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Minerals Management Service
Leasing & Environment

CONVEYANCE OF OVERRIDING ROYALTY INTEREST

UNITED STATES OF AMERICA §
 § KNOW ALL MEN BY THESE PRESENTS:
FEDERAL OFFSHORE WATERS §

That Corpus Christi Hydrocarbons Company, a Delaware corporation, for and in consideration of the sum of One Hundred Dollars (\$100.00) and other good and valuable consideration to it paid by the Royalty Owners named on Schedule A hereto, the receipt and sufficiency of which are hereby acknowledged, has bargained, sold, granted, conveyed, transferred, assigned, set over and delivered, and by these presents does hereby bargain, sell, grant, convey, transfer, assign, set over and deliver unto each Royalty Owner, individually and not as a joint tenant or tenants in common, an overriding royalty interest ("Overriding Royalty Interest") in and to the Subject Minerals if, as and when produced and saved from the Subject Interests payable solely out of Gross Proceeds from the Sale of Subject Minerals in an amount equal to each Royalty Owner's percentage share of 90% of the Net Proceeds attributable to the Subject Interests (which term is subject to reduction as described in the definition thereof) as a group, as such percentage share is set forth on Schedule A hereto.

To Have And To Hold the Overriding Royalty Interest, together with all and singular the rights and appurtenances thereto in anywise belonging unto the Royalty Owners, their successors and assigns, subject, however, to the Purchase Agreement and the other terms and provisions of this Conveyance; and Subject Interest Owner does by these presents bind and obligate itself, its successors and assigns, to WARRANT and FOREVER defend all and singular the Overriding Royalty Interest unto said Royalty Owners, their successors and assigns, against every person whomsoever lawfully claiming the same or any part thereof by, through or under Subject Interest Owner but not otherwise and with full transfer and subrogation of all rights and actions against all former owners of all or any part of the Subject Interests or any interest therein.

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Recording Requested by and
When Recorded Return to:

Mail Tax Statements to:

Corpus Christi Hydrocarbons
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P.O. Box 2928
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Corpus Christi, Texas 78403

ARTICLE I

Additional Definitions

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Purchase Agreement. As herein used the following words, terms or phrases have the following meanings:

SECTION 1.01. "Abandonment Costs" shall mean (i) the costs of plugging and abandoning the wells and dismantling and salvaging the platforms, pipelines and other facilities and structures on the Subject Interests or lands pooled therewith and other costs associated with restoration of the Subject Interests and (ii) the costs of abandoning, dismantling and salvaging of the El Gordo Pipeline and the Matagorda Pipeline (defined below) and the costs associated with restoration of the lands in which such pipelines are located, in each case in accordance with applicable law, rules, regulations, agreements and other legal requirements (and, if applicable, the rules and regulations of the Minerals Management Service of the U.S. Department of the Interior), net of estimated salvage value of any salvageable equipment or personalty on the Subject Interests or associated with the El Gordo Pipeline or the Matagorda Pipeline.

SECTION 1.02. "Acquisition Cost" shall have the same meaning as is ascribed to such term in the Purchase Agreement.

SECTION 1.03. "Affiliate" means when used with reference to a specified Person (i) any Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the specified Person, (ii) any Person that is an officer, general partner or trustee of, or serves in a similar capacity with respect to, the specified Person or of which the specified Person is an officer, general partner or trustee, or with respect to which the specified Person serves in a similar capacity, (iii) any Person that, directly or indirectly, is the beneficial owner of 10% or more of any class of equity securities of the specified Person or of which the specified Person is directly or indirectly the owner of 10% or more of any class of equity securities, (iv) any member of the immediate family of the specified Person or his or her spouse, and (v) if the specified Person is an officer, director or partner, any company or other entity for which such Person acts in such capacity; provided, however, that Salomon Brothers Inc, The Northwestern Mutual Life Insurance Company, CCNW, Ltd., a Texas limited partnership, PB-SB Investments, Inc., and PB-SB Investments Partnership II, a New York general partnership, shall not be deemed Affiliates of Subject Interest Owner.

SECTION 1.04. "Agent" shall have the same meaning as is ascribed to such term in the Purchase Agreement.

SECTION 1.05. "Business Day" means a day on which none of the banks to or from which a payment authorized hereunder may be made are closed as authorized or required by law.

SECTION 1.06. "Closing Date" shall mean the date and time set forth in the last grammatical paragraph hereto.

SECTION 1.07. "Conveyance" means this Conveyance of Overriding Royalty Interest.

SECTION 1.08. "Development Well" means a well drilled to a known producing formation, including offset wells, but not including wildcat or exploratory wells or operations, whether or not conducted in or from an existing wellbore, or a well drilled to otherwise develop proven undeveloped reserves.

SECTION 1.09. "Effective Date" shall mean the Closing Date.

SECTION 1.10. "Excess Production Costs" at any point in time means an amount equal to the excess of Production Costs over Gross Proceeds for the period ending with such point and beginning with the end of the most recent month in which there were Net Proceeds.

SECTION 1.11. "Gross Proceeds" means the amounts received, on the cash method of accounting, by Subject Interest Owner, without duplication, from the sale or other disposition of Subject Minerals, subject to the following:

(a) If any Subject Minerals are Processed before the sale thereof, the amount of the Gross Proceeds for such Subject Minerals shall be the Wellhead Value thereof.

(b) There shall be included any amount which Subject Interest Owner shall receive as a result of net profits interests, overriding and other royalty interests owned by Subject Interest Owner and included as part of the Subject Interests.

(c) There shall be excluded any amount for Subject Minerals attributable to nonconsent operations conducted with respect to the Subject Interests (or any portion thereof) as to which the Subject Interest Owner shall be a non-consenting party and which is dedicated to the recoupment or reimbursement of costs and expenses of the consenting party or parties by the terms of the relevant operating agreement, unit agreement, contract for development or other agreement

providing for such nonconsent operations, provided Subject Interest Owner's election not to participate in such operations is made in conformity with the provisions of Section 5.01 of this Conveyance.

(d) If a controversy or possible controversy exists (whether by reason of any statute, order, decree, rule, regulation, contract or otherwise) between Subject Interest Owner and any purchaser from Subject Interest Owner or any other third party as to the correct sales price or sales volume of any Subject Minerals or as to the correct ownership of the Subject Interests, then

(i) amounts withheld by the purchaser or deposited by it in an interest bearing account with a commercial bank as escrow agent shall not be considered to be received by Subject Interest Owner and shall not be credited to the Net Proceeds account until actually collected by Subject Interest Owner and the proceeds of such account less the interest earned thereon shall thereafter be distributed in accordance with this Conveyance and the interest earned thereon allocable to the Royalty Owners shall be paid directly to the Royalty Owners by the escrow agent and such interest shall not be deemed to constitute a portion of Gross Proceeds, but such interest shall be taken into account for purposes of determining the Recovery Time;

(ii) amounts received by Subject Interest Owner and promptly deposited by it in an interest bearing account with a commercial bank as escrow agent shall not be considered to have been received by Subject Interest Owner and shall not be credited to the Net Proceeds account until disbursed to Subject Interest Owner by such escrow agent and the proceeds of such account less the interest earned thereon shall thereafter be distributed in accordance with this Conveyance and the interest earned thereon allocable to the Royalty Owners shall be paid directly to the Royalty Owners by the escrow agent and such interest shall not be deemed to constitute a portion of Gross Proceeds, but such interest shall be taken into account for purposes of determining the Recovery Time; and

(iii) amounts received by Subject Interest Owner attributable to the Subject Interests that are not suspended or not deposited in an escrow account as herein before provided shall be considered to be received for purposes of this definition.

(e) There shall be excluded any amount for Subject Minerals unavoidably lost or used in the production thereof or used by Subject Interest Owner in conformity with prudent practices for drilling, production and plant operations (including gas injection, compression, treating, transporting, secondary recovery, pressure maintenance, repressuring, recycling operations, plant fuel or shrinkage) (i) conducted for the purpose of producing Subject Minerals or making the Subject Minerals marketable or (ii) from any unit to which the Subject Interests are committed, but only so long as such Subject Minerals are so used.

(f) There shall be included in Gross Proceeds amounts received by Subject Interest Owner from a purchaser of Subject Minerals as advance payments and payments pursuant to take-or-pay and similar provisions of Sales Contracts as and when paid to Subject Interest Owner.

(g) During any period when Subject Interest Owner is, for any Subject Interest, an Overproduced Party under any gas balancing arrangement (which phrase "gas balancing arrangement", as used in this Conveyance, shall include any relationship in which gas balancing may be required by law or otherwise, whether or not there is a gas balancing agreement):

(i) when Subject Interest Owner is producing more than its pro rata share of gas, any amounts received by Subject Interest Owner which are attributable to its pro rata share shall be included in Gross Proceeds, but any amounts received by Subject Interest Owner which are attributable to the sale or other disposition of gas which is not attributable to Subject Interest Owner's pro rata share shall be excluded from Gross Proceeds and shall be held in an interest-bearing account with a commercial bank as independent escrow agent (the "Surplus Account");

(ii) when Subject Interest Owner is producing less than its pro rata share of gas and the amount of its overproduction is thereby being reduced, any amounts received by Subject Interest Owner from the sale or other disposition of such gas shall be included in Gross Proceeds and, in addition, the amounts excluded from Gross Proceeds when the overproduction accrued and held in the Surplus Account shall be included in Gross Proceeds on a first-in/first-out basis as the overproduction is reduced and shall thereby reduce the balance of the Surplus Account; provided that the escrow agent shall pay the interest

which accrued on the amount by which the Surplus Account is so reduced while such amount was in the Surplus Account to the Subject Interest Owner, which interest, for the purposes of this Conveyance, shall not be deemed to constitute a portion of Gross Proceeds;

(iii) if Subject Interest Owner is required to make settlement in cash for any net overproduction, the amount so paid shall be paid, to the extent possible, from funds attributable to such overproduction which have been excluded from Gross Proceeds and deposited in the Surplus Account; provided that, upon release from the Surplus Account to the Subject Interest Owner of funds to make payment of any cash settlement, any interest accrued on such funds shall be paid directly to the Subject Interest Owner by the escrow agent to the extent that such funds are inadequate to satisfy such cash settlement and the balance of such accrued interest shall be paid directly to the Subject Interest Owner, which interest, for the purposes of this Conveyance, shall not be deemed to constitute a portion of Gross Proceeds; and

(iv) Funds that have been excluded from Gross Proceeds and held in the Surplus Account under applicable gas balancing arrangements but that are no longer subject to recoupment, either in cash or in kind, shall not be included in Gross Proceeds and shall be released to Subject Interest Owner.

