Public, after due reading of the whole, on the seventeenth day of February, 1983.

MESA PETROLEUM Co.

By John F. Boros
John F. Boros, Vice President

[Corporate Seal]

ATTEST:

Michael J. Moore
Michael J. Moore, Assistant Secretary

Address:
One Mesa Square
Amarillo, Texas 79189

Jerome W. Gates
Jerome W. Gates, Intervenor
Norman D. Morrow

WITNESSES TO ALL SIGNATURES:

Robert J. Lela
Rebecca C. Frohman
Margarita Deus
Notary Public

In and for the State of New York,
Commission Expiring

MARGARITA DEUS
Notary Public, State of New York
No. 31-4625970
Qualified in New York County
Commission Expires March 30, 1983

This instrument was prepared by:

R. S. Pieringer, Attorney
Liddell, Sapp, Zivley, Brown & LaBoon
3100 Texas Commerce Tower
Houston, Texas 77002

EXHIBIT A-1
to
**Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production**

CERTIFIED RESOLUTIONS OF MESA PETROLEUM CO.

I hereby certify that attached hereto is a multiple original of certified resolutions of MESA PETROLEUM Co. (the "Company"), certified by the Assistant Secretary of the Company, and attached to an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production (Louisiana), dated February 17, 1983 and executed by the Company, passed before me this seventeenth day of February, 1983.



Notary Public

In and for the State of New York, Commission Expiring

MARGARITA DEUS
Notary Public, State of New York
No. 31-4875970
Qualified in New York County
Commission Expires March 30, 1983

EXHIBIT A-2
to
**Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production**

Certificate of Mesa Petroleum Co.

I, the undersigned, Assistant Secretary of MESA PETROLEUM CO., a Delaware corporation (the "Company"), DO HEREBY CERTIFY that:

1. Attached hereto as Exhibit A is a true, correct and complete copy of resolutions duly adopted at a meeting of the Board of Directors of the Company, convened and held on the 15th day of February, 1983, which resolutions have not been revoked, modified, amended or rescinded and are still in full force and effect, and the Amended and Restated Credit Agreement, the Notes, the Pledge Agreement and the Mortgages are in substantially the forms of those documents submitted to and approved by the Board of Directors of the Company.

2. The person named in Exhibit B attached hereto has been duly elected, has duly qualified as and at all times since April 28, 1982 (to and including the date hereof) has been an officer of the Company holding the office set forth therein opposite his name, and the signature set forth therein opposite his name is his genuine signature.

WITNESS my hand and the seal of the Company this seventeenth day of February, 1983.



Michael J. Moore, Assistant Secretary

[Corporate Seal]

EXHIBIT A
to
Certificate of Mesa Petroleum Co.

Resolutions of the Board of Directors of Mesa Petroleum Co.

WHEREAS, there has been presented to this meeting: (i) a form of amended and restated credit agreement (the "Credit Agreement"), among this Corporation, the banks parties thereto (collectively, the "Banks"), the managers parties thereto (in such capacities, collectively, the "Managers"), Texas Commerce Bank National Association ("TCB"), as administrative agent for the Banks (in such capacity, the "Administrative Agent"), Citibank, N.A., as collateral agent for the Banks (in such capacity, the "Collateral Agent"), and TCB and Citibank, N.A., as agents for the Banks (in such capacities, collectively, the "Agents" and individually, an "Agent"), providing for the making by the Banks of Credit A Loans (as defined in the Credit Agreement) to this Corporation in an aggregate principal amount not to exceed the Total Credit A Commitment (as defined in the Credit Agreement and not to exceed \$525,000,000), providing for the making by the Banks of Credit B Loans (as defined in the Credit Agreement) to this Corporation in an aggregate principal amount not to exceed the Total Credit B Commitment (as defined in the Credit Agreement and not to exceed \$325,000,000), and providing for the making by the Banks of Credit C Loans (as defined in the Credit Agreement) to this Corporation in an aggregate principal amount not to exceed the Total Credit C Commitment (as defined in the Credit Agreement and not to exceed \$325,000,000); (ii) a form of pledge agreement (the "Pledge Agreement") between this Corporation and the Collateral Agent, pursuant to which this Corporation will pledge to the Collateral Agent, for the ratable and proportionate benefit of the Banks and in accordance with the terms of the Credit Agreement, all of the certificates, instruments and documents representing or evidencing Shares (as defined in the Credit Agreement) to be pledged pursuant to the provisions of the Credit Agreement, for the purpose of securing repayment of the Credit C Loans (as defined in the Credit Agreement), the proceeds of which are used to purchase Shares (as defined in the Credit Agreement); and (iii) forms of mortgage and collateral mortgage documents (including a Mortgage, Deed of Trust, Assignment of Production and Security Agreement, an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production, a Collateral Mortgage Note, and an Act of Pledge) (collectively, the "Security Documents") from this Corporation to the Collateral Agent and trustees for the Collateral Agent, pursuant to which this Corporation will, in accordance with the terms of the Credit Agreement, mortgage to the Collateral Agent, for the ratable and proportionate benefit of the Banks, certain oil and gas properties, for the purpose of securing repayment of the Credit A Loans and Credit B Loans;

NOW, THEREFORE, BE IT RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to execute, in the name and on behalf of this Corporation, and deliver, a credit agreement among this Corporation, the Banks, the Administrative Agent, the Collateral Agent, the Agents and the Managers, substantially in the form of the Credit Agreement presented to this meeting, except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the Credit Agreement on behalf of this Corporation shall deem proper, such execution by such officer of the Credit Agreement to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to borrow from time to time on behalf of this Corporation the amounts permitted or provided to be borrowed by this Corporation under the Credit Agreement executed by this Corporation pursuant to these resolutions, and to execute and deliver on behalf of this Corporation Credit A Notes, Credit B Notes and Credit C Notes (all

as defined in the Credit Agreement) payable to the order of each of the Banks, substantially in the forms provided for in exhibits to the Credit Agreement, evidencing such borrowings;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to execute, in the name and on behalf of this Corporation, and deliver, a pledge agreement between this Corporation and the Collateral Agent substantially in the form of the Pledge Agreement presented to this meeting, and a financing statement substantially in the form presented to this meeting, except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the Pledge Agreement or such financing statement on behalf of this Corporation shall deem proper, such execution by such officer of each of the Pledge Agreement and such financing statement to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper;

FURTHER RESOLVED, that the President or any Vice President of this Corporation, and each of them, be and he hereby is authorized to execute, in the name and on behalf of this Corporation, and deliver, one or more mortgages, deeds of trust, assignments of production, security agreements, financing statements and collateral mortgage documents from this Corporation to the Collateral Agent and trustees for the Collateral Agent, substantially in the forms of the Security Documents presented to this meeting, except for such changes, additions and deletions as to any or all of the terms and provisions thereof as the officer executing the Security Documents on behalf of this Corporation shall deem proper, such execution by such officer of the Security Documents to be conclusive evidence that such officer deems all of the terms and provisions thereof to be proper;

FURTHER RESOLVED, that any and all acts, transactions, or agreements undertaken prior to the date of these resolutions by any of the officers or representatives of this Corporation, in the name and on behalf of this Corporation, in connection with any of the foregoing matters, are hereby ratified, confirmed, and adopted by this Corporation; and

FURTHER RESOLVED, that each and every officer of this Corporation be and he hereby is authorized in the name and on behalf of this Corporation from time to time to take such actions and to execute and deliver such certificates, instruments, notices and documents as may be required or as such officer may deem necessary, advisable or proper in order to carry out and perform the obligations of this Corporation under the Credit Agreement executed by this Corporation pursuant to these resolutions, or under any other instrument or document executed pursuant to or in connection with the Credit Agreement; all such actions to be performed in such manner, and all such certificates, instruments, notices and documents to be executed and delivered in such form, as the officer performing or executing the same shall approve, the performance or execution thereof by such officer to be conclusive evidence of the approval thereof by such officer and by this Board of Directors.

EXHIBIT B
to
Certificate of Mesa Petroleum Co.

Name of Officer
John F. Boros

Office
Vice President

Signature


Certificate of Mesa Petroleum Co.

EXHIBIT A-3
to
Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production

COLLATERAL MORTGAGE NOTE

\$3,000,000,000

February 17, 1983

FOR VALUE RECEIVED, on demand, the undersigned, MESA PETROLEUM CO., a Delaware corporation, promises to pay to the order of Bearer at the office of Citibank N.A. at 599 Park Avenue, New York, New York, the sum of THREE BILLION DOLLARS (\$3,000,000,000) with interest at the rate of eighteen percent (18%) per annum from the date until paid.

In the event this note should be placed in the hands of an attorney, after its maturity, to institute legal proceedings to recover the amount hereof, or any part hereof, in principal or interest, to protect the interests of the holder hereof, or in the event the same should be placed in the hands of an attorney for collection, compromise or other action, the makers bind themselves to pay the fees of the attorney who may be employed for that purpose, which fees are hereby fixed at ten percent (10%) of the amount due or sued for, or claimed or sought to be protected, preserved or enforced.

The parties hereto, whether as original signers or by guaranty or endorsement or otherwise, hereby waive present and for payment, demand, notice of non-payment, protest, and all pleas of division and discussion, and agree that the time of payment hereof may be extended from time to time, one or more times, without notice of such extension or extensions and without previous consent, hereby binding themselves in solido, unconditionally and as original promissors, for the payment hereof of principal, interest, costs and attorneys' fees.

This note shall be construed in accordance with and governed by the laws of the State of Louisiana.

MESA PETROLEUM CO.

By _____
John F. Borus, Vice President

NE VARIETUR

For identification with an Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production, executed by MESA PETROLEUM CO., passed before me this seventeenth day of February, 1983.

Notary Public

In and for the State of New York, Commission
Expiring _____

Collateral Mortgage Note

EXHIBIT B
10
**Act of Collateral Mortgage,
Collateral Chattel Mortgage,
Pledge and Assignment of Production**

PROPERTY DESCRIPTIONS

This *Exhibit B* contains the description of the "oil and gas leases" as defined in the Act of Collateral Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production to which this *Exhibit B* is attached.

The oil and gas leases are expressly limited in scope and only insofar as they cover land and depth intervals in which Mortgagor owns or holds an interest and do not include land and depth intervals in which Mortgagor owns no interest.

As used in this *Exhibit B* the term "working interest" specifies the leasehold or operating interest (expressed as a decimal fraction) of Mortgagor in an oil and gas lease, and the term "net interest in production" specifies the interest (expressed as a decimal fraction) of Mortgagor in the production of Hydrocarbons from an oil and gas lease after deducting all applicable royalties, overriding royalties and other burdens on production.

1. Oil and Gas Lease OCS-12117, effective February 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering Block 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A.

Working Interest	.13333
Net Interest in Production	.11111

2. Oil and Gas Lease effective July 19, 1971, granted by the State of Louisiana, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering entire Tract No. 11960 located in St. Martin and St. Mary Parishes, Louisiana, described as follows: the lands now or formerly constituting the beds and bottoms of all water bodies of every nature and description and all islands and other lands formed by accretion or reliction, except tax lands, owned by and not under mineral lease from the State of Louisiana on April 29, 1971 situated in St. Martin and St. Mary Parishes, Louisiana, within the following described boundaries: Beginning at a point having Lambert Plane Coordinates of X = 1,966,700.00 and Y = 446,600.00, being the Northwest corner of the tract herein described; thence East 16,000.00 feet; thence South 13,600.00 feet to a point having Lambert Plane Coordinates of X = 1,982,700.00 and Y = 433,000.00; thence West 16,000.00 feet; thence North 13,600.00 feet to a point of beginning, estimated to contain approximately 4,620 acres, all more fully shown outlined in red on a plat on file in the State Land Office. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone), recorded in Book 652, Folio 115, Entry No. 14449 of the Conveyance Records of St. Martin Parish, Louisiana and recorded in Book 16-A, Entry No. 147,217 of the Conveyance Records of St. Mary Parish, Louisiana.

Working Interest	.18750
Net Interest in Production	.13281

3. Oil and Gas Lease OCS-G 3286, effective September 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 613, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 18.

Working Interest	.18400
Net Interest in Production	.15333

4. Oil and Gas Lease OCS-G 2591, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 146, South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C.

Working Interest	.16000
Net Interest in Production	.13333

5. Oil and Gas Lease OCS-G 2510, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 327, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A.

Working Interest	.11500
Net Interest in Production	.09583

6. Oil and Gas Lease OCS-G 2912, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 329, Eugene Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 4A.

Working Interest	.22500
Net Interest in Production	.18749

7. Oil and Gas Lease OCS-G 3141, effective July 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 397, Vermilion Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 3B.

Working Interest	.60000
Net Interest in Production	.49999

This property is subject to the Advance Payment Agreement dated December 16, 1975, as amended February 19, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

8. Oil and Gas Lease OCS-G 2185, effective October 1, 1972, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of Supplemental Decree of U.S. Supreme Court entered 12-13-65 in the *U.S. v. Louisiana No. 9 Original* (382 U.S. 268) South Pass Area, South and East Addition, as shown on Official Leasing Map, Louisiana Map No. 9A.

Working Interest	.25000
Net Interest in Production	.20833

This property is subject to the Exploration and Development Loan Agreement dated December 19, 1973, as amended December 12, 1974, February 28, 1975 and June 14, 1977, between Mesa Petroleum Co. and Natural Gas Pipeline Company of America.

9. Oil and Gas Lease OCS-G 3299, effective September 1, 1975, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 263, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A.

Working Interest	.10600
Net Interest in Production	.06333

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage,

Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoran Exploration Co.

10. Oil and Gas Lease OCS-G 3388 effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 336, East Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 2A.

Working Interest	.05000
Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoran Exploration Co.

11. Oil and Gas Lease OCS-G 3390, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 25, Vermilion Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3.

Working Interest	.04737
Net Interest in Production	.03947

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoran Exploration Co.

12. Oil and Gas Lease OCS-G 3400, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 310, Vermilion Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 35.

Working Interest	.05000
Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoran Exploration Co.

13. Oil and Gas Lease OCS-G 3414, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering the N/2 of Block 34, West Delta Area, as shown on OCS Official Leasing Map, Louisiana Map No. 8.

Working Interest	.05000
Net Interest in Production	.04167

This property is subject to the Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement dated January 21, 1977, between Mesa Petroleum Co., as Mortgagor, and McMoran Exploration Co. and to the Act of Mortgage, Pledge and Assignment of Production dated January 21, 1977, between Mesa Petroleum Co., as Owner, and McMoran Exploration Co.

14. Oil and Gas Lease OCS-G 3589, effective August 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering all of Block 18, South Pass Area, as shown on OCS Official Leasing Map, Louisiana Map No. 3.

Working Interest	.26178
Net Interest in Production	.21815

15. Oil and Gas Lease OCS-G 2271, effective February 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering Block 348, Vermilion Area, South Addition, on OCS Official Leasing Map, Louisiana Map No. 3B.

Working Interest	.75000
Net Interest in Production	.62499

16. Oil and Gas Lease No. 6310 effective May 13, 1974, granted by the State of Louisiana, as Lessor, to Mesa Petroleum Co., et al., as Lessee, covering those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974, described as follows:

Beginning at the Northwest corner of Block 57, South Pass Area, having Lambert Plane Coordinates of X = 2,615,928.00 and Y = 82,150.00; thence East 9,685.54 feet along the North line of said Block 57 to a point having Lambert Plane Coordinates of X = 2,625,613.54 and Y = 82,150.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,624,340.00 and Y = 80,576.00; thence Southwesterly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,610,160.00 and Y = 92,050.00 to a point having Lambert Plane Coordinates of X = 2,621,555.00 and Y = 77,806.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,621,180.00 and Y = 77,506.00; thence Southwesterly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,609,785.00 and Y = 91,750.00 to a point having Lambert Plane Coordinates of X = 2,617,996.00 and Y = 75,462.00; thence Southwesterly in a straight line to a point having Lambert Plane Coordinates of X = 2,617,391.00 and Y = 75,157.00; thence Westerly along an arc which has a radius of 18,240.60 feet and a vertex having Lambert Plane Coordinates of X = 2,609,180.00 and Y = 91,445.00 to a point having Lambert Plane Coordinates of X = 2,610,702.97 and Y = 73,268.09; thence North 8,881.91 feet to a point of intersection with the North line of Block 58, South Pass Area; thence East 5,225.03 feet along the North line of said Block 58 to its Northeast corner, the same being the point of beginning, estimated to contain approximately 2,026.40 acres, all more fully shown outlined in red on a plat on file in the State Land Office. All bearings are based on Louisiana Lambert Plane Coordinate System (South Zone). Reference is made to a survey line described in a Fourth (4th) Supplemental Decree, entered on the 16th day of October, 1972, in that matter styled *United States of America v. State of Louisiana, et al.*, No. 9 Original, on the docket of the Supreme Court of the United States, it is expressly understood that although a segment of that line is incorporated in the description of the property herein leased, that the State of Louisiana is leasing only that portion of the above described block or blocks lying more than one (1) foot landward of that line, all as provided for in said Fourth (4th) Supplemental Decree. Note: Portions of this tract are located within the restrictive area as set out by the U.S. Coast Guard and the Corps of Engineers, U.S. Army

Working Interest	.33333
Net Interest in Production	.24666

This property is subject to the Act of Mortgage and Security Agreement to Secure Future Advances dated November 22, 1977, between Mesa Petroleum Co., as Mortgagor, and Columbia Gas Transmission Corporation, as Mortgagee.

17. Oil and Gas Lease OCS-G 3416, effective January 1, 1977, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering that portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975, (*United States v. Louisiana*), 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 366, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 9.

Working Interest	.33333
Net Interest in Production	.27777

This property is subject to the Act of Mortgage and Security Agreement to Secure Future Advances dated November 22, 1978, between Mesa Petroleum Co., as Mortgagor, and Columbia Gas Transmission Corporation, as Mortgagee.

18. Oil and Gas Lease OCS-G 2619, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 115, Ship Shoal Area, Official Leasing Map, Louisiana Map No. 5.

Working Interest	.20000
Net Interest in Production	.16667

19. Oil and Gas Lease OCS-G 2887, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 173, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C.

Working Interest	.047300
Net Interest in Production	.039417

20. Oil and Gas Lease OCS-G 2888, effective December 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block 174, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C.

Working Interest	.047300
Net Interest in Production	.039417

21. Oil and Gas Lease OCS-C 2743, effective July 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-349, High Island Area, East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.20000
Net Interest in Production	.16667

22. Oil and Gas Lease OCS-G 2421, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-330, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.18400
Net Interest in Production	.15332

23. Oil and Gas Lease OCS-G 2398, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-273, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.16875
Net Interest in Production	.14062

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

24. Oil and Gas Lease OCS-G 2403, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-279, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.15000
Net Interest in Production	.12499

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

25. Oil and Gas Lease OCS-G 2410, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-313, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.30670
Net Interest in Production	.25558

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

26. Oil and Gas Lease OCS-G 2412, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-317, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.12270
Net Interest in Production	.10225

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

27. Oil and Gas Lease OCS-G 2739, effective July 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-339, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.25000
Net Interest in Production	.20833

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

28. Oil and Gas Lease OCS-G 2426, effective August 1, 1973, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-340, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	.25000
Net Interest in Production	.20833

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer.

29. Oil and Gas Lease OCS-G 2786, effective September 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering all of Block A-315, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C.

Working Interest	1.00000
Net Interest in Production	.83333

This property is subject to the Advance Payment Agreement dated October 3, 1974, as amended July 19, 1976, July 23, 1976 and May 10, 1977, between Mesa Petroleum Co., as Seller, and Michigan Wisconsin Pipe Line Company, as Buyer, to the Purchase Agreement Development Production Payment dated June 6, 1980, as amended December 12, 1980 and November 19, 1981, between Mesa Petroleum Co., as Seller, and 110 North Wacker Drive Foundation, Inc., as Buyer, to the Conveyance of Development Production Payment dated June 6, 1980, as amended December 12, 1980 and November 19, 1981, between Mesa Petroleum Co., as WI Owner, and 110 North Wacker Drive Foundation, Inc., as PP Owner, to the Purchase Agreement Development Production Payment dated November 19, 1981, between Mesa Petroleum Co., as Seller, and 110 North Wacker Drive Foundation, Inc., as Buyer, and to the Conveyance of Development Production Payment dated November 19, 1981, between Mesa Petroleum Co., as WI Owner, and 110 North Wacker Drive Foundation, Inc., as PP Owner.

30. Oil and Gas Lease OCS-G 2607, effective May 1, 1974, granted by the United States of America, as Lessor, to Mesa Petroleum Co., *et al.*, as Lessee, covering Block 312, Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A.

Working Interest	.13333
Net Interest in Production	.11111

LAW OFFICES
LEMLE, KELLEHER, KOHLMAYER & MATTHEWS

EIGHTEENTH FLOOR

FIRST NATIONAL BANK OF COMMERCE BUILDING

NEW ORLEANS 70112

TELEPHONE (504) 566-1241

CABLE ADDRESSES: LEMMOR

TELEX 564272

GEORGE B. MATTHEWS (1919-1976)

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MARK S. STEIN
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ALAN H. HARRIS
JAMES H. BROWN
EDWARD E. HARRIS

November 4, 1977

Department of the Interior
Bureau of Land Management
Outer Continental Shelf Office
500 Camp Street
New Orleans, Louisiana 70130

Attention: Mr. John L. Rankin,
Offshore Manager

Re: Leases Nos. OCS-G2839, 2224, 2225, 3284,
2228, 2850, 2552, 2859, 2860, 2882, 2883,
2537, 2884, 2885, 2900, 3156, 2007, 2317,
2177, ~~2125~~, 3193, 3195, 2947, 2193, 3202,
3203, 3206, 3417, 3409, 3416, 3500.
Offshore Louisiana
Leases Nos. OCS-G2353, 2366, 2372, 2373,
3118, 2377, 2378, 2383, 2701, 2704, 2779,
2705, 2796, 2384, 2713, 2388, 2389, 2340,
2718, 2719, 2397, 2398, 2399, 2403, 3314,
2409, 2411, 2737, 2413, 2414, 2416, 2418,
2422, 2739, 2426, 2429, 2745, 2746, 2766
Offshore Texas

Gentlemen:

Enclosed are an original executed copy and 70
xerox copies of each of the following documents:

1. Amendment to Production Payment Agreement
dated as of November 1, 1977 between Penn-
zoil Company and Pennzoil Louisiana and
Texas Offshore, Inc.
2. Amendment to Instrument of Conveyance of
Production Payment dated as of November
1, 1977 between Pennzoil Louisiana and
Texas Offshore, Inc. and Pennzoil Company.

LEMLE, KELLEHER, KOHLMAYER & MATTHEWS

Department of the Interior
Bureau of Land Management
Page 2
November 4, 1977

3. Confirmation of Assignment dated as of November 1, 1977 among Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Company and The First National Bank of Chicago, as Agent for certain banks.

We request that you file the original executed copy of each of these documents, along with this letter, in your file applicable to Lease No. OCS-G2839. Please also place an additional copy of this letter and a xerox copy of these documents in your file applicable to each of the remaining captioned leases for cross-referencing purposes.

We understand that the payment of a fee in connection with this filing is not required by applicable regulations, and that no approval is necessary. Please return one enclosed copy of this letter to evidence such filing and the accomplishment of our request.

Yours very truly,

LEMLE, KELLEHER, KOHLMAYER & MATTHEWS

James M. Petersen

James M. Petersen

JMP/dca

Enclosures

Filed and accomplished as requested.

NOV 8, 1977.

