

25601

**VINSON & ELKINS
ATTORNEYS AT LAW**

3300 FIRST CITY TOWER
1001 FANNIN
HOUSTON, TEXAS 77002-6760
TELEPHONE (713) 758-2222 TELEX 782146
FAX (713) 758-2346

FIRST CITY CENTRE
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2488
TELEPHONE (512) 495-8400
FAX (512) 495-8612

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2918
TELEPHONE (214) 220-7700
FAX (214) 220-7716

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE., N.W.
WASHINGTON, D. C. 20004-1007
TELEPHONE (202) 638-6500 TELEX 8966C
FAX (202) 638-6604

7 CHARLES ST., BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 011 44 71 491-7236
FAX 011 44 71 498-8320
CABLE VINELKINS LONDON W1-TELEX 2440

December 12, 1990

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
7201 Ellwood Park Blvd.
New Orleans, Louisiana 70123-2394

RECEIVED

DEC 14 1990

Minerals Management Service
Leasing & Environment

Attention: LE-3-1 Ms. Boehm

Gentlemen:

Enclosed for recordation is a copy of the document listed below along with a copy to be file-stamped and returned to Vinson & Elkins.

Agreement OCS-G File

Letter Agreement dated
September 12, 1990, between
Century Offshore Management
Corporation and Enron Gas
Marketing, Inc.

OCS-G 5601

Also enclosed is a check for \$25.00 to cover the filing fee.

To place third persons on notice as to the execution and efficacy of the document, please file the document as referenced above in the appropriate file maintained by your office.

We also request that you place a copy of this letter in the file in your office relating to the appropriate lease. Please acknowledge filing has occurred pursuant to this letter request by signing in the appropriate space provided on the copy of this letter.

Yours very truly,

M. Michelle Robichaux

M. Michelle Robichaux
Legal Assistant

ENRON Gas Marketing

P. O. Box 1188 Houston, Texas 77251-1188 (713) 853-6161

September 12, 1990

RECEIVED

DEC 14 1990

Century Offshore Management Corporation
155 East Main Street
Suite 200
Lexington, Kentucky 40567

Minerals Management Service
Leasing & Environment

Attn: Mr. Howard Settle

Re: Buyer's exercise of option and amendment to Gas Purchase Agreement (Base Contract) dated December 20, 1989 (So. Timbalier Block 107), as amended.

Dear Howard:

Reference is made to the Gas Purchase Agreement (Base Contract) dated December 20, 1989, (So. Timbalier Block 107, Base Contract), between Enron Gas Marketing, Inc. ("EGM"), and Century Offshore Management Corporation ("Century"), as amended by Letter Agreements, dated February 19, July 3, and August 28, 1990 (the "Base Contract").

As you know, Section 3.8 (Article III) of the referenced Base Contract entitled Buyer's Option to Reduce MDO or to terminate Agreement, provides that at anytime prior to March 1, 1990, EGM may elect in its discretion: (i) to reduce the Maximum Daily Quantity to any quantity not less than 5,000 MMBtu/d, or; (ii) to terminate this Agreement. The subsequent letter Agreements extended the period for EGM to exercise this option to September 15, 1990.

This is to notify you that EGM hereby exercises its option under subparagraph (i) of Section 3.8 (Article III) to reduce the Maximum Daily Quantity to 5,000 MMBtu/d.

Separate and apart from the above exercise of option, we have agreed that several provisions of the Base Contract should be amended and those amendments are as follows:

I

Article VII (Price) of the Base Contract [Section 7.1(a) & (b)] is deleted in its entirety, and the following new Section 7.1(a) substitute therefore:

7.1(a) During the term of this Agreement, the price per MMBtu of Gas nominated and delivered at the Delivery Point shall be price based on the following scheduled delivery periods:

| | |
|---|---------|
| November 1, 1990 through October 31, 1991 | \$2.052 |
| November 1, 1991 through October 31, 1992 | \$2.192 |
| November 1, 1992 through October 31, 1993 | \$2.352 |
| November 1, 1993 through October 31, 1994 | \$2.522 |
| November 1, 1994 through October 31, 1995 | \$2.692 |
| November 1, 1995 through October 31, 1996 | \$2.882 |

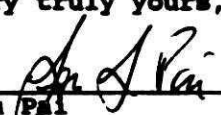
II

Article XI (Term) of the Base Contract [Section 11.1 (Term) (a)] is deleted in its entirety and the following substituted therefore:

11.1 Term. (a) Subject to paragraph (b) below, this agreement shall be effective as of November 1, 1990 and shall continue in full force and effect until October 31, 1996.

If you are in agreement with the Amendments set forth in I and II above, please so signify by signing below where indicated, have your signature notarized, and return four (4) of the five (5) duplicate originals to us for our files.


Very truly yours,



Lou Pai
Vice President
Enron Gas Marketing, Inc.

*RHT
RJR*

Agreed and Accepted this 24TH
day of September, 1990. Century
Offshore Management Corporation

By: 

Howard Settle
Title: PRESIDENT

STATE OF KENTUCKY)
)
COUNTY OF)

This instrument was acknowledged before me on this 24th
day of September, 1990, by Howard Settle, President, of
Century Offshore Management Corporation, a Kentucky corporation, on
behalf of said corporation.

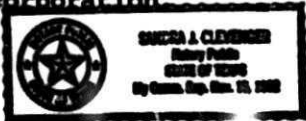
Judy G. Harris
NOTARY PUBLIC IN AND FOR
THE STATE OF KENTUCKY

MY COMMISSION EXPIRES:
3/22/92

Judy G. Harris
Printed Name of Notary

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on this 13th
day of September, 1990, by Lou L. Pai, Vice President, of Enron
Gas Marketing, Inc., a Delaware corporation, on behalf of said
corporation.



MY COMMISSION EXPIRES:
Nov. 15, 1992

Sandra J. Cleverger
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

Sandra J. Cleverger
Printed Name of Notary

United States Department of the Interior
December 12, 1990
Page 2

Filing Accomplished as Requested

By: La Nelle Boehm

Date: La Nelle Boehm
December 14, 1990

Enclosures

cc: F. B Cochran III [Firm]

C:\ENR100\LTRVMS.02

5601

**VINSON & ELKINS
ATTORNEYS AT LAW**

3300 FIRST CITY TOWER
1001 FANNIN
HOUSTON, TEXAS 77002-6760
TELEPHONE 713 681-2222 TELEX 78246

FIRST CITY CENTRE
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2400
TELEPHONE 512 495-8400

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2910
TELEPHONE 214 220-7700

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE, N.W.
WASHINGTON, D. C. 20004-1007
TELEPHONE 202 638-6800 TELEX 69980

47 CHARLES ST, BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 011 44 1 491-7236
CABLE VINELINS LONDON W1-TELEX 8440

July 23, 1990

BY FEDERAL EXPRESS

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

RECEIVED

JUL 23 1990

Minerals Management Service
Leasing & Environment

Attention: LE-3-1 Ms. Boehm

Re: Lease OCS-G 5601

Gentlemen:

The following document pertains to the above-captioned Lease:

1. Amendment to Gas Purchase Agreement dated July 3, 1990, between Enron Gas Marketing, Inc. and Century Offshore Management Corporation.

Enclosed please a copy of such document for purposes of recordation, along with two copies to be file stamped and returned to Vinson & Elkins. Also enclosed is a check in the amount of \$25.00 to cover the filing fee.

To place third persons on notice as to the execution and efficacy of the document, please file the original document as referenced above in the appropriate file maintained by your office for the above-captioned Lease.

We also request that you place a copy of this letter in the file in your office relating to the above-captioned Lease. Please acknowledge that filing has been accomplished pursuant to this

letter request by signing in the appropriate space provided on the copy of this letter and returning the same to:

Vinson & Elkins
3566 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: F. B Cochran III

Yours very truly,

M. Michelle Robichaux
M. Michelle Robichaux
Legal Assistant

Filing Accomplished as Requested

By: *La Nelle Boehm*

Date: La Nelle Boehm
July 25, 1990

cc: F. B Cochran III [Firm]

ENRON
Gas Marketing, Inc.

P. O. Box 1188 Houston, Texas 77251-1188 (713) 853-6161

July 3, 1990

RECEIVED

JUL 20 1990

Century Offshore Management Corporation
9820 Hill Street
Kensington, Maryland 20895

Minerals Management Service
Leasing & Environment

Attention: Mr. Jonathan Rudney
Executive Vice President

Re: Amendment to Gas Purchase
Agreement (Base Contract)
dated December 20, 1989
(So. Timbalier Block 107,
Base Contract).

Dear Jonathan:

Reference is made to the Gas Purchase Agreement (Base Contract) dated December 20, 1989, (So. Timbalier Block 107, Base Contract), between Enron Gas Marketing, Inc. ("EGM"), and Century Offshore Management Corporation ("Century"), as amended by Letter Agreement dated February 19, 1990.

Section 3.8 (Article III) of the referenced Base Contract entitled Buyer's Option to Reduce MDO or to terminate Agreement, provides that at any time prior to March 1, 1990, Buyer may elect in its discretion (i) to reduce the Maximum Daily Quantity to any quantity not less than 5,000 MMBtu's, or (ii) to terminate this Agreement.

On February 19, 1990, the parties agreed to amend this section of their Agreement to provide that Buyer's election could take place at any time prior to the expiration of sixty (60) days following Seller's completion of a flow test on the existing well on South Timbalier Block 107.

By this letter amendment, Buyer and Seller agree to amend the referenced Agreement by providing that, notwithstanding the provisions of the February 19, 1990, letter amendment, Buyer's option to reduce the MDO to any quantity not less than 5,000 MMBtu's or to terminate the Agreement may be exercised by Buyer at any time prior to September 1, 1990.

Century Offshore Management Corporation
July 3, 1990
Page - 2 -

If the above correctly sets forth your understanding of this amendment to our Agreement, please so signify below where indicated, have your signature notarized, and return five (5) of the duplicate originals of this letter agreement to us for our files.


Very truly yours,

ENRON GAS MARKETING, INC.

By  LR
Lou Pasi
Vice President

Accepted and Agreed to this
10th day of July, 1990.

CENTURY OFFSHORE MANAGEMENT CORPORATION

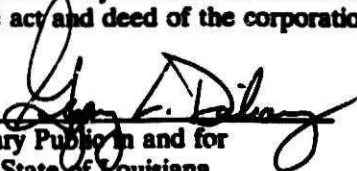
By 

RJR:pa/153a.LTR

THE STATE OF LOUISIANA §
§
JEFFERSON PARISH §

On this 10 day of ^{July} ~~June~~ 1990, before me, the undersigned Notary Public in and for the State of Louisiana, personally appeared Jonathan B. Rudney, to me personally known, who, being by me fully sworn, did say that he is the Executive Vice President of CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, and that the instrument was signed in behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the corporation.

GREGORY L. DICHARRY
Notary Public
DULY COMMISSIONED IN ORLEANS PARISH, LA.
QUALIFIED FOR THE STATE OF LA. AT-LARGE
MY COMMISSIONED IS ISSUED FOR LIFE.



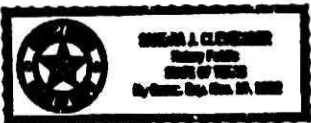
Notary Public in and for
The State of Louisiana


Gregory L. Dicharry
Printed Name of Notary Public/

My Commission Expires:

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

On this ___ day of June 1990, before me, the undersigned Notary Public in and for the State of Texas, personally appeared Lou Pai, to me personally known, who, being by me fully sworn, did say that he is the Vice President of ENRON GAS MARKETING, INC., a Delaware corporation, and that the instrument was signed in behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the corporation.





Notary Public in and for
The State of Texas

Sandra J. Clewinger
Printed Name of Notary Public

My Commission Expires:
Nov. 15, 1992

MANGHAM, HARDY, ROLFS AND ABADIE

ATTORNEYS AND COUNSELORS AT LAW

SUITE 1400, THE FIRST NATIONAL BANK TOWERS
800 JEFFERSON STREET
P O BOX 9310
LAFAYETTE, LOUISIANA 70509-3110
(318) 233-6200
TELECOPIER (318) 233-6521

SUITE 800, CITY PLAZA
448 NORTH BOULEVARD
POST OFFICE BOX 3851
BATON ROUGE, LOUISIANA 70821
(504) 343-0100
TELECOPIER (504) 343-8118
OF COUNSEL
STEPHEN L. FREDERICK

MICHAEL R. MANGHAM
GEORGE B. HARDY, III
EMILE C. ROLFS, III
JAMES F. ABADIE
DONALD JAMES LABAUVE
MARGARET MARAUST BRYCEY
CHARLES R. MINTARD
ROBERT L. BOESE
LOUIS R. DAVIS
JOHN E. CASTLE, JR.
WILLIAM G. COMLY
MICHAEL G. COLEMAN
MICHAEL J. O'BRIEN
PAUL MICHAEL CULLEN
HERMAN E. GARNER, JR.
CHRISTINE A. MARCH
PAUL T. GALLAGHER

E. JANE SHERMAN
DOUGLAS F. PEDIGO
RANDALL A. RARR
KATHLEEN W. KARR
NARR B. OLIVER
JOHN LYLE MENCHY
RICHARD C. GUERRERO, JR.
DAVEY MAYEUR FLORJA
DAVID H. HARRIS
LISA B. HANLEY
STEPHANIE M. ACHAL
HAROLD ADAM LAWRENCE
ELIZABETH L. GUGLIEMMO
RICHARD THOMAS HALE
ANDRE G. BOURGEOIS
RONALD F. LAYNER

July 11, 1990

RECEIVED

JUL 12 1990

Minerals Management Service
Leasing & Environment

United States Department of the Interior
Minerals Management Service
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: Ms. LaNelle Boehm LE-3-1

Re: Leases OCS-G 4767 and OCS-G 5601

Gentlemen:

Enron Finance Corp. has executed an Act of Release of Collateral Mortgage Notes and Cancellation of Security Instruments relating to the captioned OCS Leases. Enclosed please find an original of such document for purposes of recordation.

The addresses of the parties to this instrument are as follows:

Century Offshore Management
Corporation
155 E. Main Street
Suite 200
Lexington, Kentucky 40507

Enron Finance Corp.
1400 Smith Street
Houston, Texas 77002

To place third persons on notice as to the execution and efficacy of this agreement, please file the original Act of Release of Collateral Mortgage Notes and Cancellation of Security Instruments in the appropriate file maintained by your office. We also request that you file a copy of this letter in each of the files maintained by your office relating to the captioned leases.

United States Department of the Interior
July 11, 1990
Page 2

We enclose a check in the amount of \$50.00 to cover the filing charges. Thank you for your assistance in this matter.

Yours very truly,

MANGHAM, HARDY, ROLFS AND ABADIE


William G. Conly

WGC/mfm
Enclosures

65601

MANGHAM, HARDY, ROLFS AND ABADIE

ATTORNEYS AND COUNSELORS AT LAW

SUITE 1400, THE FIRST NATIONAL BANK TOWERS
600 JEFFERSON STREET

P. O. BOX 93110

LAFAYETTE, LOUISIANA 70509-3110

(318) 233-6200

TELECOPIER (318) 233-6521

SUITE 810, CITY PLAZA
448 NORTH BOULEVARD
POST OFFICE BOX 3581
BATON ROUGE, LOUISIANA 70821
(504) 343-0700
TELECOPIER (504) 343-8119

BY COURSE
STEPHEN L. FREDERICK

June 27, 1990

RECEIVED

JUN 29 1990

Minerals Management Service
Leasing & Environment

United States Department of the Interior
Minerals Management Service
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-0394

Attention: Ms. LaNelle Boehm LE-3-1

Re: Leases OCS-G 4767, OCS-G 5313, OCS-G 5315 and OCS-G 5601

Gentlemen:

Century Offshore Management Corporation has executed an Act of Collateral Mortgage, Pledge, Assignment and Security Agreement covering collateral relating to the captioned OCS Leases in favor of BMO Financial, Inc. Enclosed please find an original of such document for purposes of recordation.

