

UPDATE

8/91

7A. DEBTOR (LAST NAME, FIRST, MIDDLE—IF AN INDIVIDUAL)

K.E. Resources, Ltd.

1B. SS# OR FEDERAL TAX NO.

85-0388471

1C. MAILING ADDRESS

3 Vaughan Road, Harpenden, Hertfordshire AL54HU, England

OCS-6 SSS8

2A. ADDITIONAL DEBTOR (IF ANY) (LAST NAME, FIRST, MIDDLE—IF AN INDIVIDUAL)

2B. SS# OR FEDERAL TAX NO.

2C. MAILING ADDRESS

3. DEBTOR'S TRADE NAMES OR STYLES (IF ANY)

SECURED PARTY INFORMATION

4A. SECURED PARTY

First National Bank of Commerce

4B. MAILING ADDRESS

P. O. Box 60279, New Orleans, Louisiana 70160 Attn: Energy Department

5A. ASSIGNEE OF SECURED PARTY (IF ANY)

5B. MAILING ADDRESS

PROPERTY INFORMATION

6A. This FINANCING STATEMENT covers the following types or items of property:

See Exhibit A attached hereto and made a part hereof.

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Minerals Management Service
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6B. Products of collateral are also covered.

7A. Check if applicable and attach legal description of real property:

- Fixture filing under R.S. 10:9-313 See Exhibit B attached hereto and made a part hereof.
- Minerals or the like (including oil and gas) or accounts subject to R.S. 10:9-103(5) will be financed at the wellhead or minehead of the well or mine.
- The debtors do not have an interest of record in the real property. (Enter name and social security/federal tax number of an owner of record in 7B)

7B. OWNER OF REAL PROPERTY (If other than named debtor) (Enter name and ss#/fed. tax # of an owner of record)

7C. SS#/FEDERAL TAX NO.

8. This statement is filed without the debtor's signature to perfect a security interest in collateral (check if so):

- already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.
- which is proceeds of the original collateral described above in which a security interest was perfected.
- as to which the filing has lapsed.
- acquired after a change of debtor's name, identity or corporate structure AND social security or federal tax number.

9. SIGNATURE(S) OF DEBTOR(S)

K.E. Resources, Ltd.

By: *Lambert M. Lymouse*

10. SIGNATURE(S) OF SECURED PARTY(IES)

First National Bank of Commerce

By: *Stephen A. Landry*

11. Return copy to

NAME William C. Wallace
 ADDRESS Schully & Roberts
 1100 Poydras Street, Suite 1800
 CITY, STATE ZIP CODE New Orleans, LA 70160-1800

12. THIS SPACE FOR USE OF FILING OFFICER (DATE, TIME, ENTRY # AND FILING OFFICER)

BEST AVAILABLE COPY

13. Number of additional sheets presented -7-

EXHIBIT A
TO
FINANCING STATEMENT

- (a) All Subject Hydrocarbons and all Proceeds now or hereafter payable, owing, deliverable or otherwise attributable to, from or on account of any of the Subject Hydrocarbons;
- (b) All Proceeds now or hereafter payable, owing, deliverable, performable or otherwise attributable to, from, under or on account of the rights, titles and interests of the Debtor under the Subject Contracts; and
- (c) All other Proceeds now or hereafter payable, owing, deliverable, performable, produced, processed or otherwise attributable to, from, under or on account of any of the Mortgaged Properties.
- (d) The Mortgaged Properties (including those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code,

together with any and all accessions, additions and attachments thereto and the proceeds and products thereof, including without limitations, all cash, general intangibles, accounts and inventory, benefits or rights arising therefrom, and in and to all return or repossessed goods arising from or relating to any of the collateral described herein or other proceeds of any sale or other disposition of such collateral.

For purposes hereof, the following terms shall have the following meanings:

1. "Hydrocarbons" - the following: (a) crude oil, natural gas, casinghead gas, distillate, condensate and other liquid or gaseous hydrocarbons, (b) all other minerals of every kind and character which may be covered by or included in the leases, mineral interests, royalty interests or other interests described in the Property Schedule, and (c) all minerals and substances produced with or extracted, separated, processed or produced from the hydrocarbons or other minerals or substances included in (a) or (b) of this definition.

2. "Hydrocarbon Interests" - the following: (a) leases affecting, relating to or covering any Hydrocarbons and the leasehold interests and estates in the nature of working or operating interests under such leases, as well as overriding royalties, net profits interests, production payments, carried interests, rights of recoupment and other interests in, under or relating to such leases, (b) mineral fee or mineral servitude

interests or other mineral rights in or affecting or relating to Hydrocarbons, (c) mineral royalty interests in or affecting or relating to Hydrocarbons, (d) any other interest in or affecting or relating to Hydrocarbons in place or any other interest providing the right to explore for and produce Hydrocarbons or any other interest providing a right to participate in production of Hydrocarbons and (e) any economic or contractual rights, options or interests in and to any of the foregoing, including, without limitation, any production payment affecting a mineral fee interest, mineral servitude interest, mineral royalty interest, or other mineral right.

3. "Hydrocarbon Instruments" - the meaning set forth in the definition of the Subject Interests.

4. "Hydrocarbon Property" - the meaning set forth in the definition of the Subject Interests herein.

5. "Mortgage" - that certain Act of Collateral Mortgage of Mineral Interests executed by Debtor and affecting the leases more fully described on the Property Schedule, along with any amendments or supplements thereto.

6. "Mortgaged Properties" - all of the following:

(a) The Subject Interests;

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Debtor in and to all Hydrocarbons in and under and that may be produced and saved from, or which accrue or are attributable to, the Subject Interests, including all Hydrocarbons in tank, gathering lines and pipelines and all Proceeds from or attributable to such Hydrocarbons, together with and including, without limitation, all Subject Hydrocarbons and the assigned proceeds;

(c) All rights, titles and interests of the Debtor in, to and under or derived from all the Subject Contracts and all the Proceeds now or hereafter payable, owing, deliverable, performable or attributable to or under the Subject Contracts;

(d) All rights, titles and interests of the Debtor in and to all present and future machinery, equipment and other tangible personal property and all fixtures and improvements now or hereafter (i) situated upon any part of the Hydrocarbon Property or upon any unit or (2) used, useful or held for use in connection with (i) the exploration, development or operation of any part of the Hydrocarbon Property or such unit, as the case may be, or of any support well, or (ii) the production, storage, separation, dehydration, treatment, compression, gathering, transportation,

processing, improvement, marketing, disposal or handling of Hydrocarbons, produced from or attributable to the Hydrocarbon Property or such unit, including, but not by way of limitation, all wells, wellhead equipment, casing, tubing, derricks, tanks, tank batteries, boilers, compressors, separators, dehydration units, heater-treaters, valves, gauge meters, rods, pumps, generators, motors, flow lines, water lines, gas lines, buildings, gas processing plants, pipelines (including gathering lines, laterals and trunklines, if any), offshore platforms, templates, equipment and facilities, water wells, salt water disposal wells, injection wells and other support wells, power lines, and telephone and telegraph lines (all such machinery, equipment and other tangible personal property and fixtures and improvements being herein called the "Operating Equipment");