(h) During any period when Subject Interest Owner is, for any Subject Interest, an Underproduced Party under any gas balancing arrangement:

(i) when Subject Interest Owner is producing less than its pro rata share of gas, only the actual amounts received by Subject Interest Owner from the sale or other disposition of gas shall be included in Gross Proceeds, and any amounts received by others from the sale or other disposition of gas that is attributable to Subject Interest Owner's pro rata share shall be excluded from Gross Proceeds;

(ii) when Subject Interest Owner is producing more than its pro rata share of gas and the amount of its underproduction is thereby being reduced, there shall be included in Gross Proceeds the actual amounts received by Subject Interest Owner from the sale or other disposition of all such production; and

(iii) if Subject Interest Owner should receive settlement in cash for any net underproduction, the amount received in such settlement shall be included in Gross Proceeds when such amount is received.

(i) If a purchaser of Subject Minerals retains or withholds payment with respect to the purchase of the Subject Minerals pursuant to the terms of any production payment agreement, loan agreement or any similar instrument, the amounts of such retained or withheld payments shall not be included as Gross Proceeds.

SECTION 1.12. "Leases" means the oil, gas and mineral leases (or portions thereof or interests therein) described in Schedule B attached hereto.

SECTION 1.13. "Minerals" means oil, gas, other liquid and gaseous hydrocarbons and other minerals, whether similar or dissimilar.

SECTION 1.14. "Net Proceeds" for any period after the Closing Date means the excess of Gross Proceeds received by the Subject Interest Owner during such period over the sum of (a) Production Costs incurred during such period and (b) Excess Production Costs as of the end of the immediately preceding period, as such Net Proceeds are computed in accordance with Section 2.4 hereof.

SECTION 1.15. "Non-Affiliate" means, as to the party specified, any Person who is not an Affiliate of such party.

SECTION 1.16. "Overproduced Party" means a party to a gas balancing arrangement who, as a result of producing, in addition to its own share of production, that portion of another party's share of production which such other party is unable or unwilling to market or otherwise to dispose of, is in a position of net overproduction with respect to such other party or parties to such gas balancing arrangement.

SECTION 1.17. "Paying Quantities" means, with respect to any well and in light of facts existing at the time of determination which are not short-term, such quantities of Minerals the current gross receipts of which (less all amounts allocable to interests therein held by others such as net profits interests, overriding royalties and royalties excluding this Overriding Royalty Interest) exceed current and anticipated expenses allocable to such well or, in the event such definition conflicts with the laws of the jurisdiction in which a well is located, the definition applicable under the laws of the jurisdiction in which such well is located.

SECTION 1.18. "Person" means any individual, corporation, partnership, trust, estate or other entity or organization.

SECTION 1.19. "Prime Interest Rate" means the interest rate announced from time to time by The Chase Manhattan Bank, N.A., at its principal office in New York City as its "prime interest rate".

SECTION 1.20. "Process" or "Processing" means to manufacture, refine, market, compress or transport Subject Minerals in a manner which does not constitute Well Operations.

SECTION 1.21. "Production Costs" for any period means, on the cash method of accounting, and whether capital or non-capital in nature, without duplication:

(a) the sum (but reduced by the amount received by Subject Interest Owner set forth in Sections 1.21(c) and 1.21(f)) of

(i) the exploring, developing, drilling, completing, equipping and operating costs for such period and all other costs (including overhead) for such period incurred by Subject Interest Owner under any joint operating agreement applicable to the Subject Interests in the Leases to which Subject Interest Owner and one or more Non-Affiliates are parties (but relating only to the Subject Interests or lands pooled or unitized therewith);

(ii) the exploring, developing, drilling, completing, equipping and operating costs for such period and all other costs (including overhead) for such period incurred by Subject Interest Owner pursuant to Schedule C attached hereto with respect to any Lease as to which there is no joint operating agreement between Subject Interest Owner and a Non-Affiliate (but relating only to the Subject Interests or lands pooled or unitized therewith);

(iii) an amount equal to all general property (ad valorem), production, severance, sales, gathering and similar state, federal or other taxes (except income taxes) assessed or levied on or in connection with the Subject Interests, the Overriding Royalty Interests or the production therefrom or equipment thereon, and which taxes (as adjusted or as finally determined) are deducted or excluded from proceeds of Sale of the Subject Interest Owner or paid by Subject Interest Owner and attributable to such Subject Interest Owner's

and Royalty Owners' share in the Subject Minerals; provided, however, that if Royalty Owners bear taxes individually, such taxes will not be considered to constitute Production Costs;

(iv) all amounts borne by Subject Interest Owner in such period as to any of the following: (a) any burdens existing at the time of the execution of this Conveyance (other than this Overriding Royalty Interest) against production or the proceeds of Sale of production attributable to the Subject Interests, to the extent Gross Proceeds have not been reduced by such burdens; (b) to the extent allocable to the Subject Interests, payments made to others in the area in connection with the drilling or deferring of drilling of any well on or in the vicinity of any of the Subject Interests (including dry hole and bottom hole payments and payments made to others for refraining from drilling an offset well) or in connection with any cost adjustments with respect to any well and/or leasehold equipment upon unitization of any of the Subject Interests; (c) to the extent allocable to the Subject Interests, rent and other consideration paid for use of or damage to the surface and (d) all direct charges applicable to a Prospect relating to lease acquisitions or renewals, title examination, geological and geophysical, seismic, engineering and preparation for drilling costs, provided, however, that Production Costs shall not be deemed to include any cost paid for the acquisition of any oil, gas or mineral interest other than as such interest may be acquired pursuant to any applicable non-consent operation;

(v) to the extent allocable to the Subject Interests, all other costs, expenses and liabilities of, in connection with, arising out of or relating to operating any well on the Leases and producing Subject Minerals and sale and marketing thereof for such period, including without limitation: (a) costs of equipping, plugging back, reworking, recompleting, plugging and abandoning and surface restoration and other related costs as required by law and in accordance with the terms of the Leases or lands pooled therewith and of making the Subject Minerals ready or available for market; (b) the cost of construction of gathering lines in the immediate vicinity of the Subject Interests, tanks, meters and other production and delivery facilities on the Subject Interests, and of transporting, compressing, dehydrating, separating, treating, storing and marketing the Subject Minerals; (c) the costs of

secondary recovery, pressure maintenance, repressuring, recycling and other operations commonly used in the oil and gas industry which are recognized as reputable methods of enhancing production; (d) the costs of claims or litigation concerning marketing the Subject Minerals or delivery of production from, title to or operation of the Subject Interests and any other acts or omissions of Subject Interest Owner consistent herewith (as a prudent owner or operator) or brought by Subject Interest Owner to protect the Subject Interests as a prudent owner or operator; (e) the cost of insurance described in Section 5.04; and (f) delay rentals and shut-in royalties;

(vi) subject to the provisions of Article VII hereof, an amount equal to all amounts deposited into the Abandonment Cost Escrow Account (as defined in Section 7.01 hereof) and all Abandonment Costs (except to the extent such costs are paid out of the Abandonment Cost Escrow Account);

(vii) to the extent allocable to the Subject Interests, the direct, out-of-pocket costs incurred by Subject Interest Owner for the independent certified public accountants and independent petroleum engineers referred to in subsections 10.03 (a) and (b), respectively, which engineers may be selected by the Agent and which accountants, subject to the approval of the Agent, may be selected by the Subject Interest Owner; and the costs incurred by the Subject Interest Owner for the audits, if any, conducted by or on behalf of the Royalty Owners pursuant to Section 10.02 hereof;

(viii) to the extent allocable to the Subject Interests, refunds of revenues previously included as Gross Proceeds required to be made by Subject Interest Owner as a result of the bankruptcy, insolvency or similar condition of a purchaser of production or other party, an order of the Federal Energy Regulatory Commission or other governmental unit or any other legal reason;

(ix) to the extent allocable to the Subject Interests, any amounts paid by Subject Interest Owner after the Closing Date as a prudent owner or operator, whether as refund, interest or penalty, to a purchaser because the amount initially received by Subject Interest Owner as sales price attributable to operations after the Closing Date was more or allegedly more than permitted by the terms of any applicable

contract, statute, regulation, order, decree or other obligation;

(x) all legal fees incurred by Agent associated with this transaction, all fees incurred by Agent or Seller related to verification of title and title curative with respect to the Subject Interests, and all necessary engineering fees reasonably incurred by Agent; and

(xi) the amount payable (but not in excess of \$6,300,000) pursuant to the terms of that certain Loan Agreement, dated as of March 22, 1985, between Houston Pipeline Company and Primary Fuels, Inc., et al., in the event that, pursuant to Paragraph 4 of such Loan Agreement, such loan becomes recourse to the Seller.

(b) Production Costs shall not include (i) amounts incurred by Subject Interest Owner which are applicable to operations prior to the Closing Date and chargeable to a predecessor in interest and () depletion, depreciation and other non-cash deductions.

(c) Production Costs (to the extent thereof for any month or any month subsequent to the month in which amounts described in this Section 1.21(c) are received) and/or Excess Production Costs (to the extent thereof) shall be reduced by the amount received by Subject Interest Owner to the extent allocable to the Subject Interests as a result of (i) delay rentals, (ii) damages to the Subject Interests, (iii) shut-in gas well royalty or payments, (iv) sale of fixtures and equipment used with respect to the Leases (including, without limitation, the Matagorda Pipeline and the Matagorda Pipeline (defined below), other than the items described on Exhibit F to the Purchase Agreement, (v) rentals from reservoir use, (vi) dry hole and bottom hole payments, (vii) any payments made to Subject Interest Owner in connection with the drilling or deferring of drilling of any well on any of the Subject Interests, (viii) any amounts which the Subject Interest Owner shall receive as a bonus for any Lease or in connection with any adjustment of any well and leasehold equipment constituting part of the Subject Interests upon unitization of any of the Subject Interests, (ix) recoveries for breaches of drilling contracts and recoveries in connection with other proceedings affecting the Subject Interests or operations thereon, (x) insurance proceeds received as a result of damage to the Subject Interests or to the fixtures and equipment used with respect to the Leases, (xi) any bonuses or payments made by third parties in connection with any

farmout transaction permitted pursuant to Section 5.05 hereof, (xii) any excess amounts released to Subject Interest Owner from the Abandonment Cost Escrow Account pursuant to Section 7.02 hereof, (xiii) any excess amounts released to Subject Interest Owner from the Surplus Account pursuant to Section 1.11(g)(iv) hereof, (xiv) the sale of all or any part of the Subject Interest Owner's interest in the El Gordo Products pipeline (the "El Gordo Pipeline") and the Matagorda pipeline (the "Matagorda Pipeline"), (xv) any interest amounts paid to Seller under Sections 1.11(g)(ii) or 1.11(g)(iii) and (xvi) any such amounts not so applied in prior periods.

