

UPDATE

6-92

0CS-60137

Minerals Management Service
Leasing & Environment

**FIFTH AMENDMENT TO DEED OF TRUST,
SECURITY AGREEMENT, ASSIGNMENT OF SECURITY
INTERESTS AND LIENS, ASSIGNMENT OF PRODUCTION
AND FINANCING STATEMENT**

NOV 20 1991

RECEIVED

This Fifth Amendment to Deed of Trust, Security Agreement, Assignment of Security Interests and Liens, Assignment of Production and Financing Statement ("Amendment") is entered into effective as of the 1st day of September, 1991, by and between WALTER OIL & GAS CORPORATION, a Texas corporation ("Debtor") and CITIBANK, N.A. ("Secured Party").

Debtor has heretofore executed a Deed of Trust, Security Agreement, Assignment of Security Interests and Liens, Assignment of Production and Financing Statement dated December 12, 1988 (the "Original Deed of Trust"), amended by (i) a First Amendment to Deed of Trust, Security Agreement, Assignment of Security Interests and Liens, Assignment of Production and Financing Statement dated April 12, 1990 (the "First Amendment"), (ii) a Second Amendment to Deed of Trust, Security Agreement, Assignment of Security Interests and Liens, Assignment of Production and Financing Statement dated July 20, 1990 (the "Second Amendment"), (iii) a Third Amendment to Deed of Trust, Security Agreement, Assignment of Security Interests and Liens, Assignment of Production and Financing Statement dated September 1, 1990 (the "Third Amendment"), and (iv) a Fourth Amendment to Deed of Trust, Security Agreement, Assignment of Production and Financing Statement effective as of June 24, 1991 (the "Fourth Amendment"), filed of record in (a) the counties and records in the State of Texas, and (b) the Minerals Management Service lease files in Metairie, Louisiana, and (c) with the General Land Office of the State of Texas, all as more particularly described in Exhibit "A" attached hereto and incorporated herein for all purposes (collectively, and as amended, the "Deed of Trust").

Debtor and Secured Party now desire to amend and supplement the Deed of Trust so as to amend the obligations secured thereby and to cover and include additional properties located offshore Matagorda County, Texas. All capitalized terms used herein shall have the same meaning as in the Deed of Trust, unless otherwise defined herein.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor and Secured Party do hereby agree as follows:

1.1 Article I, Section 1.7(a).

Article I, Section 1.7(a) of the Deed of Trust is hereby amended in its entirety to read as follows:

- (a) All obligations of Debtor to Secured Party pursuant to the terms and conditions of that certain Credit Agreement dated December 12, 1988 between Debtor and Secured Party, as amended from time to time (the "Credit Agreement"), including, but not limited to (i) all obligations under that certain Promissory Note dated December 12, 1988 in the original principal amount of \$9,000,000.00 executed by Debtor, payable to the order of Secured Party, and any note given in substitution, replacement, amendment, renewal or extension thereof, including, but not limited to (v) that certain Promissory Note dated April 12, 1990, in the original principal amount of \$10,150,000.00 executed by Debtor payable to the order of Secured Party, (w) that certain Promissory Note dated as of April 12, 1990, in the original principal amount of \$13,200,000.00 executed by Debtor payable to the order of Secured Party, (x) that certain Promissory Note dated as of September 1, 1990, in the original principal amount of \$13,200,000.00 executed by Debtor payable to the order of Secured Party, (y) that certain Promissory Note dated as of June 24, 1991, in the original principal amount of \$15,000,000.00 executed by Debtor payable to the order of Secured Party, and (z) that certain Promissory Note dated as of September 1, 1991, in the original principal amount of \$15,000,000.00 which Note is due and payable in full on or before September 1, 1994 and (ii) all other "Obligations" as defined in the Credit Agreement;

1.2 Exhibit "A".

Exhibit "A" to the Deed of Trust is hereby amended to include all of the properties, contracts and other

information contained in Exhibit "B" attached hereto and incorporated herein for all purposes (the "Additional Properties"). Each and every reference to Contracts and/or Oil and Gas Property or Properties in the Deed of Trust shall include and incorporate the Additional Properties to the full extent as if said properties were described in full on Exhibit "A" as attached to the Deed of Trust.