To place third persons on notice as to the execution and efficacy of this agreement, please file the original Act of Collateral Mortgage, Pledge, Assignment and Security Agreement in the appropriate file maintained by your office. We also request that you file a copy of this letter in the files in your office relating to each of the captioned leases.

We enclose a check in the amount of \$100.00 to cover the filing charges. Thank you for your assistance in this matter.

Yours very truly,

MANGHAM, HARDY, ROLFS AND ABADIE

William G. Conly
William G. Conly

WGC/mfm
Enclosures

MICHAEL R. MANGHAM
GEORGE W. HARDY III
JAMES F. ABADIE
DONALD JAMES LABALVE
MARGARET MARAUST RITCHIEY
C. WILES R. MINTARD
JERRY L. BOESE
L. S. R. DAVIS
JOHN E. CASTLE, JR.
R. A. R. CONLY
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MICHAEL J. O'SHEE
PAUL MICHAEL CULLEN
HERMAN E. GARNER, JR.
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PAUL T. SALLAGHER
E. JANE SHERMAN
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RANDALL A. KARR
KATHLEEN W. KARR
MARR E. OLIVER
JOHN V. E. MENCHY
RICHARD C. GUERRERO, JR.
DARRIN MAYHEW FUQUA
DAVID H. HARDY
J. SA D. HARGREY
M. THOMAS W. ACAL
R. D. ADAM LAWRENCE
J. BETH L. BUDDELMO
MICHAEL THOMAS HALE
ANDREW S. BOURGEOIS
RONALD F. LATTICE

VINSON & ELKINS
ATTORNEYS AT LAW

3300 FIRST CITY TOWER
1001 FANNIN

HOUSTON, TEXAS 77002-6760

TELEPHONE 713 681-2222 TELEX 762846

FIRST CITY CENTER
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2788
TELEPHONE 512 485-8404

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE. N.W.
WASHINGTON, D.C. 20004-1007
TELEPHONE 202 638-6600 TELEX 69880

47 CHARLES ST. BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 01 481-7236
CABLE VNELARS LONDON W1-TELEX 2440

3100 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2918
TELEPHONE 214 220-7700

June 26, 1990

HAND DELIVERY

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: LE-3-1 Ms. Boehm

Gentlemen:

Enclosed for recordation is a copy of each document listed below along with a copy of each document to be file-stamped and returned to Vinson & Elkins.

RECEIVED

JUN 29 1990

Minerals Management Service
Leasing & Environment

Agreement

OCS-G File

- | | |
|---|------------------------------------|
| 1. Option Agreement dated March 27, 1990, between Century Offshore Management Corporation and Enron Gas Marketing, Inc. | OCS-G 5601, 6840, 5315, 5199 |
| 2. Gas Purchase Agreement dated March 27, 1990, between Century Oil Company and Enron Gas Marketing, Inc. (Candeliseur Block 24) | OCS-G 5199 |
| 3. Gas Purchase Agreement Base Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (Eugene Island Block 298) | OCS-G 5199 |

| | <u>Agreement</u> | <u>OCS-G File</u> |
|----|--|-------------------|
| 4. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (Eugene Island Block 298) | OCS-G 5199 |
| 5. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (So. Timbalier Block 107) | OCS-G 5601 |
| 6. | Amendment to Gas Purchase Base Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated February 15, 1990 (So. Timbalier Block 107) | OCS-G 5601 ✓ |
| 7. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (So. Timbalier Block 107) | OCS-G 5601 |
| 8. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated March 27, 1990 (W. Cameron Block 368) | OCS-G 5315 |
| 9. | Gas Purchase Agreement 1 Year-Index/Formula Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated March 27, 1990 (W. Cameron Block 368 Field) | OCS-G 5315 |

Agreement

File

10. Gas Purchase Agreement between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated March 27, 1990 (W. Cameron Block 358, Breton Sound Block 45 and 52)

020-G 5315

Also enclosed is a check for \$325.00 covering the \$75.00 filing fee for each instrument.

To place third persons on notice as to the execution and efficacy of the document, please file the document as referenced above in the appropriate file maintained by your office.

We also request that you place a copy of this letter in the file in your office relating to the appropriate lease. Please acknowledge filing has occurred pursuant to this letter request by signing in the appropriate space provided on the copy of this letter.

Yours truly,



M. Michelle Robichaux
Legal Assistant

Filing Accomplished as Requested

By: *F. B. Cochran III*

JUN 28 1990

Date: _____

Enclosures

cc: F. B Cochran III [Firm]

C:\ENR100\LTRV08.01

005-6 5401

ENRON Gas Marketing, Inc.

P. O. Box 1188 Houston, Texas 77251-1188 (713) 853-6161

February 19, 1990

RECEIVED

JUN 28 1990

Century Offshore Management Corporation
9820 Hill Street
Kensington, Maryland 20895

Minerals Management Service
Leasing & Environment

Attention: Mr. Jonathan Rudney
Executive Vice President

Re: Amendment to Gas Purchase
Agreement (Base Contract)
dated December 20, 1989.
(So. Timbalier Block 107,
Base Contract).

Dear Jonathan:

Reference is made to the Gas Purchase Agreement (Base Contract) dated December 20, 1989, (So. Timbalier Block 107, Base Contract), between Enron Gas Marketing, Inc. ("EGM"), and Century Offshore Management Corporation ("Century").

Section 3.8 (Article III) of the referenced Agreement entitled Buyer's Option to Reduce MDO or to terminate Agreement, provides that at any time prior to March 1, 1990, Buyer may elect in its discretion (i) to reduce the Maximum Daily Quantity to any quantity not less than 5,000 MMBtu's, or (ii) to terminate this Agreement.

EGM and Century hereby agree to amend the referenced Agreement by deleting the referenced Section 3.8 in its entirety and substituting therefore the following:

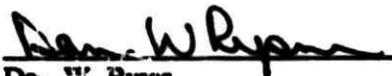

"At any time prior to the expiration of sixty (60) days following Seller's completion of a flow test on the existing well on South Timbalier Block 107, Buyer may elect in its discretion (i) to reduce the Maximum Daily Quantity to any quantity not less than 5,000 MMBtu's or (ii) to terminate this Agreement. Seller shall provide Buyer written notice of

16-15774-104

the completion of such flow test not more than five (5) business days following such completion, and Buyer shall give Seller written notice of Buyer's election in the manner required by Article XV."

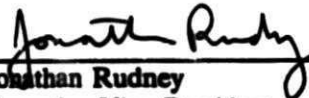
If the above correctly sets forth your understanding of this amendment to our Agreement, please so signify below where indicated and returning one (1) of the duplicate originals of this letter agreement to us for our files.

Very truly yours,


Dan. W. Ryser
Executive Vice President 

Accepted and Agreed to this
19th day of February, 1990.

CENTURY OFFSHORE MANAGEMENT CORPORATION

By: 
Jonathan Rudney
Executive Vice President

VINSON & ELKINS

ATTORNEYS AT LAW

3300 FIRST CITY TOWER

1001 FANNIN

HOUSTON, TEXAS 77002-6760

TELEPHONE 713 651-2222 TELEX 762146

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE, N.W.
WASHINGTON, D.C. 20004-1007
TELEPHONE 202 639-6500 TELEX 62660

FIRST CITY CENTRE
516 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2406
TELEPHONE 512 465-8400

47 CHARLES ST, BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 01 44 1 461-7236
CABLE VNELKINS LONDON W1-TELEX 24940

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2816
TELEPHONE 214 820-7700

June 26, 1990

HAND DELIVERY

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: LE-3-1 Ms. Boehm

Gentlemen:

Enclosed for recordation is a copy of each document listed below along with a copy of each document to be file-stamped and returned to Vinson & Elkins.

RECEIVED

JUN 28 1990

**Minerals Management Service
Leasing & Environment**

Agreement

OCS-G File

- | | | |
|----|---|------------------------------------|
| 1. | Option Agreement dated March 27, 1990, between Century Offshore Management Corporation and Enron Gas Marketing, Inc. | OCS-G 5601, 6840, 5315, 5199 |
| 2. | Gas Purchase Agreement dated March 27, 1990, between Century Oil Company and Enron Gas Marketing, Inc. (Chandelier Block 24). | OCS-G 5199 |
| 3. | Gas Purchase Agreement Base Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (Eugene Island Block 2 ⁰³) | OCS-G 5199 |

| | <u>Agreement</u> | <u>OCS-G File</u> |
|----|--|-------------------|
| 4. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (Eugene Island Block 298) | OCS-G 5199 |
| 5. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (So. Timbalier Block 107) | OCS-G 5601 |
| 6. | Amerdment to Gas Purchase Base Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated February 19, 1990 (So. Timbalier Block 107) | OCS-G 5601 |
| 7. | Gas Purchase Agreement Excess Gas Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (So. Timbalier Block 107) | OCS-G 5601 |
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| 9. | Gas Purchase Agreement 1 Year-Index/Formula Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated March 27, 1990 (W. Cameron Block 368 Field) | OCS-G 5315 |

Agreement

OCS-G File

10. Gas Purchase Agreement between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated March 27, 1990 (W. Cameron Block 368, Breton Sound Block 45 and 52)

OCS-G 5315

Also enclosed is a check for \$325.00 covering the \$25.00 filing fee for each instrument.

To place third persons on notice as to the execution and efficacy of the document, please file the document as referenced above in the appropriate file maintained by your office.

We also request that you place a copy of this letter in the file in your office relating to the appropriate lease. Please acknowledge filing has occurred pursuant to this letter request by signing in the appropriate space provided on the copy of this letter.

Yours very truly,



M. Michelle Robichaux
Legal Assistant

Filing Accomplished as Requested

By: *M. Michelle Robichaux*

Date: JUN 28 1990

Enclosures

cc: F. B Cochran III [Firm]

OPTION AGREEMENT

This Agreement is entered into this 27th day of March, 1990 by and between Century Offshore Management Corporation, a Kentucky corporation ("Century") and Enron Gas Marketing, Inc., a Delaware corporation ("EGM"). In consideration of the mutual benefits and obligations of the parties hereunder and of other good and valuable consideration, EGM and Century hereby agree as follows:

1. Grant of Exclusive Option. For Ten Dollars and other good and valuable consideration paid by EGM to Century, the receipt and sufficiency of which are hereby acknowledged, Century hereby grants to EGM an option the ("Option") to purchase natural gas produced from each oil and gas lease owned or acquired by Century during the term of this Agreement (a "Lease").

2. Notice of Wells. Each time during the term of this Agreement that Century drills a well or acquires an interest in a well, Century shall notify EGM identifying the well, its location, Century's working and net revenue interests therein, the estimated gas reserves attributable thereto and estimated initial rate of gas production therefrom. Thereafter, Century shall provide EGM the following information in connection therewith as may be requested by EGM:

- (a) all data and information pertinent to the estimation of gas reserves, including, but not limited to surface maps showing property lines and well locations, well logs, electric logs, core analysis, flow and pressure tests, production history, gas analysis and casing programs;
- (b) geologic and geophysical data and information;
- (c) copies of title opinions, if available, and other title documents and information in the possession of or available to Seller; and
- (d) such other information and data as EGM may reasonably request.

As additional information becomes available, Century shall continue to provide current production information and other information as may be reasonably requested by EGM. Century shall promptly notify EGM of the date of initial gas sales from each well subject hereto. Prior to the disclosure of information pursuant to this Section 2, EGM and Century shall enter into a confidentiality agreement (the "Confidentiality Agreement") in the form attached hereto as Exhibit "C".

Minerals Management Service
Leasing & Environment

JUN 28 1990

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CR 655/3

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3. **Exercise of Option.** EGM may exercise the Option with respect to any Lease by written notice to Century at any time within three (3) months after the date of initial gas production from the Lease. The exercise of the Option with respect to any Lease shall be at EGM's absolute discretion and EGM shall have no express or implied obligation to exercise such Option. Failure of EGM to exercise the Option as to any Lease shall not prejudice the right of EGM to exercise the Option as to any other Lease which may be subject to this Agreement.

4. **Gas Purchase Agreement.** If EGM exercises the Option to purchase gas from any Lease, Century and EGM shall execute and deliver a gas purchase agreement covering such Lease on the form attached hereto as Exhibit A. Prior to execution of each such agreement the following provisions shall be determined and the agreement completed as follows:

(a) **Term.** The term of any such gas purchase agreement shall be either five or seven years as elected by EGM, provided however that the term shall not exceed the projected economic life of the well(s) on the Lease. The term of any gas purchase agreement shall commence on the next following November 1 after notice of exercise of the Option is delivered, or at such other date as mutually agreed to by EGM and Century (the "Commencement Date").

(b) **Quantity.** The firm quantity of gas to be sold under any gas purchase agreement entered into pursuant hereto shall be the sum of the monthly quantities for each month of the term of the gas purchase agreement determined as follows:

(i) The quantity for the first month of any gas purchase agreement shall be the quantity designated by EGM in its notice of exercise of the Option not to exceed 50% of Seller's share of estimated maximum deliverability for such month;

(ii) The quantity for months two through twelve shall be the same as the quantity for the first month;

(iii) The quantity for each month in each subsequent twelve month period during the term of any gas purchase agreement shall be calculated by multiplying [1 minus the production decline factor ("factor") (expressed as a decimal fraction)] for the property by the monthly quantity for the previous twelve months. The decline factor for any property shall be determined mutual agreement between Century and

EGM. If the parties cannot mutually agree upon such factor within 30 days prior to the time that EGM must exercise its option with respect to any well or wells, then at the request of either party such factor shall be determined by Ryder, Scott & Co. at Buyer's expense and the time for EGM to exercise its option with respect to such well or wells shall be extended until 15 days after each party has been notified of such determination.

(c) **Price.** The price of gas to be purchased pursuant to any gas purchase agreement entered into pursuant hereto shall be a flat price per MMBtu for the term of the gas purchase agreement determined in accordance with the schedule attached hereto as Exhibit B. The price shall be determined from such table based on the average production decline factor for the term of the gas purchase agreement [as determined pursuant to Section 4(b)(ii)] and the number of years in the term of agreement as selected by EGM. The prices on Exhibit B shall be increased by 5% on November 1 of each year commencing November 1, 1992, but the price for the term of any gas purchase agreement shall be the flat price for the life of such agreement determined from Exhibit B as of the Commencement Date of such gas purchase agreement. In the event the production decline factor for any property is an amount not set forth on Exhibit B the price will be interpolated based on the factors and prices shown on Exhibit B.

(d) **Receipt Point.** The receipt point of all gas purchased pursuant to any gas purchase agreement entered into pursuant hereto shall be an interconnect of any principal interstate pipeline. Century shall be responsible for transporting gas from the applicable well or wells to such receipt point, including payment of any gathering charges, lateral charges, fuel charges, ACA, and other costs for transporting the gas to such principal interstate pipeline interconnect. In the event Century is unable to arrange transportation to such interconnect, EGM shall have the right to arrange such transportation and to deduct the costs incurred by EGM for this service from the price otherwise payable to Century.

(e) **Spot Price.** The index to be used to determine the Spot Price of gas in any month in which any party fails to deliver or fails to take any required quantity under the terms of any gas purchase agreement shall be the index price for the interstate pipeline which will transport the gas as such index is published in the first monthly issue for such month of Inside F.E.R.C. or other similar publication designated by EGM.

(f) **Additional Gas.** As additional wells are completed on any Lease from which EGM has elected to purchase gas pursuant hereto, EGM shall have the right to elect to increase the quantity of gas to be sold pursuant to the gas purchase agreement covering such Lease. Such election by EGM as to any additional well shall be made by notice in writing to Century at any time within three months after the date of initial gas sales by Century from the additional well. Such additional gas shall be purchased over a term of five or seven years as determined by EGM in the notice delivered pursuant to this Section 4(f). The quantity of additional gas to be purchased shall be the quantity designated by EGM in its notice of exercise of its election under this Section 4(f) not to exceed 50% of Seller's share of estimated maximum deliverability from the additional well for the initial month of such additional deliveries. Any quantity of additional gas from months two through twelve shall be the same as the quantity for the first month of additional gas deliveries. The quantity for each month shall be determined in accordance with Section 4(b). The price of such additional gas shall be determined in accordance with Section 4(c). All other terms of such additional gas purchases shall be the same as the terms of the gas purchase agreement entered into with respect to such Lease pursuant to the terms hereof. Promptly after EGM makes its election to purchase additional gas pursuant to this Section 4(f), the parties shall enter into an amendment to the gas purchase agreement covering such Lease incorporating the provisions hereof. At the request of EGM, Century shall also execute an amendment to the memorandum of gas purchase agreement applicable to such Lease.

