HALL-HOUSTON OIL COMPANY
700 Louisiana, Suite 2610/Houston, Texas 77002

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MAY 23 1990

Minerals Management Service
Leasing & Environment

Telephone
(713) 228-0711
Fax
(713) 225-7600

May 22, 1990

Minerals Management Service
Adjudication Unit: LE-3-1
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

-By Hand-

Re: Assignment of Overriding Royalty Interest from Hall-Houston Oil Company

Gentlemen:

I am enclosing an Assignment of Overriding Royalty Interest from Hall-Houston OIl Company to Hall-Houston Oil Company Employee Royalty Trust for filing in each of the following listed Oil and Gas Leases:

OCS-G 8671	Vermilion 257
OCS-G 9508	Vermilion 284
OCS-G 10541	West Cameron 57
OCS-G 10602	West Cameron 607
OCS-G 9591	Eugene Island 281
OCS-G 9109	High Island A-224
OCS-G 2702	High Island A-542
OCS-G 5618	South Timbalier 221
OCS-G 7814	Main Pass 186

Also enclosed is our check No. 3678 in the amount of $225.00 covering the fee for referenced assignments.

Yours truly,

HALL-HOUSTON OIL COMPANY

Lorene Roy

Lorene C. Roy
Offshore Land Manager

LCR:kw

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MAY 23 1990

Minerals Management Servi
Leasing & Environment

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

UNITED STATES OF AMERICA)

OUTER CONTINENTAL SHELF) KNOW ALL MEN BY THESE PRESENTS:

OFFSHORE LOUISIANA)

THAT HALL-HOUSTON OIL COMPANY, 700 Louisiana, Suite 2610, Houston, Texas 77002, hereinafter referred to as "ASSIGNOR", for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, does hereby assign, transfer, convey and deliver unto HALL-HOUSTON OIL COMPANY EMPLOYEE ROYALTY TRUST, 700 Louisiana, Suite 2610, Houston, Texas 77002, hereinafter referred to as "ASSIGNEE", an overriding royalty interest equal to 1.0000% of 8/8ths of all oil, gas, casinghead gas and other hydrocarbons produced, marketed and saved from the following described lease:

> Oil and Gas Lease OCS-G 5618, dated July 1, 1983 from the United States of America, as Lessor, to Amoco Production Company (75%) and Sun Exploration and Production Company (25%), as Lesseess, covering approximately 3772.18 acres and described as all of Block 221, South Timbalier Area, South Addition, OCS Leasing Map, Louisiana Map No. 6A.

The overriding royalty interest conveyed herein shall be free and clear of all costs of exploring, operating, developing, producing and maintaining the subject lease in force and effect, except it shall bear its proportionate share of all severance, production, gathering, Windfall Profits and other production taxes applicable to such overriding royalty interest.

The overriding royalty interest herein assigned shall be calculated and payable in a like manner and under the same terms and conditions as the Lessor's royalty provided in the above described lease.

ASSIGNOR reserves the right and power, at its election, to pool, combine and unitize the overriding royalty interest herein conveyed in accordance with the same terms and provisions as provided for the pooling and unitization of the royalty reserved in the lease described above, and in the event ASSIGNOR exercises such right and power to pool and unitize, ASSIGNEE shall receive in lieu of the overriding royalty herein conveyed, that portion of such pooled or unitized production which is attributable to said overriding royalty on a pooled or unitized basis.

This Assignment shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF, this Assignment is effective October 1, 1988 but executed this 30th day of April, 1990.

WITNESSES:

Nina Ambrosino

Debbie Shikoski

HALL-HOUSTON OIL COMPANY

By: Wayne P. Hall
Wayne P. Hall
President

st221hho.ori

STATE OF TEXAS

COUNTY OF HARRIS

On the 30th th day of April, 1990, personally appeared before me Wayne P. Hall, who being by me duly sworn, did say that he is the President of the corporation, and that said instrument was signed in behalf of said corporation by authority of a resolution of its Board of Directors and said Wayne P. Hall acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal.

My Commission Expires:

KAREN WHITEMAN
Notary Public
STATE OF TEXAS
My Comm. Exp. March 16, 1994

Karen Whiteman
Notary Public

Jones, Walker, Waechter, Poitevent, Carrere, Denegre
Attn: William B. Masters
201 St. Charles St.
New Orleans, La. 70170

COLLATERAL REAL AND COLLATERAL CHATTEL MORTGAGE AND ASSIGNMENT OF PRODUCTION	UNITED STATES OF AMERICA
	STATE OF TEXAS
BY: HALL-HOUSTON OFFSHORE, a HALL-HOUSTON OIL COMPANY, a Texas corporation, as nominee	COUNTY OF HARRIS

RECEIVED

OCT 27 1989

Minerals Management Service
Leasing & Environment

BE IT KNOWN, that on this 10th day of the month of October in the year of our Lord One Thousand Nine Hundred and Eighty-nine,