John L. Rankin
John L. Rankin, Manager

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

CONFIRMATION OF ASSIGNMENT

THIS CONFIRMATION OF ASSIGNMENT dated as of November 1, 1977 (the "Confirmation"), between Pennzoil Louisiana and Texas Offshore, Inc. (the "Company"), and The First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT:

WHEREAS, the Company entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement and the Agent providing for loans (the "Loans") to the Company by the Banks which are parties to the Credit Agreement in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment dated as of March 1, 1974, substantially in the form of Appendix I (the "Conveyance") to that certain Production Payment Agreement, dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.3 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company agreed therein to assign its rights and option in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, which principal amount shall equal the aggregate principal amount of the loans plus accrued interest thereon and commitment fee applicable thereto, if any, outstanding under the Credit Agreement on the date, if any, upon which such payment is made, or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged, such production payment;

WHEREAS, in order to induce the Banks which are parties to the Credit Agreement to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company executed, acknowledged and delivered to the Agent an Assignment dated as of March 1, 1974 (the "Assignment"), a conformed copy of which is attached hereto as Appendix I (in which Pennzoil joined for the limited purposes set forth therein), by which the Company assigned, transferred and set over to the Agent for the proportionate benefit of the Banks which are parties to the Credit Agreement as their interests may appear all the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leasehold Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being herein and in the Assignment referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto;

WHEREAS, the Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$200,000,000 and the addition of Manufacturers Hanover Trust Company, Security Pacific National Bank, Wells Fargo Bank National Association, The Northern Trust Company, European-American Bank & Trust Company and The First National Bank of Boston as parties to the Credit Agreement, and for other purposes;

Whereas, in connection with the aforesaid amendment and restatement of the Credit Agreement, the Production Payment Agreement and the Conveyance, the Assignment was confirmed by the Confirmation of Assignment dated as of May 1, 1976 between the Company and the Agent (in which Pennzoil joined for the limited purposes set forth therein) in order to confirm the continuing validity and effectiveness of the Assignment and to provide that all references in the Assignment as confirmed thereby to the Credit Agreement, the Production Payment Agreement or the Conveyance would be deemed to refer to such instruments as amended and restated as of May 1, 1976 and that all references to the Banks would be deemed to refer to the Banks which are parties to the Credit Agreement as so amended and restated,

Whereas, the Credit Agreement, the Production Payment Agreement and the Conveyance have now been further amended and restated as of November 1, 1977 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$270,000,000 and the addition of Morgan Guaranty Trust Company of New York and First International Bank of Houston, N.A. as parties to the Credit Agreement, and for other purposes;

Whereas, pursuant to the request of the Company and the Banks which are parties to the Credit Agreement as amended and restated as of November 1, 1977 as aforesaid (the "Banks"), Pennzoil proposes to join herein for the limited purposes set forth below;

Now, Therefore, the Company and Pennzoil hereby again confirm the continuing validity and effectiveness of the Assignment, which has been heretofore made by the Company to enforce, secure and provide an additional means of payment of the Credit Agreement Obligations. It is further agreed and understood that all references in the Assignment as confirmed hereby and in the following paragraph to the Credit Agreement, the Production Payment Agreement and the Conveyance shall be deemed to refer to such instruments as amended and restated as of November 1, 1977, and that all references in the Assignment as confirmed hereby and in the following paragraph to the Banks shall be deemed to refer to the Banks which are parties to the Credit Agreement as so amended and restated. The Credit Agreement Obligations the payment of which is secured by the Assignment as confirmed hereby shall include the obligations of the Company under the Credit Agreement as amended and restated as of November 1, 1977.

The Assignment as confirmed hereby, (i) shall remain in full force and effect until payment in full of the indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes executed and which may be executed pursuant thereto, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as provided in the Assignment; (ii) has been sufficient elapse of time that, in the opinion of the Banks, the continuation of the Assignment under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided; (iii) shall be binding upon the Company and Pennzoil, their respective successors and assigns; (iv) shall inure to the benefit of and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (v) shall be deemed to have been made under and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Confirmation to be executed by their respective officers thereunto duly authorized as of the day first above written.

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

[SEAL]

By 
Title: Vice President

PENNZOIL COMPANY

[SEAL]

By 
Title: Group Vice President

THE FIRST NATIONAL BANK OF CHICAGO, as Agent

[SEAL]

By 
Title: Assistant Vice President

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 1st day of November, 1977:

(Louisiana) Before me appeared W. B. WILKINSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON, LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. Wilkinson acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared HAROLD E. SORTON, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZON COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTON acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared W. B. WILKINSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON, LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared HAROLD E. SORTON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZON COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 1st day of November, 1977.

Russell Edmorth

Notary Public in and for Harris County, Texas
My Commission Expires on 10-30-1978
ROSSELL EDMORTH
Notary Public in and for Harris County, Texas
My Commission Expires June 30, 1978
Houston, Texas

[NOTARIAL SEAL]

THE STATE OF ILLINOIS }
COUNTY OF COOK } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 2nd day of November, 1977:

(Louisiana)

Before me appeared RICHARD S. PALMER, to me personally known, who, being, by me duly sworn, did say that he is an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that RICHARD S. PALMER acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me on this day personally appeared RICHARD S. PALMER, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purpose and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 2nd day of November, 1977.



Clare A. Mertz

Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires April 9, 1979

[NOTARIAL SEAL]

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
ASSIGNMENT

THIS ASSIGNMENT dated as of March 1, 1974 (the "Assignment") from Pennzoil Louisiana and Texas Offshore, Inc. (the "Company") to The First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT,

WHEREAS, the Company has entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement (the "Banks") and the Agent providing for loans (the "Loans") by the Banks to the Company in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company has executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment, dated as of March 1, 1974, substantially in the form of Appendix I to that certain Production Payment Agreement, dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.3 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company has agreed therein to assign its rights and options in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay to the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, which principal amount shall equal the aggregate principal amount of the loans, plus accrued interest thereon and commitment fee applicable thereto, if any, outstanding under the Credit Agreement on the date, if any, upon which such payment is made, or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged, such production payment; and

WHEREAS, pursuant to the request of the Company and the Banks, Pennzoil proposes to join herein for the limited purposes set forth below;

NOW, THEREFORE, in order to induce the Banks to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company hereby assigns, transfers and sets over to the Agent for the proportionate benefit of the Banks as their interests may appear all of the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leased Oil Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being hereinafter referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto.

1. This Assignment is made by the Company to enforce, secure and provide an additional means of payment of the Credit Agreement Obligations.

2. The Production Payment Rights may be exercised by the Agent for and on behalf of the Banks upon the occurrence of an Event of Default as described in Section 11 of the Credit Agreement and at any time during the continuance of such Event of Default. To exercise the right of the

Company to call upon Pennzoil to pay the purchase price of such production payment as provided in Section 2.4 of the Production Payment Agreement (the "Purchase Price Right"), the Agent shall give Pennzoil notice to such effect which shall

(a) specify the purchase price of the production payment (determined as provided in Section 2.1 of the Production Payment Agreement) to be paid by Pennzoil pursuant to such request, and

(b) specify the date upon which the purchase price of such production payment is to be paid.

Concurrently with the giving of such notice to Pennzoil, the Agent shall deliver or mail an executed counterpart of such notice to the Company. Giving of such notice by the Agent to Pennzoil shall constitute an effective notice of election by the Company to exercise the Purchase Price Right as provided for in Section 2.5 of the Production Payment Agreement. The full amount of the purchase price of such production payment shall be paid by Pennzoil, without setoff, counterclaim or recoupment whatsoever by reason of any claim of Pennzoil against the Company or otherwise, directly to the Agent on the date specified in such notice and shall be applied by the Agent to the payment of the Notes in the manner described in Section 6 of the Credit Agreement.

3. Notwithstanding this Assignment, the Company and Pennzoil shall have the right, without the consent of the Agent or the Banks, to amend the Production Payment Agreement and the conveyance of production payment executed pursuant thereto for the sole and limited purposes of releasing, or adding to, one or more of the Leasehold Interests or subjecting the same to gas sales, unit, operating or other agreements providing for the operation or development of the Leasehold Interests or the depletion of production therefrom; provided, however, that any such amendment shall not otherwise modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or reduce the purchase price of said production payment determined as provided in Section 2.1 of the Production Payment Agreement.

4. No failure or delay on the part of the Agent or the Banks in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other single or partial exercise thereof or the exercise of any other right or power hereunder.

5. At the request of the Company and in order to induce the Banks to make the Loans to the Company, Pennzoil agrees

(a) with the Company that each certificate as to value of Proven Hydrocarbon Reserves delivered by the Company to the Agent pursuant to Section 8(c) of the Credit Agreement shall be signed by Pennzoil to acknowledge its approval thereof and shall be deemed to have been delivered to Pennzoil pursuant to Section 2.4 of the Production Payment Agreement, and

(b) with the Agent and the Banks that the breach or failure of the Company to perform any of its obligations under this Assignment or the Production Payment Agreement shall not reduce, impair or adversely affect in any respect the enforceability by the Agent and the Banks of (i) the Production Payment Rights assigned to them hereunder and (ii) the agreement of Pennzoil to pay directly to the Agent upon the date specified in the notice given to Pennzoil by the Agent pursuant to Paragraph 2 above an amount equal to the purchase price of the production payment specified in such notice after any required adjustment as provided in Section 2.5 of the Production Payment Agreement,

It being the purpose and intent of Pennzoil herein to confirm to the Agent and the Banks the continued effectiveness, validity and enforceability of the Production Payment Rights assigned to them hereunder throughout the term of this Assignment without regard to the performance or breach by the Company of its obligations under this Assignment or the Production Payment Agreement.

6. Pennzoil hereby represents and warrants that

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. It is duly qualified to do business in those states in which it owns a material amount of property or transacts a material amount of business.

(b) It has corporate power and authority to make and carry out the Production Payment Agreement and this Assignment, and all such action has been duly authorized by all necessary corporate proceedings on its part.

(c) Since December 31, 1973 there has been no material adverse change in the financial condition of Pennzoil or of Pennzoil and its consolidated subsidiaries.

(d) The Production Payment Agreement, the conveyance of production payment executed pursuant thereto and this Assignment have been duly and validly executed and delivered by Pennzoil and its subsidiaries and legally binding agreements of Pennzoil enforceable in accordance with their terms, except as enforcement thereof is limited by bankruptcy, insolvency or other laws of general application relating to affecting the enforcement of creditors' rights.

(e) While this Assignment continues unleased Pennzoil shall, if notified of the exercise by the Agent of the right to have the purchase price paid to the Agent, be unconditionally obligated to pay such purchase price directly to the Agent in accordance with the terms hereof.

7. All notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and if by the telex, graphic scanning or other telegraphic communications equipment of the sending party, delivered by such equipment) addressed, if to the Company or Pennzoil, as appropriate, at 3600 Southwest Tower, Houston, Texas 77002, and if to the Agent, to it at One First National Plaza, Chicago, Illinois 60670. All notices and other communications given to any party hereto in accordance with the provisions of this Assignment shall be deemed to have been given when sent by registered or certified mail, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Paragraph 7 or in accordance with the latest unrevoked direction from such party.

8. This Agreement (i) shall remain in full force and effect until payment in full of all indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as soon as there has been sufficient elapse of time that, in the opinion of the Banks, the continuation of the security interest under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided, (ii) shall be binding upon the Company and Pennzoil, their respective successors and assigns, (iii) shall inure to the benefit of and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (iv) shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed by their respective officers thereunto duly authorized, and in the presence of the undersigned witnesses, as of the day first above written.

Witnesses:

s/ MARY FRANCES FORESTER

s/ GEORGIA SHIVLY

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By s/ R. G. BRYAN
Vice President

ATTEST:

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL]

Witnesses:

s/ MARY FRANCES FORESTER

s/ GEORGIA SHIVLY

PENNZOIL COMPANY

By s/ W. E. GIBSON
Vice President

ATTEST:

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL]

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 21st day of March, 1974:

(Louisiana)

Before me appeared R. G. BRYAN, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that R. G. BRYAN acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W. E. GIBSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. E. GIBSON acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared R. G. BRYAN, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W. E. GIBSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 21st day of March, 1974.

s/

DOROTHY STEARMAN
Dorothy Stearman

Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1975

**AMENDMENT
TO
INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT**

THIS AMENDMENT TO INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Amendment") dated as of November 1, 1977, between PENNZOIL, LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas.

WITNESSETH:

WHEREAS by means of that certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Grantor and Grantee (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Grantor conveyed to the Grantee, and the Grantee purchased from the Grantor, at the time the first loan was made to the Grantor under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated, among the Grantor, The First National Bank of Chicago, and the other banks named therein (such Bank Credit Agreement, as amended and restated as of May 1, 1976, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the interests of the Grantee (hereinafter called the "Leasehold Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to, in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by the Grantee to the Grantor as provided in that certain Production Payment Agreement dated as of March 1, 1974, as thereafter amended and restated as of May 1, 1976, between the Grantee and the Grantor (such Production Payment Agreement, as so amended and restated, being hereinafter called the "Production Payment Agreement"), all as more particularly provided in the Production Payment Agreement;

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement, and to secure the performance by the Grantor of its obligations under the Bank Credit Agreement, the Grantor, by that certain assignment dated as of March 1, 1974 and confirmed by the Confirmation of Assignment dated as of May 1, 1976 (hereinafter called the "Assignment") from the Grantor to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the right, title and interest of the Grantor in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by the Grantee for the purpose of its making the representations and special agreements set out therein;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$200,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the addition to the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement is now proposed to be amended to reflect a further extension of the maturity of the credit available to the Company thereunder, an increase in the amount of that credit to \$250,000,000 and the addition of Morgan Guaranty Trust Company of New York and First International Bank in Houston, N.A. as parties to the Bank Credit Agreement, and for other purposes; and

WHEREAS, pursuant to the request of the Grantor and the Grantee, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to add to the Leasehold Interests the interests of the Grantor in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America and to delete from the Leasehold Interests certain other leases, and in consideration of the premises and the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Conveyance is hereby amended in the following respects:

(a) The first paragraph of the Conveyance is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(b) Subparagraph (f) of Paragraph 1 of the Conveyance is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(c) Subparagraph (a) of Paragraph 4 of the Conveyance is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(d) Subparagraph (b) of Paragraph 4 of the Conveyance is amended by changing the figure "112%" therein to "105%".

(e) The "In Witness Whereof" paragraph of the Conveyance is amended by adding after the date "March 1, 1974," the phrase "as heretofore amended and restated."

(f) The signatures and acknowledgments set forth in the Conveyance are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgments thereto.

(g) Exhibit "A" to the Conveyance is amended to read in its entirety as set forth in Annex I hereto as Exhibit "A" thereto.

2. Except as amended hereby, the provisions of the Conveyance shall remain in full force and effect. The Conveyance, as amended hereby, shall be restated to read in its entirety as set forth in Annex I hereto, it being agreed and understood that all references in the Conveyance as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended and restated as of November 1, 1977.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Conveyance; provided, however, that notwithstanding any provision hereof to the contrary, this Amendment shall not be construed or operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto by
respective officers thereunto duly authorized as

this Amendment to be executed by their
and year first above written.

WITNESSES:

Aug. Prjean
James M. Lee

Aug. Prjean
James M. Lee

Aug. Prjean
James M. Lee

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

[SEAL]

By *W. B. Winkerson*
Vice President

PENNZOIL COMPANY

[SEAL]

By *Harold E. Lister*
Group Vice President

THE FIRST NATIONAL BANK
OF CHICAGO, as Agent

[SEAL]

By *Richard H. Palmer*
Assistant Vice President

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 1st day of November, 1977:

(Louisiana) Before me appeared W. B. WILKINSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation, by authority of its Board of Directors and that W. B. WILKINSON acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared HAROLD E. SUTTON, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SUTTON acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared W. B. WILKINSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared HAROLD E. SUTTON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 1st day of November, 1977.

Roselle Ashworth

Notary Public in and for Harris County, Texas
My Commission Expires *June 25, 1978*

ROSSELLE ASHWORTH
Notary Public in and for Harris County, Texas
My Commission Expires June 25, 1978
Bailed by Alexander Levitt, Esq., Harris County, Texas [NOTARIAL SEAL]

THE STATE OF ILLINOIS }
COUNTY OF COOK } SS:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 2nd day of November, 1977:

(Louisiana)
Before me appeared RICHARD S. PALMER, to me personally known, who, being by me duly sworn, did say that he is an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that RICHARD S. PALMER acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)
Before me on this day personally appeared RICHARD S. PALMER, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 2nd day of November, 1977.



Charles A. Martz
Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires 11/1/1979

[NOTARIAL SEAL]

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
TO
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of November 1, 1977, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas.

WITNESSETH:

WHEREAS, the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described;

NOW, THEREFORE, it is agreed by and between the Grantor and the Grantee as follows:

1. **Certain Definitions.** The following terms shall be used in the Conveyance with the meanings given below:

(a) "Accounting Month" shall mean any monthly period commencing with and including the 21st day of any calendar month and ending on and including the 20th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

(e) "Lease" shall mean any oil and gas lease or sub-lease, described in Exhibit A.

(f) "Proceeds Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date upon which the purchase price is paid by the Grantee to the Grantor as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of November 1, 1977, between the Grantor and the Grantee.

(g) "Subject Hydrocarbons" shall mean all Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue and be attributable to, the Subject Interests from and after the Proceeds Commencement Date and throughout the period specified in this Conveyance for the term of the Production Payment.

(h) "Subject Interests" shall mean the undivided percentage interests of the Grantor in the Leases, and, in addition thereto, each and every other kind and character of right, title, claim or interest which the Grantor now has in, to or under the Leases, which interests or Leases are

either specifically or generally described in Exhibit A, all as the same shall be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, to these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons; subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargain, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the wellhead of the Subject Hydrocarbons used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavailably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor 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 Subject Hydrocarbons from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests, from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized,

out of the proceeds from the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date under the Bank Credit Agreement, dated as of March 1, 1974, as thereafter amended and restated as of November 1, 1977, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"); plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 105% of the corporate base rate on 90 day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time plus 1/2%, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate, from and including the Proceeds Commencement Date on the unliquidated balance from time to time of the Primary Sum (the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date on the amount of such unliquidated balance on the Proceeds Commencement Date and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month on the amount of such unliquidated balance on the first day of such preceding Accounting Month); plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision thereof on account of ad valorem, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatsoever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof, together with an amount equal to interest on the unliquidated amount thereof at the rate of 7% per annum from the date of payment of each such amount by the Grantee, provided, however, that the Grantor shall have the right at its expense to contest any such taxes or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENT OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Subject Hydrocarbons the full aggregate sum of the amounts described in subparagraphs (a) and (b) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Hydrocarbons (which expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described, specified or referred to in subparagraph (c) of this Paragraph 4.

5. **Termination of the Production Payment.** When the full aggregate sum of the amounts specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate and all interest therein shall immediately revert to and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination, it shall execute or cause to be executed, upon the request and at the expense of the Grantor, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. **Application of the Proceeds of Subject Hydrocarbons.** For all purposes of this Conveyance, the proceeds of Subject Hydrocarbons actually received by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied immediately after the opening of business on the 21st day of such month, and thereafter, such proceeds actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Account-

ing Month shall be deemed to have been received and applied immediately upon the opening of business on the first day of the next succeeding Accounting Month provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds are actually received, then the proceeds shall be deemed to have been received and applied on the last business day preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds shall be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) or Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (a) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application, and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertainable, and

(c) Third, to the reduction of the unliquidated balance of the Primary Sum,

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. Marketing the Subject Hydrocarbons. The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contracts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the last day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of the Subject Hydrocarbons so taken.

8. Sales Contracts. The Grantor will duly perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into (all such contracts and agreements being the "Sales Contracts"), in accordance with the terms hereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantor, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchasers thereof into the pipelines to which the wells producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. Withholding and Restitution of Proceeds of Subject Hydrocarbons. All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Power Commission. Rates permitted under the Natural Gas Act and said rules and regulations to be paid for gas included in Subject Hydrocarbons shall be controlling if varying from prices established in Sales Contracts or if different from the fair market price at the wellhead. The Grantor shall be entitled to use its reasonable discretion in making filings with the Federal Power Commission affecting Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantor pending final approval of rate increases filed with the Federal Power Commission, the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the Grantee. If, at any time before

or after receipt of the full aggregate sum specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Subject Hydrocarbons, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; provided, however, that if at the time of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

10. **Protection to Purchasers of Production.** No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

11. **Payment of Taxes.** The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and all transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and assessments of every kind and character whatsoever (other than federal income taxes of the Grantee) imposed or assessed with respect to or measured by or chargeable against or attributable to the Subject Interests, the Production Payment or the Subject Hydrocarbons, or the proceeds thereof, or against the Grantee by reason of its acquisition or ownership of the Production Payment or against any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. **Covenants of the Grantor.** Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Interests, cause:

(a) The Subject Interests to be maintained and developed and continuously operated for the production of Hydrocarbons in a good and workmanlike manner and in accordance with sound field practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith), provided, however, if the Grantor in good faith and in conformity with sound field practices elects not to participate in any operation which is to be conducted under the terms of an operating agreement, unit operating agreement, contract for development or similar instrument entered into by the Grantor or its predecessors in title pertaining to the development and operation of any Subject Interest (or any portion thereof) and which allows any consenting party or parties to conduct nonconsent operations, then, during the period or periods in which the consenting party or parties are entitled to receive Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) by the terms of such instrument pending the recoupment or receipt of the sums determined thereunder, the Grantee shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All rentals, royalties, and all liabilities of any kind or nature, including, without limitation, all liabilities for labor, material, supplies and equipment incurred in, or arising from, the administration, operation or development of, or the gathering, producing, treating, processing, storing, marketing or transporting of, the Subject Hydrocarbons, to be paid punctually when due, or, as to any thereof which are being contested in good faith, promptly after the final determination of such contest.

(c) All machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and necessary or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided.

(d) All necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Hydrocarbons and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand.

(e) Written notice to be given to the Grantee of every adverse claim or demand made by any person (including any government or governmental agency) affecting the Subject Interests, the Subject Hydrocarbons or the proceeds thereof in any manner whatsoever, or of any proceeding instituted with respect thereto.

(f) The interest of the Grantor in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance.

(g) Subject to the provisions of Paragraph 12 of this Conveyance, all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee, or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance.

Anything contained in this Paragraph 12 to the contrary notwithstanding, the Grantor shall not be obligated to perform underrating performable only by the operator and which are beyond the control of the Grantor, with respect to a dividend Subject Interests of which it is not the operator. In such case, however, the Grantor will use its best efforts to secure the performance of any such undertakings.

13. Access to the Subject Interests. The Grantor shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition the Grantor shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Hydrocarbons.

14. Pooling and Unitization. Anything herein to the contrary notwithstanding, the Grantor may, without the consent of the Grantee, pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units when, in the judgment of the Grantor, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). Further, after the formation of any unit, the Grantor shall furnish to the Grantee a true copy of the pooling agreement, unit designation or any other instrument creating such unit, together with, upon request of the Grantee, any operating agreement relating thereto. The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. Default by the Grantor and the Remedies of the Grantee. Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. Exercise and Termination of the Remedies of the Grantee. All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All rights and remedies shall terminate:

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 15 of this Conveyance (including amounts payable for interest) shall have been paid in full, or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies conferred upon the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. Reports to the Grantee. While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a report showing for such calendar month (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use and (ii) the gross proceeds received from the sale, or attributable to such taking, of such Subject Hydrocarbons.

18. Warranty of Title. The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests, subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A; that the Grantor has the power and right to create and confer upon the Grantee the

rights of the Grantee granted by the terms of this Conveyance; and that there are no suits or proceedings pending or, to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interests and the production of Hydrocarbons as warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. **Transfer of the Subject Interests.** Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests, provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well may be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons, over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well thereon which would cause such well to be capable of producing Hydrocarbons, over and above the cost of instituting and completing such pressure maintenance or secondary recovery operation, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the producing capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons whose aggregate value exceeds or will exceed the Grantor's share (as the owner of the Subject Interest on which such well is located) of the direct cost of operating such well.

In each case where the preceding paragraph of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which are so surrendered, abandoned or terminated shall upon surrender, abandonment or termination cease to be a Subject Interest, and (b) the Grantor, in lieu of surrendering, abandoning or terminating any of the Subject Interests (or any portion thereof), may sell, assign, sublease, farmout or convey the same free and clear of the Production Payment without the consent of the Grantee, and the Grantee shall not have the right to any proceeds from such sale, assignment, sublease, farmout or conveyance; provided, however, that any interest in any such Subject Interest (or any portion thereof) which may be excepted from such sale, assignment, sublease, farmout or conveyance and retained by the Grantor shall not be released thereby from the Production Payment.

20. **Exception to Payments.** The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking exception to the correctness of the amount thereof; provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantor within 12 months after the date such payment is made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

22. Rights of Mortgagee or Trustee. If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

23. Notices. Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantor to Pennzoil Place, P.O. Box 2987, Houston, Texas, and if to the Grantee to Pennzoil Place, P.O. Box 2987, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. Further Assurances. So long as permitted by applicable law, so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to secure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. Binding Effect. All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantee. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. Release or Failure of Title. No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interest until the full amount of the Production Payment has been received by the Grantee as herein provided.

27. Final Termination. Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of Theodore Roosevelt, late President of the United States, who are living on the date hereof.

28. Headings. Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, as heretofore amended and restated, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed

to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

Joe J. Prijean
Janet M. Lee

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By *W. B. Wickerson*
Vice President

ATTEST:

Sally Hays
Secretary

[CORPORATE SEAL]

Witnesses:

Joe J. Prijean
Janet M. Lee

PENNZOIL COMPANY

By *Herbert H. Hays*
Group Vice President

ATTEST:

Sally Hays
Secretary

[CORPORATE SEAL]

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on the 1st day of November, 1977:

(Louisiana) Before me appeared W. B. WILKINSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. WILKINSON acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared HAROLD E. SOUTON, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SOUTON acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared W. B. WILKINSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed; and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared HAROLD E. SOUTON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 1st day of November, 1977.

Rose Ashworth

Notary Public in and for Harris County, Texas
My Commission Expires June 30, 1978

ROSELLE ASHWORTH
Notary Public in and for Harris County, Texas
My Commission Expires June 30, 1978
Bonded by Alexander Lovett, Lawyers Surety Corp.

**EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT**

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
(All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps)			
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	25.00%
OCS-G2224	2-1-73	Block 532 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2225	2-1-73	Block 533 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G3284	8-1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2228	1-1-73	Block 590 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	24.25256%
OCS-G2850	12-1-74	All of Block 600, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2559	5-1-74	All of Block 617 West Cameron Area — South Addition, Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2859	12-1-74	All of Block 236, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2860	12-1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2882	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2863	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2587	5-1-74	All of Block 128 South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2884	12-1-74	All of Block 129, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2885	12-1-74	All of Block 141, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2900	12-1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G3156	7-1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	16.66667%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2607	5-1-74	All of Block 312 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	20.66667%
OCS-G2317	2-1-73	Block 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.67%
OCS-G2177	11-1-72	All of Block 49 South Pass Area as shown on official leasing map, Louisiana Map No. 9	10.00%
State Lease No. 6310	3-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 463, Records of Plaquemines Parish, Louisiana	.00%
OCS-G2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (382 U.S. 255), South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A	15.00%
OCS-G3193	7-1-75	S½ of Block 59, Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1956 and landward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3195	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	21.00%
OCS-G2947	12-1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	21.00%
OCS-G2193	3-1-72	All of Block 140 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	10.00%
OCS-G3202	7-1-75	All of Block 947, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G3203	7-1-75	All of Block 903, Ewing Bank Area, as shown on OCS Official Protraction Diagram N11-15-12	21.00%
OCS-G3206	7-1-75	All of Block N663F63, Mobile South No. 2, as shown on OCS Official Leasing Map N11-16-10 (Also known as Block 63, Mississippi Canyon Area, as shown on OCS Official Protraction Diagram N11-16-10)	10.00%
OCS-G2358	8-1-73	All of Block A-442, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2366	8-1-73	All of Block A-474, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2372	8-1-73	All of Block A-489, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2373	8-1-73	All of Block A-496, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	16.00%
OCS-G3118	4-1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.40%
OCS-G2377	8-1-73	All of Block A-519, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	16.43835%
OCS-G2378	8-1-73	All of Block A-520, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2383	8-1-73	All of Block A-535, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	13.33333%
OCS-G2701	7-1-74	All of Block A-540, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2704	7-1-74	All of Block A-545, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G2779	10-1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2705	7-1-74	All of Block A-547, High Island - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2706	7-1-74	All of Block A-548, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2384	8-1-73	All of Block A-555, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	14.50%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2713	7-1-74	All of Block A-562, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.715%
OCS-G2388	8-1-73	All of Block A-563, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2389	8-1-73	All of Block A-564, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2390	8-1-73	All of Block A-565, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2715	7-1-74	All of Block A-573 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2719	7-1-74	All of Block A-582 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.118%
OCS-G2397	8-1-73	All of Block A-272, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.33%
OCS-G2398	8-1-73	All of Block A-273, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2399	8-1-73	All of Block A-274, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	13.8461%
OCS-G2403	8-1-73	All of Block A-279, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	4-1-76	All of Block A-288, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2409	8-1-73	All of Block A-312, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2411	8-1-73	All of Block A-314, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	22.85714%
OCS-G2737	7-1-74	All of Block A-316 High Island Area - East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2413	8-1-73	All of Block A-322, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2414	8-1-73	All of Block A-323, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2416	8-1-73	All of Block A-325, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	20.66957%
OCS-G2418	8-1-73	All of Block A-327, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-332, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2739	7-1-74	All of Block A-339 High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-340, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2429	8-1-73	All of Block A-351, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.25%
OCS-G2745	7-1-74	All of Block A-355, High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	11.33%
OCS-G2746	7-1-74	All of Block A-356, High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	15.00%
OCS-G2766	7-1-74	All of Block A-403 High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G3417	1-1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supple- mental decree of the U.S. Supreme Court, June 16, 1975, (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map Louisiana Map No. 10	25.00%
OCS-G3409	1-1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	25.00%
OCS-G3416	1-1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975; (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisi- ana Map No. 9	20.00%
OCS-G3539	8-1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	30.00%

This Conveyance is subject to the terms and provisions of the above-described oil and gas leases and accordingly, the Subject Hydrocarbons and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS-G2839, OCS-G2225, OCS-G2850, OCS-G2559, OCS-G2607, OCS-G2317, OCS-G3193, OCS-G3195, OCS-G2917 and OCS-G3417 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G3284, OCS-G2228, OCS-G2859, OCS-G2860, OCS-G2882, OCS-G2883, OCS-G2587, OCS-G2884, OCS-G2885, OCS-G2900, OCS-G3156, OCS-G2185, OCS-G3202, OCS-G3203, OCS-G2369, OCS-G2372, OCS-G3115, OCS-G2701, OCS-G2484, OCS-G2713, OCS-G2385, OCS-G2389, OCS-G2719, OCS-G2399, OCS-G2379, OCS-G2426, OCS-G2766, OCS-G3409, OCS-G3410, OCS-G3500 and State Lease No. 6310 referred to above are each subject to an Operating Agreement between the Grantee, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2177, OCS-G2193 and OCS-G3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2358, OCS-G2403 and OCS-G3314 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2373, OCS-G2377, OCS-G2378, OCS-G2411, OCS-G2737, OCS-G2413, OCS-G2414, OCS-G2410, OCS-G2745 and OCS-G2746 referred to above are each subject to an Operating Agreement between Cities Service Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2383, OCS-G2409, OCS-G2418 and OCS-G2422 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2340 and OCS-G2718 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2397 and OCS-G2398 referred to above are each subject to an Operating Agreement between Amoco Development, Inc., as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2704, OCS-G2779, OCS-G2705 and OCS-G2706 are each subject to an Operating Agreement between Texaco Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225, OCS-G2228 and OCS-G2185 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225, OCS-G2550, OCS-G2559, OCS-G2882, OCS-G2587, OCS-G2607, OCS-G2317 and OCS-G2193 are subject to liquids purchase agreements between Grantor and Atlas Processing Company.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225 and OCS-G2193 are subject to gas purchase contracts between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G3284, OCS-G2850, OCS-G2559, OCS-G2882, OCS-G2587, OCS-G2883, OCS-G2900, OCS-G3156, OCS-G2607 and OCS-G2317 are subject to gas purchase contracts between Grantor and Sea Robin Pipe Line Company.

The Grantor's interest in Lease No. OCS-G2701 is subject to a Farmout Agreement dated February 25, 1977, as amended, between Pennzoil Offshore Gas Operators, Inc. (now named Pogo Producing Company), et al., as owner or farmor, and Mobil Oil Corporation, et al., as farmee.

**AMENDMENT
TO
PRODUCTION PAYMENT AGREEMENT**

THIS AMENDMENT TO PRODUCTION PAYMENT AGREEMENT (hereinafter called this "Amendment"), dated as of November 1, 1977 between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (hereinafter called the "Company"),

WITNESSETH:

WHEREAS, by means of that certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Company conveyed to Pennzoil, and Pennzoil purchased from the Company, at the time the first loan was made to the Company under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated as of May 1, 1976, among the Company, The First National Bank of Chicago, and the other banks named therein (such Bank Credit Agreement, as amended and restated, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the interests of the Company (hereinafter called the "Leasehold Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided in that certain Production Payment Agreement dated as of March 1, 1974, between Pennzoil and the Company (such Production Payment Agreement being hereinafter called the "Production Payment Agreement"), and as more particularly provided in the Production Payment Agreement,

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement and to secure the performance by the Company of its obligations under the Bank Credit Agreement, the Company, by that certain assignment dated as of March 1, 1974 (hereinafter called the "Assignment") from the Company to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the right, title and interest of the Company in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by Pennzoil for the purpose of its making the representations and special agreements set out therein;

WHEREAS, the Bank Credit Agreement, the Production Payment Agreement and the Conveyance were amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Bank Credit Agreement, an increase in the amount of that credit to \$200,000,000, the addition of certain banks as parties to the Bank Credit Agreement, the addition to the Leasehold Interests of the interests of the Company in certain oil and gas leases, and for other purposes;

WHEREAS, the Bank Credit Agreement is now proposed to be amended to reflect a further extension of the maturity of the credit available to the Company thereunder, an increase in the amount of that credit to \$250,000,000 and the addition of Morgan Guaranty Trust Company of New York and First International Bank in Houston, N.A. as parties to the Bank Credit Agreement, and for other purposes; and

WHEREAS, pursuant to the request of the Company and Pennzoil, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to reflect the Amendment to the Bank Credit Agreement proposed as aforesaid, to add to the Leasehold Interests the interests of the Company in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America, and to delete from the Leasehold Interests certain other leases, and in consideration of the premises and of the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Production Payment Agreement is hereby amended in the following respects:

(a) The introductory paragraph of the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(b) Section 2.1 of the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to read "November 1, 1977".

(c) Section 2.2 of the Production Payment Agreement is amended by changing the figure "112%" therein to read "105%".

(d) Section 2.3 of the Production Payment Agreement is amended to read in its entirety as follows:

"Pursuant to the agreement of the Company and Pennzoil as hereinbefore provided, a production payment was sold and conveyed by the Company to Pennzoil by Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil, and thereafter amended and restated as of May 1, 1976. The terms of such production payment shall be further amended by an Amendment to Instrument of Conveyance of Production Payment to be dated as of November 1, 1977, whereby the aforesaid Instrument of Conveyance of Production Payment shall be amended and restated so as to be in substantially the form of Appendix I hereto."

(e) Section 2.4 of the Production Payment Agreement is amended by adding the clause, "amended as aforesaid," after the phrase "Following the conveyance of such production payment", by changing the date "January 1, 1985" therein to read "July 1, 1986", and by changing the date "May 1, 1976" therein to read "November 1, 1977".

(f) Section 2.5 of the Production Payment Agreement is amended by changing the date "December 31, 1984" in paragraph (b) thereof to read "June 30, 1986", and by changing the date "May 1, 1976" in paragraph (c) thereof to read "November 1, 1977".

(g) The "IN WITNESS WHEREOF" paragraph of the Production Payment Agreement is amended to read in its entirety as follows:

"IN WITNESS WHEREOF, this Restated Production Payment Agreement amends and restates the Production Payment Agreement dated as of March 1, 1974, as heretofore amended and restated, and has been executed in multiple counterparts as of November 1, 1977."

(h) The signatures and acknowledgements set forth in the Production Payment Agreement are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgements thereto.

(i) The first paragraph of Appendix 1 to the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(j) Subparagraph (f) of Paragraph 1 of Appendix 1 to the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(k) Subparagraph (a) of Paragraph 4 of Appendix 1 to the Production Payment Agreement is amended by changing the date "May 1, 1976" therein to "November 1, 1977".

(l) Subparagraph (b) of Paragraph 4 of Appendix 1 to the Production Payment Agreement is amended by changing the figure "112%" therein to "105%".

(m) The "IN WITNESS WHEREOF" paragraph of Appendix 1 to the Production Payment Agreement is amended by adding after the date "March 1, 1974," therein the phrase "as heretofore amended and restated,".

(n) The signatures and acknowledgments set forth in Appendix 1 to the Production Payment Agreement are amended to read in their entirety as set forth in Annex 1 hereto as the signatures and acknowledgments thereto.

(o) Exhibit "A" to Appendix 1 to the Production Payment Agreement is amended to read in its entirety as set forth in Annex 1 hereto as Exhibit "A" to Appendix 1 thereto.

2. Except as amended hereby, the provisions of the Production Payment Agreement shall remain in full force and effect. The Production Payment Agreement, as amended hereby, shall be restated to read in its entirety as set forth in Annex 1 hereto, it being agreed and understood that all references in the Production Payment Agreement as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended and restated of November 1, 1977.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Production Payment Agreement, provided, however, that notwithstanding any provision hereof to the contrary, this Amendment shall not be construed or operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

WITNESSES:

..... Sue J. Prejano

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
[SEAL]

..... Janet M. Hill

By *W. B. W. W. W. W. W.*
Vice President

..... Sue J. Prejano

PENNZOIL COMPANY
[SEAL]

..... [Signature]

By *[Signature]*
Group Vice President

..... T. S. [Signature]

THE FIRST NATIONAL BANK OF CHICAGO,
as Agent
[SEAL]

..... [Signature]

[Signature] com
Assistant Vice President

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 1st day of November, 1977:

(Louisiana)

Before me appeared W. B. WILKERSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. WILKERSON acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SORTER, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SORTER acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W. B. WILKERSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SORTER, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 1st day of November, 1977.

Linda Spencer

[NOTARIAL SEAL]

Notary Public in and for Harris County, Texas
My Commission Expires *March 31, 1979*

LINDA SPENCER
Notary Public, in and for Harris County, Texas
My Commission Expires

THE STATE OF ILLINOIS }
COUNTY OF COOK } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this *5th* day of November, 1977:

Louisiana)

Before me appeared RICHARD S. PALMER, to me personally known, who, being by me duly sworn, did say that he is an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that RICHARD S. PALMER acknowledged the instrument to be the free act and deed of the national banking association.

Texas)

Before me on this day personally appeared RICHARD S. PALMER, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Assistant Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this *5th* day of November, 1977.

Clare A. Martz
Clare A. Martz
Notary Public in and for Cook County, Illinois
My Commission Expires
My Commission Expires April 9, 1979

[NOTARIAL SEAL]

PRODUCTION PAYMENT AGREEMENT

THIS AGREEMENT, dated as of March 1, 1974, as amended and restated as of November 1, 1977, between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OILSHORE, Inc., a Delaware corporation (hereinafter called the "Company"),

WITNESSETH:

ARTICLE I

Recitals

1.1 The Company proposes herein to agree to make available to Pennzoil, or Pennzoil's designee, for purchase on the terms and conditions provided herein all gas produced from or applicable to the interests of the Company (hereinafter called the "Leasehold Interests") in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America, which interests, leases and lands are described in Exhibit "A" to Appendix I, attached hereto and hereby made a part hereof.

1.2 Pennzoil proposes to purchase from the Company, at the time the first loan is made to the Company under that certain Bank Credit Agreement, dated as of the date hereof, among the Company, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the Leasehold Interests in an amount equal to the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided herein (hereinafter called the "Purchase Price Payment Date"), all as more particularly provided herein.

Now, THEREFORE, in consideration of the mutual promises herein set forth, it is agreed as follows:

ARTICLE II

Sale and Purchase of Production Payment

2.1 The Company hereby agrees to sell and convey to Pennzoil, and Pennzoil hereby agrees to purchase from the Company, a production payment in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement, as amended and restated as of November 1, 1977, on the Purchase Price Payment Date, if any, which shall be specified by the Company as provided in Section 2.5. The purchase price of such production payment shall be an amount equal to the principal amount thereof.

2.2 The conveyance of production payment

(a) shall entitle the holder thereof to an amount equal to interest (computed from the Purchase Price Payment Date) on the unpaid balance of the principal amount of the production payment from time to time remaining outstanding at a rate per annum (based on a year of 365 days) which shall be equal to 105% of the corporate base rate on 90 day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time plus 1/2%, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate.

(b) shall provide that the production payment shall be dischargeable from eighty-five percent (85%) of the proceeds of production from or applicable to the Leasehold Interests,

(c) shall be effective and as of the day on which such production payment shall be sold and conveyed to Pennzoil as provided in Section 2.3, and

(d) shall grant to the holder thereof the rights provided for in, and shall be substantially in the form of, the form of conveyance of production payment attached hereto as Appendix 1.

2.3 Pursuant to the agreement of the Company and Pennzoil as hereinbefore provided, a production payment was sold and conveyed by the Company to Pennzoil by Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil, and thereafter amended and restated as of May 1, 1976. The terms of such production payment shall be further amended by an Amendment to Instrument of Conveyance of Production Payment to be dated as of November 1, 1977, whereby the aforesaid Instrument of Conveyance of Production Payment shall be amended and restated so as to be substantially in the form of Appendix 1 hereto.

2.4 Following the conveyance of such production payment, amended as aforesaid, by the Company to Pennzoil as provided in Section 2.3, the Company or its assignee shall have the right at any time prior to July 1, 1986, upon notice given to Pennzoil as provided in Section 2.5, to call upon Pennzoil either

(a) to pay to the Company or its assignee the purchase price of such production payment, or

(b) to execute, acknowledge and deliver to the Company, at the Company's expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged such production payment;

provided, however, that the right referred to in subsection (a) above may not be exercised by the Company unless all certificates of the value of Proven Hydrocarbon Reserves which are required to be delivered to The First National Bank of Chicago under the Bank Credit Agreement, as amended and restated as of November 1, 1977, shall have been so delivered as required and an executed counterpart of each such certificate shall have been delivered to Pennzoil.

2.5 Notice of the election by the Company or its assignee to exercise either of the rights referred to in Section 2.4 shall specify the following

(a) which of such rights the Company or its assignee shall have elected to exercise;

(b) a date for closing the transactions contemplated by such right which (i) shall be a business day not less than 30 days after the date upon which such notice is received by Pennzoil unless Pennzoil shall agree in writing to an earlier closing date, and (ii) shall not be later than June 30, 1986, and

(c) if the Company or its assignee shall have elected to exercise its right to receive from Pennzoil the purchase price of the production payment, the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement, as amended and restated as of November 1, 1977, as of the Purchase Price Payment Date, such amount to be subject to adjustment as required on and as of such date.

The election by the Company or its assignee, in the manner set forth above, of one of the rights referred to in Section 2.4 shall constitute a waiver of the other such right.

2.6 The closing of the transactions referred to in Section 2.5 shall be held at the general offices of Pennzoil located at Pennzoil Place, Houston, Texas, or at such other location in Houston, Texas as Pennzoil shall specify in writing to the Company or its assignee. The closing date for such transactions shall be the date specified in the notice to Pennzoil, and on such closing date

(a) if the Company or its assignee shall have elected to receive payment of the purchase price of the production payment, Pennzoil shall pay to the Company or its assignee such purchase price in immediately available funds; or

(b) if the Company or its assignee shall have elected to have the Company receive a reconveyance of the production payment, Pennzoil shall execute, have acknowledged and deliver to the Company such instrument or instruments as may be necessary or appropriate to effect such reconveyance to the Company.

ARTICLE III

Pennzoil's Right to Purchase Gas

3.1 The Company shall make available to Pennzoil for purchase by Pennzoil, or such other person, firm or corporation as Pennzoil may designate, all gas produced from or applicable to the Leasehold Interests in accordance with the provisions set forth below.

3.2 When in Pennzoil's judgment gas reserves of sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, Pennzoil shall have the right to purchase such gas. Pennzoil's right to purchase gas hereunder may be exercised whenever and as often as in Pennzoil's judgment gas reserves of sufficient quantity and deliverability are developed on lands covered by one or more of the Leasehold Interests.

3.3 The price hereinafter called the "Contract Price") to be paid by Pennzoil for gas purchased from the Company hereunder shall be fixed by the contract between the parties hereto for the sale and purchase thereof. Such contract shall contain specific prices competitive with the contract prices then being included in similar contracts for the purchase of gas from the same area but such prices shall not be less than the applicable area ceiling rate set from time to time by the Federal Power Commission.

3.4 The procedures to be employed by Pennzoil and the Company on each exercise by Pennzoil of such right to purchase gas are as follows:

(a) Pennzoil shall give the Company notice of its election to purchase gas, which notice shall also specify the purchaser if it be a person, firm or corporation other than Pennzoil, and shall transmit with such notice a form of gas purchase contract providing for the sale and purchase of such gas. After each such election to purchase, on or before the expiration of thirty (30) days following the date upon which the pertinent notice is received by the Company, the Company shall execute the gas purchase contract transmitted therewith and return such contract to Pennzoil, unless the Company shall give Pennzoil notice that the Company is of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If such Contract Price has not been determined within sixty (60) days after receipt of the initial notice and form of gas purchase contract by the Company, either the Company or Pennzoil shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

3.5 When (i) in the Company's judgment gas reserves of a sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, and (ii) Pennzoil shall not theretofore have given the Company notice of its election to purchase such gas, then and in such event the Company shall have the right to sell such gas in accordance with and subject to the provisions of Section 3.6.

3.6 The procedures to be employed by the Company and Pennzoil on each exercise by the Company of its rights under Section 3.5 are as follows:

(a) Before entering into any contract for the sale of such gas, the Company shall give Pennzoil notice of its desire to sell such gas and shall transmit with each such notice a form of gas purchase contract providing for the sale and purchase of such gas.

(b) Pennzoil shall have a period of thirty (30) days from and after its receipt of such notice from the Company within which to elect to purchase such gas. If Pennzoil elects to purchase such gas, it shall give the Company notice to such effect and shall execute such gas purchase contract and return the same to the Company unless Pennzoil shall be of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If Pennzoil and the Company are unable to reach agreement on such Contract Price within sixty (60) days after receipt by Pennzoil of the aforesaid notice, either Pennzoil or the Company shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

(c) In the event Pennzoil does not elect to purchase such gas on or before the expiration of thirty (30) days after receipt of such notice from the Company, the Company shall have the right for a period of sixty (60) days from and after the expiration of thirty (30) days next following the receipt by Pennzoil of such original notice from the Company within which to execute with a third party a contract for the sale of such gas in the form submitted to Pennzoil with the original notice from the Company. If such contract is not executed within such sixty (60) day period, such gas shall not thereafter be sold by the Company to a third party, without first making the same available to Pennzoil in accordance with the provisions hereof.

3.7 If, pursuant to the provisions hereof, either party elects to cause the Contract Price to be provided in a gas purchase contract to be determined by arbitration, such party shall give the other party notice of such election, which notice shall also name one arbitrator. The party receiving such notice shall, within ten (10) days thereafter, by notice to the other, name the second arbitrator. The two (2) arbitrators so appointed shall name the third, or upon their failing to do so within ten (10) days, the third arbitrator may, upon request of either the Company or Pennzoil, be appointed by the person who at the time is the chief judge of the United States District Court for the Southern District of Texas. The arbitrators so appointed shall promptly hear and determine (after giving the parties due notice of hearing and a reasonable opportunity to be heard) the question submitted, and shall render their decision within sixty (60) days after completion of the hearing. The decision of the arbitrators, or a majority thereof, made in writing shall be final and binding upon Pennzoil and the Company. The expenses of arbitration, including reasonable compensation to the arbitrators, shall be borne equally by Pennzoil and the Company, except that each party shall bear the compensation and expenses of its counsel, witnesses and employees.

ARTICLE IV

General

4.1 All notices and other communications provided for herein shall be in writing and shall be delivered to the addressee thereof at Pennzoil Place, P. O. Box 2967, Houston, Texas 77001, or to such other address as the addressee shall have designated by written notice to the party giving such notice or making such communication. The date upon which any such notice or other communication is delivered shall be deemed to be the date the same is received.

4.2 The terms and provisions of Article III of this Agreement shall constitute covenants running with the lands and leases affected hereby and shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF, this Restated Production Payment Agreement amends and restates the Production Payment Agreement dated as of March 1, 1974, as heretofore amended and restated, and has been executed in multiple counterparts as of November 1, 1977.

Witnesses:

Sue J. Prejean
Jane M. Hill

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By *W. B. Wilkerson*
Vice President

ATTEST:

Sally Hagan
Secretary

[CORPORATE SEAL]

Witnesses:

Sue J. Prejean
Jane M. Hill

PENNZOIL COMPANY

By *Harold G. Foster*
Group Vice President

ATTEST:

Sally Hagan
Secretary

[CORPORATE SEAL]

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 1st day of November, 1977:

(Louisiana) Before me appeared W. B. WILKERSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. WILKERSON acknowledged the instrument to be the free act and deed of the corporation.


(Louisiana) Before me appeared HAROLD E. SONTOR, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SONTOR acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared W. B. WILKERSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared HAROLD E. SONTOR, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and as the act and deed 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 1st day of November, 1977.

[NOTARIAL SEAL]


Notary Public in and for Harris County, Texas
My Commission Expires March 31, 1979

LEONARD E. SONTOR
Notary Public in and for Harris County, Texas
My Commission Expires August 1, 1978

APPENDIX I
TO
PRODUCTION PAYMENT AGREEMENT
BETWEEN
PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
AND
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of November 1, 1977, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2907, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2907, Houston, Texas.

WITNESSETH

WHEREAS, the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described,

Now, THEREFORE, it is agreed by and between the Grantor and the Grantee as follows:

1. **Certain Definitions.** The following terms shall be used in this Conveyance with the meanings given below:

(a) "Accounting Month" shall mean any monthly period commencing with and including the 21st day of any calendar month and ending on and including the 20th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

(e) "Lease" shall mean any oil and gas lease or sub lease, described in Exhibit A.

(f) "Proceeds Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date upon which the purchase price is paid by the Grantee to the Grantor as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of November 1, 1977, between the Grantor and the Grantee.

(g) "Subject Hydrocarbons" shall mean all Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue and be attributable to, the Subject Interests from and after the Proceeds Commencement Date and throughout the period specified in this Conveyance for the term of the Production Payment.

(h) "Subject Interests" shall mean the undivided percentage interests of the Grantor in the Leases, and in addition thereto, each and every other kind and character of right, title, claim or interest which the Grantor now has in, to or under the Leases, which interests or Leases are

either specifically or generally described in Exhibit A, all as the same shall be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt adequacy and sufficiency of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons; subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargained, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the wellhead of the Subject Hydrocarbon used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor 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 Subject Hydrocarbons from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests, free of which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized,

out of the proceeds from the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date under the Bank Credit Agreement, dated as of March 1, 1971, as thereafter amended and restated as of November 1, 1977, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"); plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 105% of the corporate base rate on 90-day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time plus $\frac{1}{2}\%$, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate, from and including the Proceeds Commencement Date on the unliquidated balance from time to time of the Primary Sum (the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month on the amount of such unliquidated balance on the first day of such preceding Accounting Month); plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision thereof on account of ad valorem, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatsoever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof, together with an amount equal to interest on the unliquidated amount thereof at the rate of 7% per annum from the date of payment of each such amount by the Grantee, provided, however, that the Grantor shall have the right at its expense to contest any such taxes or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENTION OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Subject Hydrocarbons the full aggregate sum of the amounts described in subparagraphs (a) and (b) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Hydrocarbons (which expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described, specified or referred to in subparagraph (c) of this Paragraph 4.