5. **Term of this Agreement.** This agreement shall remain in effect until the earlier of: (i) December 31, 1999; or (ii) such time as EGM has entered into gas purchase agreements, as amended, pursuant hereto covering a total quantity of gas equal to 50 million MMBtu. Termination of this Agreement shall not affect the parties' obligations under any gas purchase agreement entered into pursuant hereto or any obligation or liability which has theretofore arisen hereunder.

6. **Option.** Prior to the time that the Option expires with respect to any Lease pursuant to Section 3 hereof, Century will not enter into any third party gas purchase agreement which would dedicate its interest in any gas to be produced from any such Lease to any other party pursuant to a gas purchase agreement that will extend beyond the Commencement of operations without the express written consent of EGM which consent will not be unreasonably withheld. No gas purchase agreement or commitment made by Century

with any third party with respect to any gas subject hereto shall be expressly subject to this Agreement and any gas purchase agreement entered into pursuant thereto.

7. **Notices.** All notices required by any of the provisions of this Agreement, unless otherwise specifically provided, shall be given in writing or by mail or telegram, postage or charges prepaid, or by telex or telecopy or hand delivery to the party to whom addressed at the following address:

Century Offshore Management Corporation
155 East Main Street, Suite 200
Lexington, Kentucky 40507
Attention: Mr. Howard Settle, President

Enron Gas Marketing, Inc.
P. O. Box 1188
Houston, Texas 77251-1188
Attention: Gas Supply Administration

Any party shall be entitled to change the address or facsimile number for notices to it by giving prior written notice of such change to the other party. Any notice shall be effective upon receipt by the party to whom it is intended.

8. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

9. **Remedies.** In the event of any litigation between or among the parties hereto to enforce any of the provisions of this Agreement or any right of any party hereunder, the unsuccessful party to such litigation agrees to pay to the successful party all costs and expenses, including reasonable attorney fees incurred by the successful party, all of which may be included in and as a part of any judgment rendered in such litigation. In the event of default by any party hereunder, the other party shall be entitled to the remedy of specific performance in addition to all of the rights and remedies to which such party may be entitled in law or in equity.

10. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of the parties, and their respective legal representatives, successors and assigns. This Agreement shall also be binding upon any affiliate of Century in the same manner and to the same extent it is binding upon Century. An "affiliate" means, with respect to any party, any person or entity, directly or indirectly, controlling, controlled by, or under common control with such party. Century agrees to cause any of its affiliates

(except Settle Oil and Company as to an undivided five percent (5%) interest) to comply with the terms of this Agreement. This Agreement may not be assigned by either party without the prior written consent of the other party, except that EGP may assign all or any portion of its rights hereunder to any of its affiliates without the necessity of obtaining consent.

11. Counterparty. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

12. Presumption as to Drafting Party. No ambiguity in this Agreement shall be construed in favor of or against any party as the result of any responsibility for drafting this Agreement. Each party has consulted with its own legal counsel as to the terms and provisions of this Agreement, and no party has relied on any other party or its counsel with respect to this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

WITNESS:

Wesley A. Steele
Jeanne M. Nelson

SELLER

CENTURY OFFSHORE MANAGEMENT CORPORATION

By: Jonathan B. Rudley
Jonathan B. Rudley
Executive Vice President

WITNESS:

David P. Ryan
W. W. Ryser

BUYER

ENRON GAS MARKETING, INC.

By: Dan W. Ryser *BTR*
Dan W. Ryser *CLP*
Executive Vice President

VINSON & ELKINS
ATTORNEYS AT LAW

3100 FIRST CITY TOWER
1001 ANNIN

HOUSTON, TEXAS 77002-6760

TELEPHONE 713 681-2222 TELEX 78246

FIRST CITY CENTRAL
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2488
TELEPHONE 812 485-8400

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2818
TELEPHONE 214 220-7700

THE WILLARD OFFICE BUILDING
1405 PENNSYLVANIA AVE, N.W.
WASHINGTON, D.C. 20004-1007
TELEPHONE 202 638-6600 TELEX 88980

47 1/2 MILES ST, BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 01 461 481-7238
CABLE VNELHNS LONDON 61-TELEX 2440

June 26, 1990

HAND DELIVERY

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: LE-3-1 Ms. Boehm

Gentlemen:

Enclosed for recordation is a copy of each document listed below along with a copy of each document to be file-stamped and returned to Vinson & Elkins.

RECEIVED

JUN 28 1990

Minerals Management Service
Leasing & Environment

| | <u>Agreement</u> | <u>OCS-G File</u> |
|----|---|-------------------------------------|
| 1. | Option Agreement dated March 27, 1990, between Century Offshore Management Corporation and Enron Gas Marketing, Inc. | OCS-G 5601, 6840, 5315, 5199 |
| 2. | Gas Purchase Agreement dated March 27, 1990, between Century Oil Company and Enron Gas Marketing, Inc. (Chandelier Block 24). | OCS-G 5199 |
| 3. | Gas Purchase Agreement Base Contract between Century Offshore Management Corporation and Enron Gas Marketing, Inc. dated December 20, 1989 (Eugene Island Block 298) | OCS-G 5199 |

| | <u>Agreement</u> | <u>OCS-G File</u> |
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Agreement

OCS-G File

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OCS-G 5315

Also enclosed is a check for \$325.00 covering the \$25.00 filing fee for each instrument.

To place third persons on notice as to the execution and efficacy of the document, please file the document as referenced above in the appropriate file maintained by your office.

We also request that you place a copy of this letter in the file in your office relating to the appropriate lease. Please acknowledge filing has occurred pursuant to this letter request by signing in the appropriate space provided on the copy of this letter.

Yours very truly,



M. Michelle Robichaux
Legal Assistant

Filing Accomplished as Requested

By: 

Date: JUN 28 1990

Enclosures

cc: F. B Cochran III [Firm]

C:\ENER100\478\008.01

025-G 5601

**SO. TIMBALIER BLOCK 107
EXCESS GAS
STORAGE**

**GAS PURCHASE AGREEMENT
(EXCESS GAS CONTRACT)**

Between

CENTURY OFFSHORE MANAGEMENT CORPORATION

And

ENRON GAS MARKETING, INC.

RECEIVED

JUN 28 1990

**Minerals Management Service
Leasing & Environment**

*CR 6546!
16-15174-105*

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GAS PURCHASE AGREEMENT
(EXCESS GAS CONTRACT)

THIS AGREEMENT, dated the 20th day of December, 1989, by and between CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, hereinafter referred to as "Seller", and ENRON GAS MARKETING, INC., a Delaware corporation, hereinafter referred to as "Buyer".

WHEREAS, Seller has a supply of natural gas available for sale to be produced from the oil and gas lease covering South Timbalier Block 107, Outer Continental Shelf, Gulf of Mexico, as described on Exhibit A attached hereto; and

WHEREAS, Buyer desires to purchase this gas from Seller and Seller desires to sell said gas to Buyer.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, the Parties do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.1 The following terms, as used in this Agreement, shall have the meanings as follows:

"Base Contract" shall mean that certain Gas Purchase Agreement (Base Contract) between Seller and Buyer dated as of December 20, 1989, relating to the sale by Seller to Buyer of up to 20,000 BTU's of Gas per day produced from the Subject Lease.

"British Thermal Unit" or **"Btu"** means the amount of energy required to raise the temperature of one (1) pound of pure water one degree Fahrenheit (1°F.) from fifty-nine degrees Fahrenheit (59°F.) to sixty degrees Fahrenheit (60°F.) The term **"MMBtu"** shall mean one million Btu's.

"Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven o'clock a.m. Central Time.

"Delivery Point" shall mean the point of delivery set forth in Exhibit "A".

"Estimated MDQ" is defined in Section 3.1.

"Excess Gas" shall mean Gas produced from the Subject Lease and attributable to Seller's undivided interest as set forth in Exhibit "A" hereto (including royalty Gas and overriding royalty Gas which Seller has the right to market), but excluding, however, Gas delivered by Seller to Buyer under the Base Contract.

"FERC" shall mean the Federal Energy Regulatory Commission or any successor governmental authority.

"Gas" shall mean natural gas, including both gas well gas and casinghead gas, and the residue gas therefrom, of merchantable quality.

"Inside F.E.R.C." shall mean the publication entitled Inside F.E.R.C. Gas Market Report, published by McGraw-Hill, Inc.

"Maximum Daily Quantity" ("MDQ") shall mean the maximum quantity of Gas, expressed in MMBtu's per day, that Seller is obligated to sell and deliver any Day during the term hereof, which quantity shall be one hundred percent (100%) of the Excess Gas produced during such day.

"Month" shall mean a period beginning at seven o'clock a.m. on the first day of a calendar month and ending at seven o'clock a.m. on the first day of the next succeeding calendar month.

"NGPA" shall mean the Natural Gas Policy Act of 1978, including any amendment or successor thereto.

"Nomination Notice" shall mean the notice provided to Seller by Buyer pursuant to Section 5.3 prior to each month during the term hereof, which notice sets forth the Nominated Quantity.

"Nominated Quantity" shall mean the quantity of Excess Gas, expressed in MMBtu's per day, that Seller is obligated to sell and deliver and Buyer is obligated to purchase and receive in any Month during the term hereof. The Nominated Quantity shall be any quantity (including zero) designated by Buyer in the Nomination Notice, provided that such quantity shall be not more than the Estimated MDQ for the Month.

"Party" shall mean Seller or Buyer or their respective permitted successors and assigns.

"Spot Price" for any month shall mean the index price for such month identified in the first bi-monthly issue of Inside F.E.R.C. in the table "Prices for Spot Gas Delivered to Pipelines" in the column "Index" for Trunkline Gas Company (Louisiana). In the event that during the term of this Agreement Inside F.E.R.C. is no longer published, or the prices set forth above are no longer made available, the price last determined on the basis of such publication shall continue as the Spot Price for the first billing month for which a Spot Price cannot be determined on the basis of such publication. During this period Buyer and Seller will use their best efforts to negotiate a mutually agreeable alternative methodology and/or publication for determining the Spot Price for subsequent billing months. However, if Buyer and Seller are unable to reach agreement on such alternative then the Spot Price shall be the average price, as estimated by Buyer in good faith, for spot sales during such month at Patterson, Louisiana.

"Subject Lease" shall mean the lease set forth in Exhibit "A".

"Transporter" shall mean Trunkline Gas Company (Trunkline) or another interstate pipeline company mutually agreeable to the Parties.

"Unit of Measurement" shall mean one million British Thermal Units (MMBtu) on a dry basis.

ARTICLE II. COVENANT BY SELLER NOT TO SELL GAS TO OTHERS

2.1 During the term of this Agreement, Seller agrees not to sell to any third party any Gas produced from the Subject Lease and attributable to Seller's undivided interest as set forth in Exhibit "A" hereto (including royalty Gas and overriding royalty Gas which Seller has the right to market) without the prior written consent of Buyer, except as provided in Section 3.3.

2.2 **Seller's Reservations.** Seller reserves the following rights with sufficient gas to satisfy such rights:

(a) To operate its property free from any control by Buyer in such a manner as Seller, in its sole discretion, may deem advisable, including without limitation, the right to drill new wells, to repair and rework old wells, and to plug and abandon any well or surrender any lease or portion thereof when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operation; provided, however, in the event Seller should terminate or surrender Subject Lease, written notice of same shall be given to Buyer within 30 days.

(b) To separate the gas using mechanical, low temperature or other separation equipment selected by Seller.

(c) To process the gas, or have the same processed before delivery to Buyer, for the extraction of liquefiable hydrocarbons, helium and any other constituents of the raw gas stream; provided, however, that such processing will not (including amounts lost due to shrinkage and fuel requirements) remove more than 10% of the volume of gas produced from the Subject Lease; and provided further, that such processing will not render the residue gas incapable of meeting the quality specifications contained herein.

(d) To use gas produced from the Subject Lease for developing and operating the Subject Lease including Seller's pipelines, compression and other treating facilities, platform installations and other miscellaneous uses incident to the operation of such lease or facilities and to fulfill obligations to the lessor thereunder.

(e) To unitize the lease with other properties of Seller and of others in the same field, in which event this agreement shall cover Seller's interest in the unit attributable to the reserves committed hereunder.

ARTICLE III QUANTITY OF GAS

3.1 Each Month during the term of this Agreement, Seller shall make available to Buyer a quantity of Excess Gas equal to the Maximum Daily Quantity. On or before the eighteenth (18th) day of each Month during the term hereof, Seller shall notify Buyer in writing of Seller's estimate of the Maximum Daily Quantity ("Estimated MDQ") for the next succeeding Month.

3.2 Subject to the other provisions of this Agreement, each Month during the term of this Agreement, Seller shall sell and deliver to Buyer, and Buyer shall purchase and receive from Seller, the Nominated Quantity. For purposes of determining the volumes of Excess Gas taken and purchased by Buyer hereunder, the first volumes of Excess Gas delivered by Seller each Month shall be allocated to and purchased by Buyer until a quantity of Excess Gas has been delivered to Buyer which is equal to the product obtained by multiplying Buyer's nomination for such Month times the number of days in such Month. Buyer shall release to Seller for each Day in the Month the portion of the Maximum Daily Quantity of Excess Gas that is in excess of Buyer's nominated volume and Buyer shall not have any rights or options under this Agreement with respect to any Excess Gas so released hereunder.

3.3 Additional Gas. In the event that from time to time Seller has Gas available for sale from the Subject Lease in excess of the applicable Nominated Quantity, Seller shall have the right during such time to otherwise dispose of such excess daily quantity of Gas not required to satisfy Seller's obligations hereunder subject, however, to any obligations of Seller to Buyer under other agreements.

3.4 Constant Rate. Seller recognizes that due to operating conditions, varying market demands and the difficulty of apportioning receipts of gas from various sources, Buyer may not be able to take gas from Seller during any definite period at exactly constant rates. Buyer, however, shall use reasonable efforts to maintain as nearly a constant rate of takes as practicable.

3.5 Operational Tolerance. It is the intent of the Parties hereto that the quantities nominated and scheduled shall be the quantities delivered. However, Buyer and Seller recognize the inherent inaccuracies in the measurement and allocation of gas due to the inability to maintain precise control. Such inaccuracies may at times occur through no fault of Buyer or Seller, such as in the case of allocations after actual deliveries which are the result of measurement inaccuracies, or unpreventable variations in rates of flow at the Delivery Point, and may result in failure to deliver or receive the scheduled quantities (such inaccuracies are hereinafter called "Measurement and Allocation Inaccuracies"). To the extent the actual quantities delivered may vary from the scheduled quantities due to Measurement and Allocation Inaccuracies, the Parties agree that Buyer's obligation to purchase and receive and Seller's obligation to sell and deliver, insofar as non-performance penalties and remedies are concerned, shall be deemed to be fulfilled to the extent that, on a monthly basis, such deliveries and receipts are within a monthly operational tolerance of five percent (5%).

ARTICLE IV. DELIVERY POINT AND LIABILITY

4.1 Delivery Point. The quantities of gas to be delivered by Seller to Buyer hereunder shall be delivered, as requested by Buyer, at the Delivery Point set forth on Exhibit "A".

4.2 Title Transfer. As between the Parties, Seller shall be in exclusive control and possession of the gas deliverable hereunder and responsible for any damage or injury caused thereby prior to the time same shall have been delivered to Buyer. After delivery of gas to Buyer at the Delivery Point, Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby. Title to the gas delivered hereunder shall pass at each Delivery Point.

4.3 Indemnity. Seller and Buyer each assume full responsibility and liability for and shall indemnify and hold harmless the other Party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident occurring when title to the gas is vested in the indemnifying party.