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the State and Parish aforesaid, and in the presence of the witnesses hereinafter named and undersigned,

PERSONALLY CAME AND APPEARED:

(1) HALL-HOUSTON OFFSHORE, a Texas general partnership (the "Partnership"), appearing herein through Hall-Houston Oil Company and NRM Operating Company, L.P., its general partners; and

(2) HALL-HOUSTON OIL COMPANY, a Texas corporation ("HHOC"), in its sole capacity as nominee of the Partnership, appearing herein through Wayne P. Hall, its duly authorized President;

(the Partnership and HHOC are hereinafter sometimes collectively referred to as "Mortgagor"), who declared unto me, Notary, that desiring to secure funds from any person, firm or corporation willing to loan same, Mortgagor does for such purpose and by these presents declare and acknowledge a debt in the full and true sum of SEVENTY MILLION AND NO/100 DOLLARS ($70,000,000); and, to evidence such indebtedness has executed, under date of these presents, one (1) certain collateral mortgage note in the sum of SEVENTY MILLION AND NO/100 DOLLARS ($70,000,000), made payable to the order of Bearer, due on demand at 109 Northpark Boulevard, Covington, Louisiana, bearing interest at the rate of eighteen percent (18%) per annum from date until paid, and attorneys fees as stipulated therein (the "Note") which Note, after having been paraphed "Ne Varietur" by me, Notary, for identification herewith, was delivered to Mortgagor, who hereby acknowledges receipt thereof, and Mortgagor further declared that the Note is given and this Mortgage is granted for the purpose of being used as collateral security by Mortgagor to secure any liability, indebtedness or obligation due any future holder or holders of the Note ("Mortgagee") up to the full amount thereof together with interest, attorneys' fees, insurance premiums, taxes, costs and all other obligations of Mortgagor hereunder. The Note may be issued and pledged by Mortgagor as its interest and convenience may require to secure loans and advances made or to be made to secure the debt of Mortgagor or of any third party.

In case the Note should be placed in the hands of an attorney to institute legal proceedings to recover the amount thereof or any part thereof, in principal or interest, or to protect the interests of the holder or holders thereof, or in case the same should be placed in the hands of an attorney for collection, compromise or other action, Mortgagor hereby agrees to pay the reasonable fees of the attorney who may be employed for that purpose.

Now, in order to secure the payment of the indebtedness evidenced by the Note, together with all interest, attorneys' fees, premiums of insurance, taxes and costs, and all other obligations of Mortgagor to Mortgagee provided for herein, Mortgagor does, by these presents, specially mortgage, affect and hypothecate unto and in favor of Mortgagee, all of its right, title and interest in and to the property hereafter described:

(a) the undivided interests of Mortgagor in and to the oil, gas and/or other mineral properties which are described in Exhibit A attached hereto and made a part hereof;

(b) without limitation of the foregoing, all other presently existing right, title and interest of Mortgagor, if any, of whatever kind or character in and to the lands which are described in Exhibit A hereto as a part of the descriptions (contained in such Exhibit A) of oil, gas and/or other mineral properties, or which are otherwise described in any of the leases or other instruments described in Exhibit A hereto;

(c) all of the interests of Mortgagor, if any, in and to all presently existing oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties covered and the units created thereby (including, without limitation, units presently formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction and so called "working interest units" presently created under operating agreements or otherwise), which cover, affect or otherwise relate to the properties described in clauses (a) and (b) above;

(d) all of the interest of Mortgagor, if any, in and all rights under all presently existing and hereafter created operating agreements, equipment leases, production sales, purchase, exchange and/or processing agreements, transportation agreements, farmout and/or farm-in agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties described in clauses (a), (b) and (c) above or to the operation of such properties or to the treating, handling, storing, transporting or marketing of oil, gas or other minerals produced from (or allocated to) such properties;

(e) all of the interest of Mortgagor, if any, in and to all equipment, improvements, inventory, materials, supplies, fixtures and other property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines) and all easements, servitudes, rights of-way and other surface rights (herein referred to collectively as the "Rights of Way"), which are now or hereafter used, or held for use, in connection with the properties described in clauses (a), (b), (c) and (d) above, or in connection with the operation of such properties, or in connection with the treating, handling, storing, transporting or marketing of oil, gas or other minerals produced from (or allocated to) such properties.