5. **Termination of the Production Payment.** When the full aggregate sum of the amounts specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate and all interest thereon shall immediately revert to and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination, it shall execute or cause to be executed, upon the request and at the expense of the Grantor, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. **Application of the Proceeds of Subject Hydrocarbons.** For all purposes of this Conveyance, the proceeds of Subject Hydrocarbons actually received by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied immediately after the opening of business on the 21st day of such month, and thereafter, such proceeds actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Account-

ing Month shall be deemed to have been received and applied immediately after the opening of business on the first day of the next succeeding Accounting Month; provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds are actually received by the Grantee, such proceeds shall be deemed to have been received and applied on the last business day next preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds to be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application, and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertained, and

(c) Third, to the reduction of the unliquidated balance of the Primary Sum;

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. **Marketing the Subject Hydrocarbons.** The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contracts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the last day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of such Subject Hydrocarbons so taken.

8. **Sales Contracts.** The Grantor will duly perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into (all such contracts and agreements being the "Sales Contracts"), in accordance with the terms hereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantor, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchasers thereof into the pipelines to which the wells producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. **Withholding and Restitution of Proceeds of Subject Hydrocarbons.** All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Power Commission. Rates permitted under the Natural Gas Act and said rules and regulations to be paid for gas included in Subject Hydrocarbons shall be controlling if varying from prices established in Sales Contracts or if different from the fair market price at the wellhead. The Grantor shall be entitled to use its reasonable discretion in making filings with the Federal Power Commission affecting Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantor pending final approval of rate measures filed with the Federal Power Commission, the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the Grantee. If, at any time before

or after receipt of the full aggregate sum specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment, interest, damages and penalties; or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Subject Hydrocarbons, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; provided, however, that if at the time of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

10. **Protection to Purchasers of Production.** No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

11. **Payment of Taxes.** The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and a transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and assessments of every kind and character whatsoever (other than federal income taxes of the Grantee) imposed or assessed with respect to or measured by or charged against or attributable to the Subject interests, the Production Payment or the Subject Hydrocarbons, or the proceeds thereof, or against the Grantee by reason of its acquisition or ownership of the Production Payment or against any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. **Covenants of the Grantor.** Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Interest, cause:

(a) The Subject Interests to be maintained and developed and continuously operated for the production of Hydrocarbons in a good and workmanlike manner and in accordance with sound field practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith); provided, however, if the Grantor in good faith and in conformity with sound field practices elects not to participate in any operation which is to be conducted under the terms of an operating agreement, unit operating agreement, contract for development or similar instrument entered into by the Grantor or its predecessors in title pertaining to the development and operation of any Subject Interest (or any portion thereof) and which allows any consenting party or parties to conduct nonconsent operations, then, during the period or periods in which the consenting party or parties are entitled to receive Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) by the terms of such instrument pending the recomplement or receipt of the sums determined thereunder, the Grantee shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All rentals, royalties, and all liabilities of any kind or nature, including, without limitation, all liabilities for labor, material, supplies and equipment incurred in, or arising from, the administration, operation or development of, or the gathering, producing, treating, processing, storing, marketing or transporting of, the Subject Hydrocarbons, to be paid punctually when due, or, as to any thereof which are being contested in good faith, promptly after the final determination of such contest.

(c) All machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and necessary or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided.

(d) All necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Hydrocarbons and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand.

(e) Written notice to be given to the Grantee of every adverse claim or demand made by any person (including any government or governmental agency) affecting the Subject Interests, the Subject Hydrocarbons or the proceeds thereof in any manner whatsoever, or of any proceeding instituted with respect thereto.

(f) The interest of the Grantor in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance.

(g) Subject to the provisions of Paragraph 19 of this Conveyance, all Leases included in or relating to the interest described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee, or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance.

Anything contained in this Paragraph 12 to the contrary notwithstanding, the Grantor shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantor, with respect to individual Subject Interests of which it is not the operator. In such case, however, the Grantor will use its best efforts to secure the performance of any such undertakings.

13. Access to the Subject Interests. The Grantor shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition the Grantor shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Hydrocarbons.

14. Pooling and Unitization. Anything herein to the contrary notwithstanding, the Grantor may, without the consent of the Grantee, pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units when, in the judgment of the Grantor, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). Forthwith, after the formation of any unit, the Grantor shall furnish to the Grantee a true copy of the pooling agreement, unit designation or any other instrument creating such unit, together with, upon request of the Grantee, any operating agreement relating thereto. The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. Default by the Grantor and the Remedies of the Grantee. Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. Exercise and Termination of the Remedies of the Grantee. All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All rights and remedies shall terminate:

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 13 of this Conveyance (including amounts payable for interest) shall have been paid in full; or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies conferred upon the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. Reports to the Grantee. While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a report showing for such calendar month (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use and (ii) the gross proceeds received from the sale, or attributable to such taking, of such Subject Hydrocarbons.

18. Warranty of Title. The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests, subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A; that the Grantor has the power and right to create and confer upon the Grantee the

rights of the Grantor granted by the terms of this Conveyance and that there are no suits or proceedings pending or, to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interest, and the production of Hydrocarbons is warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. **Transfer of the Subject Interests.** Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 20 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests; provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well can be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, and (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons, over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well thereon which would cause such well to be capable of producing Hydrocarbons, over and above the cost of instituting and completing such pressure maintenance or secondary recovery operation, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the production capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons whose aggregate value exceeds or will exceed the Grantor's share (as the owner of the Subject Interest on which such well is located) of the direct cost of operating such well.

In each case where the preceding paragraph of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which are so surrendered, abandoned or terminated shall upon surrender, abandonment or termination cease to be a Subject Interest, and (b) the Grantor, in lieu of surrendering, abandoning or terminating any of the Subject Interests (or any portion thereof), may sell, assign, sublease, farmout or convey the same free and clear of the Production Payment without the consent of the Grantee, and the Grantee shall not have the right to any proceeds from such sale, assignment, sublease, farmout or conveyance; provided, however, that any interest in any such Subject Interest (or any portion thereof) which may be excepted from such sale, assignment, sublease, farmout or conveyance and retained by the Grantor shall not be released thereby from the Production Payment.

20. **Exception to Payments.** The acceptance by the Grantee of any payment hereunder shall not preclude the Grantee from taking exception to the correctness of the amount thereof; provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantor within 12 months after the date such payment is made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

2. **Rights of Mortgagee or Trustee.** If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured therein.

23. **Notices.** Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered with postage prepaid addressed if to the Grantor to Pemzoni Place, Apt. Box 2967, Houston, Texas, and if to the Grantee to 6120 Wil Place, P.O. Box 2967, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. **Further Assurances.** So long as permitted by applicable law so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. **Binding Effect.** All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantee. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. **Release or Failure of Title.** No release by the Grantor of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interest until the full amount of the Production Payment has been received by the Grantee as herein provided.

27. **Final Termination.** Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of Theodore Roosevelt, late President of the United States, who are living on the date hereof.

28. **Headings.** Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, as heretofore amended and restated, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed

to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

.....

By

Vice President

.....

ATTEST:

.....

Secretary

[CORPORATE SEAL]

Witnesses:

PENNZOIL COMPANY

.....

by

Group Vice President

.....

ATTEST:

.....

Secretary

[CORPORATE SEAL]

11/10/77

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 1st day of November, 1977:

(Louisiana)

Before me appeared W. B. WILKERSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. WILKERSON acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared HAROLD E. SOUTON, to me personally known, who, being by me duly sworn, did say that he is a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that HAROLD E. SOUTON acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W. B. WILKERSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared HAROLD E. SOUTON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Group Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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, on the 1st day of November, 1977.

Notary Public in and for Harris County, Texas
My Commission Expires

EXHIBIT A
TO
CONFORMANCE OF PRODUCTION PAYMENT

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
(All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps.)			
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	25.00%
OCS-G2224	2-1-73	Block 532 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2225	2-1-73	Block 533 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G3284	8-1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2225	1-1-73	Block 590 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	21.25%
OCS-G2850	12-1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2559	5-1-74	All of Block 617 West Cameron Area — South Addition, Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2851	12-1-74	All of Block 236, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2860	12-1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2852	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2883	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2587	5-1-74	All of Block 128 South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2884	12-1-74	All of Block 129, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2885	12-1-74	All of Block 141, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2900	12-1-74	All of Block 261, Eagle Island Area, OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G3156	7-1-75	All of Block 262, Eagle Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	16.66667%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

BLM or State Lease No.	Effective Date	Description	Grantor's Undivided Percentage Interest
OCS-G2607	5-1-74	All of Block 312 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.66667%
OCS-G2317	2-1-73	Block, 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.67%
OCS-G2177	11-1-72	All of Block 49 South Pass Area as shown on official leasing map, Louisiana Map No. 9	10.00%
State Lease No. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	20.00%
OCS-G2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1935 in the U.S. v. Louisiana No. 9 Original (352 U.S. 255), South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A	15.00%
OCS-G3193	7-1-75	S½ of Block 59, Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1936 and landward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3195	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	21.00%
OCS-G2947	12-1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	21.00%
OCS-G2193	10-1-72	All of Block 140 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	10.00%
OCS-G3202	7-1-75	All of Block 947, Ewing Bank Area, as shown on OCS Official Protraction Diagram NII-15-12	21.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

BLM or State Lease No.	Effective Date	Description	Grantor's Undivided Percentage Interest
OCS-G3203	7-1-75	All of Block 903, Ewing Bank Area, as shown on OCS Official Protraction Diagram NH-15-12	21.00%
OCS-G3206	7-1-75	All of Block N663F63, Mobile South No. 2, as shown on OCS Official Leasing Map, NH-16-10 (Also known as Block 63, Mississippi Canyon Area, as shown on OCS Official Protraction Diagram NH-16-10)	10.00%
OCS-G2358	8-1-73	All of Block A-442, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2366	8-1-73	All of Block A-474, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2372	8-1-73	All of Block A-459, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2373	8-1-73	All of Block A-496, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	16.00%
OCS-G3118	4-1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.40%
OCS-G2377	8-1-73	All of Block A-519, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	16.43835%
OCS-G2378	8-1-73	All of Block A-520, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2383	8-1-73	All of Block A-535, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	13.33333%
OCS-G2701	7-1-74	All of Block A-540, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2704	7-1-74	All of Block A-545, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G2779	10-1-74	All of Block A-516, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2705	7-1	All of Block A-547, High Island - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2706	7-1	All of Block A-548, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2384	8-1-73	All of Block A-555, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	14.50%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2713	7-1-74	All of Block A-562, High Island Area — South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.7157%
OCS-G2355	8-1-73	All of Block A-565, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2389	8-1-73	All of Block A-564, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2390	8-1-73	All of Block A-570, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2718	7-1-74	All of Block A-575 High Island Area — South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2719	7-1-74	All of Block A-553 High Island Area — South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.118%
OCS-G2387	8-1-73	All of Block A-272, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.33%
OCS-G2385	8-1-73	All of Block A-273, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2399	8-1-73	All of Block A-274, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	13.8461%
OCS-G2403	8-1-73	All of Block A-279, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	4-1-76	All of Block A-278, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2402	8-1-73	All of Block A-312, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2411	8-1-73	All of Block A-314, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	22.85714%
OCS-G2737	7-1-74	All of Block A-316 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2413	8-1-73	All of Block A-322, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2414	8-1-73	All of Block A-323, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2416	8-1-73	All of Block A-325, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	20.86357%
OCS-G2418	8-1-73	All of Block A-327, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-352, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2739	7-1-74	All of Block A-339 High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-340, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	34.90%
OCS-G2429	8-1-73	All of Block A-351, High Island Area, East Addition, South Extension. Official Leasing Map, Texas Map No. 7C	15.25%
OCS-G2745	7-1-74	All of Block A-355, High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	11.33%
OCS-G2746	7-1-74	All of Block A-356, High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	15.00%
OCS-G2766	7-1-74	All of Block A-403 High Island Area -- East Addition -- South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G3417	1-1-77	That portion of Main Pass Blocks 72 and 74 located more than three geographical miles seaward from the line described in the supple- mental decree of the U.S. Supreme Court, June 16, 1975, (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3409	1-1-77	All of Block 351, Eugene Island Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 4A	25.00%
OCS-G3416	1-1-77	That portion of South Pass Block 57 located more than three geographical miles seaward from the line described in the supplemental decree of the U.S. Supreme Court, June 16, 1975; (U.S. vs Louisiana, 422 U.S. 13) to one foot seaward of the Third Supplemental Decree Line (404 U.S. 388, December 20, 1971), as shown on OCS Official Leasing Map, Louisi- ana Map No. 9	20.00%
OCS-G3500	8-1-77	All of Block 253, West Cameron Area, as shown on OCS Official Leasing Map, Louisiana Map No. 1	30.00%

This Conveyance is subject to the terms and provisions of the above-described oil and gas leases and accordingly, the Subject Hydrocarbons and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS-G2589, OCS-G2225, OCS-G2550, OCS-G2559, OCS-G2607, OCS-G2317, OCS-G3193, OCS-G3195, OCS-G2917 and OCS-G3117 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G3254, OCS-G2228, OCS-G2579, OCS-G2560, OCS-G2582, OCS-G2583, OCS-G2587, OCS-G2584, OCS-G2585, OCS-G2900, OCS-G3150, OCS-G2155, OCS-G3202, OCS-G3203, OCS-G2366, OCS-G2372, OCS-G3118, OCS-G2701, OCS-G2384, OCS-G2713, OCS-G2385, OCS-G2389, OCS-G2719, OCS-G2399, OCS-G2379, OCS-G2426, OCS-G2429, OCS-G2760, OCS-G3409, OCS-G3416, OCS-G3509 and State Lease No. 6310 referred to above are each subject to an Operating Agreement between the Grantor, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2177, OCS-G2193 and OCS-G3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2359, OCS-G2403 and OCS-G3314 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2373, OCS-G2377, OCS-G2378, OCS-G2411, OCS-G2737, OCS-G2413, OCS-G2414, OCS-G2416, OCS-G2745 and OCS-G2746 referred to above are each subject to an Operating Agreement between Cities Service Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2983, OCS-G2409, OCS-G2418 and OCS-G2422 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2390 and OCS-G2718 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2397 and OCS-G2398 referred to above are each subject to an Operating Agreement between Aminoil Development, Inc., as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G2704, OCS-G2779, OCS-G2705 and OCS-2706 are each subject to an Operating Agreement between Texaco Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225, OCS-G2228 and OCS-G2185 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2221, OCS-G2225, OCS-G2550, OCS-G2559, OCS-G2582, OCS-G2587, OCS-G2607, OCS-G2317 and OCS-G2193 are subject to liquids purchase agreements between Grantor and Atlas Processing Company.

The Grantor's interests in Lease Nos. OCS-G2224, OCS-G2225 and OCS-G2193 are subject to gas purchase contracts between Grantor and United Gas Pipe Line Company.

The Grantor's interests in Lease Nos. OCS-G2550, OCS-G2559, OCS-G2582, OCS-G2587, OCS-G2583, OCS-G2900, OCS-G3156, OCS-G2607 and OCS-G2317 are subject to gas purchase contracts between Grantor and Sea Robin Pipe Line Company.

The Grantor's interest in Lease No. OCS-G2701 is subject to a Farmout Agreement dated February 25, 1977, as amended, between Pennzoil Offshore Gas Operators, Inc. (now named Pogo Producing Company), et al., as owner or farmor, and Mobil Oil Corporation, et al., as farmee.

11

LAW OFFICES

LEMLE, KELLEHER, KOHLMAYER & MATTHEWS

EIGHTEENTH FLOOR

FIRST NATIONAL BANK OF COMMERCE BUILDING

NEW ORLEANS 70112

TELEPHONE (504) 586-1241

CABLE ADDRESS: LEMMOR

TELEX 584272

May 12, 1976

HACK E. BARHAM
OF COUNSELALAN H. GOODMAN
JAMES M. PETERLIN
EDWARD F. ROHNKE, II
STANLEY A. WILLAN
GEORGE FRAZIER, IV
JEROME G. BRYAN
BRUCE M. HONACK
J. DONICE ALLEN
MARK S. STEIN
RICHARD W. SIMMONS
JOHN M. SARTIN, JR.
RICHARD B. FOSTERLOUIS G. LEMLE
HARRY B. KELLEHER
HARRY V. KOHLMAYER
CHARLES KOHLMAYER, JR.
GEORGE D. MATTHEWS
N. MARTIN HUNTER, JR.
WILLIAM STEIN
CHARLES E. LUI
NORMAN
L. MURPHY MOORE, JR.
ALLEN S. CONTINO
GEORGE A. FRISCH, III
THOMAS J. CONTINO, JR.
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J. J. HANCOCK, JR.J. JACK GREEN, JR.
FREDERICK F. HANAU
WILLIAM B. KORTHEIMER, JR.
WILLIAM F. O'NEIL
WILLIAM J. LANZETTA, JR.
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CARL S. TIPPIN, JR.
ROBERT C. LEININGER, JR.
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DANNO P. CELLINI
P. JAMES BAILEY
ASHTON N. COWLEY, JR.
W. F. ROE
THOMAS W. TUCKER
OF - TELEPHONE
J. J. O'NEAL

Department of the Interior
Bureau of Land Management
Outer Continental Shelf Office
Suite 3200, The Plaza Tower
1001 Howard Avenue
New Orleans, Louisiana 70113

Attention: Mr. John L. Rankin,
Offshore Manager

Re: Leases Nos. OCS G-2839, 2224, 2225, 3284,
2228, 2850, 2559, 2859, 2860, 2882, 2883,
2587, 2884, 2885, 2900, 3156, 2607, 2317,
2177, 2185, 3193, 3195, 2947, 2191, 2193,
2195, 3202, 3203, 3206

Offshore Louisiana

Leases Nos. OCS G-2351, 2358, 2366, 2372,
2373, 3118, 2377, 2378, 2383, 2701, 2704,
2779, 2705, 2706, 2384, 2713, 2388, 2389,
2390, 2718, 2719, 2397, 2398, 2399, 2403,
3314, 2409, 2411, 2737, 2413, 2414, 2416,
2418, 2422, 2739, 2426, 2429, 2745, 2746,

Offshore Texas

Ger

are an original executed copy and 69 Xerox
copies of each of the following documents:

1. Amendment to Production Payment Agreement dated as of May 1, 1976 between Pennzoil Company and Pennzoil Louisiana and Texas Offshore, Inc.
2. Amendment to Instrument of Conveyance of Production Payment dated as of May 1, 1976 between Pennzoil Louisiana and Texas Offshore, Inc. and Pennzoil Company.

RECEIVED
MAY 13 10 22 AM '76
OFFICE OF THE ATTORNEY GENERAL
STATE OF LOUISIANA

Department of the Interior
Bureau of Land Management

May 12, 1976
Page 2.

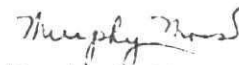
3. Confirmation of Assignment dated as of May 1, 1976 among Pennzoil Louisiana and Texas Offshore, Inc., Pennzoil Company and The First National Bank of Chicago, as Agent for certain banks.

We request that you file the original executed copy of each of these documents, along with this letter, in your file applicable to Lease No. OCS G-2839. Please also place an additional copy of this letter and a Xerox copy of these documents in your file applicable to each of the remaining captioned leases for cross-referencing purposes.

We understand that the payment of a fee in connection with this filing is not required by applicable regulations, and that no approval is necessary. Please return one enclosed copy of this letter to evidence such filing and the accomplishment of our request.

Yours very truly,

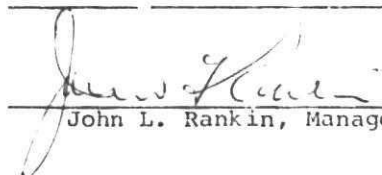
LEMLE, KELLEHER, KOHLMEYER & MATTHEWS


Murphy Moss

MM/cd
Enclosures

Filed and accomplished as requested.

_____, 1976.



John L. Rankin, Manager

RECEIVED
MAY 13 10 30 AM '76
BUREAU OF LAND MANAGEMENT
U.S. DEPARTMENT OF THE INTERIOR

**AMENDMENT
TO
PRODUCTION PAYMENT AGREEMENT**

THIS AMENDMENT TO PRODUCTION PAYMENT AGREEMENT (hereinafter called this "Amendment"), dated as of May 1, 1976 between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (hereinafter called the "Company")

WITNESSETH

WHEREAS, by means of that certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Company and Pennzoil (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Company conveyed to Pennzoil, and Pennzoil purchased from the Company, at the time the first loan was made to the Company under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated as of May 1, 1976, among the Company, The First National Bank of Chicago, and the other bank named therein (such Bank Credit Agreement, as amended and restated, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from oil applicable to the interests of the Company (hereinafter called the "Leased and Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided in that certain Production Payment Agreement dated as of March 1, 1974 between Pennzoil and the Company (such Production Payment Agreement being hereinafter called the "Production Payment Agreement"), all as more particularly provided in the Production Payment Agreement;

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement and to secure the performance by the Company of its obligations under the Bank Credit Agreement, the Company, by that certain assignment dated as of May 1, 1974 (hereinafter called the "Assignment") from the Company to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the title and interest of the Company in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by the Company for the purpose of its making the representations and special agreements set out therein; and

WHEREAS, pursuant to the request of the Company and Pennzoil, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to add to the title and interests the interests of the Company in certain oil and gas leases, including lands located offshore Louisiana and Texas in the Gulf of Mexico adjacent to the United States of America and in proceeds of production from oil and of the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Production Payment Agreement is hereby amended to the following respects:

(a) Section 2.1 of the Production Payment Agreement is amended by adding therein the clause "as amended and restated as of May 1, 1976" after the word "Agreement".

(b) Section 2.3 of the Production Payment Agreement is amended by adding therein the clause "as amended and restated as of May 1, 1976" after the word "Agreement".

(c) Section 2.4 of the Production Payment Agreement is amended by changing the date "January 1, 1983" therein to read "January 1, 1985", and by adding therein the clause ", as amended and restated as of May 1, 1976," after the word "Agreement".

(d) Section 2.5 of the Production Payment Agreement is amended by changing the date "December 31, 1982" in paragraph (b) thereof to read "December 31, 1984", and by adding therein the clause ", as amended and restated as of May 1, 1976," after the word "Agreement".

(e) Section 2.6 of the Production Payment Agreement is amended by changing the address "900 Southwest Tower" therein to "Pennzoil Place".

(f) Section 4.1 of the Production Payment Agreement is amended by changing the address "900 Southwest Tower, Houston, Texas 77002" to "Pennzoil Place, P.O. Box 2967, Houston, Texas 77001".

(g) The "IN WITNESS WHEREOF" paragraph of the Production Payment Agreement is amended to read in its entirety as follows:

"IN WITNESS WHEREOF, this Restated Production Payment Agreement amends and restates the Production Payment Agreement dated as of March 1, 1974 and has been executed in multiple counterparts as of May 1, 1976."

(h) The signatures and acknowledgments set forth in the Production Payment Agreement are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgments thereto.

(i) The first paragraph of Appendix I to the Production Payment Agreement is amended to read in its entirety as follows:

"THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (the "Conveyance") dated as of March 1, 1974, as amended and restated as of May 1, 1976, between PLANNON, LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas,"

(j) Subparagraph (1) of Paragraph 1 of Appendix I to the Production Payment Agreement is amended by adding therein the clause ", as amended and restated as of May 1, 1976," after the number "1974".

(k) Subparagraph (a) of Paragraph 4 of Appendix I to the Production Payment Agreement is amended by adding therein the clause ", as thereafter amended and restated as of May 1, 1976," after the number "1974".

(l) Paragraph 24 of Appendix I to the Production Payment Agreement is amended by changing the address "900 Southwest Tower" to "Pennzoil Place, P.O. Box 2967" at each occurrence therein.

(m) The "IN WITNESS WHEREOF" paragraph of Appendix I to the Production Payment Agreement is amended to read in its entirety as follows:

"IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are original. Each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written."

(n) The signatures and acknowledgments set forth in Appendix 1 to the Production Payment Agreement are amended to read in their entirety as set forth in Annex 1 hereto as the signatures and acknowledgments thereto.

(o) Exhibit "A" to Appendix 1 to the Production Payment Agreement is amended to read in its entirety as set forth in Annex 1 hereto as Exhibit "A" to Appendix 1 thereto.