(d) If Subject Interest Owner is an Overproduced Party under any gas balancing arrangement and Subject Interest Owner is required to make settlement in cash for any net overproduction accruing after the Closing Date, such payment shall not be included in Production Costs, and if Subject Interest Owner is required to make settlement in cash for any net overproduction accruing prior to the Closing Date, such payment shall be included in Production Costs.

(e) Any costs or liabilities that are borne by Subject Interest Owner as a result of its being a consenting party in non-consent operations shall be deemed to be allocable to or applicable to the Subject Interests.

(f) Production Costs shall also be reduced by Subject Interest Owner's share of the net income from the Matagorda Pipeline and the El Gordo Pipeline.

SECTION 1.22. "Prospect" means an area covering lands which, in the opinion of Subject Interest Owner, contain a common geologic feature or features, some portion of which is considered potentially capable of producing oil or gas in commercial quantities, which is designated as such by Subject Interest Owner and which includes at least a portion of one Lease or lands pooled therewith.

SECTION 1.23. "Purchase Agreement" means the Non-Operating Interest Purchase Agreement dated as of February 1, 1989 among, inter alia, Royalty Owners and Subject Interest Owner, providing for the purchase of the Overriding Royalty Interest by the Royalty Owners.

SECTION 1.24. "Recovery Time" means the point in time at which the Royalty Owners have received an amount pursuant to Sections 1.11(d) and 2.01 hereof (without duplication) which equals the Acquisition Cost as defined in the first sentence in the definition thereof.

SECTION 1.25. "Royalty Owners" means, collectively, the parties listed on Schedule A hereto while they own an interest in the Overriding Royalty Interest, and any other Person or Persons who, as permitted herein, subsequently acquire legal title to all or any portion of or any interest in the Overriding Royalty Interest.

SECTION 1.26. "Sale" includes exchanges and other dispositions for value.

SECTION 1.27. "Sales Contracts" means: all contracts and agreements for the offer or sale of, or commitment to offer or sell, or right of first refusal to purchase, Subject Minerals after production.

SECTION 1.28. "Subject Interests" means each kind and character of right, title, claim or interest which the Subject Interest Owner has in the Leases or portions thereof which are described in Schedule B, a complete copy of which is filed in Matagorda County, Texas as provided in Section 11.09 hereof, and the unitization and pooling agreements and the units created thereby, whether such right, title, claim or interest be under and by virtue of a Lease, a unitization or pooling agreement, a unitization or pooling order, a mineral deed, a royalty deed, an operating agreement, a division order, a transfer order or any other type of contract, conveyance or instrument or under any other type of title, legal or equitable, recorded or unrecorded, even though the Subject Interest Owner's interests be incorrectly or incompletely described in Schedule B, all as the same shall be enlarged by the discharge of any payments out of production, by the removal of any charges or encumbrances to which any of the same are or become subject or by the entering into of non-consent operations and any and all renewals and extensions thereof acquired by Subject Interest Owner within one year after the termination of the prior Subject Interest; provided, however, that after the Recovery Time "Subject Interests" shall mean, with respect to each and all of the properties which constitute the Subject Interests, an undivided 7/9 interest in and to the Subject Interests (as described above) immediately prior to the Recovery Time.

SECTION 1.29. "Subject Interest Owner" means Corpus Christi Hydrocarbons Company, a Delaware corporation, while it owns all or part of the Subject Interests or any interest therein and any other Person or Persons who, as permitted herein, subsequently acquire legal title to all or any part of the Subject Interests or any interest therein other than the Overriding Royalty Interest conveyed hereby.

SECTION 1.30. "Subject Minerals" means all Minerals in and under, and which may be produced, saved and sold from, and which shall accrue and be attributable to, the Subject Interests from and after the Closing Date.

SECTION 1.31. "Underproduced Party" means a party to a gas balancing arrangement who, as a result of its inability or unwillingness to market or otherwise dispose of a portion of its share of production and another party's producing such share of production, is in a position of net underproduction with respect to such other party or parties to such gas balancing arrangement.

SECTION 1.32. "Well Operations" means pumping, gas lifting and gravity separation of Minerals and other normal operations in the immediate vicinity of the well but does not include compression or transportation of the Minerals beyond the immediate vicinity of the well, or absorption or fractionation and other plant operations.

SECTION 1.33. "Wellhead Value" means the amount for which such Subject Minerals are sold by the Subject Interest Owner less a charge for the Processing which occurs prior to such sale equal to the sum of (A) any Processing charges paid to Non-Affiliates and (B) the expenditures incurred by Subject Interest Owner or its Affiliates in Processing such Subject Minerals; provided, however, that in no event shall the expenses of Subject Interest Owner and its Affiliates in such Processing exceed the costs which third parties charge in the same area for rendering comparable services; and provided further, however, that in no event shall the Wellhead Value exceed the fair market value of such Subject Minerals at the wellhead of the well from which they are produced.

ARTICLE II

Payment

SECTION 2.01. Payment. On the last Business Day of each month, Subject Interest Owner shall pay to each Royalty Owner as an overriding royalty hereunder such Royalty Owner's percentage share (as set forth on Schedule A hereto) of an amount equal to 90% of the Net Proceeds for the preceding month computed in accordance with Section 2.04 hereof. Subject Interest Owner shall use its best efforts to base such monthly payments upon the actual Net Proceeds for the preceding month; however, in the event Subject Interest Owner is prevented from so doing by mechanical or accounting system failures or malfunction, Subject Interest Owner shall (x) make such payment based upon an estimate of the Net Proceeds for such preceding month computed in accordance with Section 2.04 hereof; (y) note on the statement accompanying such payment that it is based upon an estimate of Net Proceeds, and (z) adjust the payment of Net Proceeds for the month next following to account for any discrepancy between the payment made and that required to have been made once the actual amount of Net Proceeds is determined. Amounts representing sale proceeds (less the actual transaction costs of such sale) received by Subject Interest Owner in connection with the disposition of any portion of the Overriding Royalty Interest pursuant to Section 5.05 (but excluding any revenue foregone in connection with a farmout pursuant to Section 5.05) shall be paid directly to Royalty Owners.

SECTION 2.02. Interest on Past Due Payments. Any amount not paid by Subject Interest Owner to a Royalty Owner when due shall bear, and Subject Interest Owner will pay, interest at the rate of two percentage points over the weighted average Prime Interest Rate in effect during the period of underpayment provided such interest shall not be in excess of the maximum amount allowed by law. Under no circumstances, however, shall Subject Interest Owner willfully withhold payment properly due the Royalty Owners hereunder.

SECTION 2.03. Overpayment. If at any time Subject Interest Owner inadvertently pays a Royalty Owner more than the amount due, such Royalty Owner shall not be obligated to return any such overpayment, but the amount or amounts otherwise payable for any subsequent period or periods shall be reduced by such overpayment, plus interest thereon at the rate of two percentage points over the weighted average Prime Interest Rate in effect during the period of such overpayment provided such interest shall not be in excess of the maximum amount allowed by law.

SECTION 2.04. Net Proceeds Account. A Net Proceeds account shall be maintained by Subject Interest Owner for each calendar month after the Closing Date by deducting the aggregate of any charge balance existing in the Net Proceeds account at the first of such month, plus the total charges properly made thereto during such month, from the sum of any credit balance existing in the Net Proceeds account at the first of such month plus the total credits properly made thereto during such month. Subject Interest Owner shall pay to each Royalty Owner each month an amount equal to the amount specified in Section 2.01 hereof only in such monthly periods when credits exceed charges.

On or before the date of payment of the amount set forth in Section 2.01 hereof, the Subject Interest Owner shall furnish to the Agent a detailed statement clearly reflecting the credits and debits against and the balance of the Net Proceeds account as of the close of business on the last day of the preceding calendar month. Any deficit or loss (an excess of charges over credits) reflected by any such statement shall be carried forward to the next and succeeding month or months until the deficit or loss shall have been liquidated. In the event that an excess of credits over charges in the Net Proceeds account is reflected by any statement, payment to each Royalty Owner of the amount of such Royalty Owner's Net Proceeds shall be accomplished by wire transfer to Royalty Owner's account, pursuant to instructions given by the Agent to the Subject Interest Owner.

The Royalty Owners shall never be personally responsible for payment of any part of the costs and expenses charged against the Net Proceeds account or for any liabilities incurred in connection with developing, exploring, equipping and operating the Subject Interests, and Subject Interest Owner does covenant with each of the Royalty Owners to indemnify and save it harmless from and against any and all such responsibility and liability.

SECTION 2.05. Wellhead Value. All payments made to Royalty Owners shall be made entirely and exclusively out of amounts received from the sale or other disposition of Subject Minerals produced from Subject Interests, and in no event shall such payments exceed 100% of the value of such production at the wellhead before the application of any Processing, and should the payments to Royalty Owners, computed in accordance herewith ever exceed such amount (such excess amount being herein referred to as the "Overage"), such Overage shall be suspended and accrued; and if the payments calculated in accordance herewith are ever again less than the Wellhead Value, the Overage shall be added to subsequent payments but not in an amount which would then cause payments to exceed the Wellhead Value, so that Royalty Owners, if possible, shall be entitled to receive the total amount to be

distributed hereunder as if the limitation imposed by this Section had not been in effect.

