

ARTICLE IX. PENALTIES

9.1 **Transportation Penalties.** It is understood that the natural gas purchased and sold hereunder shall be transported by third party transporters, and each Party has agreed to provide 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 #10110 45

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 FRK
LLP
Dan W. Ryser

Title:

Exec VP

c:\b\p\ar100\BT107QAS.C1

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 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.I.</u>	<u>N.R.I.</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 TELEX 762146

THE WILLARD OFFICE BUILDING
1455 PENNSYLVANIA AVE. N.W.
WASHINGTON, D. C. 20004-1107
TELEPHONE 202 639-6500 TELEX 88660

FIRST CITY CENTRE
816 CONGRESS AVENUE
AUSTIN, TEXAS 78701-2496
TELEPHONE 512 495-8400

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

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

June 20, 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

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

United States Department of the Interior
June 20, 1990
Page 2

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

C:\MRO\MISC\LTR\MMS.01

RECEIVED

JUN 27 1990

ACT OF SUBORDINATION

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Minerals Management Service
Leasing & Environment

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 (Base 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 Minerals 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 appraiser presented to me, notary, the Note held by him, secured by the Mortgage hereinabove described which said Note, I, notary, have paraphrased "Notary Public" for identification herewith and have returned to said appraiser who acknowledges receipt here

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 appraiser 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.

Licenda Van Lanet

By: J. Michael Walker

Name: J. MICHAEL WALKER

Sandra Schaefer

Title: VICE PRESIDENT

Joanne Berwick
Notary Public in and for the State of Texas

Notary's Printed Name:

JOANNE BERWICK

Notary Commission Expires:

11/05/91

**VINSON & ELKINS
ATTORNEYS AT LAW**

3300 FIRST CITY TOWER

1001 FANNIN

HOUSTON, TEXAS 77002 6710

TELEPHONE 713 651 2222 TELEX 70146

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

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

February 20, 1990

United States Department of the Interior
Mineral 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 560j

Gentlemen:

The following document pertains to the above-captioned Lease:

Memorandum of Gas Contract dated December 30, 1989, between Century Offshore Management Corporation and Enron Gas Marketing, Inc.

Enclosed please find the original of such document for purposes of registration, 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 the copy of this letter and returning the same to:

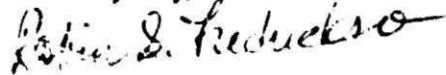
RECEIVED

FEB 28 1990

Mineral Management Service
Leasing & Environment

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

Yours very truly,



Robin Smith Fredrickson

0850:3175

Filing Accomplished As Requested

By: *L. Melle Bach*

Date: February 28, 1990

ENCEN2MM3L TR

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FEB 18 1990

MEMORANDUM OF GAS CONTRACT

Minerals Management Service
Leasing & Environmental

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 a 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 T. Kitch
Edward A. Suttle

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

BUYER

ENRON GAS MARKETING, INC.

WITNESSES:

Robert T. Kitch
Edward A. Suttle

By: Dan W. Ryser ETG
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</u> <u>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	86.66667%	61.93055%

ENHCEN2MEMCONST.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 70509-311C
(318) 233-6200
TELECOPIER (318) 233-6521

SUITE 800, CITY PLAZA
448 NORTH BOULEVARD
POST OFFICE BOX 355
BATON ROUGE, LOUISIANA 70821
(504) 343-0700
TELECOPIER (504) 343-9119

OF COUNSEL
STEPHEN L. FREDERICK

MICHAEL R MANGHAM
GEORGE W HARTY III
EMILE C ROLFS III
JAMES F ABADIE
DO ALD JAMES LABAUVE
MARGARET WARRIST BITCHER
CHARLES R WINTARD
ROBERT L BOESE
LOUIS R DAVIS
JOHN E CASTLE JR
WILLIAM G CONLY
MICHAEL G DOLESBERG
MICHAEL J O'SHEE
PAUL MICHAEL CULLEN
HERMAN E GARNER JR
CHRISTINE A WARCH
PAUL T GALLAGHER

JANE SHERMAN
DOUGLAS F PEDROL
RANDALL A HARR
KATHLEEN M HARR
HARRI B OLIVER
JOHN TLE MENCHY
RICHARD C GUERRERO, JR
DANN MAYEVA FUGUA
DAVID W HARDY
L SA O MANGHEY
STEFANIE M MORAL
HAROLD ADAM LAWRENCE
ELIZABETH L GUGLIEMO
MICHAEL THOMAS MALE
ANDRE G BOLRODEIS
RONALD F JATTIER

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.

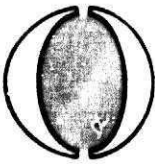
Your cooperation in this matter is appreciated.

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 CALISEWAY 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

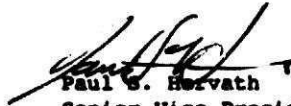
Gentlemen:

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

PSB/mrp
Enclosures
MOIST1072

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 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 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

Sammy Lee McChes
Allison P. Howell

ASSIGNEE:

Paul S. Horvath
Paul S. Horvath

Bildad R. Perrier
Anderson P. J. Smith

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

Candace S. 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

K. D. [Signature]
Notary Public in and for the Parish of
Jefferson, State of Louisiana



CENTURY OFFSHORE MANAGEMENT CORPORATION

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

LAKEWAY I, SUITE 500, MEZZANINE LEVEL
3900 NORTH CAUSEWAY BOULEVARD
METAIRIE, LOUISIANA 70002
(504) 832-3750
FAX (504) 832-3760

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.

As a condition of your making the instrument a part of your permanent files, Century Check No. 0332 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

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 to 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 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:

Sammy Lee Fithers
Allison P Howell

ASSIGNOR:

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

Sammy Lee Fithers
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 L. 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 L. Sullivan
Notary Public, State at Large (KY)



CENTURY OFFSHORE MANAGEMENT CORPORATION

155 EAST MAIN STREET
SUITE 200
LEXINGTON, KENTUCKY 40507
(606) 253-1300
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LAB. BAY I, SUITE 300, MEZZANINE LEVEL
3900 NORTH CALUSEWAY BOULEVARD
METairie, LOUISIANA 70002
(504) 832-3750
FAX (504) 832-3760

February 12, 1990

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

RE: O/S-G 5601
South Timbalier Block 107
Offshore Louisiana
Assignment of ORRI

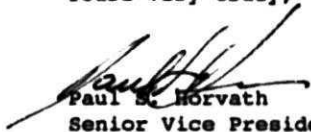
Gentlemen:

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 S. 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

Mitner's Management Service
Leasing & Environment

UNITED STATES OF AMERICA)
OUTER CONTINENTAL SHELF)

KNOW ALL MEN BY THESE PRESENTS:

That CENTUR/ 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.

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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:

Tommy Lee Ditchev
Allison P. Howell

ASSIGNOR:

CENTURY OFFSHORE MANAGEMENT CORPORATION

By: Howard A. Settle
Howard A. Settle
President

Tommy Lee Ditchev
Allison P. Howell

ASSIGNEE:

Howard A. Settle
Howard A. Settle

ACKNOWLEDGMENTS

STATE OF KENTUCKY)
COUNTY OF FAYETTE)

On this 1 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 L. 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 1 day of February, 1990

My Commission Expires:

5-18-91

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