2.1 Conveyance and Grant of Lien.

In consideration of the advance or extension by Secured Party to Debtor of the funds or credit constituting the Obligations, and in further consideration of the mutual covenants contained herein and in the Deed of Trust, Debtor by this instrument grants, sells and conveys unto Trustee for the benefit of Secured Party the Additional Properties, to the extent such Additional Properties constitute Realty Collateral and Fixture Collateral.

TO HAVE AND TO HOLD the Additional Properties unto the Trustee and his successors or substitutes in this Trust and his and their assigns in accordance with the terms of the Deed of Trust, together with all and singular the rights and appurtenances thereto in any wise belonging, to secure payment of the Obligations and the performance of the covenants of Debtor contained in this instrument and the Deed of Trust. Debtor does hereby bind itself, its successors and permitted assigns to warrant and forever defend all and singular the Additional Properties unto the Trustee and his successors or substitutes in this Trust, against every person whomsoever lawfully claiming or to claim the same, or any part thereof.

2.2 Security Interest.

For the same consideration and to further secure the Obligations, Debtor hereby grants to Secured Party a security interest in and to the Additional Properties to the extent such Additional Properties constitute Personalty Collateral and Fixture Collateral.

2.3 Assignment of Liens and Security Interests.

For the same consideration and to further secure the Obligations, Debtor, to the extent it has the power to do so, hereby assigns and conveys to Secured Party the security interests held by Debtor arising under Section

9.319(a) of the Texas Business & Commerce Code and the liens granted to Debtor pursuant to Section 9.319(d) attributable to the interest of Debtor in the Hydrocarbons constituting part of the Additional Properties.

2.4 Interest Not Covered.

It is not the intention of the Deed of Trust nor this Amendment to cover or to include hereunder or thereunder, any interest in the Additional Properties other than the undivided percentage interest of Debtor identified as the "Mortgaged Interest" in Exhibit "B" in and to the Additional Properties, plus any and all interests the Debtor may hereafter acquire in and to the Additional Properties mortgaged hereunder; and it is expressly agreed that any third party whose interests are identified in Exhibit "B" as "Third Party Interests", whether such interests have heretofore been assigned, delivered or recorded shall not be subject to this instrument, the liens and security interests created hereby, nor shall any further action be required by Debtor or Secured Party to evidence such fact; and Secured Party hereby releases all such "Third Party Interests" from the lien and security interests evidenced hereby, provided that, should Debtor hereafter acquire any such "Third Party Interests" then, but at no time prior, such interest shall be subject hereto.

3.1 Assignment of Production.

(a) Debtor, in order to further secure the Obligations effective as of the date hereof at 7:00 a.m. local time at the location of each of the respective Additional Properties, has assigned, transferred, conveyed and delivered and does hereby assign, transfer, convey and deliver unto Secured Party, all of Debtor's interest, now owned or hereafter acquired, in and to all of the Hydrocarbons (or the proceeds therefrom) attributable to the Additional Properties, the same to be delivered into pipelines connected to the Additional Properties, or to any other purchaser thereof to the credit of the Secured Party.

(b) All parties producing, purchasing, taking, possessing, processing or receiving any production from the Additional Properties, or having in their possession any such production or the proceeds of runs for which they or others are accountable to Secured Party by virtue

of the provisions of this Article 3.1, are authorized and directed by the Debtor to treat and regard Secured Party as the assignee and transferee of Debtor and entitled in its place and stead to receive all of Debtor's interest, now owned or hereafter acquired, in and to the Hydrocarbons attributable to the Additional Properties and the proceeds thereof.

(c) Debtor directs and instructs each purchaser of production from the Additional Properties to pay to Secured Party all of the proceeds of all of Debtor's interest, now owned or hereafter acquired, in and to the Hydrocarbons attributable to the Additional Properties until such time as such purchaser has been furnished evidence that all of the Obligations have been paid and that the lien evidenced hereby has been released. Debtor authorizes Secured Party to receive and collect all sums of money derived from the proceeds of all of Debtor's interest, now owned or hereafter acquired, in and to the Hydrocarbons attributable to the Additional Properties, and no purchaser of any production from the Additional Properties shall have any responsibility for the application of any funds paid to Secured Party.