(e) All rights, titles and interests of the Debtor in, to and under or derived from all existing and future permits, licenses, rights-of-way, easements, leases, franchises, certificates of public convenience and necessity, and similar rights and privileges (1) which relate to or are appurtenant to any Hydrocarbon Property or to any Subject Interest or (2) which are used, useful or held for use in connection with the exploration, development, operation, production, processing, transportation, improvement, sale, marketing, disposal or other handling of (i) any Operating Equipment or (ii) any Hydrocarbon Property or unit or any Hydrocarbons produced therefrom or attributable thereto;

(f) All rights, titles and interests of the Debtor in and to all Proceeds of and other rights relating to insurance or condemnation payable or accruing by reason of the loss of, damage to, or taking of all or any part of the properties or interests hereinabove or hereinbelow described in this definition of the Mortgaged Properties;

(g) All rights, titles and interests of the Debtor in and to all documents, instruments, drafts, acceptances, general intangibles, chattel paper, accounts, and all the Proceeds therefrom or attributable thereto, whether now or hereafter existing, arising out of or relating to the sale, use, exchange, exploration, development, operation, production, storage, gathering, transportation, dehydration, separation, processing, treatment, improvement, marketing, disposal, lease, handling, or other dealings with or of all or any portion of the properties or interests hereinabove or hereinbelow described in this definition of Mortgaged Properties;

(h) Without limiting the foregoing descriptions of any of the Mortgaged Properties, all right, title and interest of the Debtor in and to any equipment and inventory, including, but not limited to, all equipment, goods, merchandise, raw materials and

supplies and other tangible personal property, now or hereafter owned, acquired or leased by the operator of any Hydrocarbon Property, units or support wells or any other party carrying out operations thereon for the joint account or interest of the Debtor and one or more other working or operating interest owners therein; and all documents now and at any time or times hereafter obtained or acquired by the Debtor covering or representing any of the above-described properties;

(i) All seismic, geological, engineering, title and legal data and files, drilling reports, production records and other data, reports and information (including computer tapes), whether now or hereafter existing, arising out of or relating to the sale, use, exchange, exploration, development, operation, production, storage, gathering, transportation, dehydration, separation, processing, treatment, improvement, marketing, disposal, lease, handling, or other dealings with or of all or any portion of the properties or interests hereinabove or hereinbelow described in this definition of Mortgaged Properties; (all of which items are hereinafter called the "Subject Records");

(j) Each and every right privilege, hereditament and/or appurtenance in anywise incident or appertaining to any of the properties or interests hereinabove or hereinbelow described in this definition of the Mortgaged Properties; and

(k) All right, title and interest of the Debtor in and to the Proceeds from or attributable to the rights, titles and interests hereinabove referred to in this definition of the Mortgaged Properties, all guarantees and suretyship agreements relating to any such Proceeds, or such rights, titles and interests of the Debtor therein, and all security for payment or performance thereof, now or hereafter existing or arising.

7. "Proceeds" - all of the following: (a) monies, rents, revenues, royalties, accounts receivable, profits, income, securities, proceeds and other sums, (b) services to be performed by parties other than the Debtor under any Subject Contract, and (c) products and benefits.

8. "Property Schedule" - Exhibit B attached to the Financing Statement to which this exhibit is attached.

9. "Subject Contracts" - all presently existing and future purchase, sale or exchange agreements, division and transfer orders, advance payment agreements, processing contracts, plant agreements, operating agreements, gas balancing or deferred production agreements, pooling, unitization or communitization agreements, pipeline, gathering or transportation agreements, platform agreements, drilling contracts, injection or repressuring

agreements, cycling agreements, construction agreements, salt water or other disposal agreements, leases or rental agreements and any and all other contracts or agreements covering, arising out of, used or useful in connection with or otherwise pertaining to the exploration, development, operation, production, sale, use, purchase, exchange, storage, separation, dehydration, treatment, compression, gathering, transportation, processing, improvement, marketing, disposal or handling of the Subject Interests (or the Hydrocarbon Property, units or support wells) or the Subject Hydrocarbons, including, without limitation, any contracts or agreements described in the Property Schedule.

10. "Subject Hydrocarbons" - all the Hydrocarbons produced and saved from, or which accrue or are attributable to, the Subject Interests, together with all minerals, substances and other products extracted, separated, processed or produced from said Hydrocarbons, but shall not include Hydrocarbons prior to their production and severance.

11. "Subject Interests" - all the following:

(a) The undivided interests specified in the Property Schedule in, to and under the Hydrocarbon Interests specifically described in the Property Schedule and, without limiting the foregoing, all interests of the Debtor in, to and under or derived from the Hydrocarbon Interests which are specifically described in the Property Schedule and the property described in, covered by and subject to said Hydrocarbon Interests, even though such interests of the Debtor may be incorrectly described or referred to in, or a description thereof may be omitted from, the Property Schedule, as such interests may hereafter be enlarged or vest in whole or in part (1) by the occurrence of any reversion or the vesting of any reversionary or remainder interest, (2) by the discharge or realization of any sum or amount of production, production proceeds or any payments out of production, (3) by the removal or discharge of any charges, restrictions, exceptions, reservations, conditions, limitations, interests, encumbrances or other matters, or (4) by the occurrence of any other event or circumstance, together with the Debtor's interests in, to or under, or derived from, any and all renewals and extensions of any of said Hydrocarbon Interests, it being specifically intended hereby that any new Hydrocarbon Interest (i) in which an interest is acquired by the Debtor after the termination or expiration of any Hydrocarbon Interest the interest of the Debtor in, to or under, or derived from, which are subject to the lien, assignment and security interest of the Mortgage, and (ii) which covers or relates to all or any part of, or any interest in, the real property described in and covered by such terminated or expired Hydrocarbon Interest, shall, to the extent and only to the extent, such new Hydrocarbon Interest may cover such real property, be considered a renewal or extension of

such terminated or expired Hydrocarbon Interest (all of the leases, conveyances, agreements and other instruments creating, granting, reserving or otherwise establishing any of the Hydrocarbon Interests described or referred to above in this subsection (a) being herein called the "Hydrocarbon Instruments," and all real property described in, covered by and subject to any of the Hydrocarbon Instruments being herein together called the "Hydrocarbon Property");

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Debtor in and to (i) those Hydrocarbon Interests now or hereafter pooled or unitized with all or any portion of the Hydrocarbon Instruments or Hydrocarbon Property or all or certain of the Hydrocarbons in, on or under the Hydrocarbon Property or portions thereof, and (ii) all existing or future unitization, communitization or pooling agreements and declarations of pooled units and the units created thereby (including, without limitation, all units created under or pursuant to any Hydrocarbon Law) that may affect all or any portion of the Hydrocarbon Instruments or Hydrocarbon Property or all or certain of the Hydrocarbons in, or under the Hydrocarbon Property or portions thereof, including, without limitation, those units which may be described or referred to in the Property Schedule; and

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Debtor in and to any water well, air, gas, waste, water or other injection well, expendable or preplatform well or salt water or other disposal well (herein collectively called the "Support Wells") which is used, useful or held for use in connection with the exploration, development or operation of any of the Hydrocarbon Property or any Unit.

