

25050

AKIN, GUMP, STRAUSS, HAUER & FELD

ATTORNEYS AT LAW

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1900 PENNZOIL PLACE-SOUTH TOWER

711 LOUISIANA STREET

HOUSTON, TEXAS 77002

(713) 220-5800

FAX (713) 236-0822

5823

WRITER'S DIRECT DIAL NUMBER (713) 220-_____

October 8, 1990

1333 NEW HAMPSHIRE AVENUE, N.W.
SUITE 400
WASHINGTON, D.C. 20036
(202) 887-4000

65 AVENUE LOUISE, P.B. NO. 7
1050 BRUSSELS, BELGIUM
(011) 32-2-535.29.11

4100 FIRST CITY CENTER
1700 PACIFIC AVENUE
DALLAS, TEXAS 75201-4618
(214) 969-2800

2100 FRANKLIN PLAZA
111 CONGRESS AVENUE
AUSTIN, TEXAS 78701
(512) 499-6200

1500 NCNB PLAZA
300 CONVENT STREET
SAN ANTONIO, TEXAS 78205
(512) 270-0800

**Mineral Management Service
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394
Attn.: MS 5421**

Re: OCS-G-5050

Dear Madam or Sir:

Enclosed please find a recorded copy of a mortgage previously filed in Plaquemines Parish. The lease affected is OCS-G-5050. Please file the document with your office. I am enclosing \$25.00 as is required.

Please do not hesitate to contact me if you have any question regarding this filing.

Thank you for your attention to this request.

Very truly yours,

Lori R. Verbeec

**Lori R. Verbeec
Legal Assistant**

Enclosures

cc: Doug Atnipp

RECEIVED

OCT 9 1990

**Minerals Management Service
Leasing & Environment**

ON AUG 17 1990

THE STATE OF TEXAS §
 COUNTY OF HARRIS §
 §

IN M. O. B. 199 FOLIO 461
Judith B Courtney
 DY. CLERK OF COURT

ACT OF COLLATERAL MORTGAGE AND SECURITY AGREEMENT

BE IT KNOWN, that on this 12th day of August, 1990,

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the County and State aforesaid, and in the presence of the undersigned competent witnesses,

PERSONALLY CAME AND APPEARED:

SCHRODER OIL FINANCING & INVESTMENT COMPANY, INC., a Texas corporation ("Grantor"), represented herein by its undersigned officer, duly authorized by resolutions of its Board of Directors, a certified copy of which is attached hereto as Exhibit A and hereby made a part hereof,

who, being duly sworn, did declare and say that Grantor is justly and truly indebted unto any future holder or holders of the Mortgage Note (as hereinafter defined) in the principal sum of \$3,000,000.00. To evidence such indebtedness, Grantor has executed that certain collateral mortgage note (the "Mortgage Note") of even date herewith, for the principal sum of \$3,000,000.00, made payable to Bearer, due on demand at the office of Texas Commerce Bank National Association, at 712 Main Street, Houston, Harris County, Texas 77002, bearing interest at the rate of 12% per annum from the date thereof until paid, and for attorneys' or collection fees an amount equal to ten percent (10%) on the amount due or sued for, or denied or sought to be preserved or enforced, which Mortgage Note (an unexecuted copy of which is attached hereto as Exhibit B and hereby made part hereof), after having been paraphrased "Ne Varietur" by me, said Notary Public, for identification with this Act of Collateral Mortgage and Security Agreement (hereinafter referred to as this "Mortgage"), was delivered to Grantor, who hereby acknowledges receipt thereof.

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

RECEIVED

OCT 9 1990

Minerals Management Service
 Leasing & Environment

without extinguishment of the Mortgage herein granted, and may, at any time and as many times thereafter as the interest of Grantor may require, be again reissued or re-pledged by Grantor 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 canceled on its face. As used herein, the term "Mortgage Noteholder" shall mean any future holder or holders of the Mortgage Note, whether one or more.

In case the Mortgage Note should be placed in the hands of an attorney-at-law, 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 case the same should be placed in the hands of an attorney for collection, compromise, or other action, Grantor hereby binds itself to pay attorney's or collection fees equal to ten percent (10%) on the amount due or sued for, or denied or sought to be protected, preserved or enforced.

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, compensation of a keeper, attorney's and collection fees, and other costs and indebtedness incurred and paid hereunder, and to secure the faithful observance and performance of all of the obligations, agreements, covenants, and stipulations contained herein and in the Mortgage Note, Grantor declares that it does by these presents mortgage, affect, pledge, grant a security interest in and hypothecate unto the Mortgage Noteholder, whether the Mortgage Note be held by the Mortgage Noteholder as an original obligation or in pledge, the following rights, interests and properties:

A. All of Grantor's interest (which is not less than the interest described in Exhibit C (the "Exhibit") attached hereto and hereby a part hereof), now owned or hereafter acquired, in and to the lands described in the Exhibit, which term shall include the lands described in the Exhibit, any lands, the description of which is incorporated in the Exhibit by reference to another instrument or document, and all lands now or hereafter unitized or pooled with the lands described in the Exhibit or which are incorporated in the Exhibit by reference;

B. All of Grantor's interest (which is not less than the percentage interest described in the Exhibit), now owned or hereafter acquired, with respect to the oil and gas leases, the oil, gas and mineral leases, the fee, mineral, working, overriding royalty, royalty and other

interests described in the Exhibit or (whether or not described in the Exhibit) related to any of the lands described in the Exhibit or any such leases or interests as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which any of said properties, rights, titles, interests and estates are subject, or otherwise;

C. All of Grantor's rights, now owned or hereafter acquired, with respect to all operating, unitization and pooling agreements and orders, now or hereafter existing, and the properties covered and the units created thereby (including all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental agency having jurisdiction) which are described in the Exhibit or (whether or not described in the Exhibit) which relate to any of the properties, interest or lands described in the Exhibit;

D. All of Grantor's rights, now or hereafter acquired, with respect to all oil, gas, casinghead gas and other liquid or gaseous hydrocarbons ("Hydrocarbons") and other minerals which are in, under, upon, produced or to be produced from the lands described in the Exhibit or which are incorporated in the Exhibit by reference;

E. All of Grantor's rights, now or hereafter existing, under all contracts now in effect or hereafter entered into by Grantor, or any of Grantor's predecessors in interest, or by any other person to the extent that Grantor has any right or interest thereto or thereunder, for the sale, purchase, transportation, exchange or processing of Hydrocarbons and other minerals produced from the lands described in the Exhibit or the leases, interests or properties described in the Exhibit;

F. All of Grantor's rights, now or hereafter existing or acquired, with respect to 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 and appurtenant to any of the foregoing;

G. All of Grantor's rights, now owned or hereafter acquired, in and to all lease records, well records and production records which relate to any of the foregoing properties;

H. All of Grantor's rights, now or hereafter acquired, in and to all the personal property, machinery (surface and subsurface), equipment, facilities and other property of whatsoever kind or nature, including corporeal movables (excluding drilling rigs, drill pipe, tanks, mud pumps, trucks, automotive equipment or other property taken to the premises to drill a well or for other similar temporary purposes) now or hereafter located on or under any of the lands described in the Exhibit, or on a unit including all or a part of such lands, and dedicated to the use and exploitation of the mineral rights affecting such lands, including, but not by way of limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumping units and engines, Christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for treating, disposal or injection), pipe, pipelines, boilers, compressors, connections, power plants, poles, lines, transformers, starters, controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telephone, telegraph and other communications systems, roads, loading racks and shipping facilities, together with all improvements, betterments and additions thereto and replacements thereof; and

I. All other rights, titles and interests of Grantor (whether now owned or hereafter acquired by operation of law or otherwise) in, to and under or derived from the lands, leases and properties described in the Exhibit, even though the Grantor's interest therein may be incorrectly or insufficiently described or referred to in the Exhibit;

together with any and all corrections and amendments to, and renewals, extensions and ratifications of, any of the foregoing or of any instrument related thereto and all other things of value incident thereto which Grantor might at any time have been or may hereafter become entitled to; and all proceeds and products of any of the foregoing, each as the same may now or hereafter exist. All of the aforesaid properties, interests and rights, subject as aforesaid, are hereinafter sometimes referred to as the "Mortgaged Properties".

SUBJECT, HOWEVER, to the overriding royalties, unit declarations, operating agreements, contracts, encumbrances, agreements, restrictions, exceptions, reservations, limitations and other matters, if any, described or referred to in the Exhibit.

ASSIGNMENT AND PLEDGE OF, AND GRANT OF
SECURITY INTEREST IN PRODUCTION

For the purpose of additionally securing payment of the indebtedness evidenced by the Mortgage Note and/or any extension or renewal thereof, as well as all costs, taxes, assessments, charges, attorney's and collections fees, and other costs and indebtedness incurred and paid hereunder, and independent but cumulative of any and all other rights and remedies herein provided for, Grantor hereby GRANTS A SECURITY INTEREST IN, and PLEDGES, ASSIGNS, TRANSFERS, SETS OVER and DELIVERS unto the Mortgage Noteholder all of the following:

(a) All Hydrocarbons and the proceeds therefrom, produced and to be produced from the Mortgaged Properties from and after 7:00 a.m., New Orleans time, on August __, 1990;

(b) All accounts and proceeds payable to or to become payable to Grantor or to which Grantor is and becomes entitled to under all gas sales contracts, all oil, distillate or condensate sales contracts, all gas transportation contracts and all gas processing contracts relating to or now or hereafter to become a part of the Mortgaged Properties; and

(c) All amounts, sums, revenues and income payable to or to become payable to Grantor from any of the Mortgaged Properties (including after-acquired properties) or under any contract, present or future, relating to any pipeline system or processing plant or unit now or hereafter constituting a part of the Mortgaged Properties.

Provided, however, Mortgage Noteholder hereby agrees to permit Grantor to receive and collect all amounts, sums, revenues and income attributable to the Mortgaged Properties until the occurrence of an Event of Default as defined in that certain Loan Agreement between Grantor and Texas Commerce Bank National Association.

Grantor hereby authorizes and empowers the Mortgage Noteholder to demand, collect, receive, receipt for, and hold all of the production and proceeds thereof described above and to execute and deliver, in the name of Grantor or in its own name, and release, receipt, division order, payment order, transfer order, relinquishments or other instrument that may be required or advisable in the opinion of the Mortgage Noteholder to collect and receive such production or the proceeds therefrom. Grantor agrees that such releases, receipts, division orders, payment orders,

transfer orders, relinquishments and other instruments which the Mortgage Noteholder may from time to time execute and deliver for the purpose of collecting or receipting for such production or the proceeds therefrom may be relied upon in all respects and shall be binding upon Grantor and Grantor's receivers, trustees, successors and assigns. No party making payment shall have any responsibility to see to the application of any funds paid to the Mortgage Noteholder, but nay such party shall be fully protected in making such payment to the Mortgage Noteholder under the pledge and assignment herein contained. Should the Mortgage Noteholder bring suit against any such third party for collection of any amounts or sums included within this pledge, assignment and grant of a security interest (and the Mortgage Noteholder shall have the right to bring such suit) it may sue either in its own name or in the name of Grantor.

Grantor hereby authorizes and directs all pipeline companies, gathering companies and other purchasing or receiving Hydrocarbons from the Mortgaged Properties or having in possession any such production or the proceeds therefrom to pay and deliver the same to the Mortgage Noteholder upon receipt of a notice from the Noteholder that an Event of Default has occurred and without further notice from Grantor or Noteholder such payments shall be made as follows:

Texas Commerce Bank National Association
P. O. Box 2558
Houston, Texas 77252
Attention: Land and Discount Division

and such authorization shall continue until this Mortgage is released of record.

Independent of the foregoing provisions and authorities herein granted, Grantor agrees to execute and deliver any and all instruments, including, but not limited to, transfer, payment and division orders, which may be requested by the Mortgage Noteholder or which may be required by any purchaser of production from any of the Mortgaged Properties and to furnish to the Mortgage Noteholder all such information (including but not limited to information as to the ownership of other parties), in connection with the receipt by the Mortgage Noteholder of such production or the proceeds therefrom.

Upon Noteholder's exercise of its rights to receive the proceeds of production hereunder, should any person now or hereafter purchasing or taking Hydrocarbons attributable to the Mortgaged Properties fail to make payment promptly to the Mortgage Noteholder of the proceeds of production hereby encumbered, the Mortgage Note holder shall have the right to make, or to require

Grantor to make, a change in connection and the right to designate or approve the purchaser with whose facilities the new connection shall be made, without liability or responsibility in connection therewith, so long as ordinary care is used in making such designation, and Grantor agrees to pay to the Mortgage Noteholder the amount of any proceeds of production attributable to the Mortgaged Properties not promptly paid to the Mortgage Noteholder by any person having responsibility for payment thereof; provided, however, the Mortgage Noteholder shall not have the right to change the connection or purchaser if doing so will cause Grantor to be in breach of its obligations to a purchaser.

If, prior to the full payment of the indebtedness evidenced by the Mortgage Note, all or part of the Mortgaged Properties are taken for public or quasi-public purposes, either through eminent domain or condemnation proceedings or otherwise, it is expressly agreed that any and all sums of money awarded or allowed as damages or otherwise to Grantor on account of such taking shall be delivered to the Mortgage Noteholder, and the same are hereby assigned and shall be paid directly to the Mortgage Noteholder and applied as a credit on such indebtedness in such manner as the Mortgage Noteholder shall elect, any excess to be rendered to Grantor.