ARTICLE V. PRESSURE AND DISPATCHING

5.1 Pressure. Seller shall deliver, or cause to be delivered, the gas purchased hereunder at a pressure sufficient to be delivered into Transporter's pipeline at the Delivery Point at the existing natural flowing pressures and under normal operating conditions of Transporter's pipeline.

5.2 Notification. Seller shall inform Buyer, as often as may be necessary, of the delivery rate and pressure of the gas delivered hereunder.

5.3 Nominations. ^{one (1) business day prior to the nomination deadline on Texas time.} Buyer shall provide Seller's ~~the~~ Nomination Notice for each Month during the term of this Agreement not less than ~~the twentieth (20th) day of the preceding month.~~ The Nomination Notice shall set forth the Nominated Quantity for the applicable Month. Buyer shall provide Seller with not less than seven (7) business days prior notice for changes in the Nominated Quantity during any Month. Seller shall have agents or employees available at all times to receive from Buyer's dispatchers advises and requests for changes in the rates of delivery of gas hereunder.

JKR
JBR

ARTICLE VI. MEASUREMENT AND QUALITY

6.1 Measurement. Buyer shall cause the natural gas sold hereunder to be measured by Transporter at or near the Delivery Point at pressures in Transporter's pipeline in existence from time-to-time and such measurement shall be corrected to the Unit of Measurement. Seller's deliveries of gas shall be calculated from the measurements taken at the meter installed, operated and maintained by Transporter at the Delivery Point, and from the heating value determined by the instruments operated by Transporter.

6.2 Quality Specifications. The applicable quality and measurement specifications shall be those required by Transporter.

ARTICLE VII PRICE

7.1 Price. The price per MMBtu of gas delivered at the Delivery Point and sold and purchased under this Agreement each month shall be 102% of the Spot Price during such month.

7.2 Price Redetermination - Seller. Semiannually commencing March 1, 1991 and at the end of each six (6) month period thereafter during the term of this Agreement, Seller shall have the right to cause the price payable hereunder to be redetermined by notifying Buyer in writing not less than fifteen (15) days prior to March 1, 1991 and the commencement of each such six (6) month period thereafter that Seller has received a bona fide offer from a third party purchaser to purchase all or a portion of the Excess Gas committed hereunder. Seller's notice shall include a copy of such third party offer. Buyer shall, within ten (10) days of receipt of Seller's notice, advise Seller that Buyer will either (i) continue to purchase the gas hereunder at a price and term equal to that contained in the third party offer, or (ii) release that portion of the gas from its commitment to this Agreement for the term of the third party offer, which release will be provided to Seller in writing. In the event Seller does not notify Buyer of such third party offer within the time prescribed above, this Agreement will continue and remain in full force and effect in accordance with all of the terms hereof.

7.3 Price Redetermination - Buyer. Semiannually commencing March 1, 1991 and at the end of each six (6) month period thereafter during the term of this Agreement, Buyer shall have the right to cause the price payable hereunder to be redetermined by notifying Seller in writing not less than thirty (30) days prior to March 1, 1991 and the commencement of each such six (6) month period thereafter. If such a request is made, the Parties shall negotiate in good faith to agree on a redetermined price payable hereunder. In the event that the Parties cannot agree on such redetermined price within fifteen (15) days after the date of such request, this Agreement shall thereupon terminate.

7.4 Dry Basis. All prices shall be calculated on a dry basis except where required otherwise by regulation.

7.5 Third Party Costs. Seller shall be responsible for the payment of all third party fees and charges, if any, necessary for the transportation and delivery of the gas to the Delivery Point, and all taxes, charges, or assessments made or assessed on such gas at or upstream of such Delivery Point, including but not limited to all or levied by the state or any governmental agency on the gas sold hereunder. In the event Buyer is required to remit such taxes, the amount thereof shall be deducted from any sums

thereafter becoming due and owing to Seller. Nothing herein shall be construed as applying to any tax or transportation charges or fees imposed on Buyer after title and possession of the Gas shall have passed to Buyer.

ARTICLE VIII BILLING AND PAYMENT

8.1 **Payment Date.** Buyer will make payment to Seller on or before the twenty-fifth (25th) day of each calendar month for all gas nominated and delivered hereunder during the preceding calendar month. If adjustments from nominated to actual quantities purchased are necessary pursuant to Section 3.5 (Operational Tolerances), such adjustments in payments will be made on the payment date next following the date of determination of the actual quantities delivered. Unless otherwise agreed to by the Parties, payment by Buyer to Seller shall be made in immediately available U.S. funds (per wire transfer or ACH (Automated Clearinghouse)) to a depository designated from time to time by Seller at its sole discretion. When the due date falls on a day that the designated depository is not open in the normal course of business to receive Buyer's payment, Buyer shall cause such payment to be made on or before the first business day on which the designated depository is open after such due date. Seller shall provide Buyer with Seller's designated depository.

8.2 (a) **Late Payment.** Should Buyer fail to remit the full amount when due, interest on the unpaid portion shall accrue at a rate equal to the then effective "Prime Rate" of interest for large U.S. money center commercial banks published under "Money Rates" by the Wall Street Journal plus two percent (2%) from the date due until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Seller, in addition to any other remedy it may have, may suspend further sale and delivery of gas until such amount, including interest, is paid. If Buyer has overpaid amounts actually due within thirty (30) days, Seller shall remit to Buyer any refund plus interest calculated as stated herein from the date said.

(b) Any payments due Buyer by Seller pursuant to Section 3.2 not paid within thirty (30) days from the date due shall bear interest at the same rate as set forth in Section 8.2(a) above.

8.3 **Adjustments.** Upon notice to the other Party, either Party has the right, as its sole expense and during normal working hours, to examine the records of the other as necessary to verify the accuracy of any statement, charge, notice or computation made pursuant to the provisions of this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be promptly made; provided, that no adjustment for any statement

or payment will be made after the lapse of two (2) years from the rendition thereof. The provisions of this paragraph will survive any termination of this Agreement for a period of two (2) years from the date of such termination.

ARTICLE IX PENALTIES

9.1 **Transportation Penalties.** It is understood that the natural gas purchased and sold hereunder will be transported by third party transporters, and each Party has agreed to provide notice to the other Party of quantities of gas Seller intends to deliver and Buyer intends to purchase and receive. If Seller delivers, or causes to be delivered for Buyer's account, at the Delivery Point a quantity of gas that is greater or less than that nominated and scheduled for delivery to, and transportation by Transporter and such variable deliveries causes Buyer, or Buyer's designee, to incur a penalty as levied by the Transporter, then Seller shall bear and pay such penalties. Buyer agrees to bear and pay all penalties which are assessed by Transporter or any other transporting pipeline(s) against Buyer, Buyer's designee or Seller as a result of Buyer's failure to accept delivery of the quantity of the gas which Buyer, in accordance with the nomination procedures in effect at the time, nominated and scheduled to receive at the Delivery Point.

9.2 **Notification.** Either Party shall immediately notify the other Party of any notice received from Transporter or any other third party transporter that indicates an imbalance in deliveries exists or is occurring which may give rise to a penalty. The Parties agree to cooperate immediately to adjust their gas nomination(s) and/or delivery(ies) as necessary to bring deliveries and receipts in balance so that penalties are avoided or minimized as much as possible.

ARTICLE X FORCE MAJEURE

10.1 **Force Majeure.** In the event of either Party being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments due hereunder, it is agreed that on such Party's giving notice and full particulars of such force majeure in writing or by telecopy to the other Party as soon as possible after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, governmental action, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes,

tornadoes, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, interruption or curtailment of firm transportation services provided by third party transporters, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of lines of pipe, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. It is expressly agreed that Buyer's loss of market(s) shall not constitute an event of force majeure hereunder. It is further understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and that the above requirements that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the Party having the difficulty.

ARTICLE XI TERM

11.1 (a) **Term.** Subject to paragraph (b) below, this Agreement shall be effective as of the date of first production from the Subject Lease and shall continue in full force and effect until October 31, 1996.

(b) Subject to the provisions of Section 8.3, upon the termination of this Agreement any monies or penalties due and owing either Party shall be paid pursuant to the terms hereof, and any corrections or adjustments to payments previously made shall be determined and any refunds due either Party made at the earliest possible time, and in any event no later than ninety (90) days following such termination. This Agreement shall remain in effect until the obligations under this Section have been fulfilled.

ARTICLE XII WARRANTY OF TITLE

12.1 **Warranty.** Seller hereby warrants the title to all gas delivered by Seller to Buyer hereunder, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer, and to pay or cause to be paid to the Parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any

adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Article XII, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

ARTICLE XIII GOVERNING LAWS/COMPLIANCE WITH LAW

**13.1 Governing Law. THIS AGREEMENT SHALL BE GOVERNED
CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF**

**13.2 Regulations. This Agreement is subject to all present and future
valid orders, rules, and regulations of any regulatory body having jurisdiction.**

**13.3 If at any time hereof, any governmental authority having jurisdiction
over this Agreement or the sale and purchase of gas hereunder shall take action as to
Seller or Buyer or any transporter whereby the sale, transportation, other handling
(including without limitation compression or treating), delivery and receipt of Gas as
contemplated hereunder shall be proscribed or subjected to terms, conditions, regulations,
restraints, or price or rate controls that in the sole judgement of Seller or Buyer impose
an undue burden on that Party, upon notice by the affected Party to the other Party,
Buyer and Seller shall endeavor to negotiate mutually acceptable revisions to this
Agreement which will put the Party affected, in its sole opinion, in substantially the same
position in which it would have been in the absence of such undue burden. In the event
the Parties are unable to agree upon such revisions, the affected Party may thereafter,
upon thirty (30) days written notice, terminate this Agreement, without further liability
hereunder, except as to payments due at the time of such termination.**

**13.4 The Parties agree to timely make all regulatory filings, in any, that
may be needed to effectuate the contemplated purchase and sale. Upon request, Seller
shall supply all information and data necessary or appropriate to verify well classifications
or pricing determinations under the provisions of the Natural Gas Policy Act of 1978 and
the regulations promulgated thereunder.**

**ARTICLE XIV.
REMEDY FOR BREACH**

14.1 Except as otherwise specifically provided herein, if either Party shall fail to perform any of the covenants or obligations imposed upon it in this Agreement (except where such failure shall be excused under another provision hereof), then, and in that event, the other Party may, at its option (without waiving any other remedy for breach hereof), by notice in writing specifying wherein the default has occurred, indicate such Party's election to cancel the Agreement by reasons thereof. The Party in default shall have thirty (30) days from receipt of such notice to remedy such default and to pay or indemnify the other Party for all loss or damage incurred as a result thereof, and upon failure to do so, this Agreement shall be cancelled from and after the expiration of such thirty (30) day period. Any such cancellation shall be an additional remedy and shall not prejudice the right of the Party not in default to collect any amounts due it hereunder and for any damage or loss suffered by it and shall waive any other remedy to which the Party not in default may be entitled for breach of this Agreement.

**ARTICLE XV.
ADDRESSES**

15.1 Seller's Address. Unless Buyer is otherwise notified in writing by Seller, the address of Seller is and shall remain as follows:

Century Offshore Management Corporation
155 East Main Street
Suite 200
Lexington, Kentucky 40507
Attention: Mr. Howard Settle

Billing and Payment
By Wire Transfer
Bank of Lexington & Trust Co.
Bank #421 011 45

For Credit to:
Century Offshore Management Corp.

Account #10110445

15.2 Buyer's Address. Unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain:

**Enron Gas Marketing, Inc.
P. O. Box 1188
Houston, Texas 77251-1188
Attention: Gas Supply Administration**

15.3 Notices In Writing. All notices required to be given in writing hereunder shall be given to the respective Parties at such address or such other addresses as the Parties respectively shall designate from time-to-time by written notice.

ARTICLE XVI

REPRESENTATIONS AND WARRANTIES OF SELLER

16.1 Representations. As a principal cause and material inducement to Buyer entering into this Agreement, the Seller has made the representations set forth below with the understanding that, notwithstanding any investigation made by Buyer, Buyer is relying on each of such representations and would not have entered into this Agreement but for each of such representations. In view of the foregoing and with the acknowledgement that Buyer's reliance on such representations is reasonable, Seller hereby represents and warrants to Buyer as follows:

(a) None of the information supplied by Seller or any of its employees, or to the best of Seller's knowledge, by any agent or representative of Seller, to Buyer contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein nor necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Seller owns good and marketable title to the interests in the Subject Lease and the Gas produced therefrom set forth in Exhibit A hereto subject only to the matters set forth in Exhibit A hereto.

(c) There are no suits or proceedings pending, or to the knowledge of Seller, threatened against Seller or its properties, including without limitation the Subject Lease, before any court or by or before any governmental commission, bureau or regulatory authority that if decided adversely to the interest of Seller could materially adversely affect Seller or the rights of Buyer under this Agreement.

(d) The Subject Lease is in full force and effect as to all lands, described in Exhibit A hereto and Seller has not received any notice of default or claimed default with respect to the Subject Lease or any part thereof or any interest in production

therefrom and all wells, facilities and equipment located on the Subject Lease are in good repair and working condition and have been designed, installed and maintained in accordance with good industry standards and all applicable governmental requirements.

(e) Neither the Subject Lease nor the Gas to be produced therefrom is dedicated to interstate commerce, or committed or subject to any gas purchase contract or agreement other than with Buyer.

(f) Seller is a corporation duly organized and validly existing under the laws of the State of Kentucky. Seller has the legal right, power and authority and qualifications to conduct its business and own its properties (including the Subject Lease); Seller is qualified to own federal oil and gas leases; and Seller has the legal right, power and authority to execute and deliver, and to perform all of its obligations under, this Agreement.

(g) The making and performance by Seller of this Agreement is within Seller's corporate powers, has been duly authorized by all necessary corporate action on the part of Seller, and do not and will not (i) violate any provision of law or any rule, regulation, order, writ, judgment, decree or other determination presently in effect applicable to Seller or of the charter or bylaws of Seller or other governing documents of Seller, (ii) result in a breach of or constitute a default under any indenture, bank loan or credit agreement or other agreement or instrument to which Seller is a party or by which it or its properties may be presently bound or affected, or (iii) result in or require the creation or imposition of any mortgage, lien, pledge, security interest, charge or other encumbrance upon or of any of the properties or assets of Seller (including the Subject Lease) under any such indenture, bank loan, credit agreement, or other agreement or instrument; and Seller is not in default under any such order, writ, judgment, decree, determination, indenture, agreement or instrument in any way that now or in the future will materially adversely affect Seller or its ability to perform its obligations under this Agreement; and all consents or approvals under such indentures, agreements and instruments necessary to permit valid execution, delivery and performance by Seller of this Agreement have been obtained.

(h) This Agreement constitutes the legal, valid, and binding act and obligation of Seller enforceable against Seller in accordance with its terms, subject however, to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally, and with regard to any equitable remedies, to the discretion of the court before which proceedings to obtain such remedies may be pending; and there are no bankruptcy, insolvency, reorganization, receivership or other arrangement proceedings pending, or being contemplated by or to the knowledge of Seller, threatened against Seller.

(i) The financial statements of Seller dated as of October 31, 1989 furnished to Buyer have been prepared in accordance with generally accepted accounting principles, consistently applied, and fairly and accurately reflect the financial condition of Seller as of such date, there has been no material adverse change in the financial condition of Seller since the date of such financial statements.

ARTICLE XVII MISCELLANEOUS

17.1 **No Waiver.** No waiver by either Party of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

17.2 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the respective Parties; provided, however, that neither Party may assign this Agreement without the express written consent of the other Party, which consent shall not be unreasonably withheld.

17.3 **Counterpart Execution.** This Agreement may be signed in counterparts, each of which shall constitute an original and together which shall constitute one and the same Agreement.

17.4 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and no waiver, representation or agreement, verbal or otherwise, shall affect the subject matter hereof unless and until such waiver, representation or agreement is reduced to writing and executed by the authorized representatives of the Parties.