12. "Uniform Commercial Code" - Louisiana Commercial Laws - Secured Transactions (Chapter 9, Louisiana Revised Statutes, Title 10, as amended).

13. "Unitized Interests" - all those Subject Interests that are described in subsection (b) of the definition of Subject Interests herein.

**EXHIBIT B
TO
FINANCING STATEMENT
PROPERTY SCHEDULE**

State Lease No. 1961, dated May 11, 1951, executed by the State of Louisiana in favor of Shell Oil Company, recorded in Conveyance Book 153, Folio 742 of the records of Plaquemines Parish, Louisiana.

OCS-G 5315: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, effective July 1, 1983, covering all of Block 368, West Cameron Area, West Addition OCS Leasing Map, Louisiana Map No. 1A.

OCS-G 5557: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, dated effective as of July 1, 1983, covering all of Block 201, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5.

OCS-G 5558: Oil and Gas Lease between the United States of America, as Lessor, and Tenneco Oil Company, as Lessee, dated effective as of July 1, 1983, covering all of Block 202, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5.

STATE OF LOUISIANA

PARISH OF ORLEANS

COLLATERAL MORTGAGE OF MINERAL INTERESTS

BE IT KNOWN, that on this 18th day of June, 1991,-before me, the undersigned notary public duly commissioned and qualified in and for the aforesaid parish and state, and in the presence of the witnesses hereto subscribed, personally came and appeared:

K.E. RESOURCES, LTD., a corporation organized under the laws of the state of Delaware, represented herein by Lambert M. Laperouse, its representative, duly authorized by resolutions of the Board of Directors, a certified original of which is attached hereto as a part hereof and identified as Exhibit A (hereinafter referred to as "Mortgagor"),

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who declared to me, Notary, and in the presence of said witnesses, that Mortgagor is desirous of obtaining funds from any person, firm or corporation willing to loan same; and that Mortgagor is desirous of securing the performance of any obligations that it has previously incurred or may hereafter incur, directly or indirectly, as primary obligor or secondary obligor, or as guarantor, endorser or surety of the obligation or obligations or indebtedness of other persons or entities; and for such purposes, Mortgagor does by these presents declare and acknowledge an indebtedness in the sum of TEN MILLION AND NO/100 (\$10,000,000.00) DOLLARS and to evidence such indebtedness has executed one certain demand promissory note for the sum of TEN MILLION AND NO/100 (\$10,000,000.00) DOLLARS of even date herewith (the "Note"), made payable to order of Bearer, due on demand at the offices of FIRST NATIONAL BANK OF COMMERCE, 210 Baronne Street, New Orleans, Louisiana (hereinafter, together with any future holders of the Note, the "Mortgagee"), which Note stipulates to bear interest at the rate of eighteen (18%) percent per annum from date thereof until paid, and ten (10%) percent attorney's fees and which Note (an unexecuted copy of which is attached hereto as a part hereof and identified as Exhibit B), after having been paraphrased "Ne Varietur" by me, said Notary, for identification with this Act of Collateral Mortgage of Mineral Interests (hereinafter referred to as the "Mortgage"), was delivered to Mortgagor who hereby acknowledges receipt thereof, and Mortgagor further declared that the Note would be negotiated for the purpose of raising funds and securing obligations, as heretofore stated, and Mortgagor does hereby acknowledge that it is justly indebted unto Mortgagee in the full amount of the Note, together with interest, ten (10%) percent

attorney's fees and collection fees, and all other costs and indebtedness provided for herein, should any accrue.

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

AND NOW, in order to secure the full, due and punctual payment of all indebtedness evidenced by the Note, and/or any extension or renewal thereof, as well as all costs, taxes, assessments, charges, insurance premiums, attorney's and collection fees, and other costs and indebtedness incurred and paid hereunder, and to secure the faithful observance and performance of all of the obligations, agreements, covenants and stipulations contained herein or in the Note, Mortgagor declares that it does by these presents mortgage, affect, pledge and hypothecate to Mortgagee, whether the Note be held by Mortgagee as an original obligation or in pledge, the following rights, interests and properties (collectively, the "Mortgaged Property");

1. All of the oil, gas or mineral leases or subleases (and any extensions or renewals of same), mineral servitudes, mineral royalty or overriding royalty interests, operating rights and other mineral rights or property interests particularly described on Exhibit C attached hereto and made a part hereof together with all of Mortgagor's interest in any unit or units now or hereafter formed, conventionally or legally, for the exploration, development, production or disposition of oil, gas and other minerals, to the extent ownership or participation in such unit is derived or based upon the ownership of the mineral rights and other property interests described on Exhibit C; and
2. All other oil, gas and mineral leases or subleases (and any extensions or renewals of same), mineral servitudes, mineral royalty or overriding royalty interests, operating rights, and other mineral rights or property interests which are now owned or claimed, or which may hereafter be acquired or claimed, by Mortgagor, insofar as they lie within the boundaries of the lands described in Exhibit C or which may be taken as a renewal, substitution or

replacement of the property or mineral interests of Mortgagor covering such lands; and

3. All other oil, gas and mineral leases or subleases (and any extensions or renewals of same), mineral servitudes, mineral royalty or overriding royalty interests, operating rights, and any other mineral rights or property interests lying within the boundaries of any limit now existing or hereafter formed, conventionally or legal, for the exploration, development, production or disposition of oil, gas and other minerals, that includes any mineral rights or property interests described in paragraphs 1. and/or 2. above, including particularly any such interests lying within the boundaries of any unit created hereafter or any extensions or revision of any existing or subsequently created unit or units; and
4. Any other mineral right or property interest presently owned or hereafter acquired by Mortgagor within the boundaries of the land described in Exhibit C.

Mortgagor warrants that its present interests in the Mortgaged Property are as set forth on Exhibit C hereto.

It is the intention of Mortgagor to include herein all interests whatsoever owned by it in and to, or relating to, the property lying within the boundaries of the lands described in Exhibit C.

ARTICLE I.