Upon the failure of Grantor to pay the Mortgage Note when demanded by the Mortgage Noteholder, all indebtedness secured hereby, in its entirety, shall be immediately due and payable, and the mortgage, pledge and security interest evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law. Furthermore, the Hydrocarbons and proceeds thereof encumbered hereby shall thereafter be applied by the Mortgage Noteholder until the Mortgage Note and all other indebtedness of Grantor to the Mortgage Noteholder is paid in full. Grantor, for itself, its successors and assigns, does by these presents agree and stipulate that it shall be lawful for, and Grantor hereby authorizes the Mortgage Noteholder to cause all and singular the Mortgaged Properties to be seized and sold by executory process or other legal process, without appraisal, either in its entirety or in lots or parcels, as the Mortgage Noteholder may determine, to the highest bidder for cash or on such terms and the Mortgage Noteholder in such proceedings may direct; and Grantor, for itself and its successors and assigns, hereby acknowledges the obligations secured hereby, whether now existing or to arise hereafter, and hereby confesses judgment thereon if the obligations are not paid at maturity. To the extent allowed by law, Grantor 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 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 days delay provided Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; (e) the benefit of the other provisions of Articles 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure and (f) any other articles not specifically mentioned above.

All remedies herein expressly provided for are cumulative of any and all other remedies now existing at law, and the Mortgage Noteholder shall, in addition to the remedies herein provided, be entitled to avail itself of all such other remedies as may now or hereafter exist at law for the collection of said indebtedness, the enforcement of the covenants herein, and the foreclosure of the mortgage, pledge and grant of a security interest evidenced hereby; 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. Grantor expressly authorizes and agrees that the Mortgage Noteholder shall have the right to appoint a keeper of the Mortgaged Properties pursuant to the terms and provisions of La. R.S. 9:5131 et seq.

The Mortgage Noteholder 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, in whole or in part, and in such portions and in such order as may seem best to the Mortgage Noteholder, in its 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 evidenced by this Mortgage.

This Mortgage shall in all respects be construed under the laws of the State of Louisiana, including but not limited to La. R.S. 31:197 et seq. and La. R.S. 10:9-101 et seq. as (a) a mortgage, hypothecation, pledge and confession of judgment by Grantor in favor of the Mortgage Noteholder, and (b) as a pledge and assignment of and grant of a security interest in, production in favor of the Mortgage Noteholder, to secure the payment of the principal and interest of the Mortgage Note and also to secure all attorney's fees, costs, charges, and the performance of all obligations of Grantor contained herein and in the Mortgage Note.

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

The terms, provisions, covenants, and conditions hereof shall be binding upon Grantor, its successors and assigns, and shall inure to the benefit of the Mortgage Noteholder, whether or not expressly provided for herein.

The Mortgage Note, after having been paraphed "Ne Varietur" by me, Notary, to identify the same with this Mortgage has been delivered to Intervenor who, on behalf of the Mortgage Noteholder, accepts this Mortgage.

THUS DONE AND PASSED in Houston, Harris County, Texas, on the date first above written, in multiple originals, in my presence and in the presence of the undersigned competent witnesses, who have hereunto signed their names with the said Appearers and me, Notary.

ATTEST:

Mary J. Bryan

SCHRODER OIL FINANCING &
INVESTMENT COMPANY, INC.
a Texas corporation

By: *Mary Jon Bryan*
Mary Jon Bryan, President

WITNESSES TO ALL SIGNATURE:

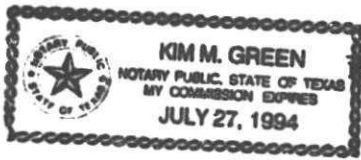
Lori R. Verbeek
Name: Lori R. Verbeek

Georgia Stanley
Name: Georgia Stanley

INTERVENOR:

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION

By: *J. Doug McMurry, Jr.*
J. Doug McMurry, Jr.
Vice President



Kim M. Green
Printed Name: Kim M. Green
Notary Public in and for the
County of Harris
STATE OF TEXAS

- Exhibit A - Secretary's Certificate
- Exhibit B- Collateral Mortgage Note
- Exhibit C - Property Descriptions

EXHIBIT A

Secretary's Certificate

EXHIBIT B

Collateral Mortgage Note

EXHIBIT C

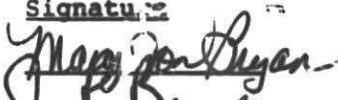


Property Descriptions

S:\CORP\FCS\@CERPODER\ACTOPOL.DCA
51255.0000

CERTIFICATE OF CORPORATE RESOLUTIONS

I, the undersigned, hereby certify to the below named Bank that I am Secretary of Schroder Oil Financing & Investment Company, Inc. (the "Corporation"), a corporation duly organized and existing under the laws of the State of Texas; that the following is a true and correct copy of resolutions duly adopted by the Board of Directors of the Corporation by appropriate consent of the Board of Directors of the Corporation, and that such resolutions have not been rescinded or modified and are in full force and effect:

1. RESOLVED, that each of the officers of the Corporation as listed below be and the same are hereby authorized and empowered on behalf of the Corporation to borrow money from Texas Commerce Bank National Association ("Bank") in any amount as such officers deem appropriate, including, without limitation, \$3,000,000, and to make, execute and deliver promissory notes, drafts, bonds or other written obligations of the Corporation, in such form, date and maturity and at such rate of interest, all as such officers or officers of the Corporation may approve, and the Secretary or any Assistant Secretary is authorized to affix the corporate seal to any such instrument whenever necessary or required, and the execution and delivery by such officer or officers of such instrument or instruments shall be conclusive evidence that such officer or officers approves or approve the term of such instruments:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Mary Jon Bryan	President	
J. P. Bryan	Vice-President Assistant Secretary	
Mary S. Stewart	Secretary/ Treasurer	

2. IT IS FURTHER RESOLVED, that said officer or officers are hereby authorized in the name of the Corporation to execute security agreements, financing statements, deeds of trust, acts of collateral mortgage, pledges and assignments of production, acts of pledge of collateral mortgage note, a collateral mortgage note and any and all other security agreements, including particularly, without limitation, those documents presented to this Board of Directors, to pledge as security for the payment of any such loan or loans, or extensions of credit, and any extensions and renewals thereof, such assets of the Corporation as may be agreed

upon between such officer or officers of the Corporation and Bank on behalf of the Corporation, and in its name, such officer or officers are hereby authorized to renew or extend any loan or loans from time to time, and to execute and deliver such promissory notes, drafts, bonds, or other obligations of the Corporation therefor, or endorse such extension or extensions to any notes theretofore given.

3. IT IS FURTHER RESOLVED, that all documents authorized to be signed by this resolution shall be in such form and contain such terms and conditions as the foregoing officer or officers deem necessary or appropriate, including, without limitation, concessions of judgment, pacts de non aliando, waivers of appraisement, waivers of notice and delay, consents to executory process and other Louisiana security devices, and bearing upon, particularly, without limitation, mineral royalties, overriding royalties and other mineral rights held or acquired by the Corporation affecting lands and properties situated in Plaquemines and Iberia Parishes, Louisiana, herewith described in that certain Act of Collateral Mortgage and Security Agreement presented to this Board of Directors.

4. IT IS FURTHER RESOLVED, that the authority hereinabove given to said officer and officers shall be unlimited with respect to each of the transactions referred to in the foregoing resolutions and shall remain irrevocable insofar as Bank is concerned unless and until Bank shall be notified of the revocation, reduction, restriction or limitation of such authority and shall acknowledge receipt of such notification in writing; and also, that the Secretary or Assistant Secretary of the Corporation is authorized under the seal of the Corporation to certify to Bank the adoption of these resolutions.

5. IT IS FURTHER RESOLVED, that the foregoing resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by Bank, and that receipt of said notice shall not affect any action taken by Bank prior thereto.

6. IT IS FURTHER RESOLVED, that without limitation of any of the foregoing, this resolution applies to all matters relating to or in any way connected with the consummation of that certain loan transaction as evidenced by the drafts of the following documents which have been presented to the Board of Directors, to wit: (a) Loan Agreement dated August 10, 1990 by and among the

Corporation and Bank (the "Loan Agreement"), and (b) Note, Deed of Trust, Financing Statements, Louisiana Collateral Documents and other Loan Documents, all as defined in the Loan Agreement.

INCUMBENCY

I, the undersigned, further certify that the officer or officers listed above have been duly elected to the office set opposite their respective names, that they continue to hold such offices at the present time, and that the signatures appearing hereon are the genuine original signatures of each, respectively.

13th IN WITNESS WHEREOF, I have executed this Certificate, this day of August, 1990.


Name: MARY S. STEWART
Title: Secretary

NOTARIAL CERTIFICATE

STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned Notary Public and the undersigned competent witnesses, personally came and appeared Mary Stewart, Secretary of Schroder Oil Financing & Investment Company, Inc., who did acknowledge and declare that the foregoing certification is in all respects true and correct.

THUS DONE AND PASSED in my office in Houston, Harris County, Texas, before me, the undersigned competent witnesses this 13th day of August, 1990.

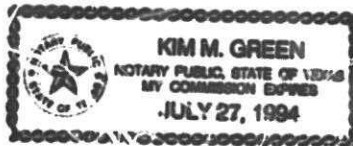
WITNESSES:

David R. Verbeek

Gregory A. King

M. Stewart
Secretary

Kim M. Green
NOTARY PUBLIC



COLLATERAL MORTGAGE NOTE

\$3,000,000.00

HOUSTON, TEXAS

August __, 1990

FOR VALUE RECEIVED, on demand, SCHRODER OIL FINANCING & INVESTMENT COMPANY, INC., a Texas corporation, whose mailing address is 1221 Lamar, Suite 1600, Houston, Texas 77010, and who is represented by its President, Mary Jon Bryan, promises to pay to the order of Bearer at the main offices of Texas Commerce Bank National Association, a national banking association, 712 Main Street, Houston, Harris County, Texas 77002, the principal sum of THREE MILLION AND NO/100 DOLLARS (\$3,000,000), with interest thereon at the rate of eighteen percent (12%) per annum from date until paid.

In case this 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 case the same should be placed in the hands of an attorney for collection, compromise or other action, the Maker hereof hereby binds itself to pay to the owner and holder of this Note attorneys' or collection fees equal to ten percent (10%) on the amount due or sued for, or denied or sought to be protected, preserved or enforced.

The maker of this Note and any endorsers, guarantors and sureties hereon severally waive presentment for payment, demand, notice of nonpayment, 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 promises, for the payment hereof in principal, interest, costs and attorney's fees. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

This Collateral Mortgage Note shall be deemed to be made under and shall be governed by, and shall be construed according to the internal laws of the State of Louisiana without giving effect to the choice of law rules.

ATTEST:

SCHRODER OIL FINANCING &
INVESTMENT COMPANY, INC.

Secretary

By: _____
Mary Jon Bryan, President

NE VARIETUR

For identification with an Act of Pledge of Collateral
Mortgage Note and Act of Collateral Mortgage and Security Agreement
passed before me at Houston, Harris County, Texas
on this ___ day of August, 1990.

NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

My commission expires

ATTACHED TO AND FORMING A PART OF THE
ACT OF COLLATERAL MORTGAGE AND SECURITY AGREEMENT
DATED August 13, 1990

FROM
SCHRODER OIL FINANCING & INVESTMENT COMPANY, INC., AS GRANTOR
TO
TEXAS COMMERCE BANK NATIONAL ASSOCIATION, INTERVENOR

PART I
PREAMBLE

This Exhibit C contains this Preamble and the specific description of those "Subject Leases" and "Subject Interests" comprising a portion of the "Mortgaged Properties" as those terms are defined in the Act of Collateral Mortgage, Mortgage, Collateral Chattel Mortgage, Pledge and Assignment of Production, (the "Mortgage") to which this Exhibit C is attached.

1. Divisions. This Exhibit C may be composed of several divisions and subdivisions -- at least one for each state and county or parish in each state in which any part of the Mortgaged Property is located. In those instances where a particular oil, gas and mineral lease included among the Mortgaged Properties are located in more than one county/parish, the division hereof containing the description of such oil, gas and mineral lease will generally include the relevant portion of each of the counties/parishes in which any part of such oil, gas and mineral lease is located. Counties or Parishes containing portions of such multi-county parish leases may therefore be covered by more than one division of this Exhibit C. Each subdivision is in turn composed of further subdivisions -- each one covering one or more of the oil, gas and mineral leases included among the Mortgaged Properties.

2. Counterparts. The Mortgage may be executed in multiple counterparts, each of which is deemed to be an original for all purposes although all such executed copies shall evidence and constitute one and the same Mortgage; provided that it shall never be necessary for Mortgage Noteholder to produce more than one fully executed counterpart with all divisions to prove the existence of all such counterparts. The counterpart recorded in a particular county or parish may have attached to it only the division or subdivisions of this Exhibit C that contain descriptions of Mortgaged Properties located in such county or parish. Whenever a recorded counterpart of the Mortgage contains less than all of the divisions, the descriptions contained in the omitted divisions are hereby incorporated into said recorded counterpart by reference.

3. Definitions. For all purposes of this Exhibit C, unless the context otherwise requires, the hereinafter identified terms have the following meanings:

(a) Net Revenue Interest means (i) with respect to a Unit for which a Net Revenue Interest is stated, that interest in the applicable Hydrocarbons (as defined in the Mortgage) produced, saved and sold from such utilized area which is afforded to Grantor by virtue of its ownership of the Leases included in whole or in part in such area after deducting all burdens against the production therefrom, and (ii) with respect to a Well for which a Net Revenue Interest is stated, that interest in the applicable hydrocarbons produced, saved and sold from the Well which is afforded to Grantor by virtue of its ownership of the Lease (hereinafter defined) on which such Well is located after deducting all burdens against the production therefrom.