(d) Secured Party may endorse and cash any and all checks and drafts payable to the order of Debtor or Secured Party for the account of Debtor, received from or in connection with the proceeds of the Hydrocarbons affected hereby, and the same may be applied as provided herein. Secured Party may execute any transfer or division orders in the name of Debtor or otherwise, with reasonable and customary warranties and indemnities binding on Debtor; provided that Secured Party shall not be held liable to Debtor for, nor be required to verify the accuracy of, Debtor's interests as represented therein.

(e) Secured Party shall have the right at Secured Party's election and in the name of Debtor, or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by Secured Party in order to collect such funds and to protect the interests of Secured Party and/or Debtor, with all costs, expenses and attorneys fees incurred in connection therewith being paid by Debtor. In addition, should any purchaser taking production from the Additional Properties fail to pay promptly to Secured Party in accordance with this Article and the Deed of Trust, Secured Party shall have the right

to demand a change of connection and to designate another purchaser with whom a new connection may be made without any liability on the part of Secured Party in making such election, so long as ordinary care is used in the making thereof.

(f) The foregoing provisions of this Section 3.1 shall constitute an absolute and present assignment of all Debtor's interest in the Hydrocarbons attributable to the Additional Properties. Secured Party, however, grants to Debtor a conditional license to receive and sell such Hydrocarbons, and the proceeds therefrom, and to use the same until the occurrence of an Event of Default at which time such conditional license shall automatically terminate. The existence or exercise of the conditional license shall not operate to subordinate the assignment contained in this Section 3.1, in whole or in part, to any subsequent assignment by Debtor permitted hereunder or under the Deed of Trust, and any such subsequent assignment by Debtor shall be subject to the rights of Secured Party hereunder.

4. Incorporation.

All other terms and conditions of the Deed of Trust are incorporated herein to the full extent and as if stated herein in full and shall be applied to and applicable to the Additional Properties to the full extent as if the Additional Properties were described in full on Exhibit "A" attached thereto. Secured Party shall have all the rights and remedies with regard to the Additional Properties as set forth in the Deed of Trust with regard to all other Collateral described therein and herein, including the right to nonjudicial foreclosure in accordance with and pursuant to the terms and conditions of Section 51.002 of the Texas Property Code.

5. Ratification.

Debtor does hereby ratify and affirm the Deed of Trust, all terms and conditions contained therein, and all the rights, privileges, and liens of Secured Party pursuant to the terms and conditions of the Deed of Trust, as amended and supplemented hereby, and does hereby reaffirm and restate the security interest and grant and conveyance in trust of the property mortgaged thereunder, as amended and supplemented hereby.

DEBTOR:

WALTER OIL & GAS CORPORATION

By: J.C. Walter, III
President

SECURED PARTY:

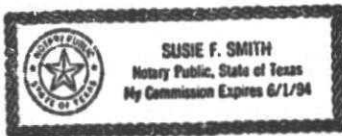
CITIBANK, N.A.

By: Barbara A. Cohen
Name: BARBARA A. COHEN
Title: Vice President

(Signature Page to Fifth Amendment to Deed of Trust,
Security Agreement, Assignment of Security Interests and
Liens, Assignment of Production and Financing Statement)

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on Oct. 28,
1991 by J.C. Walter, III, President of Walter Oil & Gas
Corporation, a Texas corporation, on behalf of said
corporation.



Susie F. Smith
Notary Public in and for the
State of Texas
Printed Name: SUSIE F. SMITH
My Commission Expires: 6/1/94

THE STATE OF NEW YORK §
§
COUNTY OF NEW YORK §

This instrument was acknowledged before me on NOV. 7,
1991 by BARBARA A. COHEN, VICE PRESIDENT
of Citibank, N.A., a national banking association, on behalf
of said association.

Mary Taylor
Notary Public in and for the
State of NEW YORK
Printed Name: MARY TAYLOR
My Commission Expires: 3-6-93

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MARY TAYLOR
Notary Public, State of New York
No. 41-4947968
Qualified in Queens County
Certificate filed in New York County
Commission Expires March 6, 1993

EXHIBIT "A"

Original Deed of Tr.