(f) all of Mortgagor's interest, if any, in and to all of the gas and/or oil pipelines and gathering systems located on the Rights of Way, including, without limitation, all machinery, equipment, appliances, material, supplies, buildings, structures, improvements, and fixtures related thereto or used or obtained in connection therewith (including, but not limited to, pipe, connections, fittings, drips, valves, cathodic or electrical protection units, bypasses, regulators, meters, measuring stations, compressors, field separators and liquid extractors, power plants, engines, boilers, tools, implements, and tanks), and any replacements, attachments or accessories now or hereafter attached, added or affixed thereto (herein referred to as the "Pipelines"); all right, title and interest to construct, operate, repair and maintain said Pipelines; all contracts and agreements that now or hereafter relate to the Pipelines (including, but not limited to, contracts and agreements for the purchase, sale, transportation, compression or processing of Hydrocarbons as hereinafter defined); and all rights, titles and interests in and to all Hydrocarbons purchased or held for transportation or processing through or in the Pipelines;

(g) (i) all oil, gas, and other hydrocarbons and other minerals produced from or allocated to the properties described in clauses (a), (b), (c), (d) and (e) above and all products processed or obtained therefrom (herein referred to as the "Hydrocarbons"), the proceeds of such Hydrocarbons and other minerals and products (including without limitation any prepayments for production not yet taken, such as those received pursuant to "take or pay" arrangements), and all accounts, contract rights and general intangibles under which such proceeds may arise, (ii) the entire interest of Mortgagor, if any, in and to all equipment, inventory, improvements, materials, supplies, fixtures, goods and personal property of whatever nature now located on or used or held for use in connection with the properties described in clauses (a), (b), (c), (d) and (e) above (or in connection with the operation thereof or the treating, handling, storing, transporting or marketing of oil, gas or other minerals produced therefrom or allocated thereto), and all accessions and appurtenances thereto and all renewals or replacements thereof or substitutions therefor, (iii) all contract rights, contractual rights and other general intangibles related to the properties described in clauses (a), (b), (c), (d) and (e) above or transactions related thereto (including without limitation the operation thereof or the treating, handling, storing, transporting or marketing of oil, gas or other minerals produced therefrom or allocated thereto), and (iv) all funds, accounts, instruments, documents, notes or chattel paper arising from or by virtue of the properties described in clauses (a), (b), (c), (d) and (e) above or any transactions related thereto; and,

(h) all products and proceeds of the foregoing;

together with any and all corrections or amendments to, or renewals, extensions or ratifications of, any of the same, or of any instrument relating thereto, and all contracts, operating agreements, records, logs, rights of way, franchises, easements, surface leases, permits, licenses, tenements, hereditaments and appurtenances now existing or in the future obtained in connection with any of the aforesaid, and all other things of value incident thereto that the Mortgagor might at any time have or be entitled to (all of the aforesaid properties, rights and interests, together with any additions thereto that may be subjected to the lien of this instrument by means of supplements hereto, being hereinafter referred to as the "Mortgaged Property").

Said Mortgaged Property to remain so specially mortgaged, affected and hypothecated unto and in favor of Mortgagee until the full and final payment thereof, Mortgagor being hereby obligated not to sell, transfer, alienate, deteriorate or otherwise encumber the Mortgaged Property to the prejudice of this Act, and not to permit or suffer the same to be so sold, alienated, deteriorated or encumbered except in accordance with the provisions contained hereinafter, and except in the ordinary course of business.

Mortgagor does furthermore by these presents hereby confess judgment in favor of Mortgagee for the full amount of the Note in principal, interest and attorney's fees and for all other costs and any sums that the Mortgagee may advance during the life of this Mortgage for the payment of premiums of insurance, payment of taxes and charges, making of repairs or for the protection and preservation of the security of this Mortgage as authorized elsewhere in this act and expressly waives: (a) the benefit of appraisement, as provided in Articles 2337, 2336, 2723 and 2724, Louisiana Code of Civil Procedure, and all other laws conferring the same; (b) the demand and three (3) days delay accorded by Articles 2639 and 2721, Louisiana Code of Civil Procedure; (c) the notice of seizure required by Articles 2293 and 2721, Louisiana Code of Civil Procedure; (d) the three (3) days delay provided by Articles 2331 and 2722, Louisiana Code of Civil Procedure; and (e) the benefit of the other provisions of Articles 2331, 2722 and 2723, Louisiana Code of Civil Procedure, and any other Articles not specifically mentioned above which would prevent the immediate seizure and sale of the Property.

ARTICLE I.
REPRESENTATIONS AND WARRANTIES OF THE MORTGAGOR

Mortgagor represents and warrants that:

Section 1.1 All leases, contracts and agreements pertaining to the Mortgaged Property are valid and subsisting and are in full force and effect, superior and paramount to all other leases, contracts and agreements respecting the properties to which they pertain, and Mortgagor has full authority to execute and deliver this Mortgage, to grant, encumber, hypothecate, sell, mortgage, assign, transfer and convey the Mortgaged Property, and to make the covenants, representations, warranties, and assignments contained in this Mortgage, without obtaining the waiver, consent or approval of any lessor, sublessor or governmental agency.