(b) Working Interest means (i) with respect to a Unit for which a Working Interest is stated, Grantor's share of the costs of operations conducted thereon, and (ii) with respect to a Well for which a Working Interest is stated, Grantor's share of costs of the operation thereof.

(c) Overriding Royalty Interest means (i) with respect to a Unit for which an Overriding Royalty Interest is stated, that interest in the applicable Hydrocarbons (as defined in the Mortgage) produced, saved, and sold from such unitized area which is afforded to Grantor by virtue of its ownership of such expense-free interest in the Leases included in whole or in part in such area after deducting landowner royalties and any other burdens to which such interest may be subject, and (ii) with respect to a Well from which an Overriding Royalty Interest is stated, that interest in the applicable Hydrocarbons produced, saved and sold from the Well which is afforded to Grantor by virtue of its ownership of such expense-free interest in the Lease (hereinafter defined) on which such Well is located after deducting landowner royalties and any other burdens to which such interest may be subject.

(d) Well means a well producing or capable of producing oil and/or gas that is described or referred to in this Exhibit C.

(e) Unit means a unit, pool, or communitized area described or referred to in this Exhibit C.

(f) After Payout or APQ specifies the Net Revenue Interest and the Working Interest of Grantor after the occurrence of a particular event, such as payout of certain costs with respect to a Well or Wells, as described in a Lease, assignment or assignments thereof,

or one or more of the agreements to which the affected property is subject as shown in this Exhibit C.

(g) Before Payout or BPO specifies the Net Revenue Interest and the Working Interest of Grantor before the occurrence of a particular event, such as payout of certain costs with respect to a Well or Wells, as described in a Lease, assignment or assignments thereof, or one or more of the agreements to which the affected property is subject as shown in this Exhibit C.

(h) Permitted Encumbrances shall mean (i) minor irregularities in title which do not (a) materially interfere with the occupation, use and enjoyment by Grantor of any of its Mortgaged Properties in the normal course of business as presently conducted, or (b) materially impair the value thereof for such business, (ii) all interests in the Mortgaged Properties securing obligations owed to, or claimed by, any Person other than Noteholder, whether such interest is based on the common law, statute or contract, and whether such interest includes liens or security interests arising by virtue of mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or lease, consignment or bailment for security purposes, so long as each said interest has been previously disclosed to Noteholder in writing, (iii) liens of landlords, vendors, carriers, warehousemen, mechanics, laborers and materialmen arising by law, and of operators arising by contract, in the ordinary course of business for sums not yet due or being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by generally accepted accounting principles have been made therefor, (iv) Permitted Liens under the Loan Agreement of even date herewith between Grantor and Texas Commerce Bank National Association, and (v) the specific mortgages and encumbrances affecting each of the Mortgaged Properties as described in this Exhibit INSOFAR ONLY as said exceptions and encumbrances are valid and subsisting and are enforceable against the particular lease which is made subject to said exceptions and encumbrances are valid and subsisting and are enforceable against the particular Lease which is made subject to said exception and encumbrance.

4. Scope and Format of Description. The Subject Interests are expressly limited to the Subject Leases insofar and only insofar as they cover lands and depth intervals in which Grantor owns an undivided interest and do not include lands and depth intervals in which Grantor owns no undivided interest even though such lands or depth intervals are covered by the Subject Leases; provided, however, that this provision shall not impair Mortgagee's rights under the warranty of title contained in the Mortgage. The format of the description is as follows:

(a) With respect to each Subject Lease (hereinafter, a "Lease"), the description includes the Lease, the date, the Lessor, the Lessee, the recording information, the governmental or state serial number assigned to the Lease (if applicable), and a description of the lands covered by the Lease. If the recorded instrument is a short form of memorandum of a Lease, the term "Lease" shall be deemed to include all of the terms and provisions of the Lease referred to in such short form or memorandum. Certain property descriptions are in abbreviated to Sections, Townships, and Ranges. In such descriptions, the following terms may be abbreviated as follows:

Northwest Quarter--NW, NW/4, or NW/4;
Southwest Quarter--SW, SW/4, or SW/4;
Southeast Quarter--SE, SE/4, or SE/4;
Northeast Quarter--NE, NE/4, or NE/4;
North Half--N/2 or N/2;
South Half--S/2 or S/2;
East Half--E/2 or E/2;
West Half--W/2 or W/2;

The applicable Section, Township, and Range may be identified by a series of three numbers, each separated by a dash, with the first number being the Section number, the second number being the Township number, and the third number being the Range number. The Township and Range numbers are followed by an N, S, E or W to indicate whether the Township or Range is North, South, East or West, respectively; e.g., T-2S, R-3W. Certain descriptions merely refer to the subdivision or survey in which the property is located in whole or in part. In such cases, the recorded Leases and any amendments thereof and any other recorded instruments affecting Grantor's title more particularly describe the land within such subdivision or survey in which Grantor owns an interest, and the descriptions contained in such instruments are incorporated herein by this reference. In the case of certain federal and state leases, the interests set forth may be in the nature of either record title or operating rights. The land description does not necessarily signify that Grantor owns the entire interest in such Lease as to all of such land or as to all depth intervals. The statement of a Working Interest and a Net Revenue Interest for a Well or Unit does not necessarily signify that Grantor owns the same Working Interest or Net Revenue Interest in the applicable Lease or Leases as to the areas or depth intervals not attributable to the Well or Unit.

(b) The statement of a Working Interest and a Net Revenue Interest with respect to a Well or Wells signifies that Grantor owns that Working Interest and Net Revenue Interest in the Well or Wells with respect to the intervals in which the Well or Wells are currently completed, and excludes a unitized area or formation, if any, included within a Unit which is also described in this Exhibit C.

(c) Each Well or Unit with respect to which the Working Interest and Net Revenue Interest of Grantor is stated is described as follows: (i) each Well is described by reference to the Well name given to the Well in Grantor's records, which may or may not be the name stated in the records of the applicable state or federal regulatory authority, and (ii) each Unit is described by the name by which such Unit is referred to in Grantor's records, which may or may not be the name used (if a name is used) in the instrument creating such Unit.

(d) The matters to which any Lease, Well or Unit described in this Exhibit C are stated to be subject within a given Prospect may burden any Lease, Well, or Unit described in this Exhibit C within the same Prospect.

E:\CORP\TCB\SCHEIDER\ACTOPCOL.EXC

EXHIBIT C

**ATTACHED TO AND FORMING A PART OF THE ACT OF COLLATERAL
MORTGAGE AND SECURITY AGREEMENT**

DATED AUGUST 13, 1990

from

**SCHRODER OIL FINANCING & INVESTMENT COMPANY, INC.
AS GRANTOR**

to

**TEXAS COMMERCE BANK NATIONAL ASSOCIATION
INTERVENOR**

**PART II
IBERIA PARISH**

State of Louisiana (State Lease No. 5634)	Coastal Production Company	01/13/71	COB 562 Entry 151987	*See Below
Frederick B. Kyle, et al	James C. Ruffin	03/03/71	COB 568 Entry No. 153291	*See Below
Henry F. Lewis, et al	James C. Ruffin	03/03/71	COB 568 Entry No. 153292	*See Below
Helen L. Miotin, et al	James C. Ruffin	03/03/71	COB 568 Entry No. 153293	*See Below
Margot B. deGravelle, et al	James C. Ruffin	03/03/71	COB 568 Entry No. 153294	*See Below
Lucille P. Dollinger, et al	W. S. Gordon, Jr.	04/13/71	COB 567 Entry No. 153131	*See Below
Mary P. Latham, et al	James C. Ruffin	04/01/71	COB 569 Entry No. 153634	*See Below
Margot B. deGravelle	James C. Ruffin	04/01/71	COB 569 Entry No. 153635	*See Below
Henry F. Lewis, Jr., et al	James C. Ruffin	04/01/71	COB 569 Entry No. 153636	*See Below
Helen L. Miotin	James C. Ruffin	04/01/71	COB 569 Entry No. 153637	*See Below

* The leases described on this exhibit are assigned insofar, and only insofar, as the lands covered by said leases are situated within the unit confines of the DISC 14 RE SUA and DISC 15 RE SUA Sands as created by the Louisiana Department of Conservation Orders 434-A-5 and 434-B-5; said orders being respectfully recorded in COB 866, Folio 689 under Entry No. 85-820 and COB 866, Folio 692 under Entry No. 85-821, all of the Records of Iberia Parish, Louisiana.

IBERIA PARISH, LOUISIANA

FIELD NAME: E. DAYOU PIGEON

WELL NAME: KYLE PETERMAN #1 and #1-D

<u>LESSOR</u>	<u>LESSEE</u>	<u>LEASE DATE</u>	<u>VOL/PAGE</u>	<u>DESCRIPTION</u>
Frederick B. Kyle, et al	Energy Investments, Inc.	05/10/82	COB 801 Entry No. 82-9288	*See Below
Kyle Peterman Management, et al	Energy Investments, Inc.	05/10/82	COB 801 Entry No. 82-9290	*See Below
Robert E. Latham	Energy Investments, Inc.	05/10/82	COB 801 Entry No. 82-9291	*See Below
Edward S. Miller, III, et al	Energy Investments, Inc.	10/04/81	COB 829 Entry No. 83-9398	*See Below
Therese Gonsoulin Rainold, et al	Energy Investments, Inc.	04/06/82	COB 801 Entry No. 82-9289	*See Below
Therese Gonsoulin Rainold, et al	Louisiana Land Management, Inc.	10/04/80	COB 742 Entry No. 80-8022	*See Below
Edward H. Peterman, et al	James C. Ruffin	03/10/70	COB 552 Entry No. 149546	*See Below
Margot B. deGravelle	James C. Ruffin	03/10/70	COB 552 Entry No. 149547	*See Below
Henry F. Lewis, Jr., et al	James C. Ruffin	03/10/70	COB 552 Entry No. 149548	*See Below
Mary P. Latham, et al	James C. Ruffin	03/10/70	COB 552 Entry No. 149549	*See Below

Grantor warrants that its GWI in each well listed below is not greater than, and its NRI is not less than the interest set forth below:

<u>WELL NAME</u>	<u>GWI</u>	<u>ORR</u>	<u>NRI</u>
Kyle Peterman #1 Iberia Parish, LA	12.18414%	-0-	8.66129%
Kyle Peterman #1-D Iberia Parish, LA	12.20889%		8.68779%

EXHIBIT C

**ATTACHED TO AND FORMING A PART OF THE
ACT OF COLLATERAL MORTGAGE AND SECURITY AGREEMENT**

DATED AUGUST 13, 1990

SCHRODER OIL FINANCING & INVESTMENT COMPANY, INC.

as GRANTOR to

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

**PART III
PLACQUEMINES PARISH, LOUISIANA**

PLAQUEMINES PARISH, LOUISIANA

FIELD NAME: OFFSHORE

WELL NAME: STATE LEASE #10089 WEST DELTA BLOCK 25-WELL #1

<u>LESSOR</u>	<u>LESSEE</u>	<u>LEASE DATE</u>	<u>VOL/PAGE</u>	<u>DESCRIPTION</u>
State of Louisiana	Texas General Petroleum Corporation	02/10/82 Effective Date 02/15/82	COB 540 Folio 77	*See Below

* State Mineral Lease No. 10089, covering Tract 18599 - portion of Block 25, West Delta Area, estimated to contain approximately 230.69 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources.

Said Lease is dated February 10, 1982, effective date February 15, 1982, recorded in COB 540, Folio 77, records of Plaquemines Parish, Louisiana.

PLAQUEMINES PARISH, LOUISIANA

FIELD NAME: OFFSHORE

WELL NAME: STATE LEASE #10090-WEST DELTA-BLOCK 25-WELLS #1,2,3,4 and 4D

<u>LESSOR</u>	<u>LESSEE</u>	<u>LEASE DATE</u>	<u>VOL/PAGE</u>	<u>DESCRIPTION</u>
State of Louisiana	Texas General Petroelum Company	02/10/82 Effective 02/15/82	COB 540 Folio 64	*See Below

* State Mineral Lease No. 10090, covering Tract 18600 - portion of Block 25, West Delta Area, estimated to contain approximately 845 acres, as shown outlined in red on a plat on file in the Office of the Secretary, Department of Natural Resources.

Said Lease is dated February 10, 1982, effective date February 15, 1982, and recorded in COB 540, Folio 64, Records of Plaquemines Parish, Louisiana.

PLAQUEMINES PARISH, LOUISIANA

FIELD NAME: OFFSHORE

WELL NAME: OCS-G-5050-WEST DELTA BLOCK 50-WELLS #1, 4 and 4D

<u>LESSOR</u>	<u>LESSEE</u>	<u>LEASE DATE</u>	<u>VOL/PAGE</u>	<u>DESCRIPTION</u>
United States of America	The Louisiana Land and Exploration Company, et al	04/12/82		*See Below OCS-6-5850

* The above lease covers approximately 2,636.93 acres; being a portion of Block 50, West Delta Area, as shown on OCS Official Leasing Map, Louisiana Map No. 8.