ARTICLE III

Marketing of Subject Minerals

Subject Interest Owner shall market or cause to be marketed the Subject Minerals at the best prices and on the best terms that Subject Interest Owner shall deem, in its reasonable business judgment, reasonably obtainable under the circumstances and in any event at prices and terms at least as favorable as Subject Interest Owner obtains at the same time for minerals not subject to this Conveyance which are of a similar type and location and are similarly dedicated. Royalty Owners shall (i) have no right to participate in such marketing and (ii) have no right to receive production in kind. Subject to the foregoing, to the extent comparisons exist, sales of the Subject Minerals by Subject Interest Owner to an Affiliate shall be made at prices and on terms comparable to the prices and terms received by other Persons in the area. Subject Interest Owner will exercise its best efforts (which term "best efforts", as used in this Conveyance, shall mean a party's best efforts in accordance with reasonable commercial practices and without the incurrence of unreasonable expense) to perform all obligations binding on it under the Sales Contracts in accordance with the terms thereof and will use its best efforts to enforce performance of the obligations of third parties thereunder. Subject Interest Owner will bring the Subject Minerals to market in accordance with reasonable and prudent business judgment and sound oil and gas field practices.

ARTICLE IV

Non-Liability of Royalty Owners

In no event shall Royalty Owners be liable or responsible in any way for payment of any costs or expenses charged against the Net Proceeds account or other costs or liabilities incurred by Subject Interest Owner or other lessees attributable to the Subject Interests or to the Minerals produced therefrom and Subject Interest Owner covenants with each of the Royalty Owners to indemnify and save them harmless from and against any and all such responsibility and liability. Subject Interest Owner has the right to assume the defense of any lawsuit or other legal proceeding arising out of such obligation to indemnify and save harmless but shall not agree to any settlement or consent to any other action with regard to any lawsuit or proceeding that could materially, restrict or otherwise affect a party to this Conveyance other than Subject Interest Owner without the prior

written consent of Agent, which consent shall not be unreasonably withheld.

ARTICLE V

Operation of Lease Premises

SECTION 5.01. Prudent Operator Standard. (a) Subject Interest Owner agrees that it will conduct and carry on or cause to be conducted and carried on the exploration, development, maintenance and operation of the Subject Interests with reasonable and prudent business judgment and in accordance with sound oil and gas field practices, and that it will drill or cause to be drilled such wells as a prudent operator would drill from time to time in order to develop the Subject Interests and to protect them from drainage.

(b) Nothing contained in this Section 5.01 shall be deemed to prevent or restrict Subject Interest Owner from electing not to participate in any operation which is to be conducted under the terms of any operating agreement, unit operating agreement, contract for development or similar instrument affecting or pertaining to the Subject Interests (or any portion thereof) and allowing consenting parties to conduct non-consent operations thereon, if such election is made by Subject Interest Owner in good faith and in conformity with sound oil and gas field practices, unless the operator under such operating agreement, unit operating agreement, contract for development or similar instrument is an Affiliate of Subject Interest Owner and consents to such operation.

SECTION 5.02. Compliance with Agreements. Subject Interest Owner shall, to the extent that it controls such matters, comply or cause compliance with the terms and provisions of all agreements to which the Subject Interests and this Overriding Royalty Interest are subject as a prudent operator would comply. Subject Interest Owner shall not enter into any division orders inconsistent with the terms hereof.

SECTION 5.03. Abandonment of Properties. Nothing herein contained shall obligate Subject Interest Owner to continue to operate any well or to operate or maintain in force or attempt to maintain in force any of the Leases when, in Subject Interest Owner's reasonable opinion, such well or Lease is not capable of producing oil, gas or other Minerals in Paying Quantities.

SECTION 5.04. Insurance. Subject Interest Owner shall act as a reasonably prudent operator in maintaining in effect or causing to be maintained in effect such insurance as a prudent operator would deem to be reasonable for the protection of the

Subject Interests which insurance may include blow-out, well control, seepage, pollution, clean up, containment, redrilling and any other similar catastrophe insurance. In this connection, Subject Interest Owner shall act as a reasonably prudent operator in, with respect to the Subject Interests, maintaining in effect or causing to be maintained in effect at least such insurance coverage as is required to be maintained pursuant to the terms of the operating agreements relating to the Subject Interests. Subject Interest Owner shall extend such coverage to the interests of the Royalty Owners as additional insured parties.

SECTION 5.05. Transfer or Hypothecation of Subject Interests. Except as permitted in the immediately succeeding paragraph or in Article VI hereof and in Section 5.1 of the Purchase Agreement, Subject Interest Owner shall have the power and right to enter into sale agreements or other agreements for the transfer or disposition of all or any part of an interest in the Subject Interests only after receiving the written consent in each instance of the Agent on behalf of the Royalty Owners. Subject Interest Owner shall have the power and right to enter into farmout agreements with respect to any acreage, reservoirs or formations included in the Subject Interests provided that the Subject Interest Owner in good faith reasonably determines that a well, other than a Development Well, will be drilled on such farmout acreage. In the case of farmout, such farmout shall be free from this Overriding Royalty Interest, except that any residual interest of Subject Interest Owner under any such farmout agreement shall be subject to the Overriding Royalty Interest. No sale or farmout transaction shall be entered into with an Affiliate of the Subject Interest Owner. The Subject Interests, or any part thereof or interest therein, shall not be mortgaged, pledged, hypothecated or otherwise encumbered (it being understood that the entering into of oil or gas sales contracts or similar agreements in the ordinary course of business other than for the purpose of borrowing money shall not constitute any such encumbrance or disposition for any purposes of this conveyance) by Subject Interest Owner without the prior written consent of the Agent on behalf of the Royalty Owners, which consent may be withheld at the discretion of the Agent.

SECTION 5.06. Affiliated Transactions. Subject Interest Owner shall not agree, contract or arrange with itself or any of its Affiliates for the performance of services or the sale or lease of equipment and supplies used in connection with the Subject Interests, and the payment of compensation therefor, as if such parties were independent contractors, provided that the terms of such agreement, contract or arrangement are embodied in a written document setting forth the specific arrangements and the compensation for such services or sale or lease shall be (a) comparable to and competitive with that of unrelated third parties rendering

comparable services or selling or leasing equipment or supplies in that geographical area and (b) paid only for services, equipment or supplies reasonable for, and actually furnished with respect to, such Subject Interests.

SECTION 5.07. Delay Rentals and Shut-in Gas Payments. Subject Interest Owner shall use its best efforts to pay or cause to be paid in a proper and timely manner any delay rentals and shut-in gas payments which may be necessary to maintain in force and effect the Subject Interests, except any portion thereof which Subject Interest Owner has determined to abandon pursuant hereto.

ARTICLE VI

Unitization

SECTION 6.01. Pooled Subject Interests. Certain of the Subject Interests may have been heretofore pooled and unitized for the production of Subject Minerals. Such Subject Interests are and shall be subject to the terms and provisions of such pooling and unitization agreements, and the Overriding Royalty Interest in each such Subject Interest shall apply to and affect only the production from such units which accrues to such Subject Interests under and by virtue of the applicable pooling and unitization agreements.

SECTION 6.02. Right to Pool. Subject Interest Owner shall have the right and power, exercisable only during the period provided in Section 6.03 hereof, to pool and unitize any of the Subject Interests and to alter, change or amend or terminate any pooling or unitization agreements heretofore or hereafter entered into, as to all or any part of the land covered hereby, and as to any one or more Minerals, upon such terms and provisions as Subject Interest Owner shall, in conformance with prudent industry practice, determine. If and whenever through the exercise of such right and power, or pursuant to any law now in effect or hereafter enacted or any rule, regulation or order of any governmental body or official promulgated, any of the Subject Interests are pooled or unitized in any manner, the Overriding Royalty Interest insofar as it affects such Subject Interests shall also be pooled and unitized and in any such event such Overriding Royalty Interest in such Subject Interests shall apply to and affect only the production which accrues to such Subject Interests under and by virtue of the pooling and unitization.

SECTION 6.03. Applicable Period. Subject Interest Owner's power and right to pool and unitize the Subject Interests and the Overriding Royalty Interest shall be exercisable and enjoyed only during the period of the life of the last survivor of the descen-

dants of Joseph P. Kennedy, father of the late President of the United States of America, living on the date of execution hereof, plus twenty-one (21) years after the death of such last survivor, or the term of this Conveyance whichever period shall first expire.

ARTICLE VII

Abandonment Costs

SECTION 7.01. Abandonment Costs. In the event that, as of the end of any month, the aggregate estimated future Net Proceeds from the Subject Interests, as estimated by the independent petroleum engineer in such engineer's most current report, is less than 200% of the aggregate estimated future Abandonment Costs for the Subject Interests, as estimated in good faith by Subject Interest Owner, Subject Interest Owner may place in an escrow account (the "Abandonment Cost Escrow Account") an amount equal to fifty percent (50%) of the Net Proceeds (calculated without taking into account the placing of such amounts in the Abandonment Cost Escrow Account for the Subject Interests) for such month. Subject to the provisions of Section 7.02 below, at such time as the amount in the Abandonment Cost Escrow Account for the Subject Interests exceeds 125% of the aggregate estimated future Abandonment Costs for all of the Subject Interests, as a group, no further amount shall be placed in such escrow account until such time as the escrowed funds in the Abandonment Cost Escrow Account shall again be less than 125% of said aggregate estimated future Abandonment Costs. The amounts placed in the Abandonment Cost Escrow Account shall be placed in escrow with an independent escrow agent, and the escrow agreement between Subject Interest Owner and the escrow agent shall provide that the escrow agent shall place such escrowed funds in certificates of deposit or United States government securities having maturities not to exceed thirty (30) days. At any time, on or prior to the date which any such Abandonment Costs must be incurred and Subject Interest Owner is required to expend amounts or has expended amounts for Abandonment Costs on the Subject Interests for which an Abandonment Cost Escrow Account has been established, Subject Interest Owner shall cause the escrow agent to release from the Abandonment Cost Escrow Account for the Subject Interest the lesser of (i) an amount equal to said Abandonment Costs or (ii) the total amount of funds in the Abandonment Cost Escrow Account for the Subject Interests and to pay those amounts to Subject Interest Owner and such amount shall not be treated as Gross Proceeds.