REPRESENTATIONS, WARRANTIES, AND COVENANTS

1.1 Mortgagor represents, warrants and covenants that:

(a) The Note and the Mortgage are legal, valid and binding obligations of Mortgagor;

(b) Mortgagor is the lawful owner of the Mortgaged Property, and has good right and authority to mortgage, affect, pledge and hypothecate the same without the consent of any other person, and Mortgagor has not transferred or subleased or agreed to transfer or sublease any of the Mortgaged Property;

(c) Each of the leases comprising a portion of the Mortgaged Property is valid and subsisting and is in full force and effect;

(d) All royalties due and payable under the leases comprising a portion of the Mortgaged Property and all severance and production taxes and other taxes payable with respect to the production therefrom have been timely and properly paid;

(e) The Mortgaged Property is free and clear of all liens, burdens, preferential purchase rights, encumbrances or other restrictions or limitations of any nature or kind except for the Title Exceptions;

(f) All producing wells located on the leases comprising a portion of the Mortgaged Property have been drilled, operated and produced in conformity with all applicable laws and rules, regulations and orders of all regulatory authorities having jurisdiction, and are subject to no penalties on account of past production;

(g) None of such wells are deviated from the vertical more than the maximum permitted by applicable laws, rules and regulations;

(h) Such wells are in fact bottomed under and are producing from, and the well bores are wholly within the lands affected by the leases comprising a portion of the Mortgaged Property; and

(i) Mortgagor warrants and will forever defend the title to the Mortgaged Property against the claims of all persons whomsoever claiming or to claim the same or any part thereof;

(j) All costs, expenses and charges incurred by or chargeable to Mortgagor in connection with the ownership, exploration, drilling, development or operation of the leases comprising a portion of the Mortgaged Property or under the terms of any contracts or agreements relating to the Mortgaged Property have been paid, except for those that are current and not yet due.

(k) Mortgagor is not obligated in any material respect by virtue of any prepayment previously made or any other obligation of any contract to which it or the leases comprising a portion of the Mortgaged Property are subject, or by virtue of any law, rule, regulation or order:

(1) To deliver hydrocarbons to be produced from or allocated to any of the leases comprising a portion of the Mortgaged Property without receiving full payment therefor at the time of delivery;

(2) To not fully producing any share of the production otherwise attributable to the

leases comprising a portion of the Mortgaged Property in the future or to deliver some portion thereof to another lessee or owner in the field from which such lease is producing, or to permit or allow such other lessee or owner to produce or retain some portion of the production from such field that would otherwise be attributable to the leases comprising a portion of the Mortgaged Property;

(3) To refund or pay to any other person or to allow such person to recover from production from the Mortgaged Property or the proceeds thereof, any substantial amounts incurred in the operation of the Mortgaged Property, or for the overpayment by such persons of amounts arising out of the operation of the Mortgaged Property or as a result of amounts due under the terms of any contracts or order or as a result of any joint operation with others or attributable to units in which others have an interest, except for such amounts as may be routinely due as a result of current operations; or

(4) To pay any third person any amounts measured by or attributable to such future production, except as to such amounts as are expressly noted in Exhibit C and for which Mortgagor has established (and will keep and maintain) monetary reserves in segregated accounts, adequate in amount to satisfy such obligations.

(1) There is no law, regulation, rule or order, nor any proceedings instituted or pending by any governmental agency, nor any claim or suit asserted by any person which may require Mortgagor to refund any material portion of the proceeds heretofore received or that may hereafter be received from the sale or other disposition of hydrocarbons produced from or attributable to the Mortgaged Property.

1.2 So long as the indebtedness secured hereby or any part hereof remains unpaid, Mortgagor, for itself, its successors and assigns, covenants and agrees with Mortgagee as follows:

(a) To pay and discharge promptly, as and when due, and in apt time to prevent and avoid any sale or forfeiture of the Mortgaged Property therefor, all taxes, assessments, forced contributions, local assessments and governmental charges of every description which shall, from time to time, be legally imposed, or

assessed, or levied by any lawful taxing authority, federal, state or local, upon the Mortgaged Property, or any part thereof, so that the priority of these presents, as herein stipulated for, shall at all times be duly maintained and preserved; provided, however, that Mortgagor shall not be required to pay any such taxes, assessments or charges so long as the validity, or the amount thereof, shall be contested in good faith by Mortgagor in a court of competent jurisdiction, and so long as such contestation shall remain undetermined; but provided further that, in any such event, Mortgagee, at its option, and as a condition precedent to any such contest, shall be entitled to demand of Mortgagor and Mortgagor hereby agrees to furnish adequate security to protect Mortgagee in the premises. In the event Mortgagor should, for any reason, fail to promptly pay and discharge any such taxes, assessments, forced contributions, local assessments and governmental charges, as and when due, and in apt time to prevent and avoid any sale or forfeiture of the Mortgaged Property therefor, then Mortgagee shall be authorized to pay the same with full subrogation to all rights of the taxing authorities by reason of such payment and the amounts so paid, up to a maximum sum equal to twenty-five (25%) percent of the original principal amount of the Note, shall be secured by the Mortgage, and Mortgagor, its successors and assigns, covenants and agrees that within ten (10) days after payment and demand therefor by Mortgagee it shall repay the amounts so paid by Mortgagee as taxes, assessments, etc., together with interest at the rate per annum equal to the Default Rate (as hereinafter defined) thereon from date of such payment until said amount is repaid. In case of default in the payment of such amount by Mortgagor, with interest, as aforesaid, then at the election and option of Mortgagee, anything herein, or in the Note to the contrary notwithstanding, the whole amount of the indebtedness secured hereby, including the amount paid on account of such taxes, assessments, etc., as aforesaid, shall become immediately due and payable, and Mortgagor covenants and agrees to pay same upon demand. Nothing herein contained shall be construed, however, as making the payment of such taxes, assessments, etc., obligatory upon Mortgagee, or as making it liable for any loss, damage or injury resulting from the nonpayment of said taxes, assessments, etc.

(b) To promptly pay and discharge (within the time periods as are customary in the oil and gas industry) all debts, claims and demands of whatever name, nature or kind which might by law be entitled to liens affecting the Mortgaged Property or any part thereof; but nothing herein contained shall be construed to require Mortgagor to pay any such debt, claim or demand, so long as the validity or amount thereof shall be contested in good faith in a competent court by Mortgagor and such contestation shall remain undetermined; provided, however, that if Mortgagor elects to contest any such debt, claim or demand, Mortgagee, at its option, and as a condition precedent to such contest, shall be entitled to

demand of Mortgagor and Mortgagor agrees to furnish security satisfactory to Mortgagee to protect Mortgagee in the premises;

(c) To permit Mortgagee and its authorized agents and employees at all times to go upon, examine, inspect and remain on the Mortgaged Property, and to go upon the derrick floor of any well at any time drilled or being drilled thereon, and to furnish to Mortgagee on request all pertinent information in regard to the development and operation of the Mortgaged Property;

(d) To furnish to Mortgagee, if Mortgagee shall so request, periodic statements showing that Mortgagor has paid to the proper department of the United States of America or other appropriate party, as the case may be, all royalties and other lease payments due on production of oil, gas or other minerals from the Mortgaged Property, the said statements to be furnished within fifteen days after such royalties and other lease payments are due to the United States of America under the terms of the leases comprising a portion of the Mortgaged Property;

(e) That Mortgagor will cause the Mortgaged Property to be operated in a good and workmanlike manner in accordance with all applicable laws and rules, regulations and orders promulgated by all duly constituted authorities and in accordance with the provisions of each of the leases comprising a part of the Mortgaged Property, the failure to comply with which could materially affect the value of the Mortgaged Property, and will maintain all of the Mortgaged Property in good operating condition, causing all necessary repairs, renewals, replacements, additions and improvements to be promptly made;