2. Except as amended hereby, the provisions of the Production Payment Agreement shall remain in full force and effect. The Production Payment Agreement, as amended hereby, shall be restated to read in its entirety as set forth in Annex 1 hereto, it being agreed and understood that all references in the Production Payment Agreement as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended and restated as of May 1, 1976.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Production Payment Agreement; provided, however, that notwithstanding any provision hereof to the contrary, this Amendment shall not be construed or operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

WITNESSES:

Blair C. Little
Donald W. Apple

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
[SEAL]
By *Donald W. Apple*
VICE PRESIDENT

Blair C. Little
Donald W. Apple

PENNZOIL COMPANY
By *W. B. Wilson* [SEAL]
Vice President

Charmelle B. Robinson
Theresa L. Robinson

THE FIRST NATIONAL BANK OF CHICAGO,
as Agent
By *Richard L. Evans* [SEAL]
Vice President

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 6th day of May, 1976,

(Louisiana)

Before me appeared W. E. Keweenaw, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON LOUISIANA AND TEXAS OILSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. E. Keweenaw, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W. E. Keweenaw, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. E. Keweenaw, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W. E. Keweenaw, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON LOUISIANA AND TEXAS OILSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W. E. Keweenaw, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 6th day of May, 1976.

Robert Wayne Hester
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

THE STATE OF ILLINOIS }
COUNTY OF COOK } SS:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 10 day of May, 1976:

(Louisiana)

Before me appeared WILLIAM L. ELLISON, to me personally known, who, being by me duly sworn, did say that he is Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that WILLIAM L. ELLISON acknowledged the instrument to be the free act and deed of said national banking association.

(Texas)

Before me on this day personally appeared WILLIAM L. ELLISON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Vice President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 10 day of May, 1976.

Charles E. Kelly

Notary Public in and for Cook County, Illinois

My Commission Expires

My Comm. Exp. April 9, 1979

PRODUCTION PAYMENT AGREEMENT

THIS AGREEMENT, dated as of March 1, 1973, as amended and restated as of May 1, 1976, between PENNZOIL COMPANY, a Delaware corporation (hereinafter called "Pennzoil"), and PENNZOIL LOUISIANA AND TEXAS OILSHORE, INC., a Delaware corporation (hereinafter called the "Company"),

WITNESSETH:

ARTICLE I

Recitals

1.1 The Company proposes herein to agree to make available to Pennzoil, or Pennzoil's designee, for purchase on the terms and conditions provided herein, all gas produced from or applicable to the interests of the Company (hereinafter called the "Leasehold Interests") in certain oil and gas leases covering lands located offshore in the Gulf of Mexico adjacent to the United States of America, which interests, leases and lands are described in Exhibit "A" to Appendix I, attached hereto and hereby made a part hereof.

1.2 Pennzoil proposes to purchase from the Company, at the time the first loan is made to the Company under that certain Bank Credit Agreement, dated as of the date hereof, among the Company, The First National Bank of Chicago, and the other banks named therein (hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the Leasehold Interests in an amount equal to the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by Pennzoil to the Company as provided herein (hereinafter called the "Purchase Price Payment Date"), all as more particularly provided herein.

Now, THEREFORE, in consideration of the mutual promises herein set forth, it is agreed as follows:

ARTICLE II

Sale and Purchase of Production Payment

2.1 The Company hereby agrees to sell and convey to Pennzoil, and Pennzoil hereby agrees to purchase from the Company, a production payment in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement as amended and restated as of May 1, 1976, on the Purchase Price Payment Date, if any, which shall be specified by the Company as provided in Section 2.5. The purchase price of such production payment shall be an amount equal to the principal amount thereof.

2.2 The conveyance of production payment

(a) shall entitle the holder thereof to an amount equal to interest (computed from the Purchase Price Payment Date) on the unpaid balance of the principal amount of the production payment from time to time remaining outstanding at a rate per annum (based on a year of 360 days) which shall be equal to 11% of the corporate base rate on 90 day commercial loans to its largest and most credit worthy commercial borrowers in effect at The First National Bank of Chicago from time to time plus 1/2% such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate;

(b) shall provide that the production payment shall be dischargeable from eighty-five percent (85%) of the proceeds of production from or applicable to the Leasehold Interests;

(c) shall be effective from and as of the day on which such production payment shall have been sold and conveyed to Pennzoil as provided in Section 2.3, and

(d) shall grant to the holder thereof the rights provided for in, and shall be substantially in the form of, the form of conveyance of production payment attached hereto as Appendix 1.

2.3 Such production payment shall be sold and conveyed by the Company to Pennzoil on the date that the first loan is made to the Company under the Bank Credit Agreement, as amended and restated as of May 1, 1976. On such date, the Company shall execute, have acknowledged and deliver to Pennzoil a conveyance of production payment in substantially the form of Appendix 1, with the blanks presently appearing there in appropriately completed.

2.4 Following the conveyance of such production payment by the Company to Pennzoil as provided in Section 2.3, the Company or its assignee shall have the right at any time prior to January 1, 1985, upon notice given to Pennzoil as provided in Section 2.5, to call upon Pennzoil either:

- (a) to pay to the Company or its assignee the purchase price of such production payment, or
- (b) to execute, acknowledge and deliver to the Company, at the Company's expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged such production payment,

provided, however, that the right selected to in subsection (a) above may not be exercised by the Company unless all certificates of the value of Proven Hydrocarbon Reserves which are required to be delivered to The First National Bank of Chicago under the Bank Credit Agreement, as amended and restated as of May 1, 1976, shall have been so delivered as required and an executed counterpart of each such certificate shall have been delivered to Pennzoil.

2.5 Notice of the election by the Company or its assignee to exercise either of the rights referred to in Section 2.4 shall specify the following:

- (a) which of such rights the Company or its assignee shall have elected to exercise;
- (b) a date for closing the transactions contemplated by such right which (i) shall be a business day not less than 30 days after the date upon which such notice is received by Pennzoil unless Pennzoil shall agree by writing to an earlier closing date, and (ii) shall not be later than December 31, 1984, and
- (c) if the Company or its assignee shall have elected to exercise a right to receive from Pennzoil the purchase price of the production payment, the aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement, as amended and restated as of May 1, 1976, as of the Purchase Price Payment Date, such amount to be subject to adjustment as required and as of such date.

The election by the Company or its assignee, in the manner set forth above, of one of the rights referred to in Section 2.4 shall constitute a waiver of the other such right.

2.6 The closing of the true actions referred to in Section 2.5 shall be held at the general offices of Pennzoil located at Pennzoil Place, Houston, Texas, or at such other location in Houston, Texas as Pennzoil shall specify in writing to the Company or its assignee. The closing date for such transactions shall be the date specified in the notice to Pennzoil and on such closing date:

- (a) if the Company or its assignee shall have elected to receive payment of the purchase price of the production payment, Pennzoil shall pay to the Company or its assignee such purchase price in nonexclusively available funds, or
- (b) if the Company or its assignee shall have elected to have the Company receive a reconveyance of the production payment, Pennzoil shall execute, have acknowledged and deliver to the Company such instrument or instruments as may be necessary or appropriate to effect such reconveyance to the Company.

ARTICLE III

Pennzoil's Right to Purchase Gas

3.1 The Company shall make available to Pennzoil for purchase by Pennzoil, or such other person, firm or corporation as Pennzoil may designate, all gas produced from or applicable to the Leasehold Interests in accordance with the provisions set forth below.

3.2 When in Pennzoil's judgment gas reserves of sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, Pennzoil shall have the right to purchase such gas. Pennzoil's right to purchase gas hereunder may be exercised whenever and as often as in Pennzoil's judgment gas reserves of sufficient quantity and deliverability are developed on lands covered by one or more of the Leasehold Interests.

3.3 The price (hereinafter called the "Contract Price") to be paid by Pennzoil for gas purchased from the Company hereunder shall be fixed by the contract between the parties hereto for the sale and purchase thereof. Such contract shall contain specific prices competitive with the contract prices then being included in similar contracts for the purchase of gas from the same area but such prices shall not be less than the applicable area ceiling rate set from time to time by the Federal Power Commission.

3.4 The procedures to be employed by Pennzoil and the Company on each exercise by Pennzoil of such right to purchase gas are as follows:

(a) Pennzoil shall give the Company notice of its election to purchase gas, which notice shall also specify the purchaser if it be a person, firm or corporation other than Pennzoil, and shall transmit with such notice a form of gas purchase contract providing for the sale and purchase of such gas. After each such election to purchase, on or before the expiration of thirty (30) days following the date upon which the pertinent notice is received by the Company, the Company shall execute the gas purchase contract transmitted therewith and return such contract to Pennzoil, unless the Company shall give Pennzoil notice that the Company is of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If such Contract Price has not been determined within sixty (60) days after receipt of the initial notice and form of gas purchase contract by the Company, either the Company or Pennzoil shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

3.5 When (i) in the Company's judgment gas reserves of a sufficient quantity and deliverability to justify the construction of necessary facilities customarily utilized by purchasers of such gas in performance under gas purchase contracts have been developed on lands covered by any one or more of the Leasehold Interests, and (ii) Pennzoil shall not theretofore have given the Company notice of its election to purchase such gas, then and in such event the Company shall have the right to sell such gas in accordance with and subject to the provisions of Section 3.6.

3.6 The procedures to be employed by the Company and Pennzoil on each exercise by the Company of its rights under Section 3.5 are as follows:

(a) Before entering into any contract for the sale of such gas, the Company shall give Pennzoil notice of its desire to sell such gas and shall transmit with each such notice a form of gas purchase contract providing for the sale and purchase of such gas.

(b) Pennzoil shall have a period of thirty (30) days from and after its receipt of such notice from the Company within which to elect to purchase such gas. If Pennzoil elects to purchase such gas, it shall give the Company notice to such effect and shall execute such gas

purchase contract and return the same to the Company unless Pennzoil shall be of the opinion that the Contract Price provided for therein does not meet the requirements set forth in Section 3.3, in which event the parties shall promptly thereafter undertake in good faith negotiations to determine by agreement such Contract Price. If Pennzoil and the Company are unable to reach agreement on such Contract Price within sixty (60) days after receipt by Pennzoil of the aforesaid notice, either Pennzoil or the Company shall have the right to cause such Contract Price to be determined by arbitration as provided in Section 3.7.

(c) In the event Pennzoil does not elect to purchase such gas on or before the expiration of thirty (30) days after receipt of such notice from the Company, the Company shall have the right for a period of sixty (60) days from and after the expiration of thirty (30) days next following the receipt by Pennzoil of such original notice from the Company within which to execute with a third party a contract for the sale of such gas in the form submitted to Pennzoil with the original notice from the Company. If such contract is not executed within such sixty (60) day period, such gas shall not thereafter be sold by the Company to a third party, without first making the same available to Pennzoil in accordance with the provisions hereof.

3.7 If, pursuant to the provisions hereof, either party elects to cause the Contract Price to be provided in a gas purchase contract to be determined by arbitration, such party shall give the other party notice of such election, which notice shall also name one arbitrator. The party receiving such notice shall, within ten (10) days thereafter, by notice to the other, name the second arbitrator. The two (2) arbitrators so appointed shall name the third, or upon their failing to do so within ten (10) days, the third arbitrator may, upon request of either the Company or Pennzoil, be appointed by the person who at the time is the chief judge of the United States District Court for the Southern District of Texas. The arbitrators so appointed shall promptly hear and determine (after giving the parties due notice of hearing and a reasonable opportunity to be heard) the question submitted, and shall render their decision within sixty (60) days after completion of the hearing. The decision of the arbitrators, or a majority thereof, made in writing shall be final and binding upon Pennzoil and the Company. The expenses of arbitration, including reasonable compensation to the arbitrators, shall be borne equally by Pennzoil and the Company, except that each party shall bear the compensation and expenses of its counsel, witnesses and employees.

ARTICLE IV

General

4.1 All notices and other communications provided for herein shall be in writing and shall be delivered to the addressee thereof at Pennzoil Place, P. O. Box 20667, Houston, Texas 77001, or to such other address as the addressee shall have designated by written notice to the party giving such notice or modifying such communication. The date upon which any such notice or other communication is delivered shall be deemed to be the date the same is received.

4.2 The terms and provisions of Article III of this Agreement shall constitute covenants running with the lands and leases affected hereby and shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF, this Restated Production Payment
Production Payment Agreement dated as of March 1, 1974 and its
parts as of May 1, 1976.

amends and restates the
executed in multiple counter-

Witnesses:

Glenn C. Little
Deborah Chapman

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By

W. B. Williams
VICE PRESIDENT

ATTEST:

Sally Hays
SECRETARY

[CORPORATE SEAL]

Witnesses:

Glenn C. Little
Deborah Chapman

PENNZOIL COMPANY

By

W. B. Williams
Vice President

ATTEST:

Sally Hays
SECRETARY

[CORPORATE SEAL]

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 2nd day of May, 1976:

(Louisiana)

Before me appeared W. B. Crossley, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. Crossley, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W. B. Crossley, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. Crossley, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W. B. Crossley, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W. B. Crossley, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 2nd day of May, 1976.

William Lloyd Foster
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

APPENDIX 1
TO
PRODUCTION PAYMENT AGREEMENT
BETWEEN
PENNZOIL, LOUISIANA AND TEXAS OFFSHORE, INC.
AND
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of May 1, 1976, between PENNZOIL, LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas.

WITNESSETH

Whereas the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described;

Now, Therefore, it is agreed by and between the Grantor and the Grantee as follows:

I. **Certain Definitions.** The following terms shall be used in this Conveyance with the meanings given below:

(a) "Assignment Period" shall mean any period beginning on and including the 21st day of any calendar month and ending on and including the 30th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of one or more of such hydrocarbons applicable to the context in which such term is used.

(e) "Lease" shall mean a lease and gas lease or sub lease, described in Exhibit A.

(f) "Payment Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date on which the lease price is paid by the Grantor to the Grantee as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of May 1, 1976, between the Grantor and the Grantee.

(g) "Subject Interests and/or" shall mean all Hydrocarbons in and under, and which may be produced and/or discovered and which shall accrue and be attributable to, the Subject Interests, from and after the Assignment Date and throughout the period specified in this Conveyance for duration of the lease and assignment.

(h) "Subject Interests" shall mean the individual parcels of interests of the Grantor in the Leases, and, in addition thereto, all and every other kind and character of right, title, claim or interest which the Grantor may hold in, to or under the Leases, which interests or Leases are either specifically or generally described in Exhibit A, all of the same shall be enlarged by the

discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargained, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the wellhead of the Subject Hydrocarbons used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon modification of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor in conformity with good field practices in the drilling and production operations (including gas injection, secondary recovery, pressure maintenance, repressuring or cycling operations) conducted for the purpose of producing Subject Hydrocarbons from the Subject Interests or from any tract to which the Subject Interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations in the State of any State from the United States of America included in the Subject Interest, from which the average production of oil per well per day averaged on the monthly basis is 10 barrels or less, it shall stand to pay and the right of the Grantor to receive the proceeds of oil produced therefrom shall be suspended until said average production of oil per well per day exceeds a 10 barrel amount, and such suspension shall apply separately to any zone or portions of such lease, segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and received,

out of the proceeds from the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, producing, treating, processing, handling, storing, marketing, transporting and other costs and expenses of every kind and over the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date and on the Bank Credit Agreement, dated as of March 1, 1977, and thereafter amended and restated as of May 1, 1976, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"), plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 11% of the corporate balance on 30-day commercial loans to its largest and most credit-worthy commercial borrower, in effect at The First National Bank of Chicago from time to time plus 1% cumulative technique automatically and from time to time effective as of the date of each closing in such corporate loans, rate included, included on the Proceeds Commencement Date on the undisputed balance from time to time of the Primary Sum; the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date on the amount of such undisputed balance on the Proceeds Commencement Date, and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month; plus the amount of such undisputed balance on the first day of such preceding Accounting Month; plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision or on account of inheritance, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof, together with an amount equal to interest on the undisputed amount charged at the rate of 11% per annum from the date of payment of each such tax or assessment by the Grantee, provided, however, that the Grantor shall have the right at its expense to contest any such tax or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENTION OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and receive out of the Subject Hydrocarbons the full aggregate sum of the amounts described in sub-paragraphs (a) and (b) of this Paragraph 4, free and clear of all cost and expenses with respect to the Subject Interests and the Subject Hydrocarbons (which expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described specifically herein in sub-paragraph (c) of this Paragraph 4.

5. **Termination of the Production Payment.** When the full aggregate sum of the amounts specified in sub-paragraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided for in the Amended Conveyance) has been received by the Grantee, the Production Payment shall terminate, and all interest thereon shall immediately cease to accrue and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantor agrees that upon such termination it shall execute or cause to be executed upon the request and at the expense of the Grantee, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. **Application of the Proceeds of Sales of Hydrocarbons.** For all purposes of this Conveyance, the proceeds of Sales of Hydrocarbons shall be applied as required by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied to the payment of loans, as on the 21st day of such month, and thereafter as hereinafter actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Accounting

Accounting Month shall be deemed to have been received and applied immediately after the opening of business on the first day of the next succeeding Accounting Month; provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds are actually received by the Grantee, such proceeds shall be deemed to have been received and applied on the last business day next preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds to be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application; and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertained; and

(c) Third, to the reduction of the unpaid balance of the Primary Sum;

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unpaid balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. **Marketing the Subject Hydrocarbons.** The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contract acts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the first day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of the Subject Hydrocarbons so taken.

8. **Sales Contracts.** The Grantor will direct, perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into; and such contracts and agreements being the "Sales Contracts", in accordance with the hereinbefore and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantee, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchasers thereof into the pipelines to which the well producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. **Withholding and Restitution of Proceeds of Subject Hydrocarbons.** All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Power Commission, Rules enacted under the Natural Gas Act and said rules and regulations may be promulgated or included in Subject Hydrocarbons shall be contractually fixed and shall not be subject to the provisions of the Natural Gas Act or of the rules and regulations of the Federal Power Commission or of the Federal Energy Regulatory Commission in respect to Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld or not paid, in whole or in part, without limitation, withholding by the Grantor pursuant to any such applicable provisions shall not constitute a breach of this

the Grantor shall not be deemed to have received or realized such proceeds to the extent that such proceeds shall actually have been received by the Grantor before or after receipt of the full aggregate sum specified in Subparagraph (1) of Paragraph 4 of this Conveyance, the Grantor shall be compelled, nevertheless, to make any payment or restitution or such payment or restitution shall be made by the Grantor on account of any proceeds of Subject Hydrocarbons, when the said balance of the Primary Sum to the provisions of Paragraph 6 of this Conveyance, thereby liquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantor plus the amount of any payments made by or for the Grantor in the nature of interest, damages, and penalties, provided, however, that if the balance of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or for the Grantor in the nature of interest, damages, and penalties.

10. Protection to Purchasers of Productions. No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt of such person of written notice advising such person of such discharge or termination.

11. Payment of Taxes. The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and all transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and a percentage of every kind and character whatsoever (other than federal income tax of the Grantor) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests, the Production Payment or the Subject Hydrocarbons, or the proceeds therefrom, as and the Grantor by reason of its acquisition or ownership of the Production Payment or by reason of any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. Covenants of the Grantor. Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Unit in its course:

(a) The Subject Hydrocarbons to be maintained and developed and continuously operated for the production of Hydrocarbons in a proper and workmanlike manner and in accordance with sound engineering and other principles and local, state and local laws, rules and regulations (except those hereinafter stated to be excepted) as shall be provided, however, if the Grantor in good faith and in conformity with sound engineering principles does not to participate in any operation which is to be carried out by the operation of an open-end instrument, trust or a similar arrangement, contract for development or production, or operations attributable to the Grantor or its predecessors in title pertaining to the development, production or operations of the Subject Interest (or a portion thereof) and which allows and causes to participate in such production instrument or operation, then, during the period or periods or cycle or cycles of such production instrument or operation, the Subject Hydrocarbons attributable to such Subject Interest (or a portion thereof) shall, the terms of such instrument pending the receipt of or before paid the sum due under thereunder, the Grantor shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All of the land, buildings and all fixtures of any kind or nature, including, without limitation, all of the land, buildings and fixtures and equipment incurred in or arising from, the production, transportation, development of, or the processing, producing, treating, processing

shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. **Default by the Grantor and the Remedies of the Grantee.** Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. **Exercise and Termination of the Remedies of the Grantee.** All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised at one or more occasions without exhaustion thereof. All rights and remedies shall terminate:

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 15 of this Conveyance (including amounts payable for interest) shall have been paid in full; or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been paid in full, without prejudice, however, to the exercise of any rights and remedies herein provided to the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. **Reports to the Grantee.** While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a post-dated (for each calendar month) (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use, and (ii) the gross proceeds received from the sale, or attributable to the utilization of such subject hydrocarbons.

18. **Warranty of Title.** The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests,

subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A, that the Grantor has the power and right to create and confer upon the Grantee the rights of the Grantee granted by the terms of this Conveyance; and that there are no suits or proceedings pending or to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, Bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interests and the production of Hydrocarbons as warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. Transfer of the Subject Interests. Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests, provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well may be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well the completion of which would cause such well to be capable of producing Hydrocarbons over and above the cost of institution and completing such pressure maintenance or secondary recovery operations, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the producing capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons where production therefrom is or will be of the Grantor's share (as the owner of the Subject Interests) which such well is capable of the discharge of operating such well.

In any case where the production payments of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which have so surrendered, abandoned or terminated shall in no event be deemed to constitute a release or discharge of any Subject Interest, and (b) the Grantor, fully and irrevocably, shall assign and conveyance to the Grantee all of the Subject Interests (or any portion thereof) now or hereafter owned or controlled by the Grantor, and the proceeds of the Production Payment with respect to the same shall be paid to the Grantee, and the Grantee shall have the right to any proceeds from such sales, assignments, and conveyances as provided, however, that any interest in any such Subject Interests (or any portion thereof) which is accepted from such sale, assignment or sublease before termination of the Production Payment shall not be released thereby from the Production Payment.

20. Exception to Payment. The production by the Grantee of such payment hereunder shall not preclude the Grantee from retaining a share of the proceeds of the amount thereof, provided, however, that any such exception must be approved by the Grantee in a notice given to the Grantor within 120 days of the date of the payment made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

22. **Rights of Mortgagee or Trustee.** If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

23. **Notices.** Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantor to Pennzoil Place, P. O. Box 2967, Houston, Texas, and if to the Grantee to Pennzoil Place, P. O. Box 2967, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. **Further Assurances.** So long as permitted by applicable law so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. **Binding Effect.** All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantor. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. **Release or Failure of Title.** No release by the Grantor of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is deemed payable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interests until the full amount of the Production Payment has been received by the Grantee or herein provided.

27. **Final Termination.** Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of Theodore Roosevelt, 1st President of the United States, who are living on the date hereof.

28. **Headings.** Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledg-

ments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

PENNZON LOUISIANA AND TEXAS OFFSHORE, INC.

By

ATTEST:

[CORPORATE SEAL]

Witnesses:

PENNZON COMPANY

By

ATTEST:

[CORPORATE SEAL]

BEFORE ME appeared that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County of _____ and State aforesaid, hereby certify that, on this _____ day of May, 1976:

(Louisiana) Before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of PRINZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that _____ acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana) Before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of PRINZON COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that _____ acknowledged the instrument to be the free act and deed of the corporation.

(Texas) Before me on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PRINZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas) Before me on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PRINZON COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 _____ day of May, 1976.