1. State of Texas

<u>County</u>	<u>Date Filed</u>	<u>File No.</u>	<u>Recordation</u>
Aransas	12/15/88	164703	Image No. 93509
Brasoria	12/15/88	38567	Vol. 622, P. 788 Official Records
Calhoun	12/15/88	13658	Vol. 25, P. 923 Official Records
Chambers	12/15/88	5237-B	Vol. 65, P. 289 Official Records
Galveston	12/15/88	8843565	Film Code No. 006-20-1935
Matagorda	12/15/88	7851	Vol. 207, P. 199 Official Records

2. Minerals Management Service:

OCS-G 4137
OCS-G 4138
OCS-G 4259
OCS-G 4721
OCS-G 6055
OCS-G 8132
OCS-G 9047

3. General Land Office, State of Texas:

Under State Lease Nos: M-90571
M-92454

First Amendment

1. State of Texas

<u>County</u>	<u>Date Filed</u>	<u>File No.</u>	<u>Recorded</u>
Aransas	4/19/90	172212	Image No. 121190 Real Property Records
Brazoria	4/18/90	10018	V. 90778, P. 487 Official Records
Calhoun	4/18/90	18446	V.45, P.660 Official Records
Chambers	4/18/90	1545-B	Film Code No. 90-109-334
Galveston	4/23/90	9012290	Film Code No. 006-93-2075
Matagorda	4/19/90	2295	V. 253, P. 561 Official Records

2. Minerals Management Service:

OCS-G 4137
OCS-G 4138
OCS-G 4259
OCS-G 4721
OCS-G 6055
OCS-G 8132
OCS-G 9047

Second Amendment

1. **State of Texas**

<u>County</u>	<u>Date Filed</u>	<u>File No.</u>	<u>Recorded</u>
Aransas	8/06/90	173864	Image No. 126751 Real Property Records
Brazoria	8/03/90	21605	V. 90815, P. 563 Official Records
Calhoun	8/03/90	19469	V. 49, P. 998 Official Records
Chambers	8/03/90	3036-B	Film Code No. 90-118-212
Galveston	8/03/90	9025107	Film Code No. 007-11-0099
Matagorda	8/03/90	4616	V. 262, P. 44 Official Records

2. **Minerals Management Service:**

OCS-G 4137
OCS-G 4138
OCS-G 4259
OCS-G 4721
OCS-G 6055
OCS-G 8132
OCS-G 9047

Third Amendment

1. **State of Texas**

<u>County</u>	<u>Date Filed</u>	<u>File No.</u>	<u>Recorded</u>
Aransas	12/26/90	175811	Image No. 133291 Real Property Records
Brazoria	12/26/90	36172	V. 90862, P. 276 Official Records
Calhoun	12/26/90	20807	V. 55, P. 209 Official Records
Chambers	12/26/90	5213-B	Film Code No. 90-132-7
Galveston	12/26/90	9042723	Film Code No. 007-32-2596
Matagorda	12/26/90	7925	V. 273, P. 253 Official Records

2. **Minerals Management Service**

OCS-G 4137
OCS-G 4138
OCS-G 4259
OCS-G 4721
OCS-G 6055
OCS-G 8132
OCS-G 9047
OCS-G 11315
OCS-G 11365

Fourth Amendment

1. State of Texas

<u>County</u>	<u>Date Filed</u>	<u>File No.</u>	<u>Referred</u>
Aransas	07/01/91	178417	Image No. 141928 Real Property Records
Brazoria	07/02/91	19199	V. 91922, P. 962 Official Records
Calhoun	07/02/91	22839	V. 64, P. 57 Official Records
Chambers	07/05/91	2830-B	Film Code No. 91-148-398
Galveston	07/09/91	9123257	Film Code No. 007-63-0289
Matagorda	07/02/91	3828	V. 289, P. 214 Official Records

2. Minerals Management Service:

OCS-G 4137
OCS-G 4138
OCS-G 4259
OCS-G 4721
OCS-G 6055
OCS-G 8132
OCS-G 9047
OCS-G 11315
OCS-G 11365
OCS-G 6180

EXHIBIT B

BRAZOS AREA BLOCK 542

Lease: Oil and Gas Lease of Submerged Lands bearing Serial No. OCS-G 12465 dated November 1, 1990, between the United States of America, as Lessor, and Cockrell Resources, Inc., as Lessee, covering all of Block 542, Brazos Area, OCS Leasing Map, Texas Map No. 5, containing approximately 5,760 acres.