Section 1.2 Mortgagor has good and marketable title to the Mortgaged Property free and clear of all liens, security interests, and encumbrances except for the following liens permitted under that certain Purchase Agreement (the "Purchase Agreement") dated January 18, 1989 by and among the Partnership and Prudential-Bache Energy Growth Fund, L.P. G-2, Prudential-Bache Energy Growth Fund, L.P. G-3 and Prudential-Bache Energy Growth Fund, L.P. G-4 (the "Permitted Encumbrances"):

(i) liens and security interests at any time existing in favor of Mortgagee;

(ii) liens securing Senior Debt (as defined in the Purchase Agreement) permitted by Subsection 6.1(a) of the Purchase Agreement that are superior to any lien securing the Notes (as defined in the Purchase Agreement); provided that no lien permitted under this Section 1.2(ii) shall be superior in right to any liens and security interests at any time existing in favor of Mortgagee with respect to the Designated Properties (as defined in the Purchase Agreement);

(iii) liens securing debt permitted by Subsections 6.1(b) and 6.1(c) of the Purchase Agreement to the extent permitted therein;

(iv) liens securing Development Advances (as defined in the Purchase Agreement);

(v) liens of vendors of personal property, carriers, warehousemen, operators, landlords, mechanics, laborers and materialmen arising by law in the ordinary course of business for sums not yet due or being contested in good faith, if such provision or

accrual as shall be required by generally accepted accounting principles shall have been made therefor;

(vi) liens for taxes, assessments and other governmental charges not yet due or being contested in good faith, if such provision or accrual as shall be required by generally accepted accounting principles shall have been made therefor;

(vii) restrictions, rights and/or minor irregularities in title which do not materially interfere with the occupation, use and enjoyment by the Mortgagor of its assets in the normal course of business as presently conducted or materially impair the value thereof for the purpose of such business;

(viii) liens securing surety or other bonds required in the normal course of business not to exceed $500,000 in the aggregate at any time in effect; and

(ix) mortgages, pledges, security interests, liens or encumbrances set forth on Exhibit A.

With respect to each Mortgaged Property, the ownership of Mortgagor in such Mortgaged Property will, (i) with respect to each tract of land described in Exhibit A hereto in connection with such Mortgaged Property, (A) entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal share of the oil and gas produced from, or allocated to, such tract not less than the decimal share of net revenue interest set forth in Exhibit A in connection with such tract, (B) cause Mortgagor to be obligated to bear a decimal share of the costs of exploration, development and operation of such tract of land not greater than the decimal share of record title or operating rights set forth in Exhibit A in connection with such tract and (ii) if such Mortgaged Property is shown in Exhibit A to be subject to a unit or units, with respect to each such unit, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal share of all substances covered by such unit or units which are produced from, or allocated to, such unit not less than the decimal share of unit net revenue interests set forth in Exhibit A in connection with such Mortgaged Property. The shares of production which Mortgagor is entitled to receive, and shares of expenses which Mortgagor is obligated to bear, are not subject to change, suspension or modification (other than changes which may subsequently arise pursuant to non-consent provisions of operating agreements described in Exhibit A in connection with such Mortgaged Property, respectively, in connection with operations hereafter proposed) except, and only to the extent that, such changes are reflected in Exhibit A. Mortgagor will defend title to the Mortgaged Property, subject as aforesaid, against the claims and demands of all persons claiming or to claim the same or any part thereof and, specifically, will defend title against any claims or demands which would cause the representations set forth in this Section 1.2 to be untrue.

Section 1.3 The oil, gas and/or mineral leases, contracts and other agreements forming a part of the Mortgaged Property, to the extent the same cover or otherwise relate to the lands described (including being described by reference) in Exhibit A, are in full force and effect. All rents, royalties and other payments due and payable under such leases, contracts and other agreements have been properly and timely paid, and Mortgagor is not in default with respect to its obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of the Mortgaged Property. Mortgagor is not currently accounting (and does not anticipate accounting) for any royalties, or overriding royalties or other payments out of production, on a basis (other than the delivery in kind thereof) other than based upon the proceeds received by Mortgagor from sale.

Section 1.4 Neither Mortgagor, nor its predecessors in title have received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" arrangements) for any oil or gas produced or to be produced from the Mortgaged Property. No Mortgaged Property is subject to any contractual or other arrangement whereby payment for production from such Mortgaged Property is to be deferred for a period of time, after the month in which such production is delivered, in the case of oil, in excess of 60 days, and in the case of gas, in excess of 90 days. No Mortgaged Property is subject to any contractual, or other, arrangement for the sale of crude oil which cannot be cancelled on 90 days (or less) notice. Except as set forth on Exhibit A hereto, each contract for the sale of gas by Mortgagor contains terms and conditions customary in the industry. The Mortgaged Property is not subject at the present time to any refund obligation and, to the best of Mortgagor's knowledge, no facts exist which might cause the same to be imposed. Except as set forth on Exhibit A or in the Purchase Agreement, the Mortgaged Property is not subject to a gas balancing arrangement under which an imbalance exists, with respect to which imbalance Mortgagor is in an overproduced status and is required to (i) permit one or more third parties to take a portion of the production

attributable to such Mortgaged Property without full payment therefor and/or (ii) make payment in cash, in order to correct such imbalance.