17.5 Except as otherwise stated herein, any article or Section declared or rendered unlawful by a court of law or regulatory agency with jurisdiction over the Parties or deemed unlawful because of a statutory change will not otherwise affect the lawful obligations that arise under this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement in multiple originals this 20th day of December, 1989.

SELLER

CENTURY OFFSHORE MANAGEMENT CORPORATION

By Jonathan B. Rudney
Jonathan B. Rudney
Title: Executive Vice President

BUYER:

ENRON GAS MARKETING, INC.

By Dan W. Ryser *DR*
Dan W. Ryser
Title: Exec VP

c:\p\lar\1885T1870ALC2

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 20th day of December, 1989 by Jonathan B. Rudney, Executive Vice President of CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, on behalf of said corporation.

Margaret L. Nolley
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

MY COMMISSION EXPIRES:

3-3-92

MARGARET L. NOLLEY
Printed Name of Notary

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 20th day of December, 1989 by Dan W. Ryser, Executive Vice President of ENRON GAS MARKETING, INC., a Delaware corporation, on behalf of said corporation.

Margaret L. Nolley
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

MY COMMISSION EXPIRES:

3-3-92

MARGARET L. NOLLEY
Printed Name of Notary

EXHIBIT "A"

To the Gas Purchase Agreement
(Excess Gas Contract)
dated
December 20, 1989
between
Century Offshore Management Corporation
and
Enron Gas Marketing, Inc.

Lease:

Serial No.: OCS-G5601
Dated: July 1, 1983
Lessor: United States of America
Lessee: Exxon Corporation
Description: All of Block 107, South Timbalier Area, OCS Leasing Map, Louisiana
Map No. 6 containing 5,000 acres

Delivery Point: Subsea Interconnect of Seller's Pipeline and Trunkline Gas Company
Pipeline at South Timbalier Block 140, Offshore Louisiana.

Interest of Seller in the Subject Lease:

W.L. N.R.L.

| | | |
|---|-----------|-----------|
| Century Offshore Management Corporation | 86.66667% | 61.93055% |
|---|-----------|-----------|

**SO. TIMBALIER BLOCK 107
BASE CONTRACT
20,000 MMBtu FIRM
STW/GASCI**

**GAS PURCHASE AGREEMENT
(BASE CONTRACT)**

Between

CENTURY OFFSHORE MANAGEMENT CORPORATION

And

ENRON GAS MARKETING, INC.

RECEIVED

JUN 28 1990

**Minerals Management Service
Leasing & Environment**

CR 65460

16-15174-104

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GAS PURCHASE AGREEMENT
(BASE CONTRACT)

THIS AGREEMENT, dated the 20th day of December, 1989, by and between CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, hereinafter referred to as "Seller", and ENRON GAS MARKETING, INC., a Delaware corporation, hereinafter referred to as "Buyer".

WHEREAS, Seller has a firm supply of natural gas available for sale to be produced from the oil and gas lease covering South Timbalier Block 107, Outer Continental Shelf, Gulf of Mexico, as described on Exhibit A attached hereto; and

WHEREAS, Buyer desires to purchase this gas on a firm basis from Seller and Seller desires to sell said gas to Buyer.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, the Parties do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.1 The following terms, as used in this Agreement, shall have the meanings as follows:

"British Thermal Unit" or "Btu" shall mean the amount of energy required to raise the temperature of one (1) pound of pure water one degree Fahrenheit (1°F.) from fifty-nine degrees Fahrenheit (59°F.) to sixty degrees Fahrenheit (60°F.) The term "MMBtu" shall mean one million Btu's.

"Committed Reserves" is defined in Section 2.1.

"Contract Price" shall mean, for any month, the price determined by the provisions of Section 7.1.

"Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven o'clock a.m. Central Time.

"Delivery Point" shall mean the point of delivery set forth in Exhibit "A".

"FERC" shall mean the Federal Energy Regulatory Commission or any successor governmental authority.

"Gas" shall mean natural gas, including both gas well gas and casinghead gas, and the residue gas therefrom, of merchantable quality.

"Inside F.E.R.C." shall mean the publication entitled Inside F.E.R.C. Gas Market Report, published by McGraw-Hill, Inc.

"Maximum Daily Quantity" ("MDQ") shall mean the maximum quantity of Gas, expressed in MMBtu's per day, that Seller is obligated to sell and deliver each day during any month during the term hereof, which quantity shall be 20,000 MMBtu's; provided, however, that Buyer may reduce such quantity pursuant to the provisions of Section 3.8.

"Minimum Purchase Quantity", for any Month during the term of this Agreement, shall mean the minimum quantity of Gas, expressed in MMBtus per day, that Buyer is obligated to purchase and receive, or pay for if available and not taken, during such Month, which quantity shall be ninety percent (90%) of the MDQ times the number of days in such month.

"Month" shall mean a period beginning at seven o'clock a.m. on the first day of a calendar month and ending at seven o'clock a.m. on the first day of the next succeeding calendar month.

"NGPA" shall mean the Natural Gas Policy Act of 1978, including any amendment or successor thereto.

"Nominated Quantity" shall mean the quantity of Gas, expressed in MMBtu per day, that Buyer is obligated to purchase and receive each Month during the term hereof. The Nominated Quantity shall be not less than the Minimum Purchase Quantity and not more than the MDQ. The Nominated Quantity shall be set forth in the Nomination Notice.

"Nomination Notice" shall mean the notice provided to Seller by Buyer pursuant to Section 5.3 prior to each month during the term hereof, which notice sets forth the Nominated Quantity.

"Party" shall mean Seller or Buyer or their respective permitted successors and assigns.

"Seller's Reservations" shall mean the reservations of Seller set forth in Section 2.2.

"Spot Price" for any month shall mean the index price for such month identified in the first bi-monthly issue of Inside F.E.R.C. in the table "Prices for Spot Gas Delivered to Pipelines" in the column "Index" for Trunkline Gas Company (Louisiana). In the event that during the term of this Agreement Inside F.E.R.C. is no longer published, or the prices set forth above are no longer made available, the price last determined on the basis of such publication shall continue as the Spot Price for the first billing month for which a Spot Price cannot be determined on the basis of such publication. During this period Buyer and Seller will use their best efforts to negotiate a mutually agreeable alternative methodology and/or publication for determining the Spot Price for subsequent billing months. However, if Buyer and Seller are unable to reach agreement on such alternative then the Spot Price shall be the average price, as estimated by Buyer in good faith, for spot sales during such month at Patterson, Louisiana.

"Subject Lease" shall mean the lease set forth in Exhibit "A".

"Transporter" shall mean Trunkline Gas Company (Trunkline) or another interstate pipeline company mutually agreeable to the Parties.

"Unit of Measurement" shall mean one million British Thermal Units (MMBtu) on a dry basis.

ARTICLE II COMMITMENT AND RESERVATIONS OF SELLER

2.1 **Commitment.** Seller commits to the performance of this Agreement Seller's undivided interest as set forth in Exhibit "A" hereto in Gas (including royalty Gas and overriding royalty Gas which Seller has the right to market), underlying the Subject Lease, subject to the Seller's Reservations (the "Committed Reserves"); provided, however, that notwithstanding such commitment or reservation of the Committed Reserves, Seller's obligation under this Agreement is to make available to Buyer the Nominated Quantity each Day during the term of this Agreement as specified in Section 3.1 of this Agreement. Seller's obligation to provide such Gas is not dependent or conditioned upon the commitment of the Committed Reserves or any other Gas underlying specific oil and gas leases in order to deliver the Nominated Quantity, and, subject to Section 3.3(b), Seller shall have the right to deliver in any Month Alternate Gas for any part of the Nominated Quantity deliverable during such Month. Except as permitted pursuant to Section 3.5, Seller agrees not to sell to any other party or parties any Gas produced from the Committed Reserves during the term hereof without the prior written consent of Buyer.

Seller shall not sell, assign, sublease or otherwise transfer its interest in the Subject Lease without the prior written consent of Buyer, which Buyer shall have no obligation to give. If Seller sells, assigns, subleases or transfers the Subject Lease or gas rights thereunder to any assignee or lessee, Seller shall furnish Buyer with certified copies of the recorded instruments by which such assignments or subleases are accomplished and within 90 days after the effective date of such transfer. Seller agrees to furnish Buyer all information and data pertinent to the estimation of Gas reserves as such information and data becomes available, including, but not limited to, the furnishing of surface maps showing property lines and well locations, well logs, electric logs, core analysis data, flow and pressure tests, Gas analysis and casing programs.

2.2 Seller's Reservations. Seller reserves from the Committed Reserves the following rights with sufficient gas to satisfy such rights:

(a) To operate its property free from any control by Buyer in such a manner as Seller, in its sole discretion, may deem advisable, including without limitation, the right to drill new wells, to repair and rework old wells, and to plug and abandon any well or surrender any lease or portion thereof when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operation; provided, however, in the event Seller should terminate or surrender Subject Lease, written notice of same shall be given to Buyer within 30 days.

(b) To separate the gas using mechanical, low temperature or other separation equipment selected by Seller.

(c) To process the gas, or have the same processed before delivery to Buyer, for the extraction of liquefiable hydrocarbons, helium and any other constituents of the raw gas stream; provided, however, that such processing will not (including amounts lost due to shrinkage and fuel requirements) remove more than 10% of the volume of gas produced from the Committed Reserves; and provided further, that such processing will not render the residue gas incapable of meeting the quality specifications contained herein.

(d) To use gas produced from the lease for developing and operating the Subject Lease including Seller's pipelines, compression and other treating facilities, platform installations and other miscellaneous uses incident to the operation of such lease or facilities and to fulfill obligations to the lessor thereunder.

(e) To unitize the lease with other properties of Seller and of others in the same field, in which event this agreement shall cover Seller's interest in the unit attributable to the reserves committed hereunder.

ARTICLE III QUANTITY OF GAS

3.1 Subject to the other provisions of this Agreement, each Month during the term hereof:

- (a)** Seller shall make available the MDQ; and
- (b)** Buyer shall purchase and receive from Seller, and Seller shall sell and deliver to Buyer, the Nominated Quantity.

3.2 Unless performance is excused by another provision of this Agreement, if during any Month, the quantity of Gas which Seller tenders for sale and delivery to Buyer (up to the MDQ) is less than the amount nominated by Buyer such occurrence shall constitute a "Seller's Deficiency Default." In the event of a Seller's Deficiency Default, subject to Section 3.3, Seller shall pay Buyer, promptly on demand, as liquidated damages, an amount equal to the product obtained by multiplying (A) times (B); where A equals the Nominated Quantity for such Month, less the actual quantities delivered by Seller during such Month, and B equals the difference obtained by subtracting the Contract Price from the Spot Price for such Month when such difference is greater than zero (0). The Parties agree that in the event of a Seller's Deficiency Default the exact amount of actual damages may be difficult to prove and that the liquidated damages provided for herein represents a fair and reasonable estimate of the damages actually suffered by Buyer. In the event Seller fails to pay such sum promptly on demand, Buyer shall have the right to exercise any remedy available at law or in equity to enforce payment of such amount plus interest on such amount from the date due until paid at a rate equal to the interest rate set forth in Section 8.2. Upon payment to Buyer of said liquidated amount, Seller shall have no further obligation to deliver the quantity of Gas with respect to which payment was made.

3.3 Right to Cure or Avoid Default. (a) In order to cure, or avoid the occurrence of a Seller's Deficiency Default, Seller may, subject to Section 3.3(b) and (c), furnish and deliver to Buyer, without cost to Buyer during such Month, a quantity of Alternate Gas the total Btu content of which equals the gas deficiency for such Month.

(b) Prior to delivery of Alternate Gas Seller shall deliver written notice ("Alternate Gas Notice") to Buyer on or before five business days prior to commencing such deliveries, which notice shall set forth the amount (expressed in MMBtu) of Alternate Gas which Seller will deliver or cause to be delivered together with the delivery point or points on an interstate pipeline acceptable to Buyer (the "Alternate Delivery Point") and other relevant information sufficient to enable Buyer to make arrangements to receive and

transport such Alternate Gas. The right of Seller to furnish Alternate Gas in any Month is subject to the conditions precedent that (i) Seller shall give the Alternate Gas Notice as set forth above, (ii) the Alternate Delivery Point is acceptable to Buyer in its discretion, and (iii) Buyer can make arrangements satisfactory to Buyer to receive and transport such Alternate Gas for such Month. If Seller delivers Alternate Gas, Seller shall also pay to Buyer (within 10 days after receipt of billing therefor by Buyer) in cash an amount equal to the added cost, if any, to Buyer of transporting Alternate Gas to Patterson, Louisiana.

(c) If (i) Seller delivers the Alternate Gas Notice within the time and in the manner set forth above, and (ii) without cost to Buyer, Seller delivers to Buyer at the Alternate Delivery Point a quantity of Alternate Gas, then Seller shall be deemed to have cured Seller's Deficiency Default to the extent of the total Btu content of the Alternate Gas so delivered; otherwise the existence of the uncured portion of Seller's Deficient Default shall entitle Buyer to payment of the liquidated damages provided in Section 3.2 to the extent, but only to the extent, of such uncured portion of Seller's Deficiency Default.

3.4 Unless performance is excused by another provision of this Agreement, if during any Month, the quantity of gas purchased and received by Buyer is less than the Nominated Quantity, such occurrence shall constitute Buyer's Deficiency Default. In the event of Buyer's Deficiency Default, Buyer shall pay Seller on the date set forth in Article VIII, as liquidated damages, an amount equal to the product obtained by multiplying (A) times (B); where A equals the difference between the Nominated Quantity less the actual quantities accepted and received by Buyer, and B equals the difference obtained by subtracting the Spot Price, as defined herein, from the Contract Price when such difference is greater than zero (0). The parties agree that in the event of a Buyer Deficiency Default the exact amount of actual damages may be difficult to prove and that the liquidated damages provided for herein represents a fair and reasonable estimate of the damages actually suffered by Seller. In the event Buyer fails to pay such sum when due, Seller shall have the right to exercise any remedy available at law or in equity to enforce payment of such amount plus interest on such amount from the date due until paid at a rate equal to the interest rate set forth in Section 8.2 (a). Upon payment to Seller of said liquidated amount, Buyer shall have no further obligation to accept and receive the quantity of Gas with respect to which payment was made.

3.5 Additional Gas. In the event that from time to time Seller has Gas available for sale from the Committed Reserves in excess of the applicable Nominated Quantity (after taking into account any Alternate Gas delivered pursuant to Section 3.3), Seller shall have the right during such time to otherwise dispose of such excess daily quantity of Gas not required to satisfy Seller's obligations hereunder subject, however, to the obligations of Seller to Buyer under other agreements.

3.6 **Constant Rate.** Seller recognizes that due to operating conditions, varying market demands and the difficulty of apportioning receipts of gas from various sources, Buyer may not be able to take gas from Seller during any definite period at exactly constant rates. Buyer, however, shall use reasonable efforts to maintain as nearly a constant rate of takes as practicable.

3.7 **Operational Tolerance.** It is the intent of the Parties hereto that the quantities nominated and scheduled shall be the quantities delivered. However, Buyer and Seller recognize the inherent inaccuracies in the measurement and allocation of gas due to the inability to maintain precise control. Such inaccuracies may at times occur through no fault of Buyer or Seller, such as in the case of allocations after actual deliveries which are the result of measurement inaccuracies, or unpreventable variations in rates of flow at the Delivery Point, and may result in failure to deliver or receive the schedule quantities (such inaccuracies are hereinafter called "Measurement and Allocation Inaccuracies"). To the extent the actual quantities delivered may vary from the scheduled quantities due to Measurement and Allocation Inaccuracies, the Parties agree that Buyer's obligation to purchase and receive and Seller's obligation to sell and deliver, insofar as non-performance penalties and remedies are concerned, shall be deemed to be fulfilled to the extent that, on a monthly basis, such deliveries and receipts are within a monthly operational tolerance of five percent (5%).

3.8 **Buyer's Option to ~~Reduce Quantity~~ or to terminate Agreement.** At any time prior to March 1, 1990, Buyer may elect in its discretion (i) to reduce the Maximum Daily Quantity to any quantity not less than 5,000 MMBtu's, or (ii) to terminate this Agreement. Buyer shall give Seller written notice of any such election by Buyer in the manner required by Article XV.