SECTION 7.02. Abandonment Costs for Single Remaining Prospect. Notwithstanding the provisions of Section 7.01 above,

at such time as there remains a single Prospect on which Abandonment Costs are expected to be incurred, Subject Interest Owner shall retain an independent appraiser reasonably satisfactory to Agent to estimate the Abandonment Costs to be incurred with respect to such Prospect. Thereupon, Subject Interest Owner may never retain more than 110% of the estimated future Abandonment Costs with respect to such Prospect (as determined by the independent appraiser) in the Abandonment Cost Escrow Account. If, upon such independent appraisal, more than 110% of the estimated Abandonment Costs remains in the Abandonment Cost Escrow Account, any excess shall be released to Subject Interest Owner and shall reduce the costs chargeable to Net Proceeds.

ARTICLE VIII

Government Regulation

Subject Interest Owner shall, to the extent it controls such matters, comply or cause compliance in all material respects with all applicable laws, ordinances or governmental rules and regulations to which the Subject Interests and this Overriding Royalty Interest are subject, and, to the extent it controls such matters, act as a reasonably prudent operator in obtaining all licenses, permits, franchises and other governmental authorizations necessary with respect to the ownership, development and operation of the Subject Interests. In this connection, Subject Interest Owner shall be entitled to use its reasonable discretion in making filings, for itself and on behalf of the Royalty Owners, with the Federal Energy Regulatory Commission, the Department of Energy or any other governmental body, agency, board, official or commission having jurisdiction, affecting the prices and other matters with respect to which Subject Minerals may be sold. Additionally, if all or a portion of the Subject Interests relate to Federal leases, State leases, Indian leases or other leases for which approval of an assignment of an interest thereunder must be obtained prior to the date hereof, Subject Interest Owner shall, to the extent it controls such matters, obtain approval (if required) prior to the date hereof from appropriate authorities or persons for the assignment to Royalty Owner of the Overriding Royalty Interest.

ARTICLE IX

Assignments

SECTION 9.01. Assignment by Subject Interest Owner. Without the Agent's prior written consent in each instance, Subject Interest Owner shall not have the right to assign, sell,

transfer or convey the Subject Interests, or any part thereof or interest therein, except pursuant to Section 5.05 or Article VI hereof and Section 5.1 of the Purchase Agreement.

SECTION 9.02. Assignment by Royalty Owners. Each Royalty Owner has the right to assign its Overriding Royalty Interest in whole or in part to an assignee which is not prohibited by any federal or state law or regulation from owning an interest in the Subject Interests. Subject Interest Owner may continue to treat each existing Royalty Owner as owner of its Overriding Royalty Interest until receiving a certified copy of an assignment of all or any portion thereof. In the event that any Royalty Owner assigns its Overriding Royalty Interest to two or more assignees, such assignees shall (i) designate one of themselves as their agent to represent them in all matters hereunder and (ii) designate a single paying agent to receive the payment of their aggregate share of 90% of the Net Proceeds and distribute such amount received to the assignees.

ARTICLE X

Records and Reports

SECTION 10.01. Books and Records. Subject Interest Owner shall at all times maintain true and correct books and records sufficient to determine the amounts payable to Royalty Owners hereunder, including, but not limited to, a Net Proceeds account to which Gross Proceeds and Production Costs are credited and charged.

SECTION 10.02. Inspections. The books and records referred to in Section 10.01 shall be open at the office of Subject Interest Owner during normal business hours for inspection, audit and copying by Royalty Owners and their representatives. Unless prohibited under confidentiality agreement with non-Affiliates, the Subject Interest Owner, upon written request, shall furnish the Agent on behalf of the Royalty Owners with any and all information pertaining to the Subject Interests or the properties relating thereto in the Subject Interest Owner's possession or that can be obtained by the Subject Interest Owner with reasonable cost or expense. The Royalty Owners will attempt to minimize the costs incurred by Subject Interest Owner in connection with audits conducted pursuant to this Section 10.02. No more than two audits will be conducted in any calendar year.

SECTION 10.03. Statements and Reports. (a) Subject Interest Owner shall furnish to the Agent on behalf of the Royalty Owners a special purpose report prepared by a nationally recognized firm of independent certified public accountants in accordance with generally accepted auditing standards within 90

days after the close of each calendar year, expressing an opinion as to the computation of Net Proceeds prepared on a cash basis. Such computation shall include (a) Gross Proceeds received by or credited to the Royalty Owners and Gross Proceeds received by or credited to the Subject Interest Owner and (b) a summary itemization, by type and/or classification, of the total costs and expenses paid by Subject Interest Owner or its Affiliates and used in calculating Net Proceeds.

(b) Within 90 days after the close of each calendar year, Subject Interest Owner shall furnish to the Agent on behalf of the Royalty Owners an engineering report as of the immediately preceding December 31 prepared by a qualified independent petroleum engineer reasonably satisfactory to the Agent, setting forth the oil and gas reserves attributable to the Subject Interests and the present discounted value of such oil and gas reserves together with a projection of the rate of production and net income by year (using pricing assumptions and discount rates provided by Agent) with respect thereto. In the event Subject Interest Owner discovers that an event has occurred which may, in the reasonable opinion of Subject Interest Owner, lead to a reduction of reserves of more than 10 percent, excluding a reduction as a result of normal production or due to a decrease in the price of oil or gas, Subject Interest Owner will notify the Agent within 30 days of such discovery, will make available all of its records relating thereto, and will make available additional engineering work relating to the affected properties and any estimates and reports which the Subject Interest Owner has internally prepared.

(c) On or before the date of payment as specified in Section 2.01 hereof, Subject Interest Owner shall deliver to the Agent on behalf of the Royalty Owners a statement showing:

(i) the computation of Net Proceeds attributable to the immediately preceding month and the computation of Net Proceeds paid to Royalty Owners from and after the Closing Date until the end of such month;

(ii) a summary of the computation made or other methods used in determining the Wellhead Value of Subject Minerals during such month;

(iii) a list of the wells spudded on the Subject Interests during such month, a statement of the cost of each well completed or abandoned, and a statement describing the reason for abandoning any well;

(iv) a general description of all material marketing arrangements, or any changes thereof, that have been made with respect to Subject Minerals produced during such month;

(v) a description of each sale, farmout, abandonment or other disposition of an interest in the Subject Interests by Subject Interest Owner during such month; and

(vi) the status of development, enhanced recovery and other operations conducted by Subject Interest Owner on the Subject Interests.

SECTION 10.04. Royalty Owners' Exceptions to Statements.

If the Agent on behalf of the Royalty Owners shall take exception to any item or items included in the monthly statements rendered by Subject Interest Owner or to the computations of the Wellhead Value of any Subject Minerals and such exception is made within two years after such monthly payment date, the Agent on behalf of the Royalty Owners shall notify Subject Interest Owner in writing, setting forth in such notice the specific charges complained of and to which exception is taken or the specific credits which should have been made and allowed; and with respect to such complaints and exceptions as are justified, adjustment shall be made. Any exception not made within such two-year period shall be deemed waived. Subject to the provisions of the first two sentences hereof, neither any course of dealing on the part of the Agent on behalf of a Royalty Owner nor any failure or delay of the Agent on behalf of a Royalty Owner to take exception to any such item or items shall operate as a waiver of a Royalty Owner's right to take such exception.

SECTION 10.05. Geological Data. Upon request, the Subject Interest Owner shall, subject to their reasonable availability and the limitations of confidentiality undertakings with co-owners or other third parties, furnish to the Agent and its duly authorized agents and representatives, including its advisers and consultants (herein collectively referred to as "its agents"), copies of all electric and other logs of all wells hereafter drilled on the Subject Interests, and the Agent and its agents shall also have access to all records regarding all cores, cuttings, and other geological, well and production data secured from operations on the Subject Interests. All information furnished to the Agent pursuant to this Section is confidential and for the sole benefit of the Agent and the Royalty Owners and shall not be shown by the Agent to any Person other than the Royalty Owners.

ARTICLE XI

Miscellaneous

SECTION 11.01. Term. The terms of this Conveyance shall remain in force so long as the leasehold and other interests subject hereto are in effect.

SECTION 11.02. Further Assurances. Should any additional instruments of assignment and conveyance be required to describe more specifically any interests subject hereto, Subject Interest Owner and Royalty Owners agree to execute and deliver the same. Also, if any other or additional instruments are required in connection with the transfer of any State or Federal lease interests in order to comply with applicable laws or regulations, Subject Interest Owner and Royalty Owners will execute and deliver the same.

SECTION 11.03. Notices. Except as otherwise expressly provided in this Conveyance, all notices, payments, demands, requests or other communications required or permitted to be given pursuant to this Conveyance shall be in writing and may be given either (a) in person, (b) by United States mail, certified or registered, return receipt requested, postage prepaid, (c) by prepaid telegram, telex, cable, telecopy, or similar means (with signed confirming copy to follow by mail), or (d) by any other method permitted by law. In a case where notices or communications are required or permitted to be given to the Royalty Owners, such notices or communications shall be addressed to Chase Investors Management Corporation New York, 1211 Avenue of the Americas, 37th Floor, New York, New York 10036, Attention: Managing Director, Oil & Gas Investments. In the case of all notices or communications required or permitted to be given to Subject Interest Owner, such notices or communications shall be addressed to Corpus Christi Hydrocarbons Company, P.O. Box 2928, Corpus Christi, Texas 78403, Attention: President, whose street address is The 600 Building, 600 Leopard, Suite 1400, Corpus Christi, Texas 78473. Any of the foregoing parties may change its address for notices and communications by giving notice in writing, stating its new address for notices. For purposes of the foregoing, any notice required or permitted to be given shall be deemed to be delivered and given on the date actually delivered to the address specified in this Section 11.03.

SECTION 11.04. Binding Effect. This Conveyance shall bind and inure to the benefit of successors in interest and assigns of Subject Interest Owner and Royalty Owners.

SECTION 11.05. GOVERNING LAW. THE VALIDITY, EFFECT AND CONSTRUCTION OF THIS CONVEYANCE SHALL BE GOVERNED BY THE LAWS OF THE JURISDICTION IN WHICH THE SUBJECT INTERESTS ARE LOCATED.

SECTION 11.06. Headings. Article and Section headings used in this Conveyance are for convenience only and shall not affect the construction of this Conveyance.

Section 11.07. Substitution of Warranty. This instrument is made with full substitution and subrogation of the Royalty Owners in and to all covenants of warranty by others heretofore given or made with respect to the Subject Interests or any part thereof or interest therein.