Section 1.5 The machinery, equipment and other personal property and fixtures forming a part of the Mortgaged Property are adequate for the normal operation of the Mortgaged Property in accordance with prudent industry standards. All of such property is located on the Mortgaged Property, except for that portion thereof which is located elsewhere in the course of the normal operation of the Mortgaged Property.

Section 1.6 The Mortgaged Property and the properties unitized therewith are being (and, to the extent the same could adversely affect the ownership or operations of the Mortgaged Property, has in the past been) maintained and operated, in a good and workmanlike manner and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Mortgaged Property and in conformity with the Permitted Encumbrances. Specifically in this connection, (i) no Mortgaged Property is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells located on the Mortgaged Property (or properties unitized therewith) are deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, in fact, bottomed under and are producing from, and the legal locations are wholly within, the Mortgaged Property (or, in the case of wells located on properties unitized therewith, such unitized property).

Section 1.7 All ad valorem taxes assessed against the Mortgaged Property or any part thereof, and all occupation taxes and all production, severance, windfall profit, excise and other taxes assessed against, or measured by, the production of (or the value, or proceeds, of the production of) oil, gas, or other minerals accruing to the Mortgaged Property, have been paid, other than those which are being contested in good faith by appropriate proceedings and for which Mortgagor has set aside on its books adequate reserves in accordance with generally accepted accounting principles or for which the Mortgagor has posted a bond or otherwise posted security, in type and amount satisfactory to the Mortgagee.

Section 1.8 There are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to Mortgagor's knowledge, threatened) which affect the Mortgaged Property and no judicial or administrative actions, suits or proceedings pending (or, to Mortgagor's knowledge, threatened) against Mortgagor which affect the Mortgaged Property.

Section 1.9 The principal place of business and chief executive office of Mortgagor, and the place where such entity keeps its books and records concerning the Mortgaged Property (including, particularly, the records with respect to "Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Property) is the address set forth for such entity on the signature page of this Mortgage.

ARTICLE II
COVENANTS OF MORTGAGOR

So long as the Note remains outstanding or any amount due thereunder unpaid, Mortgagor covenants and agrees with Mortgagee that:

Section 2.1 Mortgagor will make due and punctual payment of all of its obligations under the Note and of all other portions of its obligations hereunder, and all interest thereon, as the same become due and payable, whether at a date for payment of a fixed installment, or contingent or other payment, or as a result of acceleration or otherwise.

Section 2.2 Mortgagor will not change its name or identity, or change the location of its chief executive office or its principal place of business or the place where it keeps its books and records concerning the Mortgaged Property (including, particularly, the records with respect to the "Proceeds" from the Mortgaged Property as defined in Section 3.1 hereof) without notifying the Mortgagee of such change in writing at least 30 days prior to the effective date of such change.

Section 2.3 Mortgagor will cause the Mortgaged Property to be developed, maintained and operated in a good and workmanlike manner and in conformity with all applicable laws, rules and regulations, and in accordance with all material provisions of the oil, gas and/or mineral leases and other contracts and agreements forming a part of or relating to the Mortgaged Property and Mortgagor will cause all of the Mortgaged Property to be kept in good operating condition, causing all necessary repairs, renewals

and replacements to be promptly made. Mortgagor will cause the Pipelines to be (i) kept in good and effective operating condition and all repairs, renewals, replacements, additions and improvements thereof or thereto needful to the transportation of Hydrocarbons through same to be promptly made, and (ii) continuously operated for the transportation of Hydrocarbons in a good and workmanlike manner, in accordance with generally accepted practices, applicable gas purchase contracts and gas transportation agreements, and all applicable federal, state and local laws, rules and regulations. All equipment, machinery and other movable property and fixtures forming a part of the Mortgaged Property shall be kept on the Mortgaged Property except to the extent that they are temporarily removed or necessarily located elsewhere in the course of the normal operation of such property, or unless the Mortgagor gives thirty (30) days prior written notice to the Mortgagee, and the Mortgagee consents in writing in advance of such removal to another location. Upon request of the Mortgagee, Mortgagor will deliver to the Mortgagee an inventory and/or financing statement describing and showing the make, model, serial number and location of all equipment, machinery, personal property and fixtures forming a part of the Mortgaged Property.