ARTICLE IV. DELIVERY POINT AND LIABILITY

4.1 **Delivery Point.** The quantities of gas to be delivered by Seller to Buyer hereunder shall be delivered, as requested by Buyer, at the Delivery Point set forth on Exhibit "A".

4.2 **Title Transfer.** As between the Parties, Seller shall be in exclusive control and possession of the gas deliverable hereunder and responsible for any damage or injury caused thereby prior to the time same shall have been delivered to Buyer. After delivery of gas to Buyer at the Delivery Point, Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby. Title to the gas delivered hereunder shall pass at each Delivery Point.

4.3 Indemnity. Seller and Buyer each assume full responsibility and liability for and shall indemnify and hold harmless the other Party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident occurring when title to the gas is vested in the indemnifying party.

ARTICLE V. PRESSURE AND DISPATCHING

5.1 Pressure. Seller shall deliver, or cause to be delivered, the gas purchased hereunder at a pressure sufficient to be delivered into Transporter's pipeline at the Delivery Point at the existing natural flowing pressures and under normal operating conditions of Transporter's pipeline.

5.2 Notification. Seller shall inform Buyer, as often as may be necessary, of the delivery rate and pressure of the gas delivered hereunder.

5.3 Nominations. Buyer shall provide Seller a Nomination Notice for each month during the term of this Agreement not less than one (1) business day prior to the nomination deadline on Trunkline. The Nomination Notice shall set forth the Nominated Quantity for the applicable month. Buyer shall provide Seller with not less than seven (7) business days prior notice for changes in Nominated Quantities during any month. Seller shall have agents or employees available at all times to receive from Buyer's dispatchers advises and requests for changes in the rates of delivery of gas hereunder.

ARTICLE VI. MEASUREMENT AND QUALITY

6.1 Measurement. Buyer shall cause the natural gas sold hereunder to be measured by Transporter at or near the Delivery Point at pressures in Transporter's pipeline in existence from time-to-time and such measurement shall be corrected to the Unit of Measurement. Seller's deliveries of gas shall be calculated from the measurements taken at the meter installed, operated and maintained by Transporter at the Delivery Point, and from the heating value determined by the instruments operated by Transporter.

6.2 Quality Specifications. The applicable quality and measurement specifications shall be those required by Transporter.

**ARTICLE VII
PRICE**

7.1 (a) During the term of this Agreement, and subject to the provisions of paragraph (b) of this Section 7.1, the price per MMBtu of Gas nominated and delivered at the Delivery Point shall be the price based on the following scheduled delivery periods:

| | |
|---|--------|
| November 1, 1990 through October 31, 1991 | \$2.07 |
| November 1, 1991 through October 31, 1992 | \$2.21 |
| November 1, 1992 through October 31, 1993 | \$2.37 |
| November 1, 1993 through October 31, 1994 | \$2.54 |
| November 1, 1994 through October 31, 1995 | \$2.71 |
| November 1, 1995 through October 31, 1996 | \$2.90 |

(b) The Parties recognize and agree that the prices to be paid Seller by Buyer pursuant to paragraph (a) above were negotiated and determined utilizing a gathering (transportation) fee paid by Seller to Trunkline Gas Company of \$.10/MMBtu plus 0.7% fuel to transport the Gas purchased and sold hereunder to Patterson/Centerville, Louisiana. The Parties agree that if during the term of this Agreement the gathering (transportation) fee and/or fuel charge is greater or less than this fee the price paid Seller by Buyer shall be correspondingly adjusted by a like amount. If Seller obtains from Trunkline any contractual rights to transport such Gas during the term of this Agreement, Seller agrees to transfer the same to Buyer without charge.

7.2 Dry Basis. All prices shall be calculated on a dry basis except where required otherwise by regulation.

7.3 Third Party Costs. Seller shall be responsible for the payment of all third party fees and charges, if any, necessary for the transportation and delivery of the gas to the Delivery Point, and all taxes, charges, or assessments made or assessed on such gas at or upstream of such Delivery Point, including but not limited to all or levied by the state or any governmental agency on the gas sold hereunder. In the event Buyer is required to remit such taxes, the amount thereof shall be deducted from any sums thereafter becoming due and owing to Seller. Nothing herein shall be construed as applying to any tax or transportation charges or fees imposed on Buyer after title and possession of the Gas shall have passed to Buyer.

ARTICLE VIII BILLING AND PAYMENT

8.1 Payment Date. Buyer will make payment to Seller on or before the twenty-fifth (25th) day of each calendar month for all gas nominated and delivered hereunder during the preceding calendar month. If adjustments from nominated to actual quantities purchased are necessary pursuant to Section 3.7 (Operational Tolerances), such adjustments in payments will be made on the payment date next following the date of determination of the actual quantities delivered. Unless otherwise agreed to by the Parties, payment by Buyer to Seller shall be made in immediately available U.S. funds (per wire transfer or ACH (Automated Clearinghouse)) to a depository designated from time to time by Seller at its sole discretion. When the due date falls on a day that the designated depository is not open in the normal course of business to receive Buyer's payment, Buyer shall cause such payment to be made on or before the first business day on which the designated depository is open after such due date. Seller shall provide Buyer with Seller's designated depository.

8.2 (a) Late Payment. Should Buyer fail to remit the full amount when due, interest on the unpaid portion shall accrue at a rate equal to the then effective "Prime Rate" of interest for large U.S. money center commercial banks published under "Money Rates" by the Wall Street Journal plus two percent (2%) from the date due until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Seller, in addition to any other remedy it may have, may suspend further sale and delivery of gas until such amount, including interest, is paid. If Buyer has overpaid amounts actually due within thirty (30) days, Seller shall remit to Buyer any refund plus interest calculated as stated herein from the date paid.

(b) Any payments due Buyer by Seller pursuant to Section 3.2 not paid within thirty (30) days from the date due shall bear interest at the same rate as set forth in Section 8.2(a) above.

8.3 Adjustments. Upon notice to the other Party, either Party has the right, as its sole expense and during normal working hours, to examine the records of the other as necessary to verify the accuracy of any statement, charge, notice or computation made pursuant to the provisions of this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be promptly made; provided, that no adjustment for any statement or payment will be made after the lapse of two (2) years from the rendition thereof. The provisions of this paragraph will survive any termination of this Agreement for a period of two (2) years from the date of such termination.

ARTICLE IX. PENALTIES

9.1 Transportation Penalties. It is understood that the natural gas purchased and sold hereunder will be transported by third party transporters, and each Party has agreed to provide notice to the other Party of quantities of gas Seller intends to deliver and Buyer intends to purchase and receive. If Seller delivers, or causes to be delivered for Buyer's account, at the Delivery Point a quantity of gas that is greater or less than that nominated and scheduled for delivery to, and transportation by Transporter and such variable deliveries causes Buyer, or Buyer's designee, to incur a penalty as levied by the Transporter, then Seller shall bear and pay such penalties. Buyer agrees to bear and pay all penalties which are assessed by Transporter or any other transporting pipeline(s) against Buyer, Buyer's designee or Seller as a result of Buyer's failure to accept delivery of the quantity of the gas which Buyer, in accordance with the nomination procedures in effect at the time, nominated and scheduled to receive at the Delivery Point.

9.2 Notification. Either Party shall immediately notify the other Party of any notice received from Transporter or any other third party transporter that indicates an imbalance in deliveries exists or is occurring which may give rise to a penalty. The Parties agree to cooperate immediately to adjust their gas nomination(s) and/or delivery(ies) as necessary to bring deliveries and receipts into balance so that penalties are avoided or minimized as much as possible.

ARTICLE X. FORCE MAJEURE

10.1 Force Majeure. In the event of either Party being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments due hereunder, it is agreed that on such Party's giving notice and full particulars of such force majeure in writing or by telecopy to the other Party as soon as possible after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, governmental action, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, interruption or curtailment of firm transportation services provided by third party transporters, the necessity for making repairs to or alterations of machinery or lines of

pipe, freezing of lines of pipe, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. It is expressly agreed that Buyer's loss of market(s) shall not constitute an event of force majeure hereunder. It is further understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and that the above requirements that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the Party having the difficulty.

ARTICLE XI TERM

11.1 **Term.** (a) Subject to paragraph (b) below, this Agreement shall be effective as of October 1, 1990 and shall continue in full force and effect until March 31, 1996.

(b) Subject to the provisions of Section 8.3, upon the termination of this Agreement any monies or penalties due and owing either Party shall be paid pursuant to the terms hereof, and any corrections or adjustments to payments previously made shall be determined and any refunds due either Party made at the earliest possible time, and in any event no later than ninety (90) days following such termination. This Agreement shall remain in effect until the obligations under this Section have been fulfilled.

ARTICLE XII WARRANTY OF TITLE

12.1 **Warranty.** Seller hereby warrants the title to all gas delivered by Seller to Buyer hereunder, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer, and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Article XII, or until Seller shall have

furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

**ARTICLE XIII
GOVERNING LAWS/COMPLIANCE WITH LAW**

13.1 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

13.2 Regulations. This Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction.

13.3 If at any time hereof, any governmental authority having jurisdiction over this Agreement or the sale and purchase of gas hereunder shall take action as to Buyer or any transporter whereby the sale, transportation, other handling (including without limitation compression or treating), delivery and receipt of Gas as contemplated hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or price or rate controls that in Buyer's sole judgement impose an undue burden on Buyer, upon notice by Buyer to Seller, the Parties shall endeavor to negotiate mutually acceptable revisions to this Agreement which will put Buyer, in its sole opinion, in substantially the same position in which it would have been in the absence of such undue burden. In the event the Parties are unable to agree upon such revisions, Buyer may thereafter, upon thirty (30) days written notice, terminate this Agreement, without further liability hereunder, except as to payments due at the time of such termination.

13.4 If at any time hereof, any governmental authority having jurisdiction over this Agreement or the sale and purchase of gas hereunder shall take action as to Seller whereby the sale, transportation, other handling (including without limitation compression or treating), delivery and receipt of Gas as contemplated hereunder shall be proscribed, upon notice by Seller to Buyer, the Parties shall endeavor to negotiate mutually acceptable revisions to this Agreement which will put Seller in substantially the same position in which it would have been in the absence of such undue burden. In the event the Parties are unable to agree upon such revisions, Seller may thereafter, upon thirty (30) days written notice, terminate this Agreement, without further liability hereunder, except as to payments due at the time of such termination.

13.5 The Parties agree to timely make all regulatory filings, in any, that may be needed to effectuate the contemplated purchase and sale. Upon request, Seller shall supply all information and data necessary or appropriate to verify well classifications

or pricing determinations under the provisions of the Natural Gas Policy Act of 1978 and the regulations promulgated thereunder.

ARTICLE XIV. REMEDY FOR BREACH

Except as otherwise specifically provided herein, if either Party shall fail to perform any of the covenants or obligations imposed upon it in this Agreement (except where such failure shall be excused under another provision hereof), then, and in that event, the other Party may, at its option (without waiving any other remedy for breach hereof), by notice in writing specifying wherein the default has occurred, indicate such Party's election to cancel the Agreement by reasons thereof. The Party in default shall have thirty (30) days from receipt of such notice to remedy such default and to pay or indemnify the other Party for all loss or damage incurred as a result thereof, and upon failure to do so, such other Party may cancel this Agreement from and after the expiration of such thirty (30) day period. Any such cancellation shall be an additional remedy and shall not prejudice the right of the Party not in default to collect any amounts due it hereunder and for any damage or loss suffered by it and shall waive any other remedy to which the Party not in default may be entitled for breach of this Agreement.

ARTICLE XV. ADDRESSES

15.1 Seller's Address. Unless Buyer is otherwise notified in writing by Seller, the address of Seller is and shall remain as follows:

Century Offshore Management Corporation
155 East Main Street
Suite 200
Lexington, Kentucky 40507
Attention: Mr. Howard Settle

Billing and Payment
By Wire Transfer
Bank of Lexington & Trust Co.
Bank #421 011 45

For Credit to:
Century Offshore Management Corp.

Account #10110445

15.2 Buyer's Address. Unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain:

Enron Gas Marketing, Inc.
P. O. Box 1188
Houston, Texas 77251-1188
Attention: Gas Supply Administration

15.3 Notices In Writing. All notices required to be given in writing hereunder shall be given to the respective Parties at such address or such other addresses as the Parties respectively shall designate from time-to-time by written notice.

ARTICLE XVI

REPRESENTATIONS AND WARRANTIES OF SELLER

16.1 Representations. As a principal cause and material inducement to Buyer entering into this Agreement, the Seller has made the representations set forth below with the understanding that, notwithstanding any investigation made by Buyer, Buyer is relying on each of such representations and would not have entered into this Agreement but for each of such representations. In view of the foregoing and with the acknowledgment that Buyer's reliance on such representations is reasonable, Seller hereby represents and warrants to Buyer as follows:

(a) None of the information supplied by Seller or any of its employees, or to the best of Seller's knowledge, by any agent or representative of Seller, to Buyer contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein nor necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Seller owns good and marketable title to the interests in the Subject Lease and the Gas produced therefrom set forth in Exhibit A hereto subject only to the matters set forth in Exhibit A hereto.

(c) There are no suits or proceedings pending, or to the knowledge of Seller, threatened against Seller or its properties, including without limitation the

Subject Lease, before any court or by or before any governmental commission, bureau or regulatory authority that if decided adversely to the interest of Seller could materially adversely affect Seller or the rights of Buyer under this Agreement.

(d) The Subject Lease is in full force and effect as to all lands, described in Exhibit A hereto and Seller has not received any notice of default or claimed default with respect to the Subject Lease or any part thereof or any interest in production therefrom and all wells, facilities and equipment located on the Subject Lease are in good repair and working condition and have been designed, installed and maintained in accordance with good industry standards and all applicable governmental requirements.

(e) Neither the Subject Lease nor the Gas to be produced therefrom is dedicated to interstate commerce, or committed or subject to any gas purchase contract or agreement other than with Buyer.

(f) Seller is a corporation duly organized and validly existing under the laws of the State of Kentucky, and has the legal right, power and authority and qualifications to conduct its business and own its properties (including the Subject Lease); Seller is qualified to own federal oil and gas leases; and Seller has the legal right, power and authority to execute and deliver, and to perform all of its obligations under, this Agreement.

(g) The making and performance by Seller of this Agreement is within Seller's corporate powers, has been duly authorized by all necessary corporate action on the part of Seller, and do not and will not (i) violate any provision of law or any rule, regulation, order, writ, judgment, decree or other determination presently in effect applicable to Seller or of the charter or bylaws of Seller or other governing documents of Seller, (ii) result in a breach of or constitute a default under any indenture, bank loan or credit agreement or other agreement or instrument to which Seller is a party or by which it or its properties may be presently bound or affected, or (iii) result in or require the creation or imposition of any mortgage, lien, pledge, security interest, charge or other encumbrance upon or of any of the properties or assets of Seller (including the Subject Lease) under any such indenture, bank loan, credit agreement, or other agreement or instrument; and Seller is not in default under any such order, writ, judgment, decree, determination, indenture, agreement or instrument in any way that now or in the future will materially adversely affect Seller or its ability to perform its obligations under this Agreement; and all consents or approvals under such indentures, agreements and instruments necessary to permit valid execution, delivery and performance by Seller of this Agreement have been obtained.

(h) This Agreement constitutes the legal, valid, and binding act and obligation of Seller enforceable against Seller in accordance with its terms, subject however, to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally, and with regard to any equitable remedies, to the discretion of the court before which proceedings to obtain such remedies may be pending; and there are no bankruptcy, insolvency, reorganization, receivership or other arrangement proceedings pending, or being contemplated by or to the knowledge of Seller, threatened against Seller.

(i) The financial statements of Seller dated as of October 31, 1989 furnished to Buyer have been prepared in accordance with generally accepted accounting principles, consistently applied, and fairly and accurately reflect the financial condition of Seller as of such date, there has been no material adverse change in the financial condition of Seller since the date of such financial statements.