SECTION 11.08. Intention of the Parties. Nothing herein contained is intended to create, nor shall the same be construed as creating (under state law or for tax purposes) any mining partnership, commercial partnership or other partnership relation or joint venture. If, however, the parties hereto are deemed to constitute a partnership for federal or state income tax purposes, the parties elect to be excluded from the application of Subchapter K, Chapter 1, Subtitle A of the Code (or any similar state law) and agree not to take any position inconsistent with such election. In addition, the parties hereto intend that the Overriding Royalty Interest conveyed hereby by Subject Interest Owner to Royalty Owners shall at all times be treated as a non-operating "economic interest" in the Subject Minerals within the meaning of the Code (or any corresponding provisions of succeeding law) and a non-operating mineral right for state law purposes.

THE OVERRIDING ROYALTY INTEREST CREATED BY THIS CONVEYANCE IS A RIGHT AFFECTING AND BURDENING THE SUBJECT INTERESTS. THIS CONVEYANCE CREATES AN INTEREST IN REAL PROPERTY, AND THE COVENANTS CONTAINED IN THIS CONVEYANCE ARE COVENANTS RUNNING WITH AND BURDENING THE LAND. IN ADDITION TO THE RIGHTS AND COVENANTS CONTAINED IN THIS CONVEYANCE, ROYALTY OWNERS ARE ENTITLED TO ALL OF THE BENEFITS, IMPLIED RIGHTS, AND COVENANTS TO WHICH OVERRIDING ROYALTY INTEREST OWNERS ARE ENTITLED AS A MATTER OF LAW.

Section 11.09. Counterpart Execution. This Conveyance may be executed in multiple counterparts, each of which shall be deemed an original agreement for all purposes hereunder.

This Conveyance is being executed in several original counterparts all of which are identical, except that, to facilitate recordation, those pages of Schedule B which contain specific descriptions of Leases affecting lands located in recording jurisdictions other than the jurisdiction in which the particular counterpart is to be recorded are included by reference only.

Each of such counterparts shall, for all purposes, be deemed to be an original, and all such counterparts shall together constitute but one and the same Conveyance. A counterpart of this Conveyance with complete exhibits is to be filed in the official real property records of Matagorda County, Texas.

Section 11.10. Validity and Severability. If any provision of this Conveyance is held to be illegal, invalid or unenforceable under the present or future laws effective during the term of this Conveyance, such provision shall be fully severable; this Conveyance shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Conveyance; and the remaining provisions of this Conveyance shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Conveyance. In lieu of such illegal, invalid or unenforceable provisions, there shall be added automatically as a part of this Conveyance a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 11.11. Amendments. Any amendment hereto shall become effective only upon the express written consent of Subject Interest Owner and Agent, at which time it shall become effective as to all parties hereto. No amendment, modification or alteration of the terms hereof shall be binding unless the same is in writing and is in accordance with this Section 11.11.

IN WITNESS WHEREOF, the party hereto has caused this Conveyance to be executed in its name and behalf and attested by its proper signatory officers thereunto duly authorized, in multiple originals, on, and the Conveyance shall be effective for all purposes as of 7:00 a.m., local time, on March 8, 1989.

CORPUS CHRISTI HYDROCARBONS
COMPANY
("Subject Interest Owner")

Witness:

Philip M. Kinkaid

By _____
Leslie W. Dunn
President

Barry Hunsaker, Jr.

[SEAL]

Attest:

Emmet C. Wilson

Emmet C. Wilson
Assistant Secretary

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BE IT REMEMBERED, that I, Jill A. Hatley, a Notary Public duly qualified, commissioned, sworn and acting in and for the State of Texas, hereby certify that, on this 8th day of March, 1989, there appeared before me, Leslie W. Dunn, President, and Emmet C. Wilson, Assistant Secretary, respectively, of CORPUS CHRISTI HYDROCARBONS COMPANY, a Delaware corporation, whose address is P. O. Box 2928, Corpus Christi, Texas 78403.

(Alabama)

I, the undersigned authority, a Notary Public in and for said State, hereby certify that the above named persons, whose names as the designated officers of said corporation are signed to the foregoing conveyance, and who are known to

me, acknowledged before me on this day that, being informed of the contents of the conveyance, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation.

(Arkansas)

On this day, before me, the undersigned Notary Public, personally appeared the above named persons, who acknowledged themselves to be the designated officers of said corporation and that they, as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of said corporation by themselves as such officers.

(Florida)

The foregoing instrument was acknowledged before me on this date by the above named persons, the designated officers of said corporation, on behalf of said corporation.

(Louisiana)

On this day, before me, the undersigned Notary Public in and for said State, personally appeared the above named persons, to me personally known, who, being by me duly sworn, did say that they are the designated officers of said corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that the instrument was signed and sealed on behalf of the corporation by authority of its Board of Directors and that the above named persons acknowledged the instrument to be the free act and deed of the corporation.

(Mississippi)

Personally appeared before me, the undersigned authority in and for said county and state, on this day, within my jurisdiction, the within named persons, duly identified before me, who acknowledged that they are the designated officers of said corporation, and that for and on behalf of said corporation, and as its act and deed, they executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

(Oklahoma)

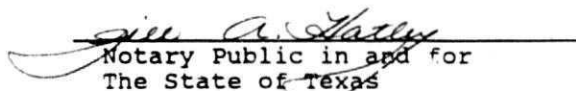
This instrument was acknowledged before me on this date by the above named persons as the designated officers of said corporation.

(Texas)

This instrument was acknowledged before me on this day by the above named persons as the designated officers of said corporation on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Houston, County of Harris and State of Texas, this 8th day of March, 1989.

My commission expires:
March 18, 1989


Notary Public in and for
The State of Texas

Printed Name of Notary Public:
Jill A. Hatley

SCHEDULE A

ROYALTY OWNERS AND PERCENTAGES

<u>Royalty Owners</u>	<u>Percentage</u>
STATE STREET BANK AND TRUST COMPANY, as Trustee under the AT&T Master Pension Trust Agreement dated as of January 1, 1984	34.5%
BANKERS TRUST COMPANY, as Successor Trustee to Bank of America, N.T. & S.A. under the Trust Agreement dated as of October 12, 1976 between Hughes Aircraft Company and Bank of America, as amended	12.7
BANKERS TRUST COMPANY, as Trustee under General Motors Salaried Employees Non-Contributory Retirement Trust Agreement dated as of March 1, 1983.	12.4
BANKERS TRUST COMPANY, as Trustee under General Motors Hourly-Rate Employees Pension Trust Agreement dated as of March 1, 1983	12.4
BOSTON SAFE DEPOSIT AND TRUST COMPANY, as Trustee under the Kodak Retirement Income Plan Trust Agreement dated as of January 1, 1975	12.0
BANKERS TRUST COMPANY, as Trustee under GTE Service Corporation Trust Agreement dated as of March 1, 1981	7.0

HOWARD HUGHES MEDICAL
INSTITUTE

6.0

BOSTON SAFE DEPOSIT AND TRUST
COMPANY, as Trustee under the
Honeywell Master Trust Agreement
dated as of December 1, 1988

3.0

100%

All Royalty Owners' addresses are c/o Chase Investors
Management Corporation New York as set forth in the Conveyance.

SCHEDULE B

Schedule B consists of the attached pages entitled:

Primary Fuels, Inc.
Exhibit "A"
Part I

Account Number	Legal Name	Legal Description	Legal Date	Recording Date
1705001	0 578 5072	ALL OF BLOCK 509, NOBILIA AREA, OCS OFFICIAL PROTRACTOR DIAGRAM NR 16-4	01/28/83	01/28/83
	001	DCS-C 5072 well P&A 4 5 84	01/28/83	01/28/83

LEGAL DESCRIPTION:
ALL OF BLOCK 509, NOBILIA AREA, OCS OFFICIAL PROTRACTOR DIAGRAM NR 16-4
DCS-C 5072 well P&A 4 5 84

Lease Number	Leasee/Lease No.	State	Leasee	Lease Date	Terminates Date
1335001	OCS G 4438 BLE 421 Destin Dome - 378, 421, 422 LEGAL DESCRIPTION: ALL OF BLOCK 421	FL	Destin Dome Area	01/24/84 5,760.0000	
1335002	OCS G 4437 BLE 421 Destin Dome - 378, 421, 422 LEGAL DESCRIPTION: ALL OF BLOCK 421	FL	Destin Dome Area	02/01/84 5,760.0000	
1335003	OCS G 4435 BLE 378 Destin Dome - 378, 421, 422 LEGAL DESCRIPTION: ALL OF BLOCK 378	FL	Destin Dome Area	01/24/84 5,760.0000	

PRIMARY FUELS, INC.
EXHIBIT "A"
PART 1

<u>Lease Number</u> <u>Tract</u>	<u>Lessor/Lease Name</u> <u>Prospect Name</u>	<u>Lessee</u> <u>State/County</u>	<u>Lea Date</u> <u>Gross Acres</u>	<u>Recording Date</u>
1264001 - 001	OCS G 6578, BLK 228 Cameron West (226...)	Corpus Christi Exploration Co. LA West Cameron Area	08/01/84 5,000.0000	
	LEGAL DESCRIPTION: All of Block 228, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1			
1264002 - 001	OCS G 5293, BLK 226 Cameron West (226...)	Corpus Christi Exploration Co. LA West Cameron Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 226, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1			
1723001 - 001	OCS G 3315, BLK 368 Krypton	Shell Offshore, Inc. LA West Cameron Area - West Addition	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 368, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1-A			