Section 2.4 Mortgagor will observe and comply with all of the terms and provisions, express or implied, of each oil, gas and/or mineral lease and each other material contract or agreement which forms a part of the Mortgaged Property in order to keep the same in full force and effect, and will not, without the prior written consent of Mortgagee, surrender, abandon or release, or otherwise reduce its rights under, any such lease, contract or agreement in whole or in part, so long as any well situated on such lease, whether or not located on the Mortgaged Property, or located on any unit containing all or any part of such lease, is capable, or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct, of producing Hydrocarbons or other minerals in commercial quantities, as determined without considering the effect of this Mortgage. Nothing contained in this paragraph shall be construed as limiting Mortgagor's ability or right to pool or unitize any of the Mortgaged Property with other lands if such pooling or unitization is necessary to prevent waste or to promote conservation. Mortgagor will not, without the prior written consent of Mortgagee, abandon, or consent to the abandonment of, any well producing from the Mortgaged Property or properties unitized therewith so long as such well is capable, or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct, of producing Hydrocarbons or other minerals in commercial quantities, as determined without considering the effect of this Mortgage.

Section 2.5 Mortgagor will cause all debts and liabilities of any character, including, without limitation, all debts and liabilities for labor, material and equipment used or furnished for use on the Mortgaged Property, incurred in the operation, maintenance and development of the Mortgaged Property to be promptly paid in accordance with industry standards. Mortgagor will cause all rentals, royalties and other payments payable under the oil, gas and/or mineral leases and other contracts and agreements forming a part of, or otherwise relating to, the Mortgaged Property, or under the Permitted Encumbrances, to be properly and timely paid in accordance with industry standards and will cause all other material obligations arising under such leases and other contracts and agreements, or arising under the Permitted Encumbrances, or otherwise attendant to the operation or ownership of the Mortgaged Property to be properly and timely discharged in accordance with industry standards. Mortgagor may, however, delay paying or discharging any such debts, liabilities and payments so long as the validity thereof is contested in good faith and by appropriate proceedings and Mortgagor has set aside on its books adequate reserves therefor in accordance with generally accepted accounting principles or for which the Mortgagor has posted a bond or otherwise posted security, in type and amount satisfactory to the Mortgagee, and so long as the payment of same is not a condition to be met in order to maintain an oil, gas and/or mineral lease or any other material contract in force.

Section 2.6 Mortgagor will file all required tax returns and will pay or cause to be paid all taxes and other governmental charges or levies imposed upon its income, properties or profits that would result in a lien on any Mortgaged Property, before the same become in default (including but not limited to all ad valorem taxes assessed against the Mortgaged Property or any part thereof and all occupation taxes and all production, severance, windfall profit, and/or excise and other taxes assessed against, and/or measured by, the production of (or the value, or proceeds, of production of) oil, gas, or other minerals that accrue to the Mortgaged Property). Mortgagor may, however, delay paying or discharging such taxes, charges or levies so long as the validity thereof is contested in good faith and by appropriate proceedings and Mortgagor has set aside on its books adequate reserves therefor in accordance with generally accepted accounting principles or for which the Mortgagor has posted a bond or otherwise posted security, in type and amount satisfactory, to the Mortgagee.

Section 2.7 Mortgagor will not, without the prior written consent of the Mortgagee, create or place or permit to be created or placed, or through any act or failure to act,

acquiesce in the placing of, or allow to remain, on the Mortgaged Property or any part thereof, a mortgage, voluntary or involuntary lien (whether statutory, constitutional or contractual), security interest, encumbrance or charge, or conditional sale or other title retention document, other than the Permitted Encumbrances, regardless of whether the same are expressly subordinate to the lien and/or security interest created in this Mortgage. Should any of the foregoing become attached hereafter in any manner to the Mortgaged Property, or any part thereof, without the prior written consent of the Mortgagee, Mortgagor will cause the same to be promptly discharged and released.

Section 2.8 Mortgagor will, on request of the Mortgagee, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage or in any other document executed in connection therewith, or in the execution or acknowledgment of this Mortgage or any other document executed in connection therewith, (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further mortgages, security agreements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and any other documents executed in connection therewith and to more fully identify and subject to the liens and security interests hereof and thereof any property intended by the terms hereof and thereof to be covered hereby and thereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Mortgaged Property, and (iii) execute, acknowledge, deliver. and file and/or record any document or instrument deemed advisable by the Mortgagee to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all reasonable costs incurred with any of the foregoing.