ARTICLE XVII MISCELLANEOUS

17.1 No Waiver. No waiver by either Party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

17.2 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the respective Parties; provided, however, that neither Party may assign this Agreement without the express written consent of the other Party, which consent shall not be unreasonably withheld.

17.3 Counterpart Execution. This Agreement may be signed in counterparts, each of which shall constitute an original and together which shall constitute one and the same Agreement.

17.4 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and no waiver, representation or agreement, verbal or otherwise, shall affect the subject matter hereof unless and until such waiver, representation or agreement is reduced to writing and executed by the authorized representatives of the Parties.

17.5 Except as otherwise stated herein, any article or Section declared or rendered unlawful by a court of law or regulatory agency with jurisdiction over the Parties

or deemed unlawful because of a statutory change will not otherwise affect the lawful obligations that arise under this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement in multiple originals this 20th day of December, 1989.

SELLER

**CENTURY OFFSHORE MANAGEMENT
CORPORATION**

By Jonathan B. Rudney
Jonathan B. Rudney
Title: Executive Vice President

BUYER:

ENRON GAS MARKETING, INC.

By Dan W. Ryser ^{FOR}
Dan W. Ryser _{ELP}
Title: Exec VP

c:\hpl\enr1898T\70A\LC1

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 27th day of December 1989 by Jonathan B. Rudney, Executive Vice President of CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, on behalf of said corporation.

Margaret L. Nolley
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

MY COMMISSION EXPIRES:
3-3-92

MARGARET L. NOLLEY
Printed Name of Notary

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 20th day of December 1989 by Dan W. Ryser, Executive Vice Pres. of ENRON GAS MARKETING, INC., a Delaware corporation, on behalf of said corporation.

Margaret L. Nolley
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

MY COMMISSION EXPIRES:
3-3-92

MARGARET L. NOLLEY
Printed Name of Notary

EXHIBIT "A"

To the Gas Purchase Agreement
(Base Contract)
dated
December 20, 1989
between
Century Offshore Management Corporation
and
Enron Gas Marketing, Inc.

Lease:

Serial No.: OCS-G5601
Dated: July 1, 1983
Lessor: United States of America
Lessee: Corporation
Description: All of Block 107, South Timbalier Area, OCS Leasing Map,
Louisiana Map No. 6 containing 5,000 acres

Delivery Point: Subsea Interconnect of Seller's Pipeline and Trunkline Gas Company
Pipeline at South Timbalier Block 140, Offshore Louisiana.

Committed Reserves:

| | <u>W.L.</u> | <u>N.R.L.</u> |
|---|-------------|---------------|
| Century Offshore Management Corporation | 86.66667% | 61.93055% |

VINSON & ELKINS
ATTORNEYS AT LAW

3300 FIRST CITY TOWER
1001 FANNIN

HOUSTON, TEXAS 77002-6760

TELEPHONE 713 651-2222 TELEFAX 762-46

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE. N.W.
WASHINGTON, D.C. 20004-1007
TELEPHONE 202 638-6500 TELEX 89J80

FIRST CITY CENTRE
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2406
TELEPHONE 512 495-8400

47 CHARLES ST. BERKELEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 011 44 1 491-7236
CABLE VINELKINS LONDON W1; TELEFAX 2440

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2916
TELEPHONE 214 220-7700

June 20, 1990

BY FEDERAL EXPRESSE

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: LE-3-1 Ms. Boehm

Re: Lease OCS-G 5601

Gentlemen:

The following document pertains to the above-captioned Lease:
Act of Subordination dated March 1, 1990, by Enron Finance Corp.

Enclosed please find the original of such document for purposes of recordation, along with a copy of the document to be file stamped and returned to Vinson & Elkins. Also enclosed is a check in the amount of \$25.00 to cover the filing fee.

To place third persons on notice as to the execution and efficacy of the document, please file the original document as referenced above in the appropriate file maintained by your office for the above-captioned Lease.

We also request that you place a copy of this letter in the file in your office relating to the above-captioned Lease. Please acknowledge that filing has been accomplished pursuant to this letter request by signing in the appropriate space provided on the copy of this letter and returning the same to:

RECEIVED

JUN 22 1990

Minerals Management Service
Leasing & Environment

Vinson & Elkins
3566 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: F. B Cochran III

Yours very truly,

M. Michelle Robichaux

M. Michelle Robichaux
Legal Assistant

Filing Accomplished as Requested

By: *La Nette Boehm*
La Nette Boehm
Date: June 22, 1990

RECEIVED

ACT OF SUBORDINATION

JUN 22 1990

STATE OF TEXAS

§
§
§

Minerals Management Service
Leasing & Environment

COUNTY OF HARRIS

BE IT KNOWN that on this 1st day of March 1990, before me, the undersigned Notary Public duly commissioned and qualified in and for the County and State captioned above, therein residing and in the presence of the witnesses whose names are hereunto subscribed, personally came and appeared:

ENRON FINANCE CORP., a Delaware corporation, herein represented by J. MICHAEL WALKER, its duly authorized VICE PRESIDENT (hereinafter called "Enron Finance"),

which said appearer did acknowledge and declare that:

1. Century Offshore Management Corporation, a Kentucky corporation ("Century"), executed that certain Act of Collateral Mortgage, Pledge, Assignment and Security Agreement dated February 20, 1990, in favor of Enron Finance Corp. (the "Mortgage"). The Mortgage encumbers the interest of Century in certain leases, including Lease No. OCS-G 5601 issued by the United States of America, as Lessor, dated effective July 1, 1983, covering all of Block 107, South Timbalier Area, OCS Leasing Map, Louisiana Map No. 6 (the "Subject Lease"). The Mortgage (i) was filed on February 20, 1990, in COB 705, folio ____, MOB 171, folio ____, Book 1 UCC, File No. 217293, of the records of Cameron Parish, Louisiana, (ii) was filed on February 20, 1990, in the conveyance and mortgage records of Terrebonne Parish, Louisiana, under Entry No. 860865, (iii) was filed on February 20, 1990, in the conveyance and mortgage records of Lafourche Parish, Louisiana, under Entry No. 708922, and (iv) was filed on February 20, 1990, in the records of the Minerals Management Service, Gulf of Mexico OCS Regional Office, Metairie, Louisiana. Reference is made for all purposes to such recorded instruments and also to Financing Statement executed by Century and filed on February 15, 1990, in the records of Lafayette Parish, Louisiana under File No. 28-338940. The Mortgage secures and is paraphed for identification with the following (the "Note"):

Collateral Mortgage Note dated February 20, 1990, in the principal sum of \$50,000,000.00 by Century payable on demand to Bearer, together with interest thereon at the rate of twelve percent (12%) per annum from and after the date thereof until paid, together with attorneys' fees in an amount equal to ten percent (10%) of the unpaid principal and interest thereon.

2. Reference is also made to that certain Memorandum of Gas Contract, dated December 20, 1989, between Century as Seller, and Enron Gas Marketing, Inc. ("Enron Gas"), as Buyer, giving notice of that certain Gas Purchase Agreement (Basic Contract) dated December 20, 1989, between Century and Enron Gas covering gas produced from the Subject Lease and attributable to the interest of Century therein (the "Gas Contract"). The Memorandum (i) was filed on February 22, 1990, in Conveyance Book 1072, Folio 363, of the records of Lafourche Parish, Louisiana, under Entry No. 708985, (ii) was filed on March 5, 1990, in Conveyance Book 1228, of the records of Terrebonne Parish, Louisiana, under Entry No. 861484, and (iii) was filed on February 28, 1990 in the records of the Mineral Management Service, Gulf of Mexico OCS Regional Office, Metairie, Louisiana. Reference is made to such recorded instruments for all purposes.
3. For and in consideration of the benefits to be derived by it and Century, Enron Finance does hereby subordinate the Mortgage, and all of its rights, as well as those of any future holder of the Note to the Gas Contract and the rights of the Buyer therein and thereunder; and Enron Finance declares that in the event that it becomes necessary to foreclose the Mortgage, in order to satisfy the Note, then and in that event the interest of Century in the Subject Lease shall pass to any purchaser at such foreclosure sale encumbered with and subject to the Gas Contract, and the rights of the Buyer in and under the Gas Contract shall not be in any manner affected by virtue of such foreclosure. This subordination, however, shall be limited to rights as set forth in the Gas Contract and no further, and the Mortgage, as amended, shall, in all other respects, remain in full force and effect, and all rights of the Seller under the Subject Lease shall be and remain subject to the Mortgage as amended.
4. Enron Finance Corp. authorizes and directs the respective Clerks of Court and Ex Officio Recorders of Mortgages for the Parishes of Cameron, Terrebonne and Lafourche, Louisiana, to note this act of subordination upon the margin of the inscriptions of the Mortgage, as hereinabove set forth and described.

And now said appearer presented to me, notary, the Note held by him, secured by the Mortgage hereinabove described which said Note, I, notary, have paraphrased "Ne Varietur" for identification herewith and have returned to said appearer who acknowledges receipt thereof.

THUS, DONE AND PASSED in my office in Houston, Harris County, Texas on the day, month and year first above written and in the presence of the undersigned competent witnesses who hereunto sign their names with the said appearer and me, Notary, after due reading of the whole and multiple counterpart originals, each of which is an original but all of which, collectively, constitute but one and the same act.

WITNESSES:

ENRON FINANCE CORP.

Lucinda Van Landt

By: Michael Walker

Name: J. MICHAEL WALKER

Stanley Cleverger

Title: VICE PRESIDENT

Joanne Berwick
Notary Public in and for the State of Texas

Notary's Printed Name:

JOANNE BERWICK

My Commission Expires:

11/09/01

VINSON & ELKINS
ATTORNEYS AT LAW

3300 FIRST CITY TOWER
1001 FANNIN

HOUSTON, TEXAS 77002-6760

TELEPHONE 713 681-2222 TELEX 76246

FIRST CITY CENTRE
85 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2488
TELEPHONE 512 495-8400

THE WILLAR OFFICE BUILDING
1455 PENTAGON AVENUE N.W.
WASHINGTON, D.C. 20004-1007
TELEPHONE 202 638-6500 TELEX 89680

47 CHARLES ST., DERRILEY SQUARE
LONDON W1X 7PB, ENGLAND
TELEPHONE 011 44 1 491 7036
CABLE VINELANS LONDON W1-TELEX 8446

3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2916
TELEPHONE 214 252-7700

February 20, 1990

United States Department of the Interior
Minerals Management Service
Gulf of Mexico, OCS Region
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: LE-3-1 Mr. Boehl

Re: Lease OCS-G 5601

Gentlemen:

The following document pertains to the above-captioned Lease:

Memorandum of Gas Contract dated December 20, 1989, between Century Offshore Management Corporation and Enron Gas Marketing, Inc.

Enclosed please find the original of such document for purposes of recordation, along with a copy to be file stamped and returned to Vinson & Elkins. Also enclosed is a check in the amount of \$25.00 to cover the filing fee.

To place third persons on notice as to the execution and efficacy of this document, please file the original of the document in the appropriate file maintained by your office for the above-captioned Lease.

We also request that you place a copy of this letter in the file in your office relating to the above-captioned Lease. Please acknowledge that filing has been accomplished pursuant to this letter request by signing in the appropriate space provided on a copy of this letter and returning the same to:

RECEIVED

FEB 28 1990

**Minerals Management Service
Leasing & Enforcement**

United States Department of the Interior

February 28, 1990

Page ..

Vinson & Elkins
3506 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: Ben H. Powell III

Yours very truly,



Robin Smith Fredrickson

0850:317.

Filing Accomplished As Requested

By: La Nelle Bachman

Date: February 28, 1990

ENCLOSURE(S)

RECEIVED

FEB 28 1990

MEMORANDUM OF GAS CONTRACT

Minerals Management Service
Leasing & Environment

THIS MEMORANDUM OF GAS CONTRACT (this "Memorandum") dated December 20, 1989 is made and entered into by and between CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, whose address is 155 East Main Street, Suite 200, Lexington, Kentucky (hereinafter "Seller"), and ENRON GAS MARKETING, INC., a Delaware corporation, whose address is P.O. Box 1188, Houston, Texas 77251-1188 (hereinafter "Buyer").

RECITALS

A. Seller and Buyer have entered into that certain Gas Purchase Agreement (Base Contract) dated December 20, 1989 (hereinafter referred to as the "Contract").

B. Pursuant to the Contract, Seller has committed to supply of natural gas available for sale and delivery to Buyer to be produced from the oil and gas lease covering South Timbalier Area, Block 107, Outer Continental Shelf, Gulf of Mexico, as described on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Subject Lease"), in which Seller has an interest. Seller has dedicated to the performance of the Contract Seller's undivided interest as set forth in Exhibit "A" hereto in gas underlying and to be produced from the Subject Lease.

C. One or more fully executed counterparts of the entire Contract are in the possession of Buyer and Seller.

D. Buyer and Seller desire to execute this Memorandum for the purpose of filing the same for record in the appropriate official public records in order that parties will be charged with notice of the existence of the Contract as provided under the recordation statutes of the State of Louisiana, but without this Memorandum in any way modifying or affecting the terms, provisions, covenants and conditions set forth in the Contract.

NOW, THEREFORE, Buyer and Seller, in consideration of the covenants, agreements and conditions set forth in the Contract (which Seller agrees thereunder and as therein provided shall be paid, kept and performed by Seller) agree that Seller's undivided interest in the gas underlying and to be produced from the Subject Lease described in Exhibit "A" hereto is subject to all of the covenants, agreements, terms, provisions and limitations set forth in the Contract.

Nothing herein contained shall alter or affect any of the covenants, agreements, terms, provisions and limitations set forth in the Contract. Reference is here made to the Contract and the entirety thereof for all purposes.

This Memorandum is hereby executed and delivered effective as of the date and year first hereinabove written.

SELLER

CENTURY OFFSHORE MANAGEMENT CORPORATION

WITNESSES:

Robert J. Kitch
Edward A. Seidle

By: Jonathan B. Rudney
Name: Jonathan B. Rudney
Title: Executive Vice President

BUYER

ENRON GAS MARKETING, INC.

WITNESSES:

Robert J. Kitch
Edward A. Seidle

By: Dan W. Ryser RTR
Name: Dan W. Ryser
Title: Exec VP

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this 20th day of December 1989, before me, the undersigned Notary Public in and for the State of Texas, personally appeared Jonathan B. Rudney, to me personally known, who, being by me fully sworn, did say that he is the Executive Vice President of CENTURY OFFSHORE MANAGEMENT CORPORATION, a Kentucky corporation, and that the instrument was signed in behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the corporation.

Margaret L. Nolley
Notary Public in and for
The State of Texas

My Commission Expires:
3-3-92

MARGARET L. NOLLEY
Printed Name of Notary Public

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this 20th day of December 1989, before me, the undersigned Notary Public in and for the State of Texas, personally appeared Dan W. Ryser, to me personally known, who, being by me fully sworn, did say that he is the Executive Vice Pres. of ENRON GAS MARKETING INC., a Delaware corporation, and that the instrument was signed in behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the corporation.

Margaret L. Nolley
Notary Public in and for
The State of Texas

My Commission Expires:
3-3-92

MARGARET L. NOLLEY
Printed Name of Notary Public

EXHIBIT "A"

To the Memorandum of Gas Contract
dated effective
December 20, 1989
between
Century Offshore Management Corporation
and
Enron Gas Marketing, Inc.