Notary Public in and for Harris County, Texas
My Commission Expires _____

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT

<u>Oil and State</u> <u>Lease No.</u>	<u>Effective</u> <u>Date</u>	<u>Description</u> (All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps)	<u>Grantor's</u> <u>Undivided</u> <u>Percentage</u> <u>Interest</u>
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A.	25.00%
OCS-G2824	2-1-73	Block 512 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2825	2-1-73	Block 514 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2824	8-1-75	All of Block 504 West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2828	1-1-73	Block 500 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	25.20%
OCS-G2824	12-1-74	All of Block 500 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2859	5-1-73	All of Block 617 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	63.33%
OCS-G2879	12-1-74	All of Block 2561 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2869	12-1-74	All of Block 2567 West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2882	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2873	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2877	5-1-73	All of Block 117, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2881	12-1-74	All of Block 1700, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2885	12-1-74	All of Block 1711, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2900	12-1-74	All of Block 1712, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	6.66667%
OCS-G2906	7-1-75	All of Block 1713, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	16.66667%
OCS-G2907	5-1-74	All of Block 1714, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3B	26.67%
OCS-G2907	2-1-73	Block 1714, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3A	26.67%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

BLM or State Lease No.	Effective Date	Description	Grantor's Undivided Percentage Interest
OCS-G-2177	11-1-72	All of Block 498, 9th Pass Area, as shown on official leasing map, Louisiana Map No. 9.	10.00%
State Lease No. 6330	5-13-74	Tract 13018, lying those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana belonging to the State of Louisiana and not under general lease on March 4, 1974 and heretofore particularly described in Exhibit A to Agreement recorded in O.G.B. No. 465, Volume 409, Records of Plaquemines Parish, Louisiana.	20.00%
OCS-G-2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1974 in the U.S. vs. Louisiana No. 9 Original, 438 U.S. 285, South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A.	15.00%
OCS-G-3143	7-1-75	5 1/2 of Block 580 Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1966 and landward of the Third Supplemental Decree Line (404 U.S. 388 (1966) and a 20, 1971), OCS Official Leasing Map, Louisiana Map No. 10.	25.00%
OCS-G-3178	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (1966) and a 20, 1971), OCS Official Leasing Map, Louisiana Map No. 10.	21.00%
OCS-G-3277	12-1-74	All of Block 7, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (1966) and a 20, 1971).	21.00%
OCS-G-3290	10-1-75	All of Block 1, Main Pass Area, as shown on official leasing map, Louisiana Map No. 10.	21.00%
OCS-G-3293	10-1-75	All of Block 1, Main Pass Area, as shown on official leasing map, Louisiana Map No. 10.	21.00%
OCS-G-3295	11-1-72	All of Block 1, Main Pass Area, as shown on official leasing map, Louisiana Map No. 10.	21.00%
OCS-G-3297	7-1-75	All of Block 1, North 1/4, New Orleans, as shown on OCS Official Leasing Map, NHI File 12.	21.00%
OCS-G-3298	7-1-75	All of Block 1, North 1/4, New Orleans, as shown on OCS Official Leasing Map, NHI File 12.	21.00%
OCS-G-3299	7-1-75	All of Block 1, North 1/4, New Orleans, as shown on OCS Official Leasing Map, NHI File 12.	21.00%
OCS-G-3301	5-1-73	All of Block 1, North 1/4, New Orleans, as shown on OCS Official Leasing Map, NHI File 12.	21.00%

**EXHIBIT A
TO
CONVYANCE OF PRODUCTION PAYMENT (Continued)**

BLM or State Tract No.	Section	Description	Grantor's Undivided Percentage Interest
OCS-G-2355	8-1-73	All of Block A-437 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	15.00%
OCS-G-2359	8-1-73	All of Block A-471 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2372	8-1-73	All of Block A-490 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	15.00%
OCS-G-2373	8-1-73	All of Block A-498 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	12.00%
OCS-G-3118	4-1-75	All of Block A-499 High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.30%
OCS-G-2377	8-1-73	All of Block A-500 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2378	8-1-73	All of Block A-520 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2385	8-1-73	All of Block A-548 High Island Area, South Addition, Original Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2501	7-1-74	All of Block A-570 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G-2704	7-1-74	All of Block A-575 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G-2779	10-1-75	All of Block A-576 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G-2785	7-1-74	All of Block A-577 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G-2786	7-1-74	All of Block A-578 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G-2793	8-1-73	All of Block A-579 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.50%
OCS-G-2794	8-1-73	All of Block A-580 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.713%
OCS-G-2795	8-1-73	All of Block A-581 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2796	8-1-73	All of Block A-582 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G-2797	8-1-73	All of Block A-583 High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%

**EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)**

<u>Blk M or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2715	7-1-74	All of Block A-575 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 76	20.00%
OCS-G2719	7-1-74	All of Block A-582 High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 76	14.118%
OCS-G2397	8-1-73	All of Block A-273 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.33%
OCS-G2395	8-1-73	All of Block A-274 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2399	8-1-73	All of Block A-274 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	13.8461%
OCS-G2403	8-1-73	All of Block A-279 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	4-1-76	All of Block A-285 High Island Area, East Addition, South Extension, as shown, on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2469	8-1-73	All of Block A-312 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2411	8-1-73	All of Block A-314 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	22.85714%
OCS-G2737	7-1-74	All of Block A-316 High Island Area - East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2413	8-1-73	All of Block A-322 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2414	8-1-73	All of Block A-323 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.57%
OCS-G2415	8-1-73	All of Block A-325 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	20.8695%
OCS-G2418	8-1-73	All of Block A-327 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-341 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2739	7-1-74	All of Block A-331 High Island Area - East Addition, South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-350 High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	34.00%

EXHIBIT A TO CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>Lease or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS G2429	7-1-73	All of Block A-351, High Island Area, East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 70	15.25%
OCS G2745	7-1-74	All of Block A-355, High Island Area, East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 70	11.33%
OCS G2776	7-1-74	All of Block A-356, High Island Area, East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 70	15.00%
OCS G2769	7-1-74	All of Block A-403, High Island Area - East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 70	10.00%

This Conveyance is subject to the terms and provisions of the above described oil and gas leases and accordingly, the Subject Hydrocarbons and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS G2839, OCS G2225, OCS G2850, OCS G2759, OCS G2607, OCS G2317, OCS G3193, OCS G3495 and OCS G2947 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease No. OCS G2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G3284, OCS G2228, OCS G2879, OCS G2870, OCS G2882, OCS G2883, OCS G2587, OCS G2884, OCS G2885, OCS G2794, OCS G3456, OCS G3455, OCS G3402, OCS G3263, OCS G3471, OCS G3466, OCS G2372, OCS G3418, OCS G3470, OCS G2701, OCS G2791, OCS G2779, OCS G2705, OCS G2706, OCS G3394, OCS G2713, OCS G2388, OCS G2480, OCS G2719, OCS G2399, OCS G2739, OCS G2426, OCS G2479, OCS G2766 and 5036, Lease No. 6340 referred to above are each subject to an operating agreement between the Grantor, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2177, OCS G2191, OCS G2193, OCS G2195 and OCS G3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2435, OCS G3403 and OCS G3344 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2471, OCS G2477, OCS G2478, OCS G2411, OCS G2457, OCS G2413, OCS G2414, OCS G3446, OCS G2445 and OCS G3476 referred to above are each subject to an Operating Agreement between Cities Service Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2483, OCS G2484, OCS G2485 and OCS G2482 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2760 and OCS G2771 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS G2397 and OCS G2459 referred to above are each subject to an Operating Agreement between French Oil Development, Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS G2224, OCS G2225, OCS G2228, and OCS G2189 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Continental Energy Company.

AMENDMENT

TO

INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT

THIS AMENDMENT TO INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Amendment") dated as of May 1, 1976, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas,

WITNESSETH:

WHEREAS, by means of that certain Instrument of Conveyance of Production Payment dated as of March 1, 1974 between the Grantor and Grantee (such Instrument of Conveyance being hereinafter called the "Conveyance"), the Grantor conveyed to the Grantee, and the Grantee purchased from the Grantor, at the time the first loan was made to the Grantor under that certain Bank Credit Agreement dated as of March 1, 1974, as thereafter amended and restated, among the Grantor, The First National Bank of Chicago, and the other banks named therein (such Bank Credit Agreement, as amended and restated as of May 1, 1976, being hereinafter called the "Bank Credit Agreement"), a production payment dischargeable from the proceeds of production from or applicable to the interests of the Grantor (hereinafter called the "Leasehold Interests"), in those certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico, which interests, leases and lands are described in Exhibit "A" to the Conveyance and in Exhibit "A" to Appendix 1 to the Production Payment Agreement hereinafter referred to, in an amount equal to the aggregate principal amount of the loans, plus accrued interest and commitment fee, outstanding under the Bank Credit Agreement on the date, if any, upon which the purchase price therefor is paid by the Grantee to the Grantor as provided in that certain Production Payment Agreement dated as of March 1, 1974, as thereafter amended and restated as of May 1, 1976, between the Grantee and the Grantor (such Production Payment Agreement, as so amended and restated, being hereinafter called the "Production Payment Agreement"), all as more particularly provided in the Production Payment Agreement;

WHEREAS, in order to induce the banks referred to in Section 2 of the Bank Credit Agreement (hereinafter called the "Banks") to make loans pursuant to the Bank Credit Agreement and to secure the performance by the Grantor of its obligations under the Bank Credit Agreement, the Grantor, by that certain assignment dated as of March 1, 1974 and confirmed by the Confirmation of Assignment dated as of May 1, 1976 (hereinafter called the "Assignment") from the Grantor to The First National Bank of Chicago, as agent for the Banks (hereinafter called the "Agent"), assigned, transferred and set over to the Agent for the proportionate benefit of the Banks as their interests may appear all the right, title and interest of the Grantor in, to and under the Production Payment Agreement, subject to the exceptions set forth in the Assignment, and which Assignment was also executed by the Grantee for the purpose of its making the representations and special agreements set out therein; and

WHEREAS, pursuant to the request of the Grantor and the Grantee, the Agent proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to add to the Leasehold Interests the interests of the Grantor in certain oil and gas leases covering lands located offshore Louisiana and Texas in the Gulf of Mexico adjacent to the United States of America, and in consideration of the premises and the mutual covenants and agreements herein contained and intending to be legally bound, the parties hereto agree as follows:

1. The Conveyance is hereby amended in the following respects:
 - (a) The first paragraph of the Conveyance is amended to read in its entirety as follows:

"THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of May 1, 1976, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967 Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas,"

(b) Subparagraph (f) of Paragraph 1 of the Conveyance is amended by adding therein the clause "as amended and restated as of May 1, 1976," after the number "1974".

(c) Subparagraph (a) of Paragraph 4 of the Conveyance is amended by adding therein the clause "as thereafter amended and restated as of May 1, 1976," after the number "1974".

(d) Paragraph 23 of the Conveyance is amended by changing the address "900 Southwest Tower" to "Pennzoil Place, P.O. Box 2967" at each occurrence therein.

(e) The "IN WITNESS WHEREOF" paragraph of the Conveyance is amended to read in its entirety as follows:

"IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledgments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written."

(f) The signatures and acknowledgments set forth in the Conveyance are amended to read in their entirety as set forth in Annex I hereto as the signatures and acknowledgments thereto.

(g) Exhibit "A" to the Conveyance is amended to read in its entirety as set forth in Annex I hereto as Exhibit "A" thereto.

2. Except as amended hereby, the provisions of the Conveyance shall remain in full force and effect. The Conveyance, as amended hereby, shall be restated to read in its entirety as set forth in Annex I hereto, it being agreed and understood that all references in the Conveyance as amended hereby and so restated to the Bank Credit Agreement shall be deemed to be references to the Bank Credit Agreement as amended and restated as of May 1, 1976.

3. The Agent, for and on behalf and in the name of the Banks, hereby consents to the foregoing amendment to and restatement of the Conveyance; provided, however, that notwithstanding any provision hereto to the contrary, this Amendment shall not be construed to operate, except as expressly set forth above, to modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or the Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

WITNESSES:

Alvin C. Little
Beverly Elappler

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By *Wm Brumby* [SEAL]
VICE PRESIDENT

Alvin C. Little
Beverly Elappler

PENNZOIL COMPANY

By *W B Wiskison* [SEAL]
Vice President

Carmencita Ronaldson
Mary Ann Zumbala

THE FIRST NATIONAL BANK
OF CHICAGO, as Agent

Richard C. Evans [SEAL]
Vice-President

THE STATE OF TEXAS
COUNTY OF HARRIS

} ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 6th day of May, 1976.

(Louisiana)

Before me appeared W. M. Brumley, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. M. Brumley, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W. B. Wilkerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. B. Wilkerson acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W. M. Brumley, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W. B. Wilkerson, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 6th day of May, 1976.

Lillian Hays Foster
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

THE STATE OF ILLINOIS }
COUNTY OF COOK } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 10 day of May, 1976:


(Louisiana)

Before me appeared Richard L. Evans, to me personally known, who, being by me duly sworn, did say that he is Vice-President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that Richard L. Evans acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me on this day personally appeared Richard L. Evans, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Vice-President of THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 10 day of May, 1976.


Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires April 9, 1979

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.
TO
PENNZOIL COMPANY

CONVEYANCE OF PRODUCTION PAYMENT

THIS INSTRUMENT OF CONVEYANCE OF PRODUCTION PAYMENT (this "Conveyance") dated as of March 1, 1974, as amended and restated as of May 1, 1976, between PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation (the "Grantor"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas, and PENNZOIL COMPANY, a Delaware corporation (the "Grantee"), having its principal office and post office address at Pennzoil Place, P.O. Box 2967, Houston, Texas,

WITNESSETH:

WHEREAS, the Grantor desires to sell and the Grantee desires to purchase the Production Payment hereinafter described,

Now, THEREFORE, it is agreed by and between the Grantor and the Grantee as follows:

1. **Certain Definitions.** The following terms shall be used in this Conveyance with the meanings given below:

(a) "Accounting Month" shall mean any monthly period commencing with and including the 21st day of any calendar month and ending on and including the 20th day of the next succeeding calendar month.

(b) "Effective Date" shall mean 7 o'clock, A.M., on the date of this Conveyance, according to the time then in effect at the location of each Subject Interest.

(c) "Exhibit A" shall mean Exhibit A attached to this Conveyance and hereby made a part hereof for all purposes.

(d) "Hydrocarbons" shall mean all oil, gas and other hydrocarbons or any combination of one or more of such substances appropriate to the context in which such term is used.

(e) "Lease" shall mean any oil and gas lease or sub-lease, described in Exhibit A.

(f) "Proceeds Commencement Date" shall mean 7 o'clock, A.M., according to the time then in effect at the location of each Subject Interest, on the date upon which the purchase price is paid by the Grantee to the Grantor as provided in the Production Payment Agreement dated as of March 1, 1974, as amended and restated as of May 1, 1976, between the Grantor and the Grantee.

(g) "Subject Hydrocarbons" shall mean all Hydrocarbons in and under, and which may be produced and saved from, and which shall accrue and be attributable to, the Subject Interests from and after the Proceeds Commencement Date and throughout the period specified in this Conveyance for the term of the Production Payment.

(h) "Subject Interests" shall mean the undivided percentage interests of the Grantor in the Leases, and, in addition thereto, each and every other kind and character of right, title, claim or interest which the Grantor now has in, to or under the Leases, which interests or Leases are either specifically or generally described in Exhibit A, all as the same shall be enlarged by the

discharge of any payments out of production or by the removal of any charges or encumbrances to which any of the same are subject and any and all renewals and extensions of any of the same, but there shall not be included within the Subject Interests any rights which the Grantor now has or may hereafter obtain with respect to production attributable to the interests of nonconsenting parties under any operating agreement, unit operating agreement, contract for development or similar instrument.

2. Conveyance of the Production Payment. The Grantor, for valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer and deliver unto the Grantee, as a production payment, an undivided eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons; subject, however, to the provisions of Paragraph 3 of this Conveyance.

The aforesaid eighty-five percent (85%) interest in the proceeds from the sale of the Subject Hydrocarbons, as granted, bargained, sold, conveyed, assigned, transferred and delivered unto the Grantee by the terms of this Conveyance, shall be the "Production Payment."

To HAVE AND TO HOLD the Production Payment, together with all and singular the rights, privileges and appurtenances thereunto in any way belonging, unto the Grantee, its successors and assigns, forever.

3. Certain Provisions Governing Subject Hydrocarbons. All the provisions of this Conveyance shall be subject to the following:

(a) For the discharge of the Production Payment the Grantee shall look exclusively to the proceeds of Subject Hydrocarbons, and the Grantor shall not be liable for such discharge.

(b) The Production Payment shall not be dischargeable from the proceeds of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such proceeds which represents the fair market value at the well head of the Subject Hydrocarbons used in such manufacturing, processing or refining operation.

(c) The Production Payment shall not be dischargeable out of any bonus which the Grantor shall receive for any Lease or assignment of any of the Subject Interests or out of any payments made to the Grantor in connection with the drilling or deferring of drilling of any well on any of the Subject Interests or in connection with any adjustment of any well and leasehold equipment upon unitization of any of the Subject Interests.

(d) There shall not be included in the Subject Hydrocarbons any Hydrocarbons unavoidably lost in the production thereof or produced and saved from any of the Subject Interests and used by the Grantor 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 Subject Hydrocarbons from the Subject Interests or from any unit to which the Subject Interests are committed, but only so long as such Hydrocarbons are so used.

(e) So long as and to the extent that the same may be required by applicable laws and regulations, in the case of any Lease from the United States of America included in the Subject Interests, from which the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, the obligation to pay and the right of the Grantee to receive the proceeds of oil produced from such Lease shall be suspended until said average production of oil per well per day exceeds said minimum amount, and such suspension shall apply separately to any zone or portion of such Lease segregated for computing government royalty.

4. Amount and Term of the Production Payment. The Production Payment shall continue and remain in full force and effect until such time as the Grantee shall have received and realized,

out of the proceeds of the sale of the Subject Hydrocarbons, free and clear of all development, operating, mining, production, processing, handling, storing, marketing, transporting and other costs and expenses of every kind whatsoever, the full aggregate sum of the following amounts:

(a) The aggregate principal amount of loans, plus accrued interest and commitment fee, outstanding on the Proceeds Commencement Date under the Bank Credit Agreement, dated as of March 1, 1974, as thereafter amended and restated as of May 1, 1976, among the Grantor, The First National Bank of Chicago and the other banks named therein (hereinafter called the "Primary Sum"); plus

(b) An amount computed at a rate per annum (on the basis of a 365-day year) which shall be equal to 112% of the corporate base rate on 90-day commercial loans to its largest and most credit-worthy commercial borrowers in effect at The First National Bank of Chicago from time to time plus 1/2%, such rate to change automatically and from time to time effective as of the date of each change in such corporate base rate, from and including the Proceeds Commencement Date on the unliquidated balance from time to time of the Primary Sum (the first such computation to be made on the 21st day of the month next following the Proceeds Commencement Date for the period from and including the Proceeds Commencement Date to and including the 20th day of the month next following the Proceeds Commencement Date on the amount of such unliquidated balance on the Proceeds Commencement Date, and subsequent computations to be made monthly on the first day of each Accounting Month for the preceding Accounting Month on the amount of such unliquidated balance on the first day of such preceding Accounting Month); plus

(c) An amount equal to the aggregate of all amounts which are paid by the Grantee to any state or political subdivision thereof on account of ad valorem, transfer, mortgage, gross production, gross receipts, income, profits, severance, occupation, sales, use, franchise and other taxes and assessments of any kind whatsoever, including penalties and interest, imposed or assessed with respect to or measured by or charged against or attributable to the Production Payment, the Subject Hydrocarbons or the proceeds thereof, together with an amount equal to interest on the unliquidated amount thereof at the rate of 7% per annum from the date of payment of each such amount by the Grantee; provided, however, that the Grantor shall have the right at its expense to contest any such taxes or assessments in good faith on behalf of the Grantee.

IT BEING THE INTENTION OF THE GRANTOR AND THE GRANTEE IN ENTERING INTO THIS CONVEYANCE that the Grantee shall be entitled to receive and realize out of the Subject Hydrocarbons the full aggregate sum of the amounts described in subparagraphs (a) and (b) of this Paragraph 4, free and clear of all costs and expenses with respect to the Subject Interests and the Subject Hydrocarbons (such expenses and costs shall be borne by the Grantor) and over and above all taxes, expenses and costs of the character described, specified or referred to in subparagraph (c) of this Paragraph 4.

5. Termination of the Production Payment. When the full aggregate sum of the amounts specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance (as increased as expressly provided by the terms of this Conveyance) has been received by the Grantee, the Production Payment shall forthwith terminate and all interest therein shall immediately revert to and become vested in the Grantor to the same extent and with the same force and effect as if this Conveyance had not been made. The Grantee agrees that, upon such termination, it shall execute or cause to be executed, upon the request and at the expense of the Grantor, such instruments as may be necessary or appropriate to evidence the termination of the Production Payment.

6. Application of the Proceeds of Subject Hydrocarbons. For all purposes of this Conveyance, the proceeds of Subject Hydrocarbons actually received by the Grantee prior to the close of business on 20th day of the month next following the Proceeds Commencement Date shall be deemed to have been received and applied immediately after the opening of business on the 21st day of such month, and thereafter, such proceeds actually received by the Grantee after the opening of business on the first day of each Accounting Month and prior to the close of business on the last day of such Account-

ing Month shall be deemed to have been received and applied immediately after the end of business on the first day of the next succeeding Accounting Month; provided, however, any date of application specified above shall be a Saturday, Sunday or legal holiday under the laws of the jurisdiction in which such proceeds are actually received by the Grantee, such proceeds shall be deemed to have been received and applied on the last business day next preceding such Saturday, Sunday or legal holiday in such jurisdiction, but the amount of such proceeds to be applied pursuant to subparagraph (a) of this Paragraph 6 shall nevertheless be the amount under subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) such Saturday, Sunday or legal holiday. Such proceeds shall be deemed to have been applied on the first day of each Accounting Month as follows:

(a) First, to the amount referred to in subparagraph (b) of Paragraph 4 of this Conveyance accrued up to (but not including) the date of such application, and

(b) Second, to the amount referred to in subparagraph (c) of said Paragraph 4, to the extent then ascertained, and

(c) Third, to the reduction of the unliquidated balance of the Primary Sum;

provided, however, that, in the event such proceeds so applied on the first day of any Accounting Month shall be insufficient to cover the full amount specified in subparagraph (a) of this Paragraph 6, the unliquidated balance of the Primary Sum shall forthwith be increased (to the extent permitted by law) by an amount equal to the amount of such deficiency.

Within 10 days after the date of each such application by the Grantee of any proceeds of Subject Hydrocarbons, the Grantee will furnish or cause to be furnished to the Grantor a written statement showing the application of such proceeds in accordance with the provisions of this Paragraph 6.

7. Marketing the Subject Hydrocarbons. The Grantor, at its expense, shall market, or cause to be marketed, the Subject Hydrocarbons for the best price reasonably available when marketed, and it shall not be necessary for the Grantee to join in any Sales Contracts (as hereinafter defined) or any amendment thereof. In the event the Grantor shall take any of the Subject Hydrocarbons for its own use, the Grantor shall pay to the Grantee, on or before the last day of the Accounting Month during which such taking occurs, a price equal to the fair market value at the wellhead of the Subject Hydrocarbons so taken.

8. Sales Contracts. The Grantor will duly perform all obligations binding on it under all contracts and agreements for the sale of Subject Hydrocarbons or any portion thereof, whether presently existing or hereafter entered into (all such contracts and agreements being the "Sales Contracts"); in accordance with the terms hereof and will take all appropriate measures to enforce the performance under each of the Sales Contracts of the obligations of the purchaser thereunder. All Subject Hydrocarbons sold by the Grantor, whether pursuant to the terms of the Sales Contracts or otherwise, shall be delivered by the Grantor to the purchaser thereof into the pipelines to which the wells producing such Subject Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing of such Subject Hydrocarbons.

9. Withholding and Restitution of Proceeds of Subject Hydrocarbons. All obligations of the Grantor hereunder shall be subject to the applicable provisions of the Natural Gas Act and all applicable rules and regulations of the Federal Power Commission. Rates permitted under the Natural Gas Act and said rules and regulations to be paid for gas included in Subject Hydrocarbons shall be controlling if varying from prices published in Sales Contracts or if different from the fair market price at the wellhead. The Grantor shall be entitled to use its reasonable discretion in making filings with the Federal Power Commission affecting Subject Hydrocarbons. If any proceeds of Subject Hydrocarbons shall be withheld for any reason whatsoever, including, without limitation, withholding by the Grantor pending final approval of rate increases filed with the Federal Power Commission,

the Grantee shall not be deemed to have received or realized such proceeds until, and only to the extent that, such proceeds shall actually have been received by the Grantee. If, at any time before or after receipt of the full aggregate sum specified in subparagraphs (a), (b) and (c) of Paragraph 4 of this Conveyance, the Grantee shall be compelled, for any reason whatsoever, to make any payment or restitution, or such payment or restitution shall be made for the account of the Grantee, on account of any proceeds of Subject Hydrocarbons, which proceeds have already been applied pursuant to the provisions of Paragraph 6 of this Conveyance, the unliquidated balance of the Primary Sum shall forthwith be increased by the amount of the proceeds so paid over by or for the account of the Grantee plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties; provided, however, that if at the time of such payment or restitution the entire Primary Sum shall have been liquidated, the Primary Sum shall be deemed not to have been so liquidated and the unliquidated balance of the Primary Sum shall be thereupon deemed to be in the amount of the proceeds so paid over plus the amount of any payments made by or imposed against the Grantee in the nature of interest, damages and penalties.

10. **Protection to Purchasers of Production.** No person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until the actual receipt by such person of written notice advising such person of such discharge or termination.

11. **Payment of Taxes.** The Grantor will tender and pay, or cause to be paid, punctually, before they shall become delinquent (or as to any thereof which are being contested in good faith, promptly after the final determination of such contest), all ad valorem taxes (or taxes imposed in lieu thereof) and all transfer, mortgage, gross production, mining, severance, occupation, excise, sales, use, franchise, income and other taxes and assessments of every kind and character whatsoever (other than federal income taxes of the Grantee) imposed or assessed with respect to or measured by or charged against or attributable to the Subject Interests, the Production Payment or the Subject Hydrocarbons, or the proceeds thereof, or against the Grantee by reason of its acquisition or ownership of the Production Payment or against any assignee of the Production Payment by reason of his or its interest as assignee, together with any interest or penalty payable in connection therewith.