Section 2.9 Mortgagor will indemnify and hold harmless Mortgagee from and against all claims, demands, liabilities, losses, damages, judgments, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorney's fees and expenses) which may be imposed upon, asserted against or incurred or paid by it on account of or in connection with any bodily injury or death or property damage occurring in or upon the Mortgaged Property through any cause whatsoever or asserted against them on account of any act performed or omitted to be performed hereunder or on account of any transaction arising out of or in any way connected with the Mortgaged Property or with this Mortgage or any other documents executed in connection therewith, save and except for Mortgagee's bad faith, gross negligence and willful misconduct. Any amount to be paid hereunder by Mortgagor to the Mortgagee shall be a demand obligation owing by Mortgagor (which obligation Mortgagor hereby expressly promises to pay) to the Mortgagee, which shall bear interest, from the date such obligation to pay arises until paid, in the manner provided for in this Section 2.10. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which it is required to perform or take hereunder, or to pay any money which it is required to pay, the Mortgagee, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by the Mortgagee and any money so paid by the Mortgagee, shall be a demand obligation owing by Mortgagor to the Mortgagee (which obligation Mortgagor hereby expressly promises to pay) and the Mortgagee, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Mortgagee pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment, or other occurrence which gives rise to such amount being owed to Mortgagee, until paid, at 13-1/4% per annum. All such amounts, together with such interest thereon, shall be secured by this Mortgage.

Section 2.10 If the validity or priority of this Mortgage or of any rights or liens created or evidenced hereby with respect to the Mortgaged Property or any part thereof shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor shall give written notice thereof to the Mortgagee promptly and, at Mortgagor's own cost and expense, diligently endeavor to cure any defect that may be developed or claimed, and take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel agreeable to Mortgagee, the prosecution or defense of litigation, and the release or discharge of all adverse claims. Mortgagee (whether or not named as a party to legal proceedings with respect thereto) is hereby authorized and empowered to take such additional steps as in its judgment and discretion may be necessary or proper for the defense of any such legal proceedings, including, but not limited to, the employment of independent counsel, the prosecution or defense of litigation, and the compromise or discharge of any adverse claims made with respect to the Mortgaged Property, and all expenses so incurred of every kind and character shall be a demand obligation owing by Mortgagor to Mortgagee and shall bear interest from the date of expenditure until paid, in the manner provided in Section 2.9 hereof.

Section 2.11 Except as permitted under Subsection 6.3 of the Purchase Agreement, Mortgagor shall not sell, lease, transfer, alienate or otherwise dispose of the Mortgaged Property, or any interest therein, without the prior written consent of the Mortgagee.

Section 2.12 The Mortgagor will keep proper books of record and account in which complete and correct entries will be made of the Mortgagor's transactions in accordance with generally accepted accounting principles and will furnish or cause to be furnished to the Mortgagee (a) upon its request, but not more than once a year, reports prepared by an independent person or firm acceptable to the Mortgagee concerning (1) the quantity of Hydrocarbons recoverable from the Mortgaged Property, (2) the projected income and expense attributable to the Mortgaged Property (separately identifying the projected income and expense attributable to the Pipelines), and (3) the expediency of any change in methods of treatment or operation of all or any wells productive of Hydrocarbons, any new drilling or development, any method of secondary recovery by repressuring or otherwise, or any other action with respect to the Mortgaged Property, the decision as to which may increase or reduce the quantity of Hydrocarbons ultimately recoverable or the rate of production thereof; (b) monthly, a report showing the gross proceeds from the transportation of Hydrocarbons through the Pipelines, the gross proceeds from the sale of Hydrocarbons produced from the properties described in Exhibit A (including any thereof taken by the Mortgagor for the Mortgagor's own use), the quantity of such Hydrocarbons sold, the severance, gross production, windfall profit, occupation, or gathering taxes deducted from or paid out of such proceeds, the number of wells operated, drilled or abandoned, and such other information as the Mortgagee may reasonably request; and (c) such other information concerning the business and affairs and financial condition of the Mortgagor as the Mortgagee may from time to time reasonably request. Upon the request of the Mortgagee, the reports referred to in clauses (a) and (b), above, shall set forth such information on a lease or unit basis.

Section 2.13 The Mortgagor will grant access to and permit Mortgagee, and/or its agents, to enter upon the Mortgaged Property, and all parts thereof, at any time for the purpose of investigating and inspecting the condition and operation thereof.

Section 2.14 As to any part of the Mortgaged Property which is not a cost-bearing interest, the covenants set forth in this Article II are limited to the requirement that Mortgagor shall take all such action and exercise all such rights as are available to Mortgagor as an owner of a non-cost-bearing interest to bring about the performance of undertakings performed only by such owner or owners of the record title or operating rights in such Mortgaged Property required to be performed by such owner or owners and which are required by this Mortgage.