(f) That Mortgagor will observe and comply with all of the terms and provisions, express or implied, of each of the leases and all material contracts and agreements pertaining thereto, and will not amend any of the leases comprising a part of the Mortgaged Property, agreements or other instruments, so as to materially affect the value of the Mortgaged Property, or terminate any of the leases comprising a part of the Mortgaged Property, agreements or other instruments, or surrender, abandon or release any of the leases comprising a part of the Mortgaged Property in whole or in part, so long as any well situated thereon, or located on any unit containing all or any part of the leases comprising a part of the Mortgaged Property, is capable of producing oil, gas or other hydrocarbons or other minerals in paying quantities, and will not sell or otherwise dispose of or encumber the Mortgaged Property, or any part thereof other than by this Mortgage;

(g) That Mortgagor will promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage or in the execution or acknowledgment thereof, and will execute and deliver any and all additional instruments as may be

required to correct such defect, error or omission or to identify any additional properties which are or become subject to this Mortgage;

(h) That Mortgagor will keep and maintain all records, reports, accounts, files, correspondence and other similar data as is usually and customarily kept by persons engaged in operations similar to that of Mortgagor, and also as are customarily kept and maintained by Mortgagor pertaining to the Mortgaged Property or its ownership or operation; permit Mortgagee from access thereto and supply Mortgagee, upon request, with copies thereof;

(i) That Mortgagor will not transfer, sell, alienate, encumber, damage or deteriorate the Mortgaged Property, or any part thereof; and

(j) That Mortgagor will not enter into any operation agreements, farmout agreements, processing agreements, agreements for the sale of production, subleases, assignments or any other agreement or contract materially affecting the Mortgaged Property or Mortgagor's interests therein or modifying, contractually or otherwise, any of Mortgagor's rights, privileges and obligations with respect to the Mortgaged Property, or restricting Mortgagor's right to freely exercise Mortgagor's rights thereunder or with respect thereto or imposing any burden or charge upon the operations thereof.

ARTICLE II.

WAIVER AND PARTIAL RELEASE

Mortgagee may, at any time and from time to time, in writing:

(a) Waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing; or

(b) Consent to Mortgagor's commission of any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failure to do any act which hereunder the Mortgagor is required to do, to the extent and in the manner specified in such writing; or

(c) Release any part of the Mortgaged Property or any interest therein from the lien of this Mortgage.

No such act shall in any way impair the rights of Mortgagee hereunder.

ARTICLE III.

EMINENT DOMAIN

For the purpose of additionally securing the payment of all indebtedness secured hereby and to facilitate the discharge of all such indebtedness, Mortgagor hereby assigns to Mortgagee all awards or other compensation hereinafter made for any taking by expropriation or by eminent domain, either permanent or temporary, of all or any part of the Mortgaged Property, and Mortgagor hereby appoints Mortgagee its agent and attorney in fact, coupled with an interest, and authorizes, directs and empowers such agent at its option on behalf of Mortgagor, its successors or assigns, to adjust and compromise the claim for any such award or compensation and collect and receive the proceeds thereof, to give proper receipts and acquittances therefor, and after deducting expenses of collection to apply the net proceeds as a credit upon any portion of the indebtedness due by Mortgagor to Mortgagee, notwithstanding the fact that the amount owing on such indebtedness may not then be due or payable or that the indebtedness is otherwise adequately secured.

ARTICLE IV.

INSURANCE

Mortgagor will keep such part of the Mortgaged Property which is of an insurable nature and of a character usually insured by persons operating similar properties insured, and will keep in force public liability insurance in such amounts and of a character usually carried by persons operating similar properties, with companies of recognized responsibility satisfactory to Mortgagee against loss or damage by fire and from other causes customarily insured against, and all policies evidencing such insurance (other than public liability insurance) shall contain clauses providing that the proceeds thereof shall be payable to Mortgagee as its interest may appear (and with respect to public liability insurance, Mortgagee shall be named as an additional insured); and in the event of any loss under any of said policies (other than public liability insurance), Mortgagee shall have the right to collect the same, and all amounts so received shall be applied toward costs, charges and expenses, if any, incurred in the collection thereof, then to the payment of the Note and all other indebtedness secured thereby, and any balance remaining shall be subject to the order of Mortgagor; provided, however, that Mortgagor, if no Event of Default and no event which with the

giving of notice or the lapse of time, or both, would be such an Event of Default, has occurred and is continuing hereunder or if Mortgagee consents thereto in writing, may receive all or a portion of said proceeds so collected for the sole purpose of reimbursing the Mortgagor for expenditures made in repairing or restoring the damaged property; and Mortgagee is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or to settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof.

If Mortgagor fails to obtain any insurance required by this Mortgage, Mortgagee from time may procure such insurance or such other insurance as it deems desirable, or may insure its own interests, as it sees fit. Any premiums or other costs expended by Mortgagee for such insurance shall be owed to Mortgagee by Mortgagor, be immediately payable and bear interest at the rate per annum equal to the Default Rate (as hereinafter defined) thereon from date of such payment until said amount is repaid.

Mortgagee may from time to time, discontinue, cancel or otherwise deal with such insurance as it may procure upon Mortgagor's failure to do so and shall have no responsibility to Mortgagor or any other person for its actions or failure to act in connection therewith -- the parties agreeing that it will be acting solely in its own interest and for its own benefit in such cases. Further, Mortgagee shall have no responsibility regarding the solvency of any insurance company selected by it pursuant to the provisions hereof.

ARTICLE V.

DEFAULT AND REMEDIES IN EVENT OF DEFAULT

5.1 The term "Event of Default" as used in this Mortgage shall mean the occurrence of any of the following events that are continuing after notice, if notice is required, and the expiration of any applicable cure periods:

(a) Mortgagor shall fail to pay when due any installment of principal or interest on the Note or on any obligation for which the Note is or may be pledged as security within fifteen (15) days of any notice of deficiency from Mortgagee;

(b) Any representation or warranty made or deemed made by Mortgagor herein or in any other agreement with Mortgagee, including, but not limited to, any act of pledge, collateral mortgage note, promissory note, letter agreement, security agreement or loan agreement executed in connection herewith or

otherwise, shall prove to have been incorrect in any material respect on or as of the date made or deemed made;

(c) Any failure of the Mortgagor to observe or perform any covenant or agreement contained in this Mortgage or in any other agreement with Mortgagee, including, but not limited to, any loan agreement, act of pledge, collateral mortgage note, promissory note, letter agreement or security agreement executed in connection herewith or otherwise;

(d) If the Mortgaged Property or any portion thereof, be seized in the execution of a writ of sequestration, attachment or fieri facias, or in connection with executory process or of any other legal process, and same shall not have been released or bonded within thirty (30) days after the seizure of the Mortgaged Property;

(e) (i) Mortgagor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or (C) the Mortgagor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Mortgagor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) remains undismitted or undischarged for a period of 45 days; or (iii) there shall be commenced against Mortgagor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bended pending appeal, within 45 days from the entry thereof; or (iv) Mortgagor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in (i), (ii) or (iii) above; or (v) Mortgagor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(f) One or more judgments or decrees shall be entered against the Mortgagor involving in the aggregate a liability (not paid or fully covered by insurance) of \$50,000.00 and all such judgments or decrees shall not have been vacated, discharged, or

stayed or bonded pending appeal within 30 days from the entry thereof;

5.2 Upon the occurrence of an Event of Default described in 5.1(e) above, without any notice to the Mortgagor, or any other act by the Mortgagee, all indebtedness of the Mortgagor to Mortgagee shall, upon the expiration of any cure period, become immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by Mortgagor. Additionally, upon the occurrence of any other Event of Default, all indebtedness secured hereby in its entirety shall, at the option of Mortgagee, be immediately due and payable, without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by Mortgagor. Upon the occurrence of any Event of Default, the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law.