Limitations: None

Contracts:

- a. The Lease.
- b. Participation Agreement dated February 7, 1991 among Cockrell Resources, Inc., Ernest H. Cockrell, Carol C. Curran, and Walter Oil & Gas Corporation.
- c. Operating Agreement dated February 7, 1991 between Walter Oil & Gas Corporation, as Operator, and Ernest H. Cockrell and Carol C. Curran, as Non-Operators.
- d. Eight (8) Assignments of Overriding Royalty all dated February 5, 1991 from Cockrell Resources, Inc. to eight certain employees of Cockrell Oil Corporation (namely W. Fred Deusinger, Ben T. Faulk, Clifford S. Foss, Jr., Daniel F. Gayle, Milton T. Graves, Feldor H. Hollenshead, Charles W. Hubbard, and Robert W. Kelsey) assigning overriding royalties totaling 2.125% of "Assignor's Net Revenue Interest".
- e. Assignment dated effective February 7, 1991 between Cockrell Resources, Inc., as Assignor, and Ernest H. Cockrell, Carol C. Curran and Walter Oil & Gas Corporation, as Assignees.
- f. Assignment of Overriding Royalty Interest dated effective February 8, 1991 from Walter Oil & Gas Corporation, as Assignor, in favor of David A. Pustka, Rodney L. Cottrell, James H. Dick, Kurt G. Sommer, and Walter Oil & Gas Corporation representing the conveyance of the "Walter Employees Override" as provided in documents h, i, j and k below.
- g. Assignment dated effective February 9, 1991 between Walter Oil & Gas Corporation, as Assignor, and British-Borneo Exploration, Inc., Columbus Mills, Inc., J. F. Howell, and Walter Energy Corporation, as Assignees.
- h. Only as to those parties named in this subparagraph, that certain 1991 Exploration Program Agreement dated January 1, 1991, between Walter Oil & Gas Corporation, as Program Manager, and British-Borneo Exploration, Inc., as Participant.

1. Only as to those parties named in this subparagraph, that certain 1990-91 Exploration Program Agreement dated August 1, 1990, between Walter Oil & Gas Corporation, as Program Manager, and Columbus Mills, Inc, as Participant.
- j. Only as to those parties named in this subparagraph, that certain 1991 Exploration Program Agreement dated January 1, 1991, between Walter Oil & Gas Corporation, as Program Manager, and J. F. Howell, as Participant.
- k. Only as to those parties named in this subparagraph, that certain 1991 Exploration Program Agreement dated January 1, 1991, between Walter Oil & Gas Corporation, as Program Manager, and Walter Energy Corporation, as Participant.
- l. Only as to those parties named in this subparagraph, that certain 1991 Development Agreement dated January 1, 1991, between Walter Oil & Gas Corporation and Walter Energy Corporation.
- m. Only as to the parties named in this subparagraph, the Conveyance of Overriding Royalty Interest dated effective February 10, 1991 from Walter Energy Corporation, as Assignor, in favor of Leeway & Co., et al., as Assignees.

BRAZOS AREA BLOCK 542

Ownership Interest:

	<u>Working Interest</u>	<u>Revenue Interest</u>
<u>MORTGAGED INTEREST:</u>		
Walter Oil & Gas Corporation (1),	7.67187%	6.18065%

THIRD PARTY INTERESTS:

Walter Energy Corporation (Exp.)	16.87500	13.59492
Walter Energy Corporation (Dev.) (1),	8.54539	6.88438
J. F. Howell	2.25000	1.81266
Columbus Mills, Inc.	10.41567	8.39193
British-Borneo Exploration, Inc.	16.74107	13.48702
Ernest H. Cockrell	18.75000	15.29297
Carol C. Curran	18.75000	15.29297
David A. Pustka	-0-	0.17500
Rodney L. Cottrell	-0-	0.17500
James H. Dick	-0-	0.17500
Kurt G. Sommer	-0-	0.08000
WFGC ORR Pool	-0-	0.02000
Cockrell Staff ORR (2)	-0-	1.77083
United States of America	-0-	16.66667
	<u>100.00000%</u>	<u>100.00000%</u>

(1) Estimated interest subject to adjustment pursuant to the Development Agreement described in item (1) above.

(2) Being the parties identified in item (d) above.

END

UPDATE