Grantor warrants that its GWI in each Well listed below is not greater than, and its NRI is not less than the interest set forth below:

<u>WELL NAME</u>	<u>GWI</u>	<u>ORR</u>	<u>NRI</u>
State Lease 10089 No. 1, West Delta Block 25	10.59921%		7.57155%
State Lease 10090 No. 1, West Delta Block 25	10.59921%		.0757155%
State Lease 10090 No. 2, West Delta Block 25	10.59921%		8.10840%
State Lease 10090 No. 3, West Delta Block 25	10.59921%		8.10840%
State Lease 10090 No. 4, West Delta Block 25	10.59921%		8.10848%
State Lease 10090 No. 4D, West Delta Block 25	10.59921%		8.10848%
OCS-G 5050 #5 (Block 50) Offshore, LA	-0-	7.94941%	7.94941%
OCS-G 5050 #4			
OCS-G 5050 #4D	-0-	7.94941%	7.94941%

LISKOW & LEWIS

A PROFESSIONAL LAW CORPORATION

ATTORNEYS AT LAW

NEW ORLEANS, LA. 70139-8001

ONE SHELL SQUARE

FIFTIETH FLOOR

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LAFAYETTE, LA. 70505-2008

822 HARDING STREET

P. O. BOX 82008

TELEPHONE (318) 232-7424

TWX 510 600-3484 (LISKOW LAF)

TELECOPIER (318) 287-2399

New Orleans, Louisiana

November 14, 1989

15050

CULLEN R. LISBOW (1993-1971)
AUSTIN W. LEWIS (1910-1974)

WILLIAM M. MEYERS
ROBERT T. GORDEN
CHARLES C. GREMILLION
GENE W. LAFITTE
BILLY H. HINES
JAMES L. PELLETIER
THOMAS D. HARDEMAN
JOHN M. KING
EDWARD J. GAY III
KENNETH E. GORDON, JR.
WILLIAM R. FITTS
LEON J. REYNOLD, JR.
J. BERRY ST. JOHN, JR.
DONALD R. ABAUNZA
JOHN M. WILSON
LAWRENCE R. SIMON, JR.
FREDERICK W. BRADLEY
KERRY M. MASSARI
S. GENE FENDLER
THOMAS F. GETTEN
GEORGE H. ROBINSON, JR.
GEORGE J. DOMAS
MARILYN C. MALONEY
JOSEPH C. GIGLIO, JR.
BRUCE J. GRECK
PATRICK W. GRAY
DEBORAH BAWN PRICE
ROBERT E. HOLDEN
JOE S. NORMAN
THOMAS M. MCNAMARA
JAMES N. MANSFIELD III
BILLY J. DOMINGUE
LAMBERT M. LAPEROUSE
FRANK E. MASSENGALE
PHILIP K. JONES, JR.
WILLIAM W. PUGH
JULIE E. SCHWARTZ

CHARLES B. GRIFFIS
RICHARD W. REVELLS, JR.
JOSEPH R. HEBERT
MARGUERITE A. NOONAN
DAVID W. LEEPE
JAMES D. MCMICHAEL
RICHARD E. ANDERSON
WM. BLAKE BENNETT
MARK A. LOWE
GEORGE BENEGRE, JR.
DON R. HAYCRAFT
EDWIN W. DENNARD
WM. CRAIG WYMAN
CATHERINE H. BROWN
JAMES A. BROWN
GEORGE D. ERNEST III
R. KEITH JARRETT
CHERYL V. CUNNINGHAM
STEVIA M. WALTERS
ROBERT S. ANSELICO
ROBERT L. THERIOT
DENA L. OLIVIER
GEORGE ARCENEAUX III
REGINA R. FURRY
MATTHEW H. BROWN
MARIE BREAUX STROUD
JONATHAN A. HUNTER
OSWALD R. SOBRINO
JOHN R. CERISE
DANIEL E. LAGRONE
BRYAN D. SCOFIELD
THOMAS R. DIAZ
JOHN R. GUILLORY
MARY S. JOHNSON
KATHLEEN F. KETCHUM
SCOTT C. SEILER
CECILY ELLEBY BATEMAN
CHERYL HOLLERE HORNICK
MARR G. LATHAM

OF COUNSEL
ROBERT C. SMITH

Mr. J. Rogers Pearcy
United States Department
of the Interior
Minerals Management Service
Gulf of Mexico OCS Region
Imperial Office Building
1201 Wholesalers Parkway
New Orleans, Louisiana 70123-2394

Re: Lease Nos. OCS-G 5316, 9440, 5050, and 5693

Dear Mr. Pearcy:

Enclosed you will find four executed counterparts of an Act of Collateral Mortgage and Pledge dated November 1, 1989 (the "Mortgage") by Challenger Minerals Inc. ("Challenger") securing the payment of an \$425,000,000 mortgage note. The Mortgage affects the interests of Challenger in each of the captioned leases. The Mortgage constitutes a second mortgage lien of the said interests of Challenger, and is inferior and subordinate to an Act of Collateral Mortgage and Pledge dated November 1, 1989 (the "First Mortgage") by Challenger securing the payment of a \$8,000,000 mortgage note. The First Mortgage has been previously filed in the lease records of your office related to each of the captioned leases.

The address of Challenger is:

c/o Global Marine Inc.
777 North Eldridge
Houston, Texas 77079

Nov 14 1989

November 14, 1989

The address of Chemical Bank, the present holder of the mortgage note described in and secured by the Mortgage, is:

55 Water Street
New York, New York 10041.

In order that third parties will be placed on notice as to the execution and efficacy of the Mortgage, please file a counterpart of the Mortgage and a copy of this letter in the lease records of your office related to each of the captioned leases.

Please acknowledge that the foregoing filings have been accomplished as requested by signing a counterpart of this letter in the space provided below and returning a copy of this letter to the undersigned.

Yours very truly,



Thomas F. Getten

TFG:jf

FILED AND ACCOMPLISHED AS
REQUESTED THIS 14th DAY OF
NOVEMBER, 1989.

MINERALS MANAGEMENT SERVICES
GULF OF MEXICO OCS REGION

BY: M. J. Holmes

044449:fmw
07966.003

STATE OF TEXAS
COUNTY OF HARRIS

ACT OF COLLATERAL MORTGAGE
AND PLEDGE

BE IT KNOWN, that on this 1st day of November, 1989, before me, the undersigned Notary Public, duly commissioned, qualified and sworn within and for the County of Harris, State of Texas, and in the presence of the two undersigned competent witnesses, personally came and appeared:

CHALLENGER MINERALS INC., a California corporation (herein called the "Mortgagor"), appearing herein through John G. Ryan, its Vice President, duly authorized pursuant to resolutions adopted by the Board of Directors of the Mortgagor, a certified copy of which is attached hereto and made a part hereof,

who, being duly sworn, did declare and say that the Mortgagor is justly and truly indebted unto any future holder or holders of the Mortgage Note (as hereinafter defined), in the principal sum of Four Hundred Twenty-Five Million Dollars (\$425,000,000). To evidence such indebtedness, the Mortgagor has executed one certain collateral mortgage note for the principal sum of Four Hundred Twenty-Five Million Dollars (\$425,000,000), of even date herewith, made payable to Bearer, due on demand at the offices of CHEMICAL BANK, 55 Water Street, New York, New York 10041, which Mortgage Note stipulates to bear interest at the rate of eighteen percent (18%) per annum from the date thereof until paid, and reasonable attorneys' fees (hereinafter referred to as the "Mortgage Note"), which Mortgage Note, after having been paraphed "Ne Varietur" by me, Notary, for identification with this instrument (hereafter referred to as the "Mortgage"), was delivered to the Mortgagor who hereby acknowledges receipt thereof. A copy of the Mortgage Note is attached hereto as Exhibit B and made a part hereof.

The Mortgagor further declared that the Mortgage Note is given and this Mortgage is granted for the purpose

RECEIVED

NOV 14 1989

Minerals Management Service
Leasing & Environment

of being used as collateral security by the Mortgagor to secure any liability, indebtedness, or obligation due any future holder or holders of the Mortgage Note, direct or contingent. The Mortgage Note may be issued and pledged by the Mortgagor as its interest and convenience may require to secure any liabilities, indebtedness, or obligations of the Mortgagor or of any third party. Upon payment of said indebtedness, the Mortgage Note may be returned to the Mortgagor without extinguishment of this Mortgage, and may, at any time and as many times thereafter as the interest of the Mortgagor may require, be again reissued or repledged by the Mortgagor 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 enforce the amount thereof, or any part thereof, in principal or interest, or to protect the interests of the holder thereof, or in the event 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 reasonable fees of the attorney who may be employed for that purpose.

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

A. "First Priority Mortgage" shall mean that certain Act of Collateral Mortgage and Pledge granted by the Mortgagor securing a collateral mortgage note of the Mortgage in the principal amount of \$8,000,000.

B. "Hydrocarbons" shall mean oil, gas and other liquid or gaseous hydrocarbons and other minerals occurring naturally in liquid or gaseous form or any elements or compounds in solution, emulsion or association with such minerals.

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

D. "Mortgage" shall mean this instrument as originally executed or as it may from time to time be

supplemented or amended by one or more instruments supplemental hereto.

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

F. "Oil and Gas Leases" shall mean oil, gas and mineral leases and includes, without limitation, all interests in the nature of working or operating interests, overriding royalties, net profits interests, carried interests and other interests in, under or dependent on oil, gas and mineral leases, mineral interests, mineral royalty interests, subleases and assignments of operating rights.

G. "Operating Equipment" shall mean all surface or surface machinery, equipment, platforms, facilities, structures or other property of whatsoever kind or nature (excluding temporary platforms, drilling rigs, vessels, or other property taken to the Subject Lands to drill a well or for other similar temporary uses) now or hereafter located on or under any of the Subject Lands which are useful for the production, treatment, storage or transportation of Hydrocarbons, including, without limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumping units, and engines, Christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for gathering, treating, and compression), chemicals, solutions, water systems (for treating, disposal and injection), power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards, and equipment stored therein, buildings and camps, telegraph, telephone and other communications systems, loading docks, loading racks, shipping facilities, gauges, pumping units, tanks, pipe, pipelines, field gathering lines and systems, fittings, meters, valves, gasoline extraction plants, processing, compression, dehydration, extraction plants and other fixtures, facilities, equipment, appurtenances, accessories, buildings and improvements of every kind and character and replacements therefor now or hereafter placed or erected on the Subject Leases and the Subject Lands, or any of them, or used or useful thereon or in connection therewith.

H. "Operations Contracts" shall mean all valid and binding assignments, subleases, easements, farmout agreements, farmin agreements, rights-of-way, participation agreements, joint operating agreements, accounting

procedures, gas balancing agreements, area of mutual interest agreements, pooling or unitization orders or declarations, pooling or unitization agreements, drilling contracts, service contracts, platform lease agreements, platform construction agreements, "dry-hole" agreements, "bottom-hole" agreements, advance payment agreements, production sales contracts, hydrocarbon transportation agreements, recoupment agreements, and other agreements pertaining to the ownership, exploration, development, or operation of any Subject Lands or Subject Leases, or the marketing of any Hydrocarbons from any Subject Lands or Subject Leases that either exist as of the date hereof or are hereafter entered into in the ordinary course of business by the Mortgagor, and all amendments, substitutions, extensions, renewals, and ratifications of, to, or for any of the foregoing that either exists as of the date hereof or are hereafter entered into in the ordinary course of business by the Mortgagor.

I. "Production Sale Contract" shall mean a valid and binding contract now in effect, whether executed by the Mortgagor or its predecessor in interest, or hereafter entered into by the Mortgagor for the sale, purchase, exchange or processing of Subject Hydrocarbons.

J. "Rights" shall have the meaning stated in Section 1.1 below.

K. "Subject Hydrocarbons" shall mean Hydrocarbons which are in, under, upon, produced, or to be produced from the Subject Lands or Subject Leases.

L. "Subject Lands" shall mean the lands, the description of which is either given in Exhibit A or incorporated in Exhibit A by reference to another instrument or document, and which includes any lands now or hereafter unitized or pooled with such lands.

M. "Subject Leases" shall mean the Oil and Gas Leases and the fee, mineral, royalty, overriding royalty, and other interests described in Exhibit A hereto.

And now, in order to secure the full, due, and punctual payment of all indebtedness evidenced by the Mortgage Note, whether now existing or hereafter arising, 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 reasonable 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, whether now owned or hereafter acquired, without any warranty of title, express or implied, all and the singular the following described property:

- A. All of the Mortgagor's right, title and interest in and to the Subject Leases described in Exhibit A attached hereto. Said interests hereinafter are collectively referred to as the "Mortgagor's Interest."
- B. All of the Mortgagor's right, title and interest in and to the Subject Hydrocarbons (and all proceeds of the sale thereof) attributable to Mortgagor's Interest and all of the Mortgagor's right, title and interest in and to any take-or-pay, gas balancing or other payments or prepayments with respect to the Subject Hydrocarbons, the Production Sales Contracts, the Subject Lands and the Subject Leases. With regard to the undivided interests of the Mortgagor in and to the Subject Hydrocarbons and all hydrocarbons in, on and under and in storage and that may be produced, saved, or sold from or attributable to the property referred to in the foregoing paragraph A and the proceeds from the sale thereof, this act shall be construed, as a pledge of the Mortgagor's interest in such Hydrocarbons pursuant to La. R.S. 31:204.
- C. All of the Mortgagor's rights and interests in, to and under or derived from all of the presently existing pooling and unitization agreements,

operating agreements, oil and gas processing contracts and agreements, Production Sale Contracts, Operations Contracts, and all other contracts, agreements, and instruments that relate to Mortgagor's Interest or to the production of Hydrocarbons from or attributable thereto.