12. **Covenants of the Grantor.** Until such time as the Production Payment has terminated as provided in Paragraph 5 of this Conveyance, the Grantor will, at its expense and regardless of who may be the operator or operators of the Subject Interests, cause:

(a) The Subject Interests to be maintained and developed and continuously operated for the production of Hydrocarbons in a good and workmanlike manner and in accordance with sound field practices and all applicable federal, state and local laws, rules and regulations (except those being contested in good faith); provided, however, if the Grantor in good faith and in conformity with sound field practices elects not to participate in any operation which is to be conducted under the terms of an operation agreement, unit operating agreement, contract for development or similar instrument entered into by the Grantor or its predecessors in title pertaining to the development and operation of any Subject Interest (or any portion thereof) and which allows any consenting party or parties to conduct nonconsent operations, then, during the period or period in which the consenting party or parties are entitled to receive Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) by the terms of such instrument pending the recoupment or receipt of the sums determined thereunder, the Grantee shall not be entitled to receive or be deemed to have received (but only during such period or periods) proceeds from Subject Hydrocarbons attributable to such Subject Interest (or portion thereof) to the extent affected thereby.

(b) All rentals, royalties and liabilities of any kind or nature, including, without limitation, all liabilities for labor, material, supplies and equipment incurred in, or arising from, the administration, operation or development of, or the gathering, producing, treating, processing,

storing, marketing or transporting of, the Subject Hydrocarbons, to be paid punctually when due, or, as to any thereof which are being contested in good faith, promptly after the final determination of such contest.

(c) All machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and necessary or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needed for such purpose to be duly made or provided.

(d) All necessary and proper steps to be taken diligently to protect and defend the Subject Interests, the Subject Hydrocarbons and the proceeds thereof against any adverse claim or demand, including, without limitation, the employment or use of counsel for the prosecution or defense of litigation and the contest, settlement, release or discharge of any such claim or demand.

(e) Written notice to be given to the Grantee of every adverse claim or demand made by any person (including any government or governmental agency) affecting the Subject Interests, the Subject Hydrocarbons or the proceeds thereof in any manner whatsoever, or of any proceeding instituted with respect thereto.

(f) The interest of the Grantor in each of the Subject Interests to be kept free and clear of liens, charges and encumbrances of every character, other than those which are of a character customarily found in connection with comparable drilling and producing operations and which do not materially adversely affect the operation of the Subject Interests and other than those becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance.

(g) Subject to the provisions of Paragraph 19 of this Conveyance, all Leases included in or relating to the interests described or referred to in Exhibit A and under which the Grantor is lessee, sub-lessee, or assignee to be maintained in full force and effect without amendment, modification or waiver of any provision of any such Lease which might materially adversely affect the rights of the Grantee under this Conveyance.

Anything contained in this Paragraph 12 to the contrary notwithstanding, the Grantor shall not be obligated to perform undertakings performable only by the operator and which are beyond the control of the Grantor, with respect to individual Subject Interests of which it is not the operator. In such case, however, the Grantor will use its best efforts to secure the performance of any such undertakings.

13. **Access to the Subject Interests.** The Grantor shall permit any one or more representatives designated by the Grantee to make any inspection of the Subject Interests at any reasonable time as the Grantee may reasonably request. In addition the Grantor shall furnish to the Grantee such detailed information as the Grantee may reasonably request in writing concerning the Subject Interests, the operation thereof and the production and sale of the Subject Hydrocarbons.

14. **Pooling and Unitization.** Anything herein to the contrary notwithstanding, the Grantor may, without the consent of the Grantee, pool, combine, communitize or unitize any Subject Interest (or any portion thereof) from time to time with other leasehold, mineral or other interests to form units when, in the judgment of the Grantor, it is necessary or advisable to do so in order to facilitate the orderly development or operation (including repressuring, pressure maintenance, cycling, water flood and secondary recovery operations) of any Subject Interest (or any portion thereof). Forthwith after the formation of any unit, the Grantor shall furnish to the Grantee a true copy of the pooling agreement, unit designation or any other instrument creating such unit, together with, upon request of the Grantee, any operating agreement relating thereto. The interest in any such unit accruing or attributable to any Subject Interest (or any portion thereof) included therein

shall be subject to the Production Payment in the same manner and with the same effect as though such unit were in existence on the Effective Date. The signature or joinder of the Grantee shall not be necessary to the instruments evidencing the pooling and unitization herein authorized.

15. **Default by the Grantor and the Remedies of the Grantee.** Should the Grantor default in the performance or observance of any covenant or agreement provided in this Conveyance to be performed or observed by the Grantor, and should such default continue unremedied for 30 days (or for such longer period as may be necessary to complete performance diligently commenced within 30 days) from the delivery to the Grantor of written notice of such default, the Grantee may, in addition to pursuing any or all other remedies available at law or in equity:

(a) Effect performance or observance of such covenant or agreement on behalf of and at the expense of the Grantor, in which event the Grantee may expend funds reasonably necessary to effect such purposes and shall be entitled to reimbursement therefor from the Grantor, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(b) Upon written notice to the Grantor, succeed to all rights of the Grantor with respect to the possession, operation and development of the Subject Interests, and may use in connection therewith all of the appurtenant property, both real and personal, situated upon or used or held for future use in connection therewith, or in connection with the production, storing, transporting or sale of the Subject Hydrocarbons, and the Grantee shall have the right, on behalf of and for the account of the Grantor, to sell the Subject Hydrocarbons and the Grantor shall, upon demand, reimburse the Grantee for all amounts so expended by the Grantee, together with interest on such amounts at the rate of 7% per annum from the date of such expenditure to the date of reimbursement.

(c) Apply to a court of equity for the specific performance or observance of such covenant or in aid of the execution of any power herein granted and for the appointment of a receiver of the Subject Interests and the Subject Hydrocarbons.

16. **Exercise and Termination of the Remedies of the Grantee.** All rights and remedies granted by the provisions of Paragraph 15 of this Conveyance and otherwise belonging to the Grantee shall be cumulative and no exercise of any right or remedy shall preclude the exercise of any other right or remedy. Any right or remedy may be exercised on one or more occasions without exhaustion thereof. All rights and remedies shall terminate

(a) When the Production Payment is discharged and all amounts then due and payable to the Grantee pursuant to the terms of Paragraph 15 of this Conveyance (including amounts payable for interest) shall have been paid in full, or

(b) At any earlier time when all defaults of the Grantor shall have been remedied and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies conferred upon the Grantee upon any subsequent failure of the Grantor to perform or observe any of the covenants or agreements herein provided to be performed or observed by the Grantor.

17. **Reports to the Grantee.** While the Production Payment remains in force and effect, the Grantor will, at its expense, furnish to the Grantee within 45 days after the end of each calendar month, a report showing for each calendar month (i) the quantity of Subject Hydrocarbons produced and sold or taken by the Grantor for its use and (ii) the gross proceeds received from the sale, or attributable to such taking, of such Subject Hydrocarbons.

18. **Warranty of Title.** The Grantor covenants and warrants that at the time of the execution and delivery of this Conveyance, the Grantor has good and marketable title to the Subject Interests,

subject only to such exceptions, charges, liens or encumbrances, if any, as are set forth or referred to in Exhibit A; that the Grantor has the power and right to create and confer upon the Grantee the rights of the Grantee granted by the terms of this Conveyance, and that there are no suits or proceedings pending or, to the knowledge of the Grantor, threatened, against or affecting the Subject Interests before any court or by or before any governmental commission, bureau or any regulatory authority which if decided adversely to the interests of the Grantor shall materially affect the rights of the Grantee pursuant to this Conveyance. The Grantor hereby binds itself, its successors and assigns, to warrant and defend forever the rights under this Conveyance of the Grantee, its successors and assigns, against the lawful claims and demands of every person who shall claim the same or any part thereof, and the Grantor will indemnify and hold the Grantee harmless against and from all loss suffered by the Grantee resulting from any failure of or defect in the Grantor's title to the Subject Interests and the production of Hydrocarbons as warranted as aforesaid. The covenants and warranties of this Paragraph 18 shall survive the discharge of the Production Payment.

19. Transfer of the Subject Interests. Except for the conveyance of production payments becoming effective only after termination of the Production Payment as provided in Paragraph 5 of this Conveyance, prior to such termination the Grantor shall not, without the written consent of the Grantee, make or permit any surrender, abandonment, sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests; provided, however, that the Grantor shall have the right to surrender, abandon or otherwise terminate (either voluntarily or involuntarily) any of the Subject Interests (or any portion thereof) when there is no well located thereon which is capable of producing Hydrocarbons in paying quantities and when the Grantor has reasonably determined that (i) no existing well may be recompleted thereon as a well capable of producing Hydrocarbons in paying quantities, (ii) no additional well could be drilled and completed thereon which would be capable of producing Hydrocarbons, over and above the cost of drilling and completing same, in paying quantities, and (iii) no pressure maintenance or secondary recovery operations may be instituted with respect to any well thereon which would cause such well to be capable of producing Hydrocarbons, over and above the cost of instituting and completing such pressure maintenance or secondary recovery operation, in paying quantities. For the purposes of this Paragraph 19, the words "in paying quantities" as applied at any time to the producing capability of any well shall mean that, in the light of conditions existing at the time of determination and which reasonably appear to be not temporary, such well is producing or is or will be capable of producing Subject Hydrocarbons whose aggregate value exceeds or will exceed the Grantor's share (as the owner of the Subject Interest on which such well is located) of the direct cost of operating such well.

In each case where the preceding paragraph of this Paragraph 19 permits the Grantor to surrender, abandon or otherwise terminate any of the Subject Interests (or any portion thereof), then (a) any of the Subject Interests (or any portion thereof) which are so surrendered, abandoned or terminated shall upon surrender, abandonment or termination cease to be a Subject Interest, and (b) the Grantor, in lieu of surrendering, abandoning or terminating any of the Subject Interests (or any portion thereof), may sell, assign, sublease, farmout or convey the same free and clear of the Production Payment without the consent of the Grantee, and the Grantee shall not have the right to any proceeds from such sale, assignment, sublease, farmout or conveyance; provided, however, that any interest in any such Subject Interest (or any portion thereof) which may be excepted from such sale, assignment, sublease, farmout or conveyance and retained by the Grantor shall not be released thereby from the Production Payment.

20. Exception to Payments. The acceptance by the Grantee of any payment hereunder shall not preclude the Grantor from taking exception to the correctness of the amount thereof, provided, however, that any such exception must be specified by the Grantee in a notice given to the Grantor within 12 months after the date such payment is made.

21. **Transfer of the Production Payment.** Nothing contained in this Conveyance shall be construed to limit or restrict in any way the right of the Grantee to sell, convey, assign or mortgage the Production Payment, in whole or in part.

22. **Rights of Mortgagee or Trustee.** If the Grantee shall at any time execute a mortgage or deed of trust covering all or part of the Production Payment, the mortgagee or trustee therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage or deed of trust so provides, to exercise all of the rights, remedies, powers and privileges conferred upon the Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by the Grantor, but the provisions of this Paragraph 22 shall in no way be deemed or construed to impose upon the Grantor any obligation or liability undertaken by the Grantee under such mortgage or deed of trust or under the obligation secured thereby.

23. **Notices.** Any notice, request, demand, report or other instrument which may be required or permitted to be given or furnished to or served upon either party hereto or other person succeeding to any interest of either party hereto shall be deemed sufficiently given or furnished and served if in writing and delivered to such party or person or to an officer of such party or person or deposited in the United States mail in a sealed envelope, registered, with postage prepaid, addressed if to the Grantor to Pennzoil Place, P. O. Box 2967, Houston, Texas, and if to the Grantee to Pennzoil Place, P. O. Box 2967, Houston, Texas, or to such other address as the party or person to be addressed shall have designated by written notice to the party or person giving such notice or furnishing such report or making such request or demand.

24. **Further Assurances.** So long as permitted by applicable law so to do, the Grantor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to the Grantee all the rights and interests herein and hereby granted or intended so to be.

25. **Binding Effect.** All the covenants and agreements of the Grantor contained in this Conveyance shall be deemed to be covenants running with the land and shall be binding upon all successors in interest to, and all assigns of, the Grantor and shall inure to the benefit of all successors in interest to, and all assigns of, the Grantee. The provisions of this Conveyance shall inure to the benefit of and be binding upon the respective successors and assigns of the Grantor and the Grantee from and after acceptance by the Grantee. All references herein to either the Grantor or the Grantee shall include their respective successors and assigns.

26. **Release or Failure of Title.** No release by the Grantee of any part of the Subject Interests from the Production Payment, and no loss or failure of title to any part of the Subject Interests, shall have the effect of reducing the amount of the proceeds from the sale of production of Hydrocarbons out of which the Production Payment is dischargeable or reducing the amount of the Production Payment or creating any offset or other prejudice to the Production Payment, and the Production Payment shall continue in full force and effect as to the remainder of the Subject Interests until the full amount of the Production Payment has been received by the Grantee as herein provided.

27. **Final Termination.** Notwithstanding the other provisions hereof, the Production Payment shall, in any event, terminate 1 day prior to the expiration of 21 years after the death of the survivor of all the descendants of The late Roosevelt, late President of the United States, who are living on the date hereof.

28. **Headings.** Paragraph headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

IN WITNESS WHEREOF, this Restated Instrument of Conveyance of Production Payment amends and restates the Instrument of Conveyance of Production Payment dated as of March 1, 1974, and the parties have caused this Restated Instrument of Conveyance of Production Payment to be duly executed in the presence of the undersigned witnesses on the dates of their respective acknowledg-

ments annexed hereto, in several counterparts, each of which is an original and all of which are identical. Each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts together shall constitute but one and the same Instrument. The date of this Instrument shall be deemed for all purposes to be the date first above written.

Witnesses:

Alicia C. Little
Beverly Wappler

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By *Wm. Brumley Jr.*
VICE PRESIDENT

ATTEST:

Sally Hays
ASSISTANT SECRETARY

[CORPORATE SEAL]

Witnesses:

Alicia C. Little
Beverly Wappler

PENNZOIL COMPANY

By *W.B. Wilkinson*
Vice President

ATTEST:

Sally Hays
ASSISTANT SECRETARY

[CORPORATE SEAL]

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 6th day of May, 1976:

(Louisiana)

Before me appeared W.M. Brumley, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W.M. Brumley, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W.E. Wilkerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W.E. Wilkerson acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W.M. Brumley, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W.E. Wilkerson, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 6th day of May, 1976.

Lillian Lige Foster
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
(All Federal leases are as shown on Official Outer Continental Shelf Leasing Maps)			
OCS-G2839	12-1-74	All of Block 352, West Cameron Area, West Addition, OCS Official Leasing Map, Louisiana Map No. 1A	25.00%
OCS-G2224	2-1-73	Block 502, West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G2225	2-1-73	Block 533 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	26.67%
OCS-G3284	8-1-75	All of Block 563, West Cameron Area, South Addition, as shown on OCS Official Leasing Map, Louisiana Map No. 1B	25.00%
OCS-G2228	1-1-73	Block 590 West Cameron Area, South Addition, Official Leasing Map, Louisiana Map No. 1B	23.20%
OCS-G2850	12-1-74	All of Block 609, West Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 1B	6.66667%
OCS-G2559	5-1-74	All Block 617 West Cameron Area -- South Addition, Official Leasing Map, Louisiana Map No. 1B	6 2/3%
OCS-G2859	12-1-74	All of Block 236, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2860	12-1-74	All of Block 237, East Cameron Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 2A	16.66667%
OCS-G2882	12-1-74	All of Block 125, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2883	12-1-74	All of Block 127, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2587	5-1-74	All of Block 128 South Marsh Island Area, South Addition, Official Leasing Map, Louisiana Map No. 3C	6 2/3%
OCS-G2884	12-1-74	All of Block 129, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2885	12-1-74	All of Block 141, South Marsh Island Area, South Addition, OCS Official Leasing Map, Louisiana Map No. 3C	6.66667%
OCS-G2900	12-1-74	All of Block 261, Eugene Island Area, OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G3156	7-1-75	All of Block 262, Eugene Island Area, as shown on OCS Official Leasing Map, Louisiana Map No. 4	16.66667%
OCS-G2607	5-1-74	All of Block 312 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26 2/3%
OCS-G2317	2-1-73	Block 333 Eugene Island Area, South Addition, Official Leasing Map, Louisiana Map No. 4A	26.67%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

BLM or State Lease No.	Effective Date	Description	Grantor's Undivided Percentage Interest
OCS-G2177	11-1-72	All of Block 49 South Pass Area as shown on official leasing map, Louisiana Map No. 9	10.00%
State Lease No. 6310	5-13-74	Tract 13018, being those portions of Blocks 57 and 58, South Pass Area, Plaquemines Parish, Louisiana, belonging to the State of Louisiana and not under mineral lease on March 4, 1974 and being more particularly described in Exhibit A to Assignment recorded in C.O.B. No. 406, Folio 465, Records of Plaquemines Parish, Louisiana	20.00%
OCS-G2185	10-1-72	Block 78, that portion which is more than 3 geographical miles seaward from the line described in paragraph 1 of the Supplemental Decree of the U.S. Supreme Court entered December 13, 1965 in the U.S. v. Louisiana No. 9 Original (352 U.S. 255), South Pass Area, South and East Addition, as shown on official leasing map, Louisiana Map No. 9A	15.00%
OCS-G3193	7-1-75	1/2 of Block 59, Main Pass Area, that portion located in Zone 2 as that zone was defined in the agreement between the United States and the State of Louisiana, October 12, 1956 and landward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	25.00%
OCS-G3195	7-1-75	Block 72, Main Pass Area, that portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971)), OCS Official Leasing Map, Louisiana Map No. 10	21.00%
OCS-G2947	12-1-74	All of Block 73, Main Pass Area, OCS Official Leasing Map, Louisiana Map No. 10. That portion located more than one foot seaward of the Third Supplemental Decree Line (404 U.S. 388 (December 20, 1971))	21.00%
OCS-G2191	10-1-72	All of Block 138 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	12.50%
OCS-G2193	10-1-72	All of Block 140 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	10.00%
OCS-G2195	11-1-72	All of Block 146 Main Pass Area as shown on official leasing map, Louisiana Map No. 10	7.50%
OCS-G3202	7-1-75	All of Block N641E147, New Orleans, as shown on OCS Official Leasing Map, N11-15-12	21.00%
OCS-G3203	7-1-75	All of Block N641E147, New Orleans, as shown on OCS Official Leasing Map, N11-15-12	21.00%
OCS-G3206	7-1-75	All of Block N663E163, Mobile South No. 2, as shown on OCS Official Leasing Map N11-16-1C	10.00%
OCS-G2351	8-1-73	All of Block A-209, Galveston Area, South Addition, Official Leasing Map, Texas Map No. 6A	25.00%

**EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)**

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Un-Split Percentage Interest</u>
OCS-G2358	8-1-73	All of Block A-442, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2366	8-1-73	All of Block A-474, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2372	8-1-73	All of Block A-489, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2373	8-1-73	All of Block A-496, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G3118	4-1-75	All of Block A-499, High Island Area, South Addition, as shown on OCS Official Leasing Map, Texas Map No. 7B	16.40%
OCS-G2377	8-1-73	All of Block A-519, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2378	8-1-73	All of Block A-520, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2383	8-1-73	All of Block A-535, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2701	7-1-74	All of Block A-540, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	15.00%
OCS-G2704	7-1-74	All of Block A-545, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	10.00%
OCS-G2779	10-1-74	All of Block A-546, High Island Area, South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2705	7-1-74	All of Block A-547, High Island - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2706	7-1-74	All of Block A-548, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.00%
OCS-G2384	8-1-73	All of Block A-555, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	14.50%
OCS-G2713	7-1-74	All of Block A-562, High Island Area - South Addition, OCS Official Leasing Map, Texas Map No. 7B	12.715%
OCS-G2388	8-1-73	All of Block A-563, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2389	8-1-73	All of Block A-564, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	12.00%
OCS-G2390	8-1-73	All of Block A-570, High Island Area, South Addition, Official Leasing Map, Texas Map No. 7B	20.00%

EXHIBIT A
TO
CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>BLM or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G2718	7-1-74	All of Block A-575 High Island Area — South Addition, OCS Official Leasing Map, Texas Map No. 7B	20.00%
OCS-G2719	7-1-74	All of Block A-552 High Island Area — South Addition, OCS Official Leasing Map, Texas Map No. 7B	14.118%
OCS-G2397	8-1-73	All of Block A-272, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.33%
OCS-G2398	8-1-73	All of Block A-273, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2399	8-1-73	All of Block A-274, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	13.8461%
OCS-G2403	8-1-73	All of Block A-279, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G3314	4-1-76	All of Block A-288, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C	17.00%
OCS-G2405	8-1-73	All of Block A-312, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	12.00%
OCS-G2411	8-1-73	All of Block A-314, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	22.85714%
OCS-G2737	7-1-74	All of Block A-316 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2413	8-1-73	All of Block A-322, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2414	8-1-73	All of Block A-323, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	14.00%
OCS-G2416	8-1-73	All of Block A-325, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	20.86957%
OCS-G2418	8-1-73	All of Block A-327, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2422	8-1-73	All of Block A-332, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	10.00%
OCS-G2739	7-1-74	All of Block A-339 High Island Area — East Addition — South Extension, OCS Official Leasing Map, Texas Map No. 7C	34.00%
OCS-G2426	8-1-73	All of Block A-340, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	34.00%

EXHIBIT A TO CONVEYANCE OF PRODUCTION PAYMENT (Continued)

<u>State or State Lease No.</u>	<u>Effective Date</u>	<u>Description</u>	<u>Grantor's Undivided Percentage Interest</u>
OCS-G-2420	8-1-73		
OCS-G-2745	7-1-74	All of Block A-351, High Island Area, East Addition, South Extension, Official Leasing Map, Texas Map No. 7C	15.25%
OCS-G-2746	7-1-74	All of Block A-355, High Island Area - East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 7C	11.33%
OCS-G-2766	7-1-74	All of Block A-356, High Island Area - East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 7C	15.00%
		All of Block A-403 High Island Area - East Addition - South Extension, OCS Official Leasing Map, Texas Map No. 7C	10.00%

This Conveyance is subject to the terms and provisions of the above-described oil and gas leases and accordingly, the Subject Hydrocarbons and the proceeds therefrom shall be calculated after deducting the proportionate share of the royalties reserved in each such lease attributable to Grantor's said undivided percentage interest in such lease.

Lease Nos. OCS-G-2539, OCS-G-2225, OCS-G-2850, OCS-G-2559, OCS-G-2607, OCS-G-2317, OCS-G-3193, OCS-G-3195 and OCS-G-2595 referred to above are each subject to an Operating Agreement between Mobil Oil Corporation as operator, and the Grantor, et al., as non-operators.

Lease No. OCS-G-2224 referred to above is subject to an Operating Agreement between Chevron Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-3284, OCS-G-2228, OCS-G-2859, OCS-G-2569, OCS-G-2885, OCS-G-2883, OCS-G-2587, OCS-G-2884, OCS-G-2855, OCS-G-2900, OCS-G-3156, OCS-G-2185, OCS-G-3200, OCS-G-2351, OCS-G-2560, OCS-G-2372, OCS-G-3114, OCS-G-2701, OCS-G-2704, OCS-G-2719, OCS-G-2599, OCS-G-2705, OCS-G-2706, OCS-G-2384, OCS-G-2713, OCS-G-2385, OCS-G-3389, OCS-G-2719, OCS-G-2599, OCS-G-2705, OCS-G-2426, OCS-G-429, OCS-G-2766 and State Lease No. 6310 referred to above are each subject to an operating agreement between the Grantor, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2177, OCS-G-2191, OCS-G-2193, OCS-G-2194 and OCS-G-3206 referred to above are each subject to an Operating Agreement between Gulf Oil Corporation as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2355, OCS-G-2104 and OCS-G-3314 referred to above are each subject to an Operating Agreement between Marathon Oil Company, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2374, OCS-G-2377, OCS-G-2378, OCS-G-2411, OCS-G-2357, OCS-G-2413, OCS-G-2414, OCS-G-2416, OCS-G-2745 and OCS-G-2746 referred to above are each subject to an Operating Agreement between Cities Service Oil Company as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2183, OCS-G-2100, OCS-G-2143 and OCS-G-2122 referred to above are each subject to an Operating Agreement between Sun Oil Company (Delaware), as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2390 and OCS-G-2715 referred to above are each subject to an Operating Agreement between Exxon Corporation, as operator, and the Grantor, et al., as non-operators.

Lease Nos. OCS-G-2397 and OCS-G-2398 referred to above are each subject to an Operating Agreement between Burmah Oil Development, Inc., as operator, and the Grantor, et al., as non-operators.

The Grantor's interests in Lease Nos. OCS-G-2225, OCS-G-2227, OCS-G-2228 and OCS-G-2185 referred to above are subject to Advance Payment Agreements dated as of June 13, 1973, as amended, between Grantor and United Gas Pipe Line Company.