5.3 Upon the occurrence of an Event of Default and, if applicable, after the giving of notice and lapse of time provided for in Subsection 5.2 above, Mortgagee is authorized prior or subsequent to the institution of any foreclosure proceedings to enter upon the Mortgaged Property, or any part thereof, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession and operation of the Mortgaged Property. All costs, expenses and liabilities of every character incurred by Mortgagee in managing, operating and maintaining such properties, limited in the aggregate to twenty-five (25%) percent of the original principal of the Note, shall constitute a demand obligation owing by Mortgagor to Mortgagee, shall draw interest from date of expenditure until paid at the rate equal the Default Rate (as hereinafter defined) all of which shall constitute a portion of the indebtedness secured by the lien evidenced by this Mortgage.

5.4 Mortgagor, for itself, its successors and assigns, does by these presents agree and stipulate that it shall be lawful for, and Mortgagor hereby authorizes, Mortgagee, upon the occurrence of an Event of Default and, if applicable, after the giving of notice and lapse of time provided for in Subsection 5.2 above, to cause all and singular the Mortgaged Property to be seized and sold by executory process, without appraisalment, either in its entirety or in lots or parcels, as Mortgagee may determine, to the highest bidder for cash or on such terms as the Mortgagee in such proceedings may direct; and Mortgagor for itself and its successors and assigns, hereby acknowledges the obligations secured hereby whether now existing or to arise hereafter and hereby confesses judgment hereon if the obligations are not paid at maturity, whether such maturity results from the acceleration of such obligations or otherwise.

5.5 To the extent permitted by law, Mortgagor hereby waives: (i) the benefit of appraisal as provided in Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure, and all other laws conferring the same; (ii) the demand and three days delay accorded by Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure required by Articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three days delay provided by Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; (v) the benefit of the other provisions of Articles 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure; and (vi) any other articles or statutes not specifically mentioned above.

5.6 Mortgagee shall have the right to become the purchaser of the Mortgaged Property, or any portion thereof, at any sale held by any receiver or public officer.

5.7 All remedies herein expressly provided for are cumulative of any and all other remedies now existing at law, and Mortgagee shall, in addition to the remedies herein provided, be entitled to avail itself of all such other remedies as may now or hereafter exist at law for the collection of said indebtedness, the enforcement of the covenants herein, and the foreclosure of the lien evidenced hereby; the resort to any remedy provided for hereunder, or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies. Mortgagee shall have the right to appoint a keeper of the Mortgaged Property pursuant to the terms and provisions of Louisiana Revised Statutes 9:5131, et seq., as amended.

5.8 Mortgagee may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the indebtedness secured hereby, in whole or in part, and in such portions and in such order as may seem best to the Mortgagee in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits or liens evidenced by this Mortgage.

5.9 If, while the Mortgage is in effect, the title of Mortgagor, its successors or assigns, to the Mortgaged Property herein described or any part thereof, or the priority of the lien of the Mortgage, is questioned or attacked, directly or indirectly, by suit or other judicial proceedings, or in any other manner, or if a controversy of any nature arises relative to such title or the priority of such lien, or if after this Mortgage is released, any person shall make a claim or demand against Bank on account of any action or omission of Mortgagee, Mortgagor agrees to protect and save harmless Mortgagee from any such costs, loss, damage or claim by reason of such attack, controversy, suit, claim or demand and Mortgagee is hereby authorized and instructed at Mortgagor's cost and expense, to take such steps as in the judgment of Mortgagee may

be necessary or proper to defend against such claim, demand, controversy, suit or attack, including the employment of counsel and the prosecution and defense of litigation; and the expenses incurred in such proceeding, including all sums paid for attorney's fees, court costs and all other expenses of every kind and nature, not to exceed twenty-five (25%) percent of the original principal amount of the Note secured hereby, while this Mortgage remains in effect, shall become an additional part of the debt secured hereby, bearing the rate of interest equal to the Default Rate (as hereinafter defined) be payable on demand, and be secured by the lien and privilege of this Mortgage (the same not having been previously released) upon the Mortgaged Property and whether before or after this Mortgage is released, Mortgagor agrees to pay to Mortgagee on demand all such sums and expenses paid and suffered by Mortgagee and that the same shall be secured by subrogation to all the rights, liens, equities, superior title and benefits held, owned, possessed and received at any time by any owner or holder of any claim, lien, assessment, charge or expense so paid. The rights of Mortgagee secured hereby under this paragraph may be availed of by Mortgagee and exercised at any time regardless of whether the indebtedness secured hereby be then due or not; and it is distinctly understood that the release of this Mortgage shall not relieve Mortgagor of its liability to save Mortgagee harmless from any damage suffered by Mortgagee on account of any claim or demand made against it after release of this Mortgage.

ARTICLE VI.

MISCELLANEOUS PROVISIONS

6.1 THIS MORTGAGE IS IN ALL RESPECTS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF LOUISIANA.

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

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

6.4 The term "Default Rate" as used herein shall be the lesser of (i) five (5%) percent per annum in excess of the Prime Rate, and (ii) the maximum nonusurious rate of interest allowed under applicable law, and the term "Prime Rate" as used herein shall be the rate of interest established from time to time by The Chase Manhattan Bank (National Association) (or its successor) as its prime lending rate. Such "Prime Rate" is not necessarily the

lowest or best rate of interest which the Mortgagee or The Chase Manhattan Bank may from time to time charge any of its customers.

6.5 The term "Title Exceptions" shall mean with respect to the Mortgaged Property, as the context may require, (a) liens incurred in the ordinary course of business or imposed by applicable law but only to the extent that the payment thereof is paid currently in the normal course of business or is being contested in good faith by appropriate proceedings diligently conducted and with respect to which appropriate reserves have been established; (b) imperfections in title to such property as do not in the aggregate materially detract from the value of the such property; (c) liens arising under presently-existing operating, pooling or unitization agreements of a scope and nature customary in the oil and gas industry; and (d) all presently existing royalties, payments out of production, preferential rights to purchase and other burdens which are taken into account in computing the net revenue interest and working interest of Mortgagor warranted in this Mortgage; provided, however, that the inclusion of this provision shall not constitute in any way an acknowledgement by the Mortgagee of the validity, legality, enforceability or binding effect on the Mortgagee of such Title Exceptions, the sole purpose of this provision being to provide that the existence of any of such Title Exceptions shall not in and of itself constitute an Event of Default under this Mortgage.