- D. All of the Mortgagor's interest, now or hereafter acquired, in and to the Operating Equipment and all property and fixtures, including corporeal movables, now or hereafter situated upon or fixed to Mortgagor's Interest, the Subject Lands, the Subject Leases and dedicated to the use and exploitation of mineral rights covered or affected by Mortgagor's Interest including the participation or inclusion of any of Mortgagor's Interest in any unit or units, or any part thereof, and owned or used in connection with the exploration, development or operation of Mortgagor's Interest or for the production, treating, storing or transportation of Hydrocarbons. This Mortgage shall attach to all such corporeal movable property in accordance with the provisions of La. R.S 31:203.
- E. All proceeds of the foregoing.
- F. All changes to, or renewals, extensions, or ratifications of, any of the instruments or items described at A through E above, or of any instrument relating thereto, and all contracts, operating agreements and operating rights, records, logs, easements, surface leases, permits, licenses, hereditaments and appurtenances now existing or in the future obtained in connection with any of the aforesaid, and all other things of value and incident thereto which the Mortgagor may at any time have or be entitled to.

All of the Mortgagor's rights, interests and properties hereinabove described or referred to under headings A, B, C, D, E, and F are hereinafter sometimes collectively referred to as the "Mortgage Property."

ARTICLE I

Pledge and Collateral Assignment

1.1 Pledge and Collateral Assignment. As further security for the payment of the Indebtedness including any indebtedness or obligations secured by a pledge of the Mortgage Note, the Mortgagor hereby transfers, pledges, assigns, warrants and conveys to the Bank, effective as of the date hereof, at 7:00 A.M. (a) all of Mortgagor's right, title and interest now or hereafter acquired in all incorporeal rights that are or may be incidental or accessory to the Mortgaged Property or its use, whether or not evidenced in writing or now existing or arising hereafter (the "Rights"), including but not limited to the following (i) the right to receive proceeds attributable to the sale, lease, insurance loss or condemnation of the Mortgaged Property; (ii) rights under service, maintenance or warranty contracts with regard to the Mortgaged Property; and (iii) rights under trade names, patents or copyrights that are subject to use in connection with the Mortgaged Property or the Mortgagor's business or other activities with regard thereto; and (b) all Subject Hydrocarbons which are thereafter produced from and which accrue to the Mortgaged Property, and all proceeds therefrom. 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 pledgee, assignee and transferee of the Mortgagor and entitled in the Mortgagor's place and stead to receive such Hydrocarbons and all proceeds therefrom.

1.2 Certain Rights and Powers of the Bank. The Mortgagor authorizes and empowers the Bank to demand, collect and receive all of said pledged interest in and to Subject Hydrocarbons and Rights pledged and collaterally assigned hereunder, the income and proceeds therefrom, and to execute and deliver all releases, receipts, division orders, transfer orders and other instruments as may be desired, required or necessary to have such production and the proceeds therefrom paid directly to the Bank. The Bank is and shall be authorized to endorse, negotiate and cash any and all checks, drafts and money orders payable to the Mortgagor alone, to the Bank, for account of the Mortgagor, or to both the Mortgagor and the Bank, received in connection with, in payment of, or as proceeds from production of said pledged and collaterally assigned interests, Rights and the Mortgaged Property herein mentioned, and to receive and apply the proceeds therefrom as hereinabove set forth.

ARTICLE II

Events of Default

2.1 Events of Default. The failure to pay the Mortgage Note upon demand shall constitute an Event of Default hereunder. Upon the occurrence of an Event of Default, 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 III

Enforcement of the Security

3.1 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 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 Indebtedness secured hereby, whether now existing or to arise hereafter, and confesses judgment thereon if the same are not paid at maturity. The Bank may, at its option, exercise any rights of the Mortgagor under the Rights.

3.2 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 days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (c) the three days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (d) the benefit of the other provisions of Articles 2331, 2722, and 2723 of the Louisiana Code of Civil Procedure and any other articles not specifically mentioned above.

3.3 Judicial Proceedings. Upon the occurrence of an 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.

3.4 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, and the keeper 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; and (c) to exercise every power, right and privilege of the Mortgagor with respect to the Mortgaged Property. The keeper shall be reasonably compensated for its services by the Mortgagor and such obligation shall be secured by the mortgage and pledge herein granted.

ARTICLE IV

Miscellaneous Provisions

4.1 Indebtedness. The maximum amount of Indebtedness to be secured by the mortgage lien and pledge created by this Mortgage shall not exceed at any one time outstanding the sum of \$500,000,000.

4.2 Renewals, Amendments and Other Security. Renewals and extensions of the Indebtedness may be made 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 mortgage and pledge upon the Mortgaged Property not expressly released until the Mortgage Note and all other Indebtedness secured hereby is fully paid.

4.3 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.

4.4 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.

4.5 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.

4.6 Successors and Assigns. This instrument is binding upon the Mortgagor, and 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.

4.7 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.

4.8 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 COLLATERAL ASSIGNMENT AND CONFESSION OF JUDGMENT BY THE MORTGAGOR IN FAVOR OF AND FOR THE BENEFIT OF THE BANK, TO SECURE THE PAYMENT AND PERFORMANCE OF ALL INDEBTEDNESS.

4.9 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.

4.10 Authentic Act. The Mortgagor further agrees that, in the event any proceedings are taken 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 the purposes of executory process.

4.11 First Priority Mortgage. The First Priority Mortgage is superior to and has priority over this Mortgage.

NOW, PERSONALLY INTERVENES the undersigned intervenor, acting on behalf of the Bank, 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 hereto signed their names with said appearers and me, said Notary Public,

their names with said appearers and me, said Notary Public, after due reading of the whole, on the 1st day of November, 1989.

CHALLENGER MINERALS INC.

By: _____

[Signature]
John G. Ryan
Vice President

NOMINAL PARTY MORTGAGEE,
INTERVENOR

[Signature]
THOMAS G. BATEMAN JR.

WITNESSES TO ALL SIGNATURES:

[Signature]

[Signature]

[Signature]
Lora L. Schofield
Notary Public
In and for the State of
Texas

My Commission Expires _____



CERTIFICATE OF ASSISTANT SECRETARY
OF
CHALLENGER MINERALS INC.

I, ALEXANDER A. KREZEL, a duly elected, qualified and acting Assistant Secretary of CHALLENGER MINERALS INC., a California corporation (the "Company"), DO HEREBY CERTIFY that attached hereto is a true and correct copy of resolutions duly adopted by the unanimous written consent of the Board of Directors of the Company on October 27, 1989, and that such resolutions have not been revoked, rescinded or amended in any respect and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 1 day of ^{November}~~October~~, 1989.

(SEAL)



COMPANY: Challenger Minerals Inc. (the "Company")

ITEM: Resolutions of the Board of Directors

SUBJECT: Authorization of Execution of \$425,000,000 Collateral Mortgage Note, Collateral Mortgage and Pledge, Collateral Pledge Agreement, and Related Documents

DATE: October 27, 1989

RESOLVED that the President or any Vice President of the Company be, and each of them hereby is, authorized, empowered and directed to execute for and in the name and on behalf of the Company the following instruments:

- (1) One (1) non-recourse Collateral Mortgage Note of the Company (the "Mortgage Note") in the principal amount of Four Hundred Twenty-Five Million Dollars (\$425,000,000.00) payable on demand to Bearer, and bearing interest at the rate of eighteen percent (18%) per annum from the date until paid;
- (2) Collateral Mortgage and Pledge by the Company (the "Mortgage") in favor of the Bearer of, and securing payment of, the Mortgage Note, said Mortgage to affect certain mineral rights owned by the Company in or offshore the State of Louisiana and all corporeal movables located thereon, and a pledge of all production and incorporeal rights related thereto, all as described in the Mortgage; the Mortgage to include a confession of judgment, indemnifications, waiver of benefits of appraisal, demand, notice and delay, and such further terms and conditions as the said officer in his sole discretion deems necessary and proper;
- (3) Collateral Pledge Agreement by the Company which pledges the Mortgage Note to any future holder or holders of the Mortgage Note as security for all present and future indebtedness owed to such holder or holders; said pledge to contain such further terms and conditions as the said officer in his sole discretion deems necessary and proper; and
- (4) Such other documents, consents, notices, agreements, certificates and other instruments as may from time to time be required and which may be necessary, appropriate or desirable, in said officer's sole discretion, in order to effect the purposes of these resolutions and accomplish the purpose of the transactions contemplated thereby;

all of the foregoing to contain such terms and conditions as the said officer in his sole discretion shall deem necessary and advisable, the execution and delivery thereof by said officer to be conclusive evidence of the approval thereof; and it was further

RESOLVED that the said officer be, and he hereby is, authorized, directed and empowered to execute and deliver for and in the name and on behalf of the Company any and all such further documents and to do or cause to be done any and all such further acts and things as he in his sole discretion shall deem necessary and proper in connection with these resolutions; which acts and things heretofore done and to effectuate the purposes or purpose of these resolutions are hereby in all respects ratified, confirmed and approved as authorized acts of the Company.

EXHIBIT A
To Act of Collateral Mortgage and Pledge
dated as of November 1, 1989, from
Challenger Minerals Inc.

PREAMBLE

1. Depth limitations, conversion options after payout and descriptions of working interests, net revenue interests and overriding royalty interests before or after payout, or the listing of any other percentage, decimal or fractional interest in this Exhibit A shall not be deemed to limit or otherwise diminish the interests being subjected to the lien, security interest and encumbrance of the Mortgage. It is intended that the Mortgage shall cover and affect the Mortgagor's entire present and future interest in each Oil and Gas Lease described in this Exhibit A.

2. Some of the land descriptions in this Exhibit A may refer only to a portion of land covered by a particular Oil and Gas Lease. This instrument is not limited to the land described in Exhibit A, but the Mortgage is intended to cover the entire interest of the Mortgagor in each Oil and Gas Lease described in Exhibit A even if such interest relates to land not specifically described herein. Reference is made to the land descriptions contained in the Oil and Gas Leases described in this Exhibit A.

3. A statement herein that a certain interest described herein is subject to the terms of certain described or referred to agreements, instruments or other matters shall not operate to subject such interest to any such agreement, instrument or other matter except to the extent that such agreement, instrument or matter is otherwise valid and presently subsisting, nor shall such statement be deemed to constitute a recognition by the parties hereto that any such agreement, instrument or other matter is valid and presently subsisting.

4. The Mortgage is being executed in several counterparts, each of which is an original and all of which are substantially identical and shall together constitute but one and the same Mortgage except that, to facilitate recordation and filing, there is or may be attached to each counterpart which is to be recorded and filed only that portion of Exhibit A which contains the description of the properties located in the parish or parishes (or offshore and adjacent to the parish and parishes) where that particular counterpart will be recorded and filed. Complete counterparts of the Mortgage have been delivered to the Mortgagee.

EXHIBIT "A"

**Prospect: West Cameron Block 391
Offshore Louisiana
Page 1**

Oil and Gas Lease dated July 1, 1983, designated by Serial No. OCS-G 5316, by and between U.S. Department of the Interior, as Lessor and Elf Aquitaine, Challenger Minerals Inc., et al, as Lessee, and covering all of Block 391, West Cameron Area, West Addition, as shown on OCS Louisiana Leasing Map, LA1A.

**WI
.20000**

**NRI
.166666**

EXHIBIT "A"

Undeveloped Acreage
Prospect: East Cameron Block 43
Offshore Louisiana
Page 1

Oil and Gas Lease dated July 1, 1988, designated by Serial No. OCS-G 9440, by and between USA, as Lessor and Challenger Minerals Inc. and Huffco Offshore Inc., as Lessee, and covering all of Block 43, East Cameron Area, as shown on OCS Louisiana Leasing Map LA2.

WI
.5000

NRI
.4091665

EXHIBIT "A"

**Prospect: West Delta Area Block 50
Offshore Louisiana
Page 1**

Oil and Gas Lease dated April 1, 1982, designated by Serial No. OCS-G 5050, by and between Bureau of Land Management, as Lessor and Louisiana Land & Exploration and Pelto Oil Company, as Lessee, and covering that portion of Block 50, West Delta Area, Louisiana Map No. 8, which is more than three geographical miles seaward from the line described in the Supplemental Decree of the United States Supreme Court, June 16, 1975 (United States v. Louisiana, 422 U.S. 13).

From the surface to a depth of 3600 feet

**ORRI
.028333**

Below the depth of 3600 feet

**WI
.25000**

**NRI
.208333**

EXHIBIT "A"

**Prospect: Main Pass Block 65
Offshore Louisiana
Page 1**

Oil and Gas Lease dated July 1, 1983, designated by Serial No. OCS-G 5692, by and between United States of America, Gulf of Mexico OCS Region, Minerals Management Service, as Lessor and Total Petroleum, Inc., as Lessee, and covering all of Block 65, Main Pass Area and Breton Sound Area, as shown on OCS Louisiana Leasing Map LA10.

**WI
.20000**

**NRI
.1626666**

EXHIBIT B

COLLATERAL MORTGAGE NOTE

\$425,000,000

November 1, 1989

FOR VALUE RECEIVED, on demand, the undersigned (the "Maker"), promises to pay to Bearer at the offices of CHEMICAL BANK, 55 Water Street, New York, New York 10041, the sum of Four Hundred Twenty-Five Million Dollars (\$425,000,000), with interest thereon at the rate of eighteen percent (18%) per annum from the date hereof 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 reasonable fees of the attorney who may be employed for that purpose.