<u>Lease Number</u>	<u>Lessor/Lessee Name</u>	<u>Leasee</u>	<u>Lease Date</u>	<u>Recording Date</u>
<u>Tract</u>	<u>Prospect Name</u>	<u>State/County</u>	<u>Gross Acres</u>	
1261002 - 001	OCS G 5318, BLK 414 Cameron West	Corpus Christi Exploration Co. LA West Cameron West Area	07/01/83 5,000.0000	
LEGAL DESCRIPTION: All of Block 414, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1				
1266001 - 001	OCS G 1299, BLK 163 Cameron West 163,289	Corpus Christi Oil & Gas Co. LA West Cameron-West Area	07/01/83 5,060.0000	
LEGAL DESCRIPTION: All of Block 163, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1				
1266002 - 001	OCS G 5300, BLK 289 Cameron West 163,289	Corpus Christi Oil & Gas Co. LA West Cameron-West Area	07/01/83 5,000.0000	
LEGAL DESCRIPTION: All of Block 289, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1				
1267001 - 001	OCS G 509, BLK 313 Cameron West (313...)	Corpus Christi Oil & Gas Co. LA West Cameron-West Area	06/24/83 5,000.0000	
LEGAL DESCRIPTION: All of Block 313, West Cameron Area, OCS Leasing Map, Louisiana Map No. 1				
1267002 - 001	OCS G 7513, BLK 312 Cameron West (313...)	Corpus Christi Oil & Gas Co. LA West Cameron-West Area	07/27/85 5,000.0000	
LEGAL DESCRIPTION: All of Block 312, West Cameron Area, West Addition, OCS Leasing Map, Louisiana Map No. 1A				
186500 - 001	OCS G 8407, BLK 315 Cameron West West (314...)	Corpus Christi Exploration Co. LA West Cameron-West Area	07/01/86 5,000.0000	
LEGAL DESCRIPTION: All of Block 315, West Cameron Area, West Addition, OCS Leasing Map, Louisiana Map No. 1A				
1865002 - 001	OCS G 1406, BLK 314 Cameron West West (315...)	Corpus Christi Exploration Co. LA West Cameron-West Area	07/01/85 5,000.0000	
LEGAL DESCRIPTION: All of Block 314, West Cameron Area,				

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1697001	OCS G 5359, ELK 60 Aragonite Ex. c	Shell Offshore, Inc LA East Cameron Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 60, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2			

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1383001 - 001	OCS G 6638, BLK 267 Cameron East	Corpus Christi Exploration Co. LA East Cameron-South Area	05/30/84 5,000.0000	
	LEGAL DESCRIPTION: All of Block 267, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2			
1383002 - 001	OCS G 7654, BLK 266 Cameron East	Corpus Christi Exploration Co. LA East Cameron-South Area	06/25/85 5,000.0000	
	LEGAL DESCRIPTION: All of Block 266, East Cameron Area, OCS Leasing Map, Louisiana Map No. 2			

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1729001 -	OCS G 5408, BLK 95 Topaz	Shell Offshore, Inc. LA Vermillion Area	07/01/83 5,500.0000	
	LEGAL DESCRIPTION: All of Block 95, Vermillion Area OCS Leasing Map, Louisiana Map No. 3			

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1996001 - 001	OCS G 9537, BLK 80 South Marsh Island 80	Primary Fuels, Inc. LA South Marsh Island-South Area	06/01/88 5,000.0000	
LEGAL DESCRIPTION: All of Block 80, South Marsh Island Area, South Addition, OCS Leasing Map, Louisiana Map No. 3C				

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1690001 - 001	OCS G 057A, BLK 63 Ship Shoal 72	Anna M. Becher And LA Ship Shoal Area	08/13/46 3,111.4400	BK 42 nd PG 276
	LEGAL DESCRIPTION: Part of Block 63, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
1690002 - 001	OCS G 058A, BLK 64 Ship Shoal 72	Magnolia Pet Co. LA Ship Shoal Area	09/1 46 93/ 5000	
	LEGAL DESCRIPTION: Part of Block 64, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
002	Ship Shoal 72	LA Ship Shoal Area	17 1700	
	Part of Block 64, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
1690003 - 001	OCS G 059A, BLK 71 Ship Shoal 72	Magnolia Pet Co. LA Ship Shoal Area	09/12/46 2,500.0000	
	LEGAL DESCRIPTION: Block 71, Tract 785, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
1690004 - 001	OCS G 060A, BLK 72 Ship Shoal 72	Magnolia Pet Co. LA Ship Shoal Area	09/12/46 5,000.0000	
	LEGAL DESCRIPTION: Block 71, Tract 786, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
1690005 - 001	OCS G 062A, BLK 87 Ship Shoal 72	Magnolia Pet Co. LA Ship Shoal Area	09/12/46 1,953.1300	
	LEGAL DESCRIPTION: Block 87, Tract 801, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			

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1704001 -	OCS G 5557, BLK 201 Bromeliad	Shell Offshore, Inc. LA Ship Shoal Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 201, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
1704002 -	OCS G 5558, BLK 202 Bromeliad	Shell Offshore, Inc. LA Ship Shoal Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 202, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
2002001 -	OCS G 5568 Ship Shoal Blk 285	Sun Exploration and Production LA Ship Shoal Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 282, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
2002002 - 001	OCS G 5569 Ship Shoal Blk 285	Amerada Hess Corporation LA Ship Shoal Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 285, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
2008001 - 001	OCS G 6741 Ship Shoal Blk 173/174	Union Texas Petroleum Company LA Ship Shoal Area	06/01/84 5,000.0000	
	LEGAL DESCRIPTION: All of Block 173, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			
2008002 - 001	OCS G 9618 Ship Shoal Blk 173/174	Union Texas Petroleum Company LA Ship Shoal Area	07/01/88 5,000.0000	
	LEGAL DESCRIPTION: All of Block 174, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5			

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1998001 - 001	OCS G 9664, BLK 237 South Timbalier Block 237	Primary Fuels, Inc. LA South Timbalier Area	07/01/88 5.000.0000	
	LEGAL DESCRIPTION: All of Block 237, South Timbalier Area, South Addition, OCS Leasing Map, Louisiana Map No. 6A			

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1955001 - 001	OCS G 7793, BLK 98 Delta West 98	Corpus Christi Exploration Co. LA West Delta Area	09/01/85 5,000.0000	

LEGAL DESCRIPTION:
All of Block 98, West Delta Area,
OCS Leasing Map, Louisiana Map No. 8

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1.25001 - 001	OCS G 5052, BLK 83 Manx	Shell Offshore, Inc. LA South Pass-South Area	04/01/82 5,000.0000	
<p>LEGAL DESCRIPTION: All of Block 83, South Pass Area, South & East Addition, OCS Leasing Map, Louisiana Map No. 9A</p>				

<u>Lease Number</u> <u>Tract</u>	<u>Lessor/Lease Name</u> <u>Product Name</u>	<u>Lessee</u> <u>State/County</u>	<u>Lease Date</u> <u>Gross Acres</u>	<u>Recording Date</u>
1263002 -	OCS G 7805, BLK 109 Main Pass Southeast LEGAL DESCRIPTION: All of Block 109, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10	LA Main Pass-South & East Area	09/01/85 4,994.5500	
1695003 -	OCS G 5714, BLK 202 Annapurna LEGAL DESCRIPTION: All of Block 202, Main Pass Area, South & East Addition, OCS Leasing Map, Louisiana Map No. 10A	Shell Offshore, Inc. LA Main Pass-South & East Area	07/01/83 4,994.5500	
1695004 -	OCS G 5715, BLK 203 Annapurna LEGAL DESCRIPTION: All of Block 203, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10	Shell Offshore, Inc. LA Main Pass-South & East Area	07/01/83 4,994.5500	
1695005 - 001	OCS G 5716, BLK 208 Annapurna LEGAL DESCRIPTION: All of Block 208, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10	Shell Offshore, Inc. LA Main Pass-South & East Area	07/01/83 4,994.5500	
1730001 - 001	OCS G 6122, BLK 215 Shaata LEGAL DESCRIPTION: All of Block 215, Main Pass Area, South & East Addition, OCS Leasing Map, Louisiana Map No. 10A	Shell Offshore, Inc. LA Main Pass-South & East Area	06/01/84 4,994.5500	

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1730002 - 001	OCS G 6823, BLK 216 Shasta	Shell Offshore, Inc. LA Main Pass-South & East Area	06/01/84 4,994.5500	
LEGAL DESCRIPTION: All of Block 216, Main Pass Area, South & East Addition, OCS Leasing Map, Louisiana Map No. 10A				
1730003 - 001	OCS G 6824, BLK 226 Shasta	Shell Offshore, Inc. LA Main Pass-South & East Area	06/01/84 4,994.5500	
LEGAL DESCRIPTION: All of Block 226, Main Pass Area, South & East Addition, OCS Leasing Map, Louisiana Map No. 10A				

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1262001 - 001	OCS G 5694, BLK 98 Main Pass 98	Corpus Christi Exploration Co. LA Main Pass Area	07/01/83 4,994.5500	
LEGAL DESCRIPTION: All of Block 98, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10				
1864001 - 001	OCS G 7800, BLK 43 F Main Pass 43 F & G	Corpus Christi Exploration Co. LA Main Pass Area	07/01/85 367.0500	
LEGAL DESCRIPTION: All of Block 43F, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10 Being that portion of Block 43, Main Pass Area, OCS Leasing Map, Louisiana Map No. 10, seaward of the line established pursuant to Section 8 (g) of the OCS Lands Act as amended, specifically described as follows:				
INTERSECTIONS		ARC CENTERS		
X	Y	X	Y	
1. 2 723 402.91'	263 330.00'	1-2 2 689 305'	250 395'	
2. 2 720 195.06'	269 780.17'	2-3 2 688 235'	252 715'	
3. 2 719 669.08'	270 705.00'	*3-4 2 681 915'	257 755'	
4. 2 714 631.25'	270 705.00'			
5. 2 714 631.25'	267 017.50'			
6. 2 709 100.00'	267 017.50'	*Tangent Segment		
7. 2 709 100.00'	263 330.00'			
8. 2 723 402.91'	263 330.00'			

<u>Lease Number</u>	<u>Lessor/Lease Name</u>	<u>Lessee</u>	<u>Lease Date</u>	<u>Recording Date</u>
<u>Tract</u>	<u>Prospect Name</u>	<u>State/County</u>	<u>Gross Acres</u>	
1864002 - 001	OCS G 7801, BLK 43 G Main Pass 43 F & G	Corpus Christi Exploration Co. LA Main Pass Area	07/01/85 1,661.9800	

LEGAL DESCRIPTION:

All of Block 43G, Main Pass Area,
OCS Leasing Map, Louisiana Map No. 10
Being that portion of Block 43, Main Pass Area, OCS Leasing Map,
Louisiana Map No. 10, landward of the line established pursuant to
Section 8 (g) of the OCS Lands Act as amended, specifically
described as follows:

INTERSECTIONS				ARC CENTERS			
	X		Y		X		Y
1.	2	723	402.91'	263	330	00'	
2.	2	720	195.06'	269	780	17'	
3.	2	719	669.08'	270	705	00'	
4.	2	714	631.25'	270	705	00'	
5.	2	714	631.25'	267	017	50'	
6.	2	709	100.00'	267	017	50'	
7.	2	709	100.00'	263	330	00'	
8.	2	723	402.91'	263	330	00'	

*Tangent Segment

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1692001 -	OCS G 5739, BLK 22 Achilles	Shell Offshore, Inc. LA Chandeleur Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 22, Chandeleur Area, OCS Leasing Map, Louisiana Map No. 11			
1692002 -	OCS G 5742, BLK 34 Achilles	Shell Offshore, Inc. LA Chandeleur Area	07/01/83 5,000.0000	
	LEGAL DESCRIPTION: All of Block 34, Chandeleur Area, OCS Leasing Map, Louisiana Map No. 11			

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1301001 -	OCS G 6045, BLK 651 Matagorda Island 651	Corpus Christi Oil & Gas Co. TX Matagorda Is. S.B. Area	10/01/83 5,760.0000	
	LEGAL DESCRIPTION: All of Block 651, Matagorda Island Area, OCS Leasing Map, Texas Map No. 4			
1302001 -	OCS G 6052, BLK 687 Matagorda Island 687	Corpus Christi Oil & Gas Co. TX Matagorda Is. S.B. Area	10/01/83 5,760.0000	
	LEGAL DESCRIPTION: All of Block 687, Matagorda Island Area, OCS Leasing Map, Texas Map No. 4			
1708001 -	OCS G 4997, BLK 588 Cortez	Shell Offshore, Inc. TX Matagorda Is. S.B. Area	04/01/82 5,760.0000	
	LEGAL DESCRIPTION: All of Block 588, Matagorda Island Area, OCS Leasing Map, Texas Map No. 4			

Lease Number	Lease Name	Block	State/County	Leasee	Lease Date	Recording Date
1148001	OCS G 4110 Block 437	437	TX Brazos	Primary Fuels, Inc.	08/01/78 5,760.0000	08/01/78
LEGAL DESCRIPTION: ALL OF BLOCK 437, BRAZOS AREA, OCS LEASING MAP, TEXAS MAP NO. 5						
1214002	OCS G 4845 Block 438	438	TX Brazos	Atlantic Richfield Company	09/01/78 2,600.0000	VOL 115 PG 391
LEGAL DESCRIPTION: E 7 OF BLOCK 438, BRAZOS AREA, OCS LEASING MAP, TEXAS MAP NO. 5						
1214003	OCS G 4258 Block 436	436	TX Brazos	Atlantic Richfield Company	01/01/78 5,760.0000	
LEGAL DESCRIPTION: ALL OF BLOCK 436, BRAZOS AREA, OCS LEASING MAP, TEXAS MAP NO. 5						

Lease Number	Lease/L	Lease No.	State/County	Lessee	Lease Date	Recording Date
1967001	001	OCS 463	TX Galveston S. B. Area	Shell Offshore, Inc.	11/01/85	5,760.0000

LEGAL DESCRIPTION:
ALL OF BLOCK 463, GALVESTON AREA, OCS LEASING MAP, TEXAS MAP NO. 6

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1300001 -	OCS G 6147, BLK 86 High Island 86, 117 LEGAL DESCRIPTION: All of Block 86, High Island Area, OCS Leasing Map, Texas Map No. 7	Corpus Christi Exploration Co TX High Is. S.B. Area	10/01/83 5,760.0000	
1300602 -	OCS G 7277, BLK 117 High Island 86, 117 LEGAL DESCRIPTION: All of Block 117, High Island Area, OCS Leasing Map, Texas Map No. 7	Corpus Christi Exploration Co TX High Is. S.B. Area	09/01/84 5,760.0000	
1702002 -	OCS G 6172, BLK 232 Bo LEGAL DESCRIPTION: All of Block 232, High Island Area, OCS Leasing Map, Texas Map No. 7	Shell Offshore, Inc. TX High Is. S.B. Area	10/01/83 5,760.0000	
1715001 -	OCS G 6173, BLK A-1 Glenda East LEGAL DESCRIPTION: All of Block A-1, High Island Area, OCS Leasing Map, Texas Map No. 7	Shell Offshore, Inc. TX High Is. S.B. Area	10/01/83 5,760.0000	

Lease Number	Lessor/Lesse Name	State/County	Lessee	Lease Date	Recording Date
1067001 001	OCS-BASIC Matagorda Island 546	TX	Corpus Christi Exploratory Co	10/01/88 5,750.0000	
LEGAL DESCRIPTION: All of Block 546, Matagorda Island Area, OCS Leasing Map, Texas Map No. 4					

This Schedule sets forth Production Costs set forth in Section 1.21(a)(ii)

SCHEDULE C

Attached to and made a part of Overriding Royalty Interest Conveyance (the "Conveyance") from Subject Interest Owner to Royalty Owners.

PRODUCTION COSTS

I. Definitions

1. Defined terms used in the Conveyance to which this Schedule C is attached have the same meaning when used hereir.
2. "Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
3. "First Level Supervisors" shall mean those employees whose primary function is the direct supervision of other employees and/or contract labor directly employed on the Subject Interests in a field operating capacity.
4. "Material" shall m personal property, equipment or supplies acquired or held for use on the Subject Interests.
5. "Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Property.
6. "Operator" shall mean the Subject Interest Owner.
7. "Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Subject Interest Owner's employees.
8. "Property" shall mean the property to which a Subject Interest described in Schedule B to the Conveyance relates.

9. "Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function is the handling of specific operating conditions and problems for the benefit of the Subject Interests.

II. Direct Costs

1. Rentals and Royalties.

Direct costs shall include (i) lease rentals (including delay rentals and shut-in gas payments) and (ii) royalties burdening the Property which were in existence at the Closing Date.

2. Labor.

- A. (1) Salaries and wages of Operator's field employees directly employed on the Property in the conduct of Operations.
- (2) Salaries of First Level Supervisors in the field are not covered by the Overhead rates.
- (3) Salaries and wages of Technical Employees directly employed on the Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable under Paragraph 2A of this Section II.

3. Employee Benefits.

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty percent (20%) or the percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. Material.

Material purchased or furnished by Operator for use on the Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation.

Transportation of employees and Material necessary for Operations but subject to the following limitations:

- A. If Material is moved to the Property from the Operator's warehouse or other properties, no charge shall be made for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point. No charge shall be made for moving Material to other properties belonging to Operator.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$200 or less excluding accessorial charges.

6. Services.

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1.ii of Section III. The cost of professional consultation services and contract services of technical personnel directly engaged in connection with the Property. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Property shall not be charged.

7. Equipment and Facilities Furnished by Operator.

- A. Operator shall charge for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed the Prime Rate plus two per cent per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Property.

All costs or expenses necessary for the repair or replacement of Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct.

9. Legal Expense.

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made; provided, however, that a charge may be made for the expense of outside

attorneys in connection with any actions brought by Operator against third parties which actions a prudent operator would determine to bring or to defend actions brought by third parties against Operator in connection with the operations hereunder. All other legal expense is considered to be covered by the overhead provisions of Section III.

10. Taxes.

All taxes of every kind and nature assessed or levied upon or in connection with the Property, the operation thereof, or the production therefrom and which taxes have been paid by the Operator.

11. Insurance.

Net premiums paid for insurance required to be carried for Operations. In the event Operations are conducted in a state in which Operator may act as self-insurer for Workmen's compensation and/or Employers Liability under the respective state's laws, Operator may, at his election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures.

Any other expenditure not covered or dealt within the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Operations.

III. Overhead

1. Overhead -- Drilling and Producing Operations.

- (i) As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on the Fixed Rate Basis provided below. Such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or, except as otherwise provided in this Schedule C, matters before or involving governmental

agencies shall be considered as included in the
Overhead rates provided for.

(ii) The salaries, wages and Personal Expenses of Technical Employees not directly employed on the Property shall be covered by the Overhead rates, and the costs of professional consultants' services and contract services of technical personnel directly employed on the Property shall not be covered by the Overhead rates.

A. Operator shall charge the following rates per well per month:

Drilling Well Rate: Rates competitive with the fees of unaffiliated persons in the area engaged in the business of rendering comparable services.

Producing Well Rate: Rates competitive with the fees of unaffiliated persons in the area engaged in the business of rendering comparable services.

B. Application of Overhead -- Fixed Rate Basis shall be as follows:

(1) Drilling Well Rate

(a) Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for ten (10) or more consecutive days.

(b) Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for ten (10) or more consecutive days.

(c) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from the date workover operations, with

rig, commence through the date of rig release, except that no charge shall be made during suspension of operations for ten (10) or more consecutive days.

(2) Producing Well Rates

- (a) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - (b) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (c) A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - (d) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- C. The well rates shall be adjusted as of the first day of April each year commencing in 1989. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

IV. Pricing of Material Purchases,
Transfers and Dispositions

Operator is responsible for Material and shall make proper and timely charges and credits for all material movements affecting the Property. Operator shall provide all material

for use on the Property. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or sale to outsiders. The disposal of surplus Controllable Material not purchased by the Operator shall be determined by Operator.

1. Purchases.

Material purchased shall be charged at the price, including carrying costs incurred during the 24-month period preceding the sale, paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be allowed when adjustment has been received by the Operator.

2. Transfers and Dispositions.

Material furnished to the Property and Material transferred from the Property or disposed of by the Operator shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing of Paragraph 2A(1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as

listed by a reliable supply store or f.o.b. railway receiving point nearest the Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged as new Material, or
 - (b) At sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or

at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

D. **Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced by the Operator. Such price should result in the Operations being charged with the value of the service rendered by such Material.

E. **Pricing Conditions**

- (1) Loading and unloading costs may be charged at the rate of twenty-five cents (25) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. **Premium Prices.**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has not control, the Operator may charge for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Property.

V. **Inventories**

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation.**

At reasonable intervals, Inventories shall be taken by Operator of the Controllable Material.

2. Reconciliation and Adjustment of Inventories.

Reconciliation of a physical inventory with charges against Operations shall be made, and inventory adjustments shall be made by Operator for coverages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories.

Special Inventories may be taken whenever there is any sale or change of interest in the Property. It shall be the duty of the party selling to notify all other working interest holders as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories.

The expense of conducting periodic Inventories shall not be charged.

END

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