6.6 This Mortgage is executed and granted for the equal benefit and security of any and all future holder or holders of the Note at whatever period or for whatever cause or for any reason whatsoever the Note shall be issued or re-issued, the purpose of the present act being to enable the Mortgagor to pledge, pawn, hypothecate and deliver on such terms as Mortgagor may deem advisable and proper the Note as collateral security to secure such loan or loans or other obligations as Mortgagor may from time to time desire to make. It is understood and agreed that possession of the Note at any time by Mortgagor shall not in any manner extinguish the Note or this Mortgage securing payment thereof, but that the Mortgagor shall have the right to issue and re-issue the Note from time to time as Mortgagor's interest or convenience may require, without in any manner extinguishing or affecting the obligation of the Note or the security of this Mortgage.

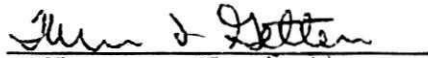
6.7 The maximum amount for which this Mortgage may be deemed to secure the obligations of Mortgagor as herein stipulated to reimburse Bank for the amounts paid for premiums of insurance, taxes, expenses charged under this lien or any other expense or charge provided for herein is hereby fixed at an amount (in the aggregate) equal to twice the principal amount of the Note.

The undersigned Intervenor hereby accepts this Act of Collateral Mortgage of Mineral Interests on behalf of the Mortgagee and any and all future holder or holders of the Note.

THUS DONE AND PASSED, in multiple originals, before me, the undersigned notary public, in the presence of the undersigned competent witnesses, who have hereunto signed their names with the Mortgagor and Intervenor and me, said notary public, after due reading of the whole.

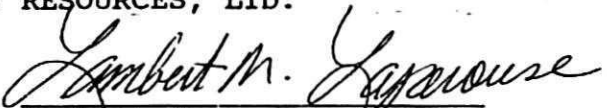
WITNESSES TO ALL
SIGNATURES:


ZAROLINE A. KNOBLOCH
Printed Name

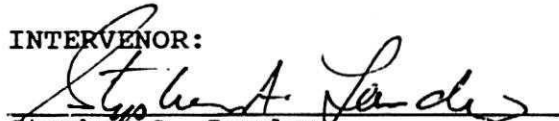

Thomas F. Getten
Printed Name

MORTGAGOR:

K.E. RESOURCES, LTD.

By: 
Lambert M. Laperouse
Its Representative

INTERVENOR:


Stephen A. Landry


William C. Wallace
NOTARY PUBLIC

RESOLUTIONS OF THE
BOARD OF DIRECTORS OF K.E. RESOURCES, LTD.

WHEREAS, K E RESOURCES, LTD. (the "Corporation") proposes to obtain a loan not to exceed the principal sum of \$4,382,534.00 from First National Bank of Commerce (the "Loan") in order to (i) refinance existing indebtedness of the Corporation to the Bank and (ii) finance the Corporation's acquisition of a working interest in the property affected by State Lease No. 1961, dated May 11, 1951, by the State of Louisiana to Shell Oil Company.

NOW, THEREFORE, BE RESOLVED, that Lambert M. Laperouse as the representative of the Corporation, be, and he, acting individually in such capacity, hereby is authorized, empowered and directed by the Corporation to negotiate, execute and deliver for and on behalf of the Corporation, promissory notes, security agreements, mortgages, deeds of trust, financing statements, assignments of security interest, collateral mortgage and collateral chattel mortgage notes, acts of collateral chattel mortgage and collateral mortgage, pledge and assignment, collateral pledge agreements, acts of pledge, and such other financing statements and security instruments as may be desired or required by First National Bank of Commerce as security for the Loan and as security for any and all indebtedness and obligations of the Corporation to First National Bank of Commerce as may exist from time to time, including, but not limited to, the following instruments and documents (drafts of which have been presented to the Board of Directors of the Corporation):

- (a) Loan Agreement;
- (b) Promissory Note in the principal amount of \$4,382,534.00;
- (c) Mortgage of Mineral Interests encumbering all of the Corporation's oil and gas interests in the property more particularly described on Exhibit "A";
- (d) Collateral Mortgage Note in the principal amount of \$10,000,000.00;
- (e) Collateral Pledge Agreement pledging the Collateral Mortgage Note referred to above; and
- (f) Security Agreement and related financing statements affecting the Corporation's movable property related to the property more particularly described on Exhibit "A".

(the documents referred to in paragraph (a) through (f) above are hereinafter sometimes referred to as the "Collateral Documents");
and

BE IT FURTHER RESOLVED, that the Collateral Documents shall be substantially in the form presented to the Board of Directors of the Corporation, but with such changes therein and additions thereto as such authorized representative may approve, his execution thereof being conclusive evidence of such approval; and

BE IT FURTHER RESOLVED, that any and all documents, instruments and agreements executed by the Corporation's representative pursuant to the authority delegated to him herein, including the Collateral Documents, may contain such terms and conditions as he may approve, including the usual and customary Louisiana security devices such as confessions of judgement, pacts de non-alienando, authority for executory process, waivers of appraisalment and waivers of notice and delay, such approval to be conclusively evidenced by his execution thereof; and

BE IT FURTHER RESOLVED, that Lambert M. Laperouse as the representative of the Corporation, be, and he, acting individually in such capacity, hereby is, authorised in the name of and on behalf of the Corporation to take such further action and to do all things that may appear in his discretion to be necessary, advisable or appropriate in connection with renewals, extensions for any period, rearrangements, retirements or compromises of the indebtedness, obligations or liabilities arising out of the loan or any other indebtedness, obligations and liabilities of the Corporation owing to First National Bank of Commerce, either directly or by assignment; and

BE IT FURTHER RESOLVED, that Lambert M Laperouse as the representative of the Corporation, be, and he, acting individually in such capacity, hereby is, authorised, empowered and directed by and on behalf of the Corporation to do or cause to be done all acts or things and to make, execute and deliver or cause to be made, executed and delivered, all such documents, instruments and certificates, including, without limitation, any and all notices and certificates required or permitted to be given or made to First National Bank of Commerce under the terms of any instruments executed on behalf of the Corporation in the name and on behalf of the Corporation or otherwise, including the Collateral Documents, as he in his discretion may deem necessary, proper, advisable or appropriate to effectuate or carry out the purpose and intent of the foregoing resolutions and to perform the obligations of the Corporation under the agreements and documents approved in these resolutions and under each of the instruments, agreements and documents referred to in or annexed to such agreements; and

BE IT FURTHER RESOLVED, that Lambert M Laperouse as the representative of the Corporation, be, and he, acting individually in such capacity, hereby is, authorised, empowered and directed for and on behalf of the Corporation to execute and deliver all of the documents, certificates and agreements which are required to be executed during the term of the Loan by the Corporation, and all documents incident or relating thereto, and to file the record such documents as may be required by law; and

BE IT FURTHER RESOLVED, that the officers of the Corporation, including without limitation H.G. Wilson, R.A. O'Toole, H.A. Allerton as Directors and M. O'Neill as Secretary, are authorised and directed to take all actions necessary to renew and revive the Corporation under the laws of the State of Delaware, including without limitation the execution and filing of a Certificate of Renewal and Revival, and to take all required actions subsequent thereto, including without limitation the calling and convening of all meetings of shareholders and directors as promptly as possible; and

BE IT FURTHER RESOLVED, that the execution by Lambert M. Laperouse as the representative of the Corporation of any document authorised by the foregoing resolutions or any document executed in the accomplishment of any action or actions so authorised, is or shall become upon delivery the enforceable and binding act and obligation of the Corporation, without the necessity of the signature or attestation of any officer of the Corporation or the affixing of the corporate seal; and

BE IT FURTHER RESOLVED, that any and all actions described in the foregoing resolutions heretofore taken on behalf of the Corporation by the aforementioned representative President or other officers of the Corporation be and they hereby are approved, ratified and confirmed as the acts of the Corporation, without the necessity of any further action by the Corporation, or the necessity of affixing the corporate seal.