The Maker and all endorsers and guarantors hereof severally and expressly waive presentment 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 promisors for the payment hereof, in principal, interest, costs and attorneys fees.

Notwithstanding anything contained herein to the contrary, this note is made and delivered subject to the following conditions: (i) the Maker shall not be personally liable to pay this note, and the holder of this note shall not seek any personal or deficiency judgment on the note against the Maker, and (ii) the sole remedy of the holder of this note under this note shall be against any collateral securing this note; provided, however, that nothing contained in this paragraph, (a) shall impair the validity of the indebtedness evidenced by this note or the liabilities or obligations of the Maker under the Collateral Mortgage and Pledge with which this note has been paraphed, or (b) in any way affect or impair the mortgage lien or pledge of said Collateral Mortgage and Pledge or the right of the holder of this note to foreclose or execute on said Collateral Mortgage and Pledge.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND
GOVERNED BY THE LAWS OF THE STATE OF LOUISIANA.

CHALLENGER MINERALS INC.

By: _____
John G. Ryan
Vice President

"Ne Varietur"

For identification with an
Act of Collateral Mortgage
and Pledge, passed before me
this 1st day of November, 1989.

NOTARY PUBLIC

LISKOW & LEWIS

A PROFESSIONAL LAW CORPORATION

ATTORNEYS AT LAW

NEW ORLEANS, LA. 70139-5001

ONE SHELL SQUARE

FIFTIETH FLOOR

TELEPHONE (504) 581-7979

TELEX 589203 (LISKOW N1N)

TELECOPIER (504) 592-8108

(504) 592-8109

LAFAYETTE, LA. 70505-2008

822 HARDING STREET

P O BOX 52008

TELEPHONE (318) 232-7424

TWX 510 500-3464 (LISKOW LAF)

TELECOPIER (318) 287-2399

New Orleans, Louisiana

November 14, 1989

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

WILLIAM H. MEYERS
ROBERT T. JORDEN
CHARLES C. GRÉMILLION
GENE W. LAPITTE
BILLY H. MINES
JAMES L. PELLETIER
THOMAS D. HARDEMAN
JOHN M. KING
EDWARD J. GAY III
KENNETH E. GORDON, JR.
WILLIAM R. PITTS
LEON J. REYMOND, JR.
J. BERRY ST. JOHN, JR.
DONALD R. ASAUNZA
JOHN M. WILSON
LAWRENCE R. SIMON, JR.
FREDERICK W. BRADLEY
KERRY M. MASSARI
S. GENE FENDLER
THOMAS F. GETTEN
GEORGE H. ROBINSON, JR.
GEORGE J. DOMAS
MARILYN C. MALONEY
JOSEPH C. GIGLIO, JR.
BRUCE J. ORECK
PATRICK W. GRAY
DEBORAH BARR PRICE
ROBERT L. HOLDEN
JOE B. NORMAN
THOMAS M. MCNAMARA
JAMES N. HANSFIELD III
BILLY J. DOMINIQUE
LAMBERT M. LAPROUSE
FRANK E. MASSINGALE
PHILIP H. JONES, JR.
WILLIAM W. FLIGH
JULIE E. SCHWARTZ

CHARLES B. GRIFFIS
RICHARD W. REVELS, JR.
JOSEPH R. HEBERT
MARGUERITE A. NOONAN
DAVID W. LEEFE
JAMES D. MICHAEL
RICHARD E. ANDERSON
WM. BLAKE BENNETT
MARR A. LOWE
GEORGE DENEGRE, JR.
DON R. HAYCRAFT
EDWIN W. DENNARD
WM. CRAIG WYMAN
CATHERINE H. BROWN
JAMES A. BROWN
GEORGE D. ERNEST III
R. KEITH JARRETT
CHERYL V. CUNNINGHAM
STEVIA H. WALTHER
ROBERT S. ANGELICO
ROBERT L. THEROT
GENA L. OLIVIER
GEORGE ARCEAUX III
REGINA R. FUNNY
MATTHEW R. BROWN
MARIE BREAUX STROUD
JONATHAN A. HUNTER
OSWALD R. SOBRINO
JOHN R. CERISE
DANIEL E. LARONE
BRYAN D. SCOFIELD
THOMAS R. DIAZ
JOHN R. GUILLORY
MARY S. JOHNSON
KATHLEEN F. KETCHUM
SCOTT C. SEILER
CECILY ELLEY BATEMAN
CHERYL MOLLER KORNIC
MARR D. LATHAN

OF COUNSEL
ROBERT C. SMITH

Mr. J. Rogers Percy
United States Department
of the Interior
Minerals Management Service
Gulf of Mexico OCS Region
Imperial Office Building
1201 Wholesalers Parkway
New Orleans, Louisiana 70123-2394

Re: Lease Nos. OCS-G 5316, 9440, 5050, and 5692

Dear Mr. Percy:

Enclosed you will find four executed counterparts of an Act of Collateral Mortgage and Pledge dated November 1, 1989 (the "Mortgage") by Challenger Minerals Inc. ("Challenger") securing the payment of an \$8,000,000 mortgage note. The Mortgage affects the interests of Challenger in each of the captioned leases. The Mortgage constitutes a first mortgage lien of the said interests of Challenger.

The address of Challenger is:

c/o Global Marine Inc.
777 North Eldridge
Houston, Texas 77079

NOV 14 1989
12:30 PM '89

November 14, 1989

The address of Bank of America National Trust and Savings Association, Global Agency Unit, the present holder of the mortgage note described in and secured by the Mortgage, is:

315 Montgomery Street
14th Floor
San Francisco, California 94104.

In order that third parties will be placed on notice as to the execution and efficacy of the Mortgage, please file a counterpart of the Mortgage and a copy of this letter in the lease records of your office related to each of the captioned leases.

Please acknowledge that the foregoing filings have been accomplished as requested by signing a counterpart of this letter in the space provided below and returning a copy of this letter to the undersigned.

Yours very truly,


Thomas F. Getten

TFG:jf

FILED AND ACCOMPLISHED AS
REQUESTED THIS 14th DAY OF
NOVEMBER, 1989.

MINERALS MANAGEMENT SERVICES
GULF OF MEXICO OCS REGION

BY: M. R. Adams

044360tfgw

STATE OF TEXAS

COUNTY OF HARRIS

ACT OF COLLATERAL MORTGAGE
AND PLEDGE

BE IT KNOWN, that on this 1st day of November, 1989, before me, the undersigned Notary Public, duly commissioned, qualified and sworn within and for the County of Harris, State of Texas, and in the presence of the two undersigned competent witnesses, personally came and appeared:

CHALLENGER MINERALS INC., a California corporation (herein called the "Mortgagor"), appearing herein through John G. Ryan, its Vice President, duly authorized pursuant to resolutions adopted by the Board of Directors of the Mortgagor, a certified copy of which is attached hereto and made a part hereof,

who, being duly sworn, did declare and say that the Mortgagor is justly and truly indebted unto any future holder or holders of the Mortgage Note (as hereinafter defined), in the principal sum of Eight Million Dollars (\$8,000,000). To evidence such indebtedness, the Mortgagor has executed one certain collateral mortgage note for the principal sum of Eight Million Dollars (\$8,000,000), of even date herewith, made payable to Bearer, due on demand at the offices of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, GLOBAL AGENCY UNIT, 315 Montgomery Street, 14th Floor, San Francisco, California 94104, which Mortgage Note stipulates to bear interest at the rate of eighteen percent (18%) per annum from the date thereof until paid, and reasonable attorneys' fees (hereinafter referred to as the "Mortgage Note"), which Mortgage Note, after having been paraphrased "Ne Varietur" by me, Notary, for identification with this instrument (hereafter referred to as the "Mortgage"), was delivered to the Mortgagor who hereby acknowledges receipt thereof. A copy of the Mortgage Note is attached hereto as Exhibit B and made a part hereof.

The Mortgagor further declared that the Mortgage Note is given and this Mortgage is granted for the purpose

RECEIVED

NOV 14 1989

Minerals Management Service
Leasing & Environment

of being used as collateral security by the Mortgagor to secure any liability, indebtedness, or obligation due any future holder or holders of the Mortgage Note, direct or contingent. The Mortgage Note may be issued and pledged by the Mortgagor as its interest and convenience may require to secure any liabilities, indebtedness, or obligations of the Mortgagor or of any third party. Upon payment of said indebtedness, the Mortgage Note may be returned to the Mortgagor without extinguishment of this Mortgage, and may, at any time and as many times thereafter as the interest of the Mortgagor may require, be again reissued or repledged by the Mortgagor 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 enforce the amount thereof, or any part thereof, in principal or interest, or to protect the interests of the holder thereof, or in the event 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 reasonable fees of the attorney who may be employed for that purpose.

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

A. "Hydrocarbons" shall mean oil, gas and other liquid or gaseous hydrocarbons and other minerals occurring naturally in liquid or gaseous form or any elements or compounds in solution, emulsion or association with such minerals.

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

C. "Mortgage" shall mean this instrument as originally executed or as it may from time to time be supplemented or amended by one or more instruments supplemental hereto.

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

E. "Oil and Gas Leases" shall mean oil, gas and mineral leases and includes, without limitation, all interests in the nature of working or operating interests, overriding royalties, net profits interests, carried interests and other interests in, under or dependent on oil, gas and mineral leases, mineral interests, mineral royalty interests, subleases and assignments of operating rights.

F. "Operating Equipment" shall mean all surface or subsurface machinery, equipment, platforms, facilities, supplies or other property of whatsoever kind or nature (excluding temporary platforms, drilling rigs, vessels, or other property taken to the Subject Lands to drill a well or for other similar temporary uses) now or hereafter located on or under any of the Subject Lands which are useful for the production, treatment, storage or transportation of Hydrocarbons, including, without limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumping units, and engines, Christmas trees, derricks, separators, gun barrels, flow lines, tanks, gas systems (for gathering, treating, and compression), chemicals, solutions, water systems (for treating, disposal and injection), power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards, and equipment stored therein, buildings and camps, telegraph, telephone and other communications systems, loading docks, loading racks, shipping facilities, gauges, pumping units, tanks, pipe, pipelines, field gathering lines and systems, fittings, meters, valves, gasoline extraction plants, processing, compression, dehydration, extraction plants and other fixtures, facilities, equipment, appurtenances, accessories, buildings and improvements of every kind and character and replacements therefor now or hereafter placed or erected on the Subject Leases and the Subject Lands, or any of them, or used or useful thereon or in connection therewith.

G. "Operations Contracts" shall mean all valid and binding assignments, subleases, easements, farmout agreements, farmin agreements, rights-of-way, participation agreements, joint operating agreements, accounting procedures, gas balancing agreements, area of mutual interest agreements, pooling or unitization orders or declarations, pooling or unitization agreements, drilling contracts, service contracts, platform lease agreements, platform construction agreements, "dry-hole" agreements, "bottom-hole" agreements, advance payment agreements,

production sales contracts, hydrocarbon transportation agreements, recouplement agreements, and other agreements pertaining to the ownership, exploration, development, or operation of any Subject Lands or Subject Leases, or the marketing of any Hydrocarbons from any Subject Lands or Subject Leases that either exist as of the date hereof or are hereafter entered into in the ordinary course of business by the Mortgagor, and all amendments, substitutions, extensions, renewals, and ratifications of, to, or for any of the foregoing that either exists as of the date hereof or are hereafter entered into in the ordinary course of business by the Mortgagor.

H. "Production Sale Contract" shall mean a valid and binding contract now in effect, whether executed by the Mortgagor or its predecessor in interest, or hereafter entered into by the Mortgagor for the sale, purchase, exchange or processing of Subject Hydrocarbons.

I. "Rights" shall have the meaning stated in Section 1.1 below.

J. "Second Priority Mortgage" shall mean that certain Act of Collateral Mortgage and Pledge granted by the Mortgagor securing a collateral mortgage note of the Mortgagor in the principal amount of \$425,000,000.

K. "Subject Hydrocarbons" shall mean Hydrocarbons which are in, under, upon, produced, or to be produced from the Subject Lands or Subject Leases.

L. "Subject Lands" shall mean the lands, the description of which is either given in Exhibit A or incorporated in Exhibit A by reference to another instrument or document, and which includes any lands now or hereafter unitized or pooled with such lands.

M. "Subject Leases" shall mean the Oil and Gas Leases and the fee, mineral, royalty, overriding royalty, and other interests described in Exhibit A hereto.

And now, in order to secure the full, due, and punctual payment of all indebtedness evidenced by the Mortgage Note, whether now existing or hereafter arising, 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

reasonable 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, whether now owned or hereafter acquired, without any warranty of title, express or implied, all and the singular the following described property:

- A. All of the Mortgagor's right, title and interest in and to the Subject Leases described in Exhibit A attached hereto. Said interests hereinafter are collectively referred to as the "Mortgagor's Interest."
- B. All of the Mortgagor's right, title and interest in and to the Subject Hydrocarbons (and all proceeds of the sale thereof) attributable to Mortgagor's Interest and all of the Mortgagor's right, title and interest in and to any take-or-pay, gas balancing or other payments or prepayments with respect to the Subject Hydrocarbons, the Production Sales Contracts, the Subject Lands and the Subject Leases. With regard to the undivided interests of the Mortgagor in and to the Subject Hydrocarbons and all Hydrocarbons in, on and under and in storage and that may be produced, saved, or sold from or attributable to the property referred to in the foregoing paragraph A and the proceeds from the sale thereof, this act shall be construed, as a pledge of the Mortgagor's interest in such Hydrocarbons pursuant to La. R.S. 31:204.
- C. All of the Mortgagor's rights and interests in, to and under or derived from all of the presently existing pooling and unitization agreements, operating agreements, oil and gas processing

contracts and agreements, Production Sale Contracts, Operations Contracts, and all other contracts, agreements, and instruments that relate to Mortgagor's Interest or to the production of Hydrocarbons from or attributable thereto.