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

CONFIRMATION OF ASSIGNMENT

THIS CONFIRMATION OF ASSIGNMENT dated as of May 1, 1976 (the "Confirmation"), between Pennzoil Louisiana and Texas Offshore, Inc. (the "Company"), and The First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT:

WHEREAS, the Company has entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement and the Agent providing for loans (the "Loans") to the Company by the Banks which are parties to the Credit Agreement in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company has executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment dated as of March 1, 1974, substantially in the form of Appendix 1 (the "Conveyance") to that certain Production Payment Agreement dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.0 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company has agreed to assign its rights and options in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, which principal amount shall equal the aggregate principal amount of the loans, plus accrued interest thereon and commitment fees applicable thereto, if any, or standing under the Credit Agreement on the date, if any, upon which such payment is made; or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extend, as fully discharged, such production payment;

WHEREAS, in order to induce the Banks which are parties to the Credit Agreement to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company has executed, acknowledged and delivered to the Agent an Assignment dated as of March 1, 1974 (the "Assignment"), a conformed copy of which is attached hereto as Annex I (in which Pennzoil joined for the limited purposes set forth therein), by which the Company assigned, transferred and set over to the Agent for the proportionate benefit of the Banks which are parties to the Credit Agreement as their interests may appear all the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leasehold Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being herein and in the Assignment referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto;

WHEREAS, the Credit Agreement, the Production Payment Agreement and the Conveyance have been amended and restated as of May 1, 1976 to reflect an extension of the maturity of the credit available to the Company under the Credit Agreement, an increase in the amount of that credit to \$200,000,000 and the addition of Manufacturers Hanover Trust Company, Security Pacific National Bank, Wells Fargo Bank National Association, The Northern Trust Company, European-American Bank & Trust Company and The First National Bank of Boston as parties to the Credit Agreement, and for other purposes, and

WHEREAS, pursuant to the request of the Company and the Banks which are parties to the Credit Agreement as amended and restated as aforesaid (the "Banks"), Pennzoil proposes to join herein for the limited purposes set forth below,

Now, Therefore, the Company and Pennzoil hereby confirm the continuing validity and effectiveness in accordance with its terms of the Assignment, which has been heretofore made by the Company to enforce, secure and provide an additional means of payment of the Credit Agreement Obligations.

The Assignment, as confirmed hereby, (i) shall remain in full force and effect until payment in full of all indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes executed and which may be executed pursuant thereto, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as soon as there has been sufficient lapse of time that, in the opinion of the Banks, the continuation of the security interest under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided, (ii) shall be binding upon the Company and Pennzoil, their respective successors and assigns, (iii) shall inure to the benefit of and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (iv) shall be deemed to have been made in Texas and shall be governed by the Laws of the State of Texas. It is agreed and understood that all references in this paragraph and in the Assignment as confirmed hereby to the Credit Agreement, the Production Payment Agreement or the Conveyance shall be deemed to refer to such instruments as amended and restated as herein above specified, and that all references to the Banks shall be deemed to refer to the Banks which are parties to the Credit Agreement as so amended and restated.

IN WITNESS WHEREOF, the parties hereto have caused this Confirmation to be executed by their respective officers thereunto duly authorized as of the day first above written.

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

[SEAL]

By *Wm. B. ...*
Title: Vice President

PENNYCO CONFESS

[SEAL]

By *W. R. W. ...*
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO, as Agent

[SEAL]

By *Richard L. ...*
Title: Vice President

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on the 6th day of May, 1976:

(Louisiana)

Before me appeared W.B. Walker, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W.B. Walker, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W.B. Walker, Jr., to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZON COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W.B. Walker, Jr. acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared W.B. Walker, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W.B. Walker, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZON COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 6th day of May, 1976.

Killian Hope Foster
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

THE STATE OF ILLINOIS }
COUNTY OF COOK } SS:

BEFORE ME, to-wit: that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 20th day of May, 1976:

(Louisiana)

Before me appeared STANLEY L. LEVINE, to me personally known, who, being by me duly sworn, did say that he is President of The First National Bank of Chicago, a national banking association, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that STANLEY L. LEVINE acknowledged the instrument to be the free act and deed of the national banking association.

(Texas)

Before me, on this day personally appeared STANLEY L. LEVINE, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be an Executive Officer of The First National Bank of Chicago, a national banking association, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the City of Chicago, County of Cook, State of Illinois, this 20th day of May, 1976.

Alan T. May
Notary Public in and for Cook County, Illinois
My Commission Expires

My Commission Expires April 9, 1979

[CONFORMED COPY]

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

ASSIGNMENT

THIS ASSIGNMENT dated as of March 1, 1974 (the "Assignment"), from Pennzoil Louisiana and Texas Offshore, Inc. (the "Company") to the First National Bank of Chicago, as Agent for the Banks mentioned below (the "Agent"),

WITNESSETH THAT:

WHEREAS, the Company has entered into a Bank Credit Agreement (the "Credit Agreement"), dated as of March 1, 1974, with The First National Bank of Chicago, the other Banks referred to in Section 2 of the Credit Agreement (the "Banks") and the Agent providing for loans (the "Loans") by the Banks to the Company in an aggregate principal amount not in excess of \$100,000,000, to be evidenced by the promissory notes of the Company (the "Notes");

WHEREAS, the Company has executed, acknowledged and delivered to Pennzoil Company ("Pennzoil") a conveyance of production payment, dated as of March 1, 1974, substantially in the form of Appendix 1 to that certain Production Payment Agreement, dated as of March 1, 1974, between Pennzoil and the Company (the "Production Payment Agreement"), all as provided in Section 2.3 of the Production Payment Agreement;

WHEREAS, in order to secure the full and complete performance by the Company of its obligations under the Credit Agreement, the Company has agreed therein to assign its rights and options in, to and under the Production Payment Agreement to cause Pennzoil either (a) to pay to the Company, as the purchase price for the production payment conveyed by the Company to Pennzoil as aforesaid, an amount equal to the principal amount of such production payment, which principal amount shall equal the aggregate principal amount of the loans, plus accrued interest thereon and commitment fee applicable thereto, if any, outstanding under the Credit Agreement on the date, if any, upon which such payment is made, or (b) to execute, acknowledge and deliver to the Company, at its expense, such instrument or instruments as may be necessary or appropriate to release, relinquish and extinguish as fully discharged, such production payment; and

WHEREAS, pursuant to the request of the Company and the Banks, Pennzoil proposes to join herein for the limited purposes set forth below;

Now, THEREFORE, in order to induce the Banks to make loans pursuant to the Credit Agreement and to secure the performance by the Company of its obligations under the Credit Agreement, including its obligation to pay the Notes (the "Credit Agreement Obligations"), the Company hereby assigns, transfers and sets over to the Agent for the proportionate benefit of the Banks as their interests may appear all of the right, title and interest of the Company in, to and under the Production Payment Agreement, save and except, however, those rights of the Company relating to the sale of gas produced from the Leasehold Interests provided for in Article III of the Production Payment Agreement (such right, title and interest of the Company in the Production Payment Agreement, save and except such rights relating to the sale of gas, being hereinafter referred to as the "Production Payment Rights"), together with the right, title and interest of the Company in, to and under any amendment of the Production Payment Rights or additions thereto.

1. This Assignment is made by the Company to enforce, secure and provide an additional means of payment of the Credit Agreement Obligations.

2. The Production Payment Rights may be exercised by the Agent for and on behalf of the Banks upon the occurrence of an Event of Default as described in Section 11 of the Credit Agreement at any time during the continuance of such Event of Default. To exercise the right of the

Company to call upon Pennzoil to pay the purchase price of such production payment as provided in Section 2.4 of the Production Payment Agreement (the "Purchase Price Right"), the Agent shall give Pennzoil notice to such effect which shall

(a) specify the purchase price of the production payment (determined as provided in Section 2.1 of the Production Payment Agreement) to be paid by Pennzoil pursuant to such request, and

(b) specify the date upon which the purchase price of such production payment is to be paid.

Concurrently with the giving of such notice to Pennzoil, the Agent shall deliver or mail an executed counterpart of such notice to the Company. Giving of such notice by the Agent to Pennzoil shall constitute an effective notice of election by the Company to exercise the Purchase Price Right as provided for in Section 2.5 of the Production Payment Agreement. The full amount of the purchase price of such production payment shall be paid by Pennzoil, without setoff, counterclaim or recoupment whatsoever by reason of any claim of Pennzoil against the Company or otherwise, directly to the Agent on the date specified in such notice and shall be applied by the Agent to the payment of the Notes in the manner described in Section 6 of the Credit Agreement.

3. Notwithstanding this Assignment, the Company and Pennzoil shall have the right, without the consent of the Agent or the Banks, to amend the Production Payment Agreement and the conveyance of production payment executed pursuant thereto for the sole and limited purposes of releasing, or adding to, one or more of the Leasehold Interests or subjecting the same to gas sales, unit, operating or other agreements providing for the operation or development of the Leasehold Interests or the disposition of production therefrom; provided, however, that any such amendment shall not otherwise modify in any respect the rights and obligations of the Company or Pennzoil under the Production Payment Agreement or reduce the purchase price of said production payment determined as provided in Section 2.1 of the Production Payment Agreement.

4. No failure or delay on the part of the Agent or the Banks in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other single or partial exercise thereof or the exercise of any other right or power hereunder.

5. At the request of the Company and in order to induce the Banks to make the Loans to the Company, Pennzoil agrees

(a) with the Company that each certificate as to value of Proven Hydrocarbon Reserves delivered by the Company to the Agent pursuant to Section 8(c) of the Credit Agreement shall be signed by Pennzoil to acknowledge its approval thereof and shall be deemed to have been delivered to Pennzoil pursuant to Section 2.4 of the Production Payment Agreement; and

(b) with the Agent and the Banks that the breach or failure of the Company to perform any of its obligations under this Assignment of the Production Payment Agreement shall not reduce, impair or adversely affect in any respect the enforceability by the Agent and the Banks of (i) the Production Payment Right assigned to them hereunder and (ii) the agreement of Pennzoil to pay directly to the Agent on the date specified in the notice given to Pennzoil by the Agent pursuant to Paragraph 2 above an amount equal to the purchase price of the production payment specified in such notice after any required adjustment as provided in Section 2.5 of the Production Payment Agreement.

it being the purpose and intent of Pennzoil herein to confirm to the Agent and the Banks the continued effectiveness, validity and enforceability of the Production Payment Rights assigned to them hereunder throughout the term of this Assignment without regard to the performance or breach by the Company of its obligations under this Assignment or the Production Payment Agreement.

6. Pennzoil hereby represents and warrants that

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. It is duly qualified to do business in those states in which it owns a material amount of property or transacts a material amount of business.

(b) It has corporate power and authority to make and carry out the Production Payment Agreement and this Assignment, and all such action has been duly authorized by all necessary corporate proceedings on its part.

(c) Since December 31, 1973 there has been no material adverse change in the financial condition of Pennzoil or of Pennzoil and its consolidated subsidiaries.

(d) The Production Payment Agreement, the conveyance of production payment executed pursuant thereto and this Assignment have been duly and validly executed and delivered by Pennzoil and constitute valid and legally binding agreements of Pennzoil enforceable in accordance with their terms, except as enforcement thereof is limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights.

(e) While this Assignment continues unreleased Pennzoil shall, if notified of the exercise by the Agent of the right to have the purchase price paid to the Agent, be unconditionally obligated to pay such purchase price directly to the Agent in accordance with the terms hereof.

7. All notices and other communications provided for herein shall be in writing and shall be delivered or mailed (or in the case of telegraphic communication, if by telegram, delivered to the telegraph company and if by the telex, graphic scanning or other telegraphic communications equipment of the sending party, delivered by such equipment) addressed, if to the Company or Pennzoil, as appropriate, at 900 Southwest Tower, Houston, Texas 77002, and if to the Agent, to it at One First National Plaza, Chicago, Illinois 60670. All notices and other communications given to any party hereto in accordance with the provisions of this Assignment shall be deemed to have been given when sent by registered or certified mail, if by mail, or when delivered to the telegraph company, charges prepaid, if by telegram, or when receipt is acknowledged, if by any telegraphic communications equipment of the sender, in each case addressed to such party as provided in this Paragraph 7 or in accordance with the latest unrevoked direction from such party.

8. This Agreement (i) shall remain in full force and effect until payment in full of all indebtedness and obligations of the Company to each of the Banks under and pursuant to the Credit Agreement and the Notes, at which time the Banks will, upon request and at the expense of the Company, release and reassign to the Company and Pennzoil, as their interests may appear, the rights assigned to the Banks hereunder as soon as there has been sufficient elapse of time that, in the opinion of the Banks, the continuation of the security interest under the Assignment is no longer necessary to protect the Banks from loss or expense by reason of any claim that the payment might constitute a preference or otherwise be subject to being voided, (ii) shall be binding upon the Company and Pennzoil, their respective successors and assigns, (iii) shall inure to the benefit of and be enforceable by the Agent and the Banks, their respective successors, transferees and assigns, and (iv) shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed by their respective officers thereunto duly authorized, and in the presence of the undersigned witnesses, as of the day first above written.

Witnesses:

s/ MARY FRANCES FORESTER

s/ GEORGIA SPIVEY

PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

By s/ R. C. BRYAN
Vice President

ATTEST:

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL]

Witnesses:

s/ MARY FRANCES FORESTER

s/ GEORGIA SPIVEY

PENNZOIL COMPANY

By s/ W. E. GIPSON
Vice President

ATTEST:

s/ SALLY HAZEN
Assistant Secretary

[CORPORATE SEAL]

THE STATE OF TEXAS }
COUNTY OF HARRIS } ss:

BE IT REMEMBERED that I, the undersigned, a Notary Public duly qualified, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 21st day of March, 1974:

(Louisiana)

Before me appeared R. G. BRYAN, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that R. G. BRYAN acknowledged the instrument to be the free act and deed of the corporation.

(Louisiana)

Before me appeared W. E. GIBSON, to me personally known, who, being by me duly sworn, did say that he is Vice President of PENNZOIL COMPANY, a Delaware corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that the instrument was signed and sealed in behalf of the corporation by authority of its Board of Directors and that W. E. GIBSON acknowledged the instrument to be the free act and deed of the corporation.

(Texas)

Before me on this day personally appeared R. G. BRYAN, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC., a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed of said corporation.

(Texas)

Before me on this day personally appeared W. E. GIBSON, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be a Vice President of PENNZOIL COMPANY, a Delaware corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act and deed 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 21st day of March, 1974.

s/

DOROTHY STEARMAN
Dorothy Stearman

Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1975

BALLAY & BRAUD

A PROFESSIONAL LAW CORPORATION

513 BELLE CHASSE HIGHWAY NORTH

BELLE CHASSE, LOUISIANA 70037-2699

CHARLES J. BALLAY
STEPHEN C. BRAUD

TELEPHONE
(504) 394-9841

July 18, 1985

United States Dept. of the Interior
Minerals Management Service
Gulf of Mexico OCS Region
Imperial Office Bldg.
P. O. Box 7944
Metairie, LA 70010

RECEIVED

JUL 22 1985

Attn: LE-3-1 Ms. Boehm

Re: Lease Numbers OCS-G 2185
OCS-G 2360

Gentlemen:

Enclosed you will find an Act of Collateral Chattel Mortgage dated July 15, 1985. In order that third persons may be placed on notice as to the execution and efficacy of the Mortgage, please file one copy of this letter, with the attached duplicate original of the Mortgage in the files in your office relating to each of the above-captioned leases.

A check in the amount of \$50.00 is enclosed for this service.

Very truly yours,

BALLAY & BRAUD

Charles J. Ballay

CJB/jwb

Enclosures

Filing Accomplished As Requested
Minerals Management Service

By:

La Nelle Boehm
La Nelle Boehm

Date: July 22, 1985

80164B.24

UNITED STATES OF AMERICA

STATE OF LOUISIANA

PARISH OF PLAQUEMINES

BEFORE ME, Stephen C. Braud, a Notary Public, duly commissioned and
for the Parish of Plaquemines, State of Louisiana, and in the
presence of the witnesses hereinafter named and undersigned,

HUB ENERGY SERVICES, INC., a Louisiana corporation, domiciled and doing business in the Parish of Plaquemines, State of Louisiana, represented herein by its undersigned officer, as per the attached certified resolution.

In case the said note should be placed in the hands of an attorney-at-law to institute legal proceedings to recover the amount thereof or any part hereof,

RECORDED PARISH OF PLAQUEMINES ON

JUL 17 1985

M. O. B. 41 FOLIO 4195

Judith B. Courtney
DY. CLERK OF COURT

in principal or interest, or to protect the interest of the holder or holders thereof, or in case the same should be placed in the hands of an attorney for collection, compromise or other action, the mortgagor hereby agrees to pay the fee of the attorney who may be employed for that purpose, which fee is hereby fixed at 25% on the amount due or sued for or claimed or sought to be protected, preserved or enforced.

Now, in order to secure the payment of the said indebtedness evidenced by the said note, together with all interest, attorney's fees, premiums of insurance, taxes and court costs, the said mortgagor does by these presents, specially mortgage, affect and hypothecate unto and in favor of any future holder of said note, whether the same be held as an original obligation or in pledge, the following described property:

- A. One 350 HP Worthington Model OF6MU-3, balanced opposed compressor, serial no. A15311 with 7 $\frac{1}{2}$ " x 5 $\frac{1}{2}$ " x 5" cylinders, direct connected to a Waukesha Model 3711 engine, serial no 48985, located on a oilfield type skid, including inlet and intermediate scrubbers, intermediate and after cooling, pneumatic stainless steel panel and overhead galvanized cooler, serial no. 813815.

Located at South Pass Block 78, Platform "A", OCS-G-2185, Louisiana, U.S.A.

- B. One Caterpillar Engine, serial no. 72B01062, Model 379 NA, direct connected to an Ariel Compressor, serial no. F2802, Model JGW-2 with two (2) 3 7/8" cylinders fabricated on an oilfield type skid, with cooler, serial no. 82145.

Located at High Island Block A-447, OCS-G-2360, Texas, U.S.A.

- C. One Waukesha Engine, serial no. 326911, Model F-1197, direct connected to an Ariel Compressor, serial no. F1253, Model JG-2, with two (2) 3 5/8" cylinders, scrubbers, instrumentation and related piping fabricated on a concrete filled skid, with cooler, serial no. 783828.

Located at State Lease #4977, Plaquemines Parish, Louisiana.

Whenever any of the above described properties are not located at the locations designated above, it shall be located at the principal office of mortgagor, at 1202 Belle Chasse Hwy. South, Belle Chasse, Plaquemines Parish, Louisiana.

Mortgagor binds and obligates itself not to remove any of the property from its present said location without the prior written consent of the then holder or holders of the hereinabove described note, having first been obtained.

Together with all the improvements, appurtenances and attachments, thereunto belonging or in anywise appertaining, now or hereafter forming part of and attached to or connected with said property or used in connection therewith.

Said property to remain fully mortgaged, affected and hypothecated unto and in favor of any future holder or holders of said note until the full and final payment thereof, said mortgagor being hereby obligated not to sell, alienate, deteriorate or otherwise encumber the said property to the prejudice of this act, and not to permit or suffer the same to be sold, alienated, deteriorated or encumbered.

And the said mortgagor does, by these presents, confess judgment for the amount as said note in principal, interest attorney's fees and all other costs and charges, and does consent, agree and stipulate that, in the event the said note or any interest thereon is not punctually paid at maturity, or upon the mortgagor's death, suspension, failure, liquidation or insolvency, or upon application for said mortgagor's adjudication in bankruptcy, or upon the application by or against said mortgagor for a respite, assignment, composition, extension, reorganization or receivership, or in the event of the mortgagor's failure to comply with any obligation by said mortgagor herein undertaken, anything herein contained to the contrary notwithstanding, it shall be lawful for and the said mortgagor does hereby authorize the then holder or holders of the said note without making a demand or putting the said mortgagor in default being hereby expressly waived, to cause and singularly the property herein mortgaged and hereinabove described, to be seized and sold under executory process or any other legal process at the option of the holder or holders of said note. The said mortgagor especially waives the benefit of any and all laws or parts of laws relative to the appraisement of the property seized and sold under executory process, or any other legal process, and consents that said property be sold without appraisement to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct.

Possession of the said note at any time by the said mortgagor herein shall not in any manner extinguish the said note or the present mortgage securing payment thereof, but the said mortgagor shall have the right to issue and re-issue the said note from time to time and as often as convenience may require without in any manner extinguishing or affecting the obligation of said note or the security of this mortgage.

And the said mortgagor further agrees that, in the event any proceedings are undertaken under this mortgage by way of executory process or otherwise, any and all declarations of the facts made by authentic act before a Notary Public

and in the presence of two witnesses, by a person declaring that such facts lie within his knowledge, shall constitute authentic evidence of such facts for that purpose of executory process. Said mortgagor hereby promises and agrees to keep the above described property constantly insured against the risk or loss by fire, wind, storm and tornado, in solvent insurance companies up to the full insurable value and to transfer and deliver the said policies of insurance to the holder or holders of said note, and hereby authorizes the holder or holders of said note, in the event of a default with regard to said insurance, to cause said insurance to be effected at the cost of the mortgagor, at the then current rates, and the reimbursements of all sums paid for the purpose shall be secured by the privilege and mortgage aforesaid. However, this clause is not to be taken as making it obligatory upon the holder or holders of said note to cause said insurance to be effected upon the default of said mortgagor, or as imposing any liability upon the holder or holders of said note for failure to do so.

The mortgagor declares that there are no taxes due and eligible on the property herein mortgaged.

The maximum amount for which this act of mortgage shall be deemed to secure the obligations of the mortgagor, as herein stipulated, to reimburse any holder or holders of said note, the amounts paid for premiums of insurance or taxes is hereby fixed at 20% of the face value of said note.

The mortgagor hereby declares that the property herein mortgaged stands registered in the name of the mortgagor, and that it has not been alienated by the said mortgagor, and according to the Chattel Mortgage certificate attached hereto, there are no mortgages or encumbrances against the said property.

The mortgagor further binds itself to pay all taxes and assessments that may be levied against the mortgaged property, and his failure to so do shall give the mortgagee the right to pay such taxes and assessments and the right to reimbursement of such sums from the mortgagee, which sums shall be secured by the mortgages aforesaid; to keep the hereinabove described property in constant repair and to exhibit same to the mortgagee at any time the mortgagee may desire; that in the event of foreclosure, mortgagee shall have the right to cause the hereinabove described property to be put in merchantable condition, and that the expenses so incurred shall operate as a further lien and privilege on said property, and that the costs thereof shall become a part of this mortgage and secured thereby; to notify mortgagee at once in the event that the

RESOLUTION

BE IT RESOLVED, that V. A. Bradshaw, Secretary-Treasurer of HuB Energy Services, Inc., be and is hereby authorized to borrow on behalf of this corporation the sum of FIVE HUNDRED TWENTY-FIVE THOUSAND AND NO/100 (\$525,000.00) DOLLARS at such interest rates, and upon such terms and conditions as he deems necessary and proper in his sole discretion, and to secure said loan with a Collateral Chattel Mortgage on the property described as follows:

- A. One 350 HP Worthington Model OF6MU-3, balanced opposed compressor, serial no. A15311 with 7 $\frac{1}{2}$ " x 5 $\frac{1}{2}$ " x 5" cylinders, direct connected to a Waukesha Model 3711 engine, serial no 48985, located on a oilfield type skid, including inlet and intermediate scrubbers, intermediate and after cooling, pneumatic stainless steel panel and overhead galvanized cooler, serial no. 810315.

Located at South Pass Block 78, Platform "A", OCS-G-2185, Louisiana, U.S.A.

- B. One Caterpillar Engine, serial no. 72B01062, Model 379 NA, direct connected to an Ariel Compressor, serial no. 2802, Model JGW-2 with two (2) 3 7/8" cylinders fabricated on an oilfield type skid, with cooler, serial no. 82145.

Located at High Island Block A-447, OCS-G-2360, Texas, U.S.A.

- C. One Waukesha Engine, serial no. 326911, Model F-1197, direct connected to an Ariel Compressor, serial no. F1253, Model JG-2, with two (2) 3 5/8" cylinders, scrubbers, instrumentation and related piping fabricated on a concrete filled skid, with cooler, serial no. 783828.

Located at State Lease #4977, Plaquemines Parish, Louisiana.

BE IT FURTHER RESOLVED, that the said V. A. Bradshaw, Secretary/Treasurer, be and he is hereby authorized to execute any and all mortgages, promissory notes, instruments, assignments and pledges and/or documents necessary and proper to carry out the purposes and intents of this resolution, and that all of his aforesaid actions in connection therewith are hereby ratified and approved by the Board of Directors of this corporation.

This is to certify that the above and foregoing is a true and correct copy of a resolution unanimously adopted by the Board of Directors of HuB Energy Services, Inc., at a special meeting held by this corporation on the 15th day of JULY, 1985, and that said resolution is still in effect and has not been rescinded or amended as of this 12th day of JULY, 1985, at 10 o'clock A. m.



SECRETARY

ATTEST:



WILLIE HESS, PRESIDENT

within described property should be seized by a person other than the mortgagee.

And now to these presents personally came and intervened Darrell D. Roy, who on behalf of any future holder or holders of said note accepts this act of mortgage.

THUS DONE AND PASSED, in triplicate original, in Belle Chasse, Louisiana, on the day, month and year first above written, in the presence of the undersigned competent witnesses who hereunto sign their name with the said appearers and me, Notary, after a reading of the whole.

WITNESSES:

Margaret Croft

Darlene D. Mathern

HUB ENERGY SERVICES, INC.

BY: V. A. Bradshaw
V. A. BRADSHAW
SECRETARY-TREASURER

DELTA BANK & TRUST COMPANY

BY: Darrell D. Roy
DARRELL D. ROY
SR. VICE-PRESIDENT

[Signature]
NOTARY PUBLIC

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