EXHIBIT "A"
TO
RESOLUTION OF THE BOARD OF DIRECTORS
OF K.E. RESOURCES, LTD.

PROPERTY SCHEDULE

State Lease No. 1961, dated May 11, 1951, executed by the State of Louisiana in favour of Shell Oil Company, recorded in Conveyance Book 153, Folio 742 of the records of Plaquemines Parish, Louisiana.

OCS-G 5315: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, effective July 1, 1983, covering all of Block 368, West Cameron Area, West Addition OCS Leasing Map, Louisiana Map No. 1A.

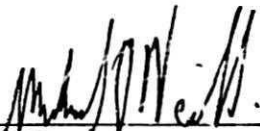
OCS-G 5557: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, dated effective as of July 1, 1983, covering all of Block 201, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5.

OCS-G 5579: Oil and Gas Lease between the United States of America, as Lessor, and Tenneco Oil Company, as Lessee, dated effective as of July 1, 1983, covering all of Block 202, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5.

CERTIFICATE

I, the undersigned, hereby certify to First National Bank of Commerce, that I am the Secretary of K.E. RESOURCES, LTD. (the "Corporation"); that the foregoing is an excerpt from the minutes of a meeting of the Board of Directors of the Corporation, properly and duly called and held; and that such resolutions have not been rescinded or modified and are in full force and effect.

IN WITNESS WHEREOF, I have executed this Certificate on this
13th day of June, 1991.



Secretary

Exhibit B
to
Collateral Mortgage of Mineral Interests
by
K.E. Resources, Ltd.

**FIRST NATIONAL BANK
OF COMMERCE
NEW ORLEANS, LOUISIANA**

\$ 10,000,000.00

New Orleans, La., June 18, 1991

ON DEMAND, THE UNDERSIGNED MAKER, WHETHER ONE OR MORE, PROMISES TO PAY TO THE ORDER OF BEAKER AT FIRST NATIONAL BANK OF COMMERCE, 210 Baronne Street, New Orleans, La. 70112.

TEN MILLION AND NO/100 (\$10,000,000.00) ----- DOLLARS

FOR VALUE RECEIVED WITH INTEREST AT THE RATE OF eighteen (18%) PER CENT PER ANNUM FROM DATE UNTIL PAID

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

The maker of this note and its endorsers, guarantors and sureties hereon hereby severally waive presentment for payment, demand, notice of non-payment, protest, and all pleas of payment and discharge, and agree that the time of payment hereof may be extended from time to time, one or more times without notice of such extension, or extension and without previous consent hereby binding themselves, in solido, unconditionally and as original promisors, for the payment hereof in principal, interest, cost and attorney's fees. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

NEVA BETH REYNOLDS
For identification with original
PASSED BEFORE ME
NEW ORLEANS, LA.

K.E. Resources, Ltd. **IFST AVAILABLE COPY**

By: Lambert M. Laperouse,
Its Representative

Exhibit C
to
Collateral Mortgage of Mineral Interests
by
K.F. Resources, Ltd.

I. State Lease No. 1961, dated May 11, 1951, executed by the State of Louisiana in favor of Shell Oil Company, recorded in Conveyance Book 153, Folio 742 of the records of Plaquemines Parish, Louisiana, as partially released by instrument dated November 16, 1976, recorded in Conveyance Book 442, Folio 864 of the records of Plaquemines Parish, Louisiana.

Mortgagor warrants that its working interest, by Unit, in and to the above described lease is not greater than as set forth below and its net revenue interest, by unit, is not less than as set forth below:

<u>Unit</u>	<u>Unit Working Interest</u>	<u>Unit Net Revenue Interest</u>
"L ₂ " RB SU	55.00000%	46.97917%
"O" RA SU	55.00000%	46.97917%
"R ₂ " RA SU	55.00000%	46.97917%
"N" RA SU	49.99500%	42.70406%
"L ₂ " RA SU	46.20000%	39.46250%
"G ₂ " RA SU	42.32800%	36.15517%
"Upper MO" RA SU	40.97500%	34.99948%
"LO" RA SU	27.03250%	23.09026%
"K ₂ " RA SU	24.06250%	20.55338%

II. OCS-G 5315: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, effective July 1, 1983, covering all of Block 368, West Cameron Area, West Addition, OCS Leasing Map, Louisiana Map No. 1A.

Mortgagor warrants that its interest in and to the above described lease is an overriding royalty interest equal to 32.325% of 7.5% of 100% of production.

III. OCS-G 5557: Oil and Gas Lease between the United States of America, as Lessor, and Shell Offshore Inc., et al., as Lessee, dated effective as of July 1, 1983, covering all of Block 201, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5, INSOFAR AND ONLY INSOFAR as to those intervals from the surface of the earth down to the stratigraphic equivalent of the top of the "MI" Sand at a depth of 850 feet below the total depth of the Conoco Inc. Ship Shoal 201 No. 1 Well, same being 12,405' TVD.

Mortgagor warrants that its interest in and to the above described lease is an overriding royalty interest equal to 19.55% of 4.06250% of 100% of production.

- IV. OCS-G 5558: Oil and Gas Lease between the United States of America, as Lessor, and Tenneco Oil Company, as Lessee, dated effective as of July 1, 1983, covering all of Block 202, Ship Shoal Area, OCS Leasing Map, Louisiana Map No. 5, INsofar AND ONLY INsofar as to those intervals from the surface of the earth down to the stratigraphic equivalent of the top of the "MI" Sand at a depth of 850 feet below the total depth of the Conoco Inc. Ship Shoal 201 No. 1 Well, same being 12,405' TVD.

Mortgagor warrants that its interest in and to the above described lease is as follows:

- A. As to the Ship Shoal Area Block 202 No. 1 Well (now the Ship Shoal No. 202A-1 Well):

An overriding royalty interest equal to 19.55% of 4.65495% of 100% of production.

- B. As to the above described lease LESS AND EXCEPT the Ship Shoal Area Block 202 No. 1 Well (now the Ship Shoal No. 202A-1 Well):

An overriding royalty interest equal to 19.55% of 4.06250% of 100% of production.

END

UPDATE