- D. All of the Mortgagor's interest, now or hereafter acquired, in and to the Operating Equipment and all property and fixtures, including corporeal movables, now or hereafter situated upon or fixed to Mortgagor's Interest, the Subject Lands, the Subject Leases and dedicated to the use and exploitation of mineral rights covered or affected by Mortgagor's Interest including the participation or inclusion of any of Mortgagor's Interest in any unit or units, or any part thereof, and owned or used in connection with the exploration, development or operation of Mortgagor's Interest or for the production, treating, storing or transportation of Hydrocarbons. This Mortgage shall attach to all such corporeal movable property in accordance with the provisions of La. R.S 31:203.
- E. All proceeds of the foregoing.
- F. All changes to, or renewals, extensions, or ratifications of, any of the instruments or items described at A through E above, or of any instrument relating thereto, and all contracts, operating agreements and operating rights, records, logs, easements, surface leases, permits, licenses, hereditaments and appurtenances now existing or in the future obtained in connection with any of the aforesaid, and all other things of value and incident thereto which the Mortgagor may at any time have or be entitled to.

All of the Mortgagor's rights, interests and properties hereinabove described or referred to under headings A, B, C, D, E, and F are hereinafter sometimes collectively referred to as the "Mortgaged Property."

ARTICLE I

Pledge and Collateral Assignment

1.1 Pledge and Collateral Assignment. As further security for the payment of the Indebtedness including any indebtedness or obligations secured by a pledge of the Mortgage Note, the Mortgagor hereby transfers, pledges, assigns, warrants and conveys to the Bank, effective as of the date hereof, at 7:00 A.M. (a) all of Mortgagor's right, title and interest now or hereafter acquired in all incorporeal rights that are or may be incidental or accessory to the Mortgaged Property or its use, whether or not evidenced in writing or now existing or arising hereafter (the "Rights"), including but not limited to the following (i) the right to receive proceeds attributable to the sale, lease, insurance loss or condemnation of the Mortgaged Property; (ii) rights under service, maintenance or warranty contracts with regard to the Mortgaged Property; and (iii) rights under trade names, patents or copyrights that are subject to use in connection with the Mortgaged Property or the Mortgagor's business or other activities with regard thereto; and (b) all Subject Hydrocarbons which are thereafter produced from and which accrue to the Mortgaged Property, and all proceeds therefrom. 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 pledgee, assignee and transferee of the Mortgagor and entitled in the Mortgagor's place and stead to receive such Hydrocarbons and all proceeds therefrom.

1.2 Certain Rights and Powers of the Bank. The Mortgagor authorizes and empowers the Bank to demand, collect and receive all of said pledged interest in and to Subject Hydrocarbons and Fights pledged and collaterally assigned hereunder, the income and proceeds therefrom, and to execute and deliver all releases, receipts, division orders, transfer orders and other instruments as may be desired, required or necessary to have such production and the proceeds therefrom paid directly to the Bank. The Bank is and shall be authorized to endorse, negotiate and cash any and all checks, drafts and money orders payable to the Mortgagor alone, to the Bank, for account of the Mortgagor, or to both the Mortgagor and the Bank, received in connection with, in payment of, or as proceeds from

production of said pledged and collaterally assigned interests, Rights and the Mortgaged Property herein mentioned, and to receive and apply the proceeds therefrom as hereinabove set forth.

ARTICLE II

Events of Default

2.1 Events of Default. The failure to pay the Mortgage Note upon demand shall constitute an Event of Default hereunder. Upon the occurrence of an Event of Default, 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 III

Enforcement of the Security

3.1 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 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 Indebtedness secured hereby, whether now existing or to arise hereafter, and confesses judgment thereon if the same are not paid at maturity. The Bank may, at its option, exercise any rights of the Mortgagor under the Rights.

3.2 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 days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (c) the three days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (d) the benefit of the other provisions

of Articles 2331, 2722, and 2723 of the Louisiana Code of Civil Procedure and any other articles not specifically mentioned above.

3.3 Judicial Proceedings. Upon the occurrence of an 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.

3.4 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, and the keeper 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; and (c) to exercise every power, right and privilege of the Mortgagor with respect to the Mortgaged Property. The keeper shall be reasonably compensated for its services by the Mortgagor and such obligation shall be secured by the mortgage and pledge herein granted.

ARTICLE IV

Miscellaneous Provisions

4.1 Indebtedness. The maximum amount of Indebtedness to be secured by the mortgage lien and pledge created by this Mortgage shall not exceed at any one time outstanding the sum of \$10,000,000.

4.2 Renewals, Amendments and Other Security. Renewals and extensions of the Indebtedness may be made 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 mortgage and pledge upon the Mortgaged Property not expressly released until the Mortgage Note and all other Indebtedness secured hereby is fully paid.

4.3 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.

4.4 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.

4.5 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.

4.6 Successors and Assigns. This instrument is binding upon the Mortgagor, and 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.

4.7 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.

4.8 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 COLLATERAL ASSIGNMENT AND CONFESSION OF JUDGMENT BY THE MORTGAGOR IN FAVOR OF AND FOR THE BENEFIT OF THE BANK, TO SECURE THE PAYMENT AND PERFORMANCE OF ALL INDEBTEDNESS.

4.9 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.

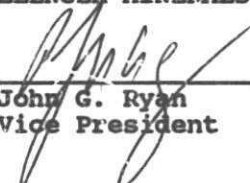
4.10 Authentic Act. The Mortgagor further agrees that, in the event any proceedings are taken under this Mortgage by way of executory process or otherwise, any and all declarations of the facts made by authentic act before a Notary Public and in the presence of two witnesses, by a person declaring that such facts lie within his knowledge, shall constitute authentic evidence of such facts for the purposes of executory process.

4.11 Second Priority Mortgage. This Mortgage is superior to and has priority over the Second Priority Mortgage.

NOW, PERSONALLY INTERVENES the undersigned intervenor, acting on behalf of the Bank, 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 hereto signed their names with said appearers and me, said Notary Public, after due reading of the whole, on the 1st day of November, 1989.

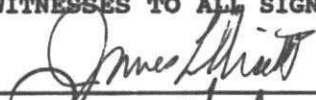
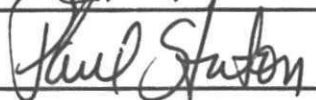
CHALLENGER MINERALS INC.


By: 
John G. Ryan
Vice President

NOMINAL PARTY MORTGAGEE,
INTERVENOR


THOMAS G. BATEMAN JR.

WITNESSES TO ALL SIGNATURES:


Notary Public
In and for the State of
Texas

My Commission Expires _____



CERTIFICATE OF ASSISTANT SECRETARY
OF
CHALLENGER MINERALS INC.

I, ALEXANDER A. KREZEL, a duly elected, qualified and acting Assistant Secretary of CHALLENGER MINERALS INC., a California corporation (the "Company"), DO HEREBY CERTIFY that attached hereto is a true and correct copy of resolutions duly adopted by the unanimous written consent of the Board of Directors of the Company on October 27, 1989, and that such resolutions have not been revoked, rescinded or amended in any respect and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 1 day of ^{November}~~October~~, 1989.

(SEAL)



A handwritten signature in dark ink, appearing to read 'A. Krezel', is written over a horizontal line.

COMPANY: Challenger Minerals Inc. (the "Company")

ITEM: Resolutions of the Board of Directors

SUBJECT: Authorization of Execution of \$8,000,000
Collateral Mortgage Note, Collateral Mortgage
and Pledge, Collateral Pledge Agreement, and
Related Documents

DATE: October 27, 1989

RESOLVED that the President or any Vice President of the Company be, and each of them hereby is, authorized, empowered and directed to execute for and in the name and on behalf of the Company the following instruments:

- (1) One (1) Collateral Mortgage Note of the Company (the "Mortgage Note") in the principal amount of Eight Million Dollars (\$8,000,000.00) payable on demand to Bearer, and bearing interest at the rate of eighteen percent (18%) per annum from the date until paid;
- (2) Collateral Mortgage and Pledge by the Company (the "Mortgage") in favor of the Bearer of, and securing payment of, the Mortgage Note, said Mortgage to affect certain mineral rights owned by the Company in or offshore the State of Louisiana and all corporeal movables located thereon, and a pledge of all production and incorporeal rights related thereto, all as described in the Mortgage; the Mortgage to include a confession of judgment, indemnifications, waiver of benefits of appraisal, demand, notice and delay, and such further terms and conditions as the said officer in his sole discretion deems necessary and proper;
- (3) Collateral Pledge Agreement by the Company which pledges the Mortgage Note to any future holder or holders of the Mortgage Note as security for all present and future indebtedness owed to such holder or holders; said pledge to contain such further terms and conditions as the said officer in his sole discretion deems necessary and proper; and
- (4) Such other documents, consents, notices, agreements, certificates and other instruments as may from time to time be required and which may be necessary, appropriate or desirable, in said officer's sole discretion, in order to effect the purposes of these resolutions and accomplish the purpose of the transactions contemplated thereby;

all of the foregoing to contain such terms and conditions as the said officer in his sole discretion shall deem necessary and advisable, the execution and delivery thereof by said officer to be conclusive evidence of the approval thereof; and it was further

RESOLVED that the said officer be, and he hereby is, authorized, directed and empowered to execute and deliver for and in the name and on behalf of the Company any and all such further documents and to do or cause to be done any and all such further acts and things as he in his sole discretion shall deem necessary and proper in connection with these resolutions; which acts and things heretofore done and to effectuate the purposes or purpose of these resolutions are hereby in all respects ratified, confirmed and approved as authorized acts of the Company.

EXHIBIT A
To Act of Collateral Mortgage and Pledge
dated as of November 1, 1989, from
Challenger Minerals Inc.

PREAMBLE

1. Depth limitations, conversion options after payout and descriptions of working interests, net revenue interests and overriding royalty interests before or after payout, or the listing of any other percentage, decimal or fractional interest in this Exhibit A shall not be deemed to limit or otherwise diminish the interests being subjected to the lien, security interest and encumbrance of the Mortgage. It is intended that the Mortgage shall cover and affect the Mortgagor's entire present and future interest in each Oil and Gas Lease described in this Exhibit A.

2. Some of the land descriptions in this Exhibit A may refer only to a portion of the land covered by a particular Oil and Gas Lease. This instrument is not limited to the land described in Exhibit A, but the Mortgage is intended to cover the entire interest of the Mortgagor in each Oil and Gas Lease described in Exhibit A even if such interest relates to land not specifically described herein. Reference is made to the land descriptions contained in the Oil and Gas Leases described in this Exhibit A.

3. A statement herein that a certain interest described herein is subject to the terms of certain described or referred to agreements, instruments or other matters shall not operate to subject such interest to any such agreement, instrument or other matter except to the extent that such agreement, instrument or matter is otherwise valid and presently subsisting, nor shall such statement be deemed to constitute a recognition by the parties hereto that any such agreement, instrument or other matter is valid and presently subsisting.

4. The Mortgage is being executed in several counterparts, each of which is an original and all of which are substantially identical and shall together constitute but one and the same Mortgage except that, to facilitate recordation and filing, there is or may be attached to each counterpart which is to be recorded and filed only that portion of Exhibit A which contains the description of the properties located in the parish or parishes (or offshore and adjacent to the parish and parishes) where that particular counterpart will be recorded and filed. Complete counterparts of the Mortgage have been delivered to the Mortgagee.

EXHIBIT "A"

**Prospect: West Cameron Block 391
Offshore Louisiana
Page 1**

Oil and Gas Lease dated July 1, 1983, designated by Serial No. OCS-G 5316, by and between U.S. Department of the Interior, as Lessor and Elf Aquitaine, Challenger Minerals Inc., et al, as Lessee, and covering all of Block 391, West Cameron Area, West Addition, as shown on OCS Louisiana Leasing Map, LA1A.

**WI
.20000**

**NRI
.166666**

EXHIBIT "A"

**Undeveloped Acreage
Prospect: East Cameron Block 43
Offshore Louisiana
Page 1**

Oil and Gas Lease dated July 1, 1988, designated by Serial No. OCS-G 9440, by and between USA, as Lessor and Challenger Minerals Inc. and Huffco Offshore Inc., as Lessee, and covering all of Block 43, East Cameron Area, as shown on OCS Louisiana Leasing Map LA2.

**WI
.5000**

**NRI
.4091665**

EXHIBIT "A"

**Prospect: West Delta Area Block 50
Offshore Louisiana
Page 1**

Oil and Gas Lease dated April 1, 1982, designated by Serial No. OCS-G 5050, by and between Bureau of Land Management, as Lessor and Louisiana Land & Exploration and Pelto Oil Company, as Lessee, and covering that portion of Block 50, West Delta Area, Louisiana Map No. 8, which is more than three geographical miles seaward from the line described in the Supplemental Decree of the United States Supreme Court, June 16, 1975 (United States v. Louisiana, 422 U.S. 13).