Subject Lease and Committed Reserves:

| <u>Lease No.</u> | <u>Date of Lease</u> | <u>Description</u> | <u>Interest W.I.</u> | <u>N.R.I.</u> |
|------------------|----------------------|---|--------------------------|---------------|
| OCS-G 5601 | July 1, 1983 | Block 107 South Timbalier Area, OCS Leasing Map, Louisiana Map No. 6 | 26.66667% | 61.93055% |

ENRCEN2MEMCONST.3

MANGHAM, HARDY, ROLFS AND ABADIE

ATTORNEYS AND COUNSELORS AT LAW

SUITE 1400, THE FIRST NATIONAL BANK TOWERS

600 JEFFERSON STREET

P. O. BOX 93110

LAFAYETTE, LOUISIANA 70509-3110

(318) 233-6200

TELECOPIER (318) 233-6521

SUITE 800, CITY PLAZA
445 NORTH BOULEVARD
POST OFFICE BOX 3551
BATON ROUGE, LOUISIANA 70821
(504) 343-0700
TELECOPIER (504) 343-9119

OF COUNSEL
STEPHEN L. FREDERICK

MICHAEL R. MANGHAM
GEORGE W. HARDY III
EMILE C. ROLFS, II
JAMES F. ABADIE
DONALD JAMES LABAUVE
MARGARET MARAIST RITCHEY
CHARLES R. MINYARD
ROBERT L. BOESE
LOUIS R. DAVIS
JOHN E. CASTLE, JR.
WILLIAM G. CONLY
MICHAEL G. OGLESBEE
MICHAEL J. OSHEE
PAUL MICHAEL CULLEN
HERMAN E. GARNER, JR.
CHRISTINE A. MARCH
PAUL T. GALLAGHER

E. JANE SHERMAN
DOUGLAS F. REDIGNO
RANDALL A. KARR
KATHLEEN M. KARR
MARR B. OLIVER
JOHN LYLE HENCHY
RICHARD C. GUERRIERO, JR.
DAWN MAYELUX FUQUA
DAVID H. HARDY
LISA D. HANCKEY
STEPHANIE M. ACKAL
HAROLD ADAM LAWRENCE
ELIZABETH L. GUGLIEMMO
MICHAEL THOMAS MALE
ANDRÉ S. BOURGEOIS
RONALD F. LATTIER

February 20, 1990

RECEIVED

FEB 20 1990

Minerals Management Service
Leasing & Environment

United States Department of the Interior
Minerals Management Service
1201 Elmwood Park Blvd.
New Orleans, Louisiana 70123-2394

Attention: Ms. LaNell Boehm LE-3-1

Re: Lease OCS-G 4767 and Lease OCS-G 5601

Gentlemen:

Century Offshore Management Corporation has executed an Act of Collateral Mortgage, Pledge, Assignment and Security Agreement covering collateral relating to the captioned leases. Enclosed please find one (1) original of this document.

To place third persons on notice as to the execution and efficacy of this agreement, please file the original Act of Collateral Mortgage, Pledge, Assignment and Security Agreement in the appropriate file maintained by your office. We also request that you file a copy of this letter in the files in your office relating to each of the captioned leases.

Your cooperation in this matter is appreciated.

Yours very truly,

MANGHAM, HARDY, ROLFS AND ABADIE

William G. Conly
William G. Conly

WGC/mfm
Enclosure



CENTURY OFFSHORE MANAGEMENT CORPORATION

155 EAST MAIN STREET
SUITE 200
LEXINGTON, KENTUCKY 40507
(606) 253-1300
FAX (606) 233-7471

LAKEWAY I, SUITE 300, MEZZANINE LEVEL
3900 NORTH CAUSEWAY BOULEVARD
METAIRIE, LOUISIANA 70002
(504) 832-3750
FAX (504) 832-3760

February 12, 1990

RECEIVED

FEB 12 1990

Minerals Management Service
1202 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394
Attention: Ms. LaNelle Boehm
LE-3-1

Minerals Management Service
Leasing & Environment

RE: OCS-G 5601
South Timbalier Block 107
Offshore Louisiana
Assignment of ORRI


Gentlemen:

Enclosed herewith for your approval are two (2) original signed copies of an Assignment of Overriding Royalty Interest, effective November 1, 1989, from Century Offshore Management Corporation to Paul S. Horvath, affecting the captioned lease. Please stamp "RECEIVED" and return one (1) original for our files.

We would appreciate your making the instrument a part of your permanent files. Century's check No. 0331 in the amount of \$25.00 is attached to cover filing fee.

Thank you for your cooperation.

Yours very truly,


Paul S. Horvath
Senior Vice President

PSH/mrp
Enclosures
MMST1072

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

RECEIVED

FEB 12 1990

Minerals Management Service
Leasing & Environment

UNITED STATES OF AMERICA)
OUTER CONTINENTAL SHELF)

KNOW ALL MEN BY THESE PRESENTS:

That CENTURY OFFSHORE MANAGEMENT CORPORATION ("Assignor"), a Kentucky corporation, having its principal place of business at 155 East Main Street, Suite 200, Lexington, Kentucky 40507, for and in consideration of One Hundred Dollars (\$100.00) and other good and valuable considerations, the receipt and sufficiency of which is acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto PAUL S. HORVATH ("Assignee") an overriding royalty in the amount of an undivided One Percent (1.00000%) of 91.66667% of six-sixths (6/6) interest in and to all of the oil, gas and other minerals in and under and that may be produced from the following oil and gas lease:

Oil and Gas Lease bearing Serial No. OCS-G 5601, dated effective as of July 1, 1983, from the United States of America, as Lessor, to Exxon Corporation, as Lessee, covering all of Block 107, South Timwaller Area, as shown on OCS Leasing Map, Louisiana Map No. 6.

The overriding royalty interest, herein assigned, shall be free and clear of all costs and expenses of development and operation of the lands covered by said lease but shall bear its proportionate part of all applicable taxes. The overriding royalty shall be paid, credited and delivered in the same manner as provided in the lease for payment of royalty reserved to the lessors therein.

TO HAVE AND TO HOLD the above specified overriding royalty interest unto Assignee and his successors and assigns forever; and Assignor does hereby bind itself and its successors and assigns to warrant and defend title to the above described Oil and Gas Lease, and the overriding royalty interest assigned to Assignee and his successors and assigns against every person whomsoever lawfully claiming or to claim the Oil and Gas Lease described herein or a part

thereof, by, through or under Assignor, and this assignment is made with full substitution and subrogation in and to all of the right and actions of warranty which Assignor have or may have against predecessors in title.

IN WITNESS WHEREOF, this instrument is signed, executed and delivered in multiple originals effective as of November 1, 1989.

WITNESSES:

ASSIGNOR:

CENTURY OFFSHORE MANAGEMENT CORPORATION

By: Howard A. Settle

Howard A. Settle
President

Tammy Lee Withers
Allison P. Howell

ASSIGNEE:

Bildad R. Perrin
Barbara P. J. Brice

Paul S. Horvath
Paul S. Horvath

ACKNOWLEDGMENTS

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

On this 7 day of February, 1990, before me appeared Howard A. Settle, to me personally known, who, being by me duly sworn, did say that he is the President of CENTURY OFFSHORE MANAGEMENT CORPORATION and that said instrument was signed in behalf of said corporation by authority of its Board of Directors and said President acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires:

5.18.91

Carolyn A. Sullivan
Notary Public

STATE OF LOUISIANA)
PARISH OF JEFFERSON)

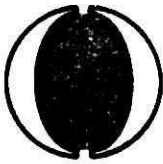
Before me, the undersigned Notary Public, this day personally appeared PAUL S. HORVATH, known to me to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Witness my hand and official seal this the 12th day of February, 1990

My Commission Expires:

at death

J. D. Langmuir
Notary Public in and for the Parish of
Jefferson, State of Louisiana



CENTURY OFFSHORE MANAGEMENT CORPORATION

155 EAST MAIN STREET
SUITE 200
LEWISTON, KENTUCKY 40027
606 253-1300
FAX 606 233-7471

LAKELAND I. SUITE 500, MEZZANINE LEVEL
3900 NORTH CALDWELL BOULEVARD
METairie, LOUISIANA 70002
504 833-3750
FAX 504 833-3760

February 12, 1990

Minerals Management Service
1202 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394
Attention: Ms. LaNelle Boehm
LE-3-1

RE: OCS-G 5601
South Timbalier Block 107
Offshore Louisiana
Assignment of ORRI

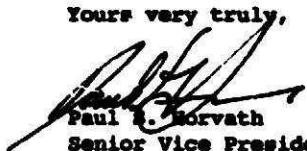
Gentlemen:

Enclosed herewith for your approval are two (2) original signed copies of an Assignment of Overriding Royalty Interest, effective November 1, 1989, from Century Offshore Management Corporation to Jonathan B. Rudney, affecting the captioned lease. Please stamp "RECEIVED" and return one (1) original for our files.

We would appreciate your making the instrument a part of your permanent files. Century's check No. 0332 in the amount of \$25.00 is attached to cover filing fee.

Thank you for your cooperation.

Yours very truly,


Paul E. Horvath
Senior Vice President

PSE/mrp
Enclosures
MM/T1072

RECEIVED
FEB 12 1990
Minerals Management Service
Leasing & Environment

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

RECEIVED

FEB 12 1990

Minerals Management Service
Leasing & Environment

UNITED STATES OF AMERICA)

OUTER CONTINENTAL SHELF)

KNOW ALL MEN BY THESE PRESENTS:

That CENTURY OFFSHORE MANAGEMENT CORPORATION ("Assignor"), a Kentucky corporation, having its principal place of business at 155 East Main Street, Suite 200, Lexington, Kentucky 40507, for and in consideration of One Hundred Dollars (\$100.00) and other good and valuable considerations, the receipt and sufficiency of which is acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto JONATHAN B. RUDNEY ("Assignee") an overriding royalty in the amount of an undivided One and One Quarter Percent (1.25000%) of 91.66667% of six-sixths (6/6) interest in and to all of the oil, gas and other minerals in and under and that may be produced from the following oil and gas lease:

Oil and Gas Lease bearing Serial No. OCS-G 5601, dated effective as of July 1, 1983, from the United States of America, as Lessor, to Exxon Corporation, as Lessee, covering all of Block 107, South Timbalier Area, as shown on OCS Leasing Map, Louisiana Map No. 6.

The overriding royalty interest, herein assigned, shall be free and clear of all costs and expenses of development and operation of the lands covered by said lease but shall bear its proportionate part of all applicable taxes. The overriding royalty shall be paid, credited and delivered in the same manner as provided in the lease for payment of royalty reserved to the lessors therein.

TO HAVE AND TO HOLD the above specified overriding royalty interest unto Assignee and his successors and assigns forever; and Assignor does hereby bind itself and its successors and assigns to warrant and defend title to the above described Oil and Gas Lease, and the overriding royalty interest assigned to Assignee and his successors and assigns against every person whomsoever lawfully claiming or to claim the Oil and Gas Lease described herein or a part

thereof, by, through or under Assignor, and this assignment is made with full substitution and subrogation in and to all of the right and actions of warrant which Assignor have or may have against predecessors in title.

IN WITNESS WHEREOF, this instrument is signed, executed and delivered multiple originals effective as of November 1, 1989.

WITNESSES:

Sammy Lee Stithers
Allison P. Howell

ASSIGNOR:

CENTURY OFFSHORE MANAGEMENT CORPORATION
By: Howard A. Settle
Howard A. Settle
President

Sammy Lee Stithers
Allison P. Howell

ASSIGNEE:

Jonathan B. Rudney
Jonathan B. Rudney

ACKNOWLEDGMENTS

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

On this 7 day of February, 1990, before me appeared HOWARD A. SETTLE, to me personally known, who, being by me duly sworn, did say that he is the President of CENTURY OFFSHORE MANAGEMENT CORPORATION and that said instrument was signed in behalf of said corporation by authority of its Board of Directors and said President acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires:

5.18.91

Carolyn K. Sullivan
Notary Public, State at Large (KY)

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

Before me, the undersigned Notary Public, this day personally appeared JONATHAN B. RUDNEY, known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Witness my hand and official seal this the 7 day of February, 1990

My Commission Expires:

5.18.91

Carolyn K. Sullivan
Notary Public, State at Large (KY)



CENTURY OFFSHORE MANAGEMENT CORPORATION

155 EAST MAIN STREET
SUITE 200
LEXINGTON, KENTUCKY 40507
PHONE 253-1200
FAX (606) 233-7471

LA 70001, SUITE 300, MEZZANINE LEVEL
3920 NORTH C. C. BOULARD
LAFAYETTE, LOUISIANA 70502
PHONE 833-3730
FAX 834 833-3730

February 12, 1990

Minerals Management Service
1202 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394
Attention: Ms. LaNelle Boehm
LE-3-1

RE: OCS-G 5601
South Timbalier Block 107
Offshore Louisiana
Assignment of ORRI

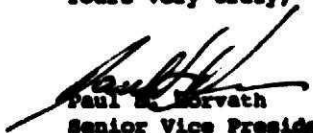
Gentlemen:

Enclosed herewith for your approval are two (2) original signed copies of an Assignment of Overriding Royalty Interest, effective November 1, 1989, from Century Offshore Management Corporation to Howard A. Settle, affecting the captioned lease. Please stamp "RECEIVED" and return one (1) original for our files.

We would appreciate your making the instrument a part of your permanent files. Century's check No. 0333 in the amount of \$25.00 is attached to cover filing fee.

Thank you for your cooperation.

Yours very truly,


Paul E. Horvath
Senior Vice President

RECEIVED

FEB 12 1990

Minerals Management Service
Leasing & Environment

PSH/mrp
Enclosures
MMST1072

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

RECEIVED

FEB 12 1990

Minerals Management Service
Leasing & Environment

UNITED STATES OF AMERICA)
OUTER CONTINENTAL SHELF)

KNOW ALL MEN BY THESE PRESENTS:

That CENTURY OFFSHORE MANAGEMENT CORPORATION ("Assignor"), a Kentucky corporation, having its principal place of business at 155 East Main Street, Suite 200, Lexington, Kentucky 40507, for and in consideration of One Hundred Dollars (\$100.00) and other good and valuable considerations, the receipt and sufficiency of which is acknowledged, does hereby grant, bargain, sell, convey, transfer, assign and deliver unto HOWARD A. SETTLE ("Assignee") an overriding royalty in the amount of an undivided One and One Quarter Percent (1.25000%) of 91.66667% of six-sixths (6/6) interest in and to all of the oil, gas and other minerals in and under and that may be produced from the following oil and gas lease:

Oil and Gas Lease bearing Serial No. OCS-G 5601, dated effective as of July 1, 1983, from the United States of America, as Lessor, to Exxon Corporation, as Lessee, covering all of Block 107, South Timbalier Area, as shown on OCS Leasing Map, Louisiana Map No. 6.

The overriding royalty interest, herein assigned, shall be free and clear of all costs and expenses of development and operation of the lands covered by said lease but shall bear its proportionate part of all applicable taxes. The overriding royalty shall be paid, credited and delivered in the same manner as provided in the lease for payment of royalty reserved to the lessors therein.

TO HAVE AND TO HOLD the above specified overriding royalty interest unto Assignee and his successors and assigns forever; and Assignor does hereby bind itself and its successors and assigns to warrant and defend title to the above described Oil and Gas Lease, and the overriding royalty interest assigned to Assignee and his successors and assigns against every person whomever lawfully claiming or to claim the Oil and Gas Lease described herein or a part

thereof, by, through or under Assignor, and this assignment is made with full substitution and subrogation in and to all of the right and actions of warranty which Assignor have or may have against predecessors in title.

IN WITNESS WHEREOF, this instrument is signed, executed and delivered in multiple originals effective as of November 1, 1989.

WITNESSES:

Rammy Lee Dickens
Allison D. Howell

ASSIGNOR:

CENTURY OFFSHORE MANAGEMENT CORPORATION

By: Howard A. Settle
Howard A. Settle
President

Rammy Lee Dickens
Allison D. Howell

ASSIGNEE:
Howard A. Settle
Howard A. Settle

ACKNOWLEDGMENTS

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

On this 7 day of February, 1990, before me appeared HOWARD A. SETTLE, to me personally known, who, being by me duly sworn, did say that he is the President of CENTURY OFFSHORE MANAGEMENT CORPORATION and that said instrument was signed in behalf of said corporation by authority of its Board of Directors and said President acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires:

5.18.91

Carolyn S. Sullivan
Notary Public, State at Large (KY)

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

Before me, the undersigned Notary Public, this day personally appeared HOWARD A. SETTLE, known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Witness my hand and official seal this the 7 day of February, 1990

My Commission Expires:

5.18.91

Carolyn S. Sullivan
Notary Public, State at Large (KY)