From the surface to a depth of 3600 feet

**ORRI
.028333**

Below the depth of 3600 feet

**WI
.25000**

**NR
.208333**

EXHIBIT "A"

**Prospect: Main Pass Block 65
Offshore Louisiana
Page 1**

Oil and Gas Lease dated July 1, 1983, designated by Serial No. OCS-G 5692, b, and between United States of America, Gulf of Mexico OCS Region, Minerals Management Service, as Lessor and Total Petroleum, Inc., as Lessee, and covering all of Block 65, Main Pass Area and Breton Sound Area, as shown on OCS Louisiana Leasing Map LA 10.

**WI
.20000**

**NRI
.1626666**

EXHIBIT B

COLLATERAL MORTGAGE NOTE

\$8,000,000

November 1, 1989

FOR VALUE RECEIVED, on demand, the undersigned (the "Maker"), promises to pay to Bearer at the offices of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, GLOBAL AGENCY UNIT, 310 Montgomery Street, 14th Floor, San Francisco, California 94104, the sum of Eight Million Dollars (\$8,000,000), with interest thereon at the rate of eighteen percent (18%) per annum from the date hereof 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 reasonable fees of the attorney who may be employed for that purpose.

The Maker and all endorsers and guarantors hereof severally and expressly waive presentment 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 solidum, unconditionally and as original promisors 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.

CHALLENGER MINERALS INC.

By: _____
John G. Ryan
Vice President

"Ne Varietur"

For identification with an Act of Collateral Mortgage and Pledge, passed before me this 1st of November, 1989.

NOTARY PUBLIC

SAMEDAN OIL CORPORATION
350 GLENBOROUGH, SUITE 240
HOUSTON, TEXAS 77067-3292
(713) 872-5391

October 4, 1989

RECEIVED

OCT 6 1989

Minerals Management Service
Gulf of Mexico Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Minerals Management Service
Leasing & Environment

Attn: Ms. L. Nellie Boehm
LE-3-1

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST
BLOCK 50, WEST DELTA
OCS-G 5050

Gentlemen:

Enclosed is one (1) fully executed copy of an Assignment of Overriding Royalty Interest from Louisiana Land and Exploration Company to Samedan Oil Corporation covering the captioned area.

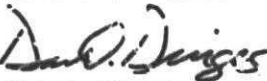
We have enclosed a check in the amount of twenty-five dollars (\$25.00) for the required filing fee.

Please refer to New Orleans Miscellaneous File No. 135 for Samedan Oil Corporation and File No. 00083 for Louisiana Land and Exploration Company to review documents qualifying said parties to hold leases in the Outer Continental Shelf in the Gulf of Mexico.

We hereby request the enclosed Assignment to be filed in accordance with the MMS procedures for Assignments of Overriding Royalty Interest.

Very truly yours,

SAMEDAN OIL CORPORATION



Dan O. Dinges
Vice President



ASSIGNMENT OF OVERRIDING ROYALTY INTEREST, BILL OF SALE AND CONVEYANCE

This Assignment of Overriding Royalty Interest, Bill of Sale and Conveyance ("Assignment"), dated September 18, 1989, is from THE LOUISIANA LAND AND EXPLORATION COMPANY, a Maryland corporation (herein called "Assignor"), whose address is 2950 North Loop West, Suite 1200, Houston, Texas 77092-8862, to SAMEDAN OIL CORPORATION, a Delaware corporation (herein called "Assignee"), whose address is 350 Glenborough, Suite 240, Houston, Texas 77067-3299.

WHEREAS, Assignor and Assignee are parties to that certain Purchase Agreement (said Purchase Agreement, together with all exhibits thereto, as amended by letter agreements dated June 21, 1989 and August 8, 1989, being referred to in this assignment as the "Purchase Agreement") dated June 20, 1989, and pursuant to the terms and conditions thereof, do hereby enter into and execute this Assignment (all capitalized terms appearing herein, unless otherwise expressly indicated, having the meaning ascribed in the Purchase Agreement);

NOW THEREFORE, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Assignor, Assignor hereby transfers, grants, bargains, sells, conveys and assigns (herein referred to as the "Transfer") to Assignee, the following described interests of Assignor (the "Assets"):

(A) All of Assignor's overriding royalty interest in and to the oil and gas lease described in and by Exhibit "A" attached hereto and made a part hereof (herein referred to as the "Lease") and all production therefrom or attributable thereto, together with all of Assignor's right, title and interest in and to the wells, personal property, fixtures, facilities, pipelines and equipment attributable to or used in connection with the production, treatment, processing, gathering, sale or disposal of hydrocarbons, water or other substances produced therefrom (the "Equipment").

(B) All of Assignor's rights under and by virtue of the Contracts (as described in paragraph 2(b) below).

RECEIVED

OCT 6 1989

(C) All other rights and benefits relating to the Assets purchased by Assignee pursuant to the terms of the Purchase Agreement.

TO HAVE AND TO HOLD the Assets unto Assignee, its successors and assigns, forever. This Assignment is made and accepted on the following terms, conditions, limitations and reservations:

1. Effective Time. This Assignment is effective as of May 1, 1989 at 7:00 A.M., C.S.T. (the "Effective Time").

2. Warranty Exclusion. Assignor makes no warranty as to title, implied, express, or otherwise, with respect to the Assets, except that Assignor specially warrants that there are no transfers, conveyances, assignments, liens or encumbrances arising by, through or under Assignor. Assignee shall be deemed to have accepted all of the Equipment in its "as is, where is" condition, without any warranty, express, implied or otherwise, by Assignor as to its merchantability, fitness, condition or suitability for Assignee's purposes or otherwise.

(a) Inurement. This Assignment shall be binding on and inure to the benefit of Assignor and Assignee, their respective representatives, successors and assigns.

(b) Agreements. This Assignment is made subject to all terms and conditions of the Purchase Agreement, the Lease, all operating agreements applicable thereto and all other material agreements to which Assignor's interests in the Lease are subject, as described by Exhibit "C" to the Purchase Agreement, as amended, (collectively the "Contracts"), correct copy of which is also attached hereto.

(c) Governing Law. This Assignment and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of Louisiana. In the event either party institutes judicial proceedings against the other to compel performance of any obligation hereunder, the party who prevails in such litigation (either by an order or judgment compelling or awarding such performance, in whole or in part, or denying all claims for such performance) shall be entitled to recover reasonable attorneys' fees and costs from the other party.

In Witness Whereof, this instrument is executed on the dates indicated below, and upon execution by both parties shall be effective as of the Effective Time.


ATTEST:



M. K. Williams
Assistant Secretary

ASSIGNOR

THE LOUISIANA LAND AND
EXPLORATION COMPANY

By: 

John A. Williams, Vice President
Date: September 18, 1989


ATTEST:



Orville Walraven
Secretary

ASSIGNEE

SAMEDAN OIL CORPORATION

By: 

Dan O. Dinges, Vice President
Date: September 19, 1989

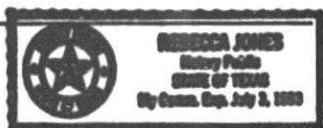
STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 18th day of September, 1989, by John A. Williams, Vice President of The Louisiana Land and Exploration Company, a Maryland corporation, on behalf of said corporation.

Rebecca Jones
Notary Public

My Commission Expires:



STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 19th day of September, 1989, by Dan O. Dinges, Vice President of Samedan Oil Corporation, a Delaware corporation, on behalf of said corporation.

J. Michael Ables
Notary Public

My Commission Expires:
J. MICHAEL ABLES

NOTARY PUBLIC STATE OF TEXAS

COMMISSION EXPIRES 12-12-89

**EXHIBIT "A" TO ASSIGNMENT DATED September 16, 1989
OFFSHORE LOUISIANA**

U.S.A. LEASE SERIAL NUMBER	EFFECTIVE DATE	LESSOR	ORIGINAL LESSOR	LEASE DESCRIPTION	INTEREST ASSIGNED
OCS-G 5050 West Delta Block 50 (Portion)	4/1/82	U.S.A.	The Louisiana land and Exploration Company Pelto Oil Company	That portion of Block 50, West Delta Area, Louisiana Map No. 9, 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), containing approximately 2,636.93 acres.	Overriding Royalty Interest, entire lease; only insofar as said lease covers the depths from the surface down to the depth of 3,600 feet below the surface: The Louisiana Land and Exploration Company - 5% of 1/12th of 6/6ths

EXHIBIT "C"
TO THAT CERTAIN PURCHASE AND SALE AGREEMENT AMONG
THE LOUISIANA LAND AND EXPLORATION COMPANY, ET AL, AS SELLER,
AND SAMEDAN OIL CORPORATION, AS BUYER,
DATED JUNE 20, 1989, EFFECTIVE MAY 1, 1989

PROPERTY CODE/FIELD NAME **WELL NAME** **OPERATOR** **AGREEMENTS**

0239010 East Cameron Blk 66 LL&E - None

0349010 Ship Shoal Blk 133 & 146 Ship Shoal Blk 133 & 146 OCS-G 4228 A-1, A-3 & 3 Phillips 011 Co. - LA-321-A Letter Agreement Dtd 10/20/50

- LA-321-B, Operating Agreement 9/24/80 (eff. 1/1/80), and amended 12-1-84. Inexco Ratification 10/20/80
- LA-321-C, Farmout from Mobil & Sabine Production Co. to Newmont 12/4/80 - Block 146
- LA-321-E Separation & Dehydration Agreement 2/23/84, Inexco Tennessee Gas Pipeline.
- LA-321-F Gas Purchase Contract, dated October 28, 1983, by and between Amynoll, Inc. and Texas Eastern Transmission Corporation ("Texas Eastern"), and adopted and ratified by Inexco 011 Company effective November 7, 1983 as to its interest and as subsequently amended by Texas Eastern and Inexco.

EXHIBIT "C"
TO THAT CERTAIN PURCHASE AND SALE AGREEMENT AMONG
THE LOUISIANA LAND AND EXPLORATION COMPANY, ET AL., AS SELLER,
AND SAMEDAN OIL CORPORATION, AS BUYER,
DATED JUNE 20, 1989, EFFECTIVE MAY 1, 1989

PROPERTY CODE/FIELD NAME	WELL NAME	OPERATOR	AGREEMENTS
0349020 Shlp Shoal Blk 133 & 146	Shlp Shoal Blk 133 & 146 OCS-G 3582-A-2 #3	Phillips Oil Co.	- LA-321-A Letter Agreement Dtd 10/20/80 - LA-321-B, Operating Agreement 9/24/80 (eff. 1/1/80), and amended 12-1-84. Inexco Ratification 10/20/80 - LA-321-C, Farmout from Mobil & Sabine Production Co. to Newmont 12/4/80-Block 146 - LA-321-E, Separation & Dehydration Agreement 2/20/84, Inexco Tennessee Gas Pipeline. - LA-321-F Gas Purchase Contract, dated October 28, 1983, by and between Aminofil, Inc. and Texas Eastern Transmission Corporation ("Texas Eastern"), and adopted and ratified by Inexco Oil Company effective November 7, 1983 as to its interest and as subsequently amended by Texas Eastern and Inexco.
0349030 Shlp Shoal Blk 133 & 146	Shlp Shoal Blk 133 & 146 OCS-G 4228-#4	Phillips Oil Co.	- LA-321-A Letter Agreement Dtd 10/20/80 - LA-321-B, Operating Agreement 9/24/80 (eff. 1/1/80), and amended 12-1-84. Inexco Ratification 10/20/80 - LA-321-C, Farmout from Mobil & Sabine Production Co. to Newmont 12/4/80-Block 146 - LA-321-E, Separation & Dehydration Agreement 2/20/84, Inexco Tennessee Gas Pipeline.

EXHIBIT "C"
TO THAT CERTAIN PURCHASE AND SALE AGREEMENT AMONG
THE LOUISIANA LAND AND EXPLORATION COMPANY, ET AL, AS SELLER,
AND SAMEDAN OIL CORPORATION, AS BUYER,
DATED JUNE 20, 1989, EFFECTIVE MAY 1, 1989

PROPERTY CODE/FIELD NAME	WELL NAME	OPERATOR	AGREEMENTS
0349030 Ship Shoal Blk 133 & 146 cont'd.			- LA-321-F Gas Purchase Contract, dated October 28, 1983, by and between Amnoff, Inc. and Texas Eastern Transmission Corporation ("Texas Eastern"), and adopted and ratified by Inexco Oil Company effective November 7, 1983 as to its interest and as subsequently amended by Texas Eastern and Inexco.
0555020 Matagorda Island	Matagorda Island Blk 557	Elf Aquitaine, et al	- #680 Farmout Agreement LL&E, Amerada Hess, Marathon/Texas Gulf/Nortex 8/1/82
0555030 Matagorda Island	Matagorda Island Blk 557	Walter Oil & Gas	- #1969 Farmout Agreement LL&E/Walter NW/4
0555040 Matagorda Island	Matagorda Island Blk 557	Walter Oil & Gas	- #3265 Farmout Agreement Marathon/Amerada Hess/LL&E/Walter NE/4 below 10,200' TVD in Elf Aquitaine #A-4 Well
0555050 Matagorda Island	Matagorda Island Blk 557	Marathon Oil Co.	- #997 Gulf of Mexico Operating Agreement
0903010 West Delta Blk 50	West Delta Blk 50 3&4	Torch Operating	- #3362 Farmout Agreement Houston, et al - #754 Joint Operating Agreement 2/15/82