ARTICLE III.
ASSIGNMENT OF PRODUCTION, ACCOUNTS AND PROCEEDS

Section 3.1 To additionally secure the Mortgagor's obligations, and cumulative of any and all rights and remedies herein provided for, Mortgagor, effective as of 7:00 o'clock a.m. on October 1, 1989, Central Standard Time, does hereby ASSIGN, CONVEY, TRANSFER, PLEDGE, SET OVER AND DELIVER, unto Mortgagee all of Mortgagor's interest in the following:

(a) All Hydrocarbons, the proceeds therefrom, and all products obtained or processed therefrom, produced and to be produced from the Mortgaged Property, and the proceeds therefrom (all such proceeds and products being herein referred to as "Proceeds") and Mortgagor hereby authorizes and, subject to the Purchase Agreement, empowers Mortgagee to demand, collect, and receive such Hydrocarbons and Proceeds, to endorse and cash any checks and drafts payable to Mortgagor or Mortgagee for the account of Mortgagor received from or in connection with such Hydrocarbons and Proceeds and to execute any release, receipt, division order, transfer order, and relinquishment or other instrument that may be required or necessary to collect and receive such Hydrocarbons and Proceeds. Subject to the provisions of Section 3.3 hereof, said Hydrocarbons are to be delivered into pipelines connected with the Mortgaged Property free and clear of all taxes, charges, costs and expenses. Subject to the Purchase Agreement, Mortgagor hereby authorizes and directs pipeline companies, gathering companies, and others purchasing Hydrocarbons or having in their possession any Hydrocarbons or Proceeds, to pay and deliver to Mortgagee, upon request therefor by Mortgagee, all such Hydrocarbons and Proceeds without any further inquiry into the rights of Mortgagee to receive the same. Mortgagor agrees that all division orders, transfer orders, receipts, and other instruments which Mortgagee may from time to time execute and deliver, subject to the Purchase Agreement, for the purpose of collecting or receipting for Hydrocarbons or Proceeds may be relied upon in all respects, and that the same shall be binding upon Mortgagor and Mortgagor's successors and assigns. Subject to the Purchase Agreement,

Mortgagor agrees to execute and deliver all necessary, convenient or appropriate instruments, including transfer and division orders, which may be required by Mortgagee in connection with the receipt by Mortgagee of Hydrocarbons or Proceeds and to indemnify and keep and hold Mortgagee free and harmless from all parties whomsoever having or claiming an adverse interest in Hydrocarbons and Proceeds and in this respect agrees to pay all expenses, costs, charges, and reasonable attorneys' fees that may be incurred by Mortgagee as to any of such matters.

(b) All Proceeds and other proceeds and payments payable to or to become payable to Mortgagor or to which Mortgagor is entitled under all production sales contracts, all gas transportation contracts, and all gas processing contracts now or hereafter to become a part of the Mortgaged Property, and all other contracts relating to the Mortgaged Property.

(c) All amounts, sums, revenues, and income which become payable to Mortgagor from any of the Mortgaged Property or under any contract, present or future, relating to any Pipeline, gas pipeline system or any processing plant or unit now or hereafter constituting a part of the Mortgaged Property.

Section 3.2 Subject to Subsections 3.1(b) and 5.10 of the Purchase Agreement, Mortgagor agrees to execute such transfer orders, payment orders, division orders, and other instruments as may be needed by Mortgagee or requested by it incident to its having all assigned payments made directly to it at the offices of Mortgagee, or such other place as Mortgagee shall direct. Upon an Event of Default (as defined in the Purchase Agreement), Mortgagor hereby authorizes and directs all such pipeline companies, purchasers, transporters, and other parties owing moneys to Mortgagor under contracts herein assigned, to pay such amounts direct to Mortgagee as follows (or at such other address as Mortgagee may specify in writing):

Graham Energy, Ltd.
109 Northpark Boulevard
Covington, Louisiana 70433

and such authorization shall continue until this Mortgage is released. Subject to the terms and provisions of the Purchase Agreement, Mortgagee is authorized to collect, receive, and receipt for all such amounts, and no party making payment shall have any responsibility to see to the application of any funds paid to Mortgagee but shall be fully protected in making such payment to Mortgagee at the address set forth above (or such other place as Mortgagee shall direct) under the assignments herein contained. Should Mortgagee bring suit against any third party for collection of any amounts or sums included within this assignment (and Mortgagee shall have the right to bring any such suit), it may sue either in its own name or in the name of Mortgagor.

Section 3.3 In the event that, for its convenience, Mortgagee should elect with respect to particular properties or contracts not to exercise its right to receive Hydrocarbons or Proceeds, then the purchasers or other persons obligated to make such payment shall continue to make payment to Mortgagor until such time as written demand has been made upon them by Mortgagee that payment be made direct to Mortgagee. Unless and until notified by Mortgagee of its election to receive such funds, all purchasers of production shall be authorized to continue to pay such Proceeds to Mortgagor. Such failure to notify shall not in any way waive the right of Mortgagee to receive any payments not theretofore paid over to Mortgagor before the giving of written notice. In this regard, in the event payments are made directly to Mortgagee, and then, at the request of Mortgagee payments are, for a period or periods of time, paid to Mortgagor, Mortgagee shall nevertheless have the right, effective upon written notice, to require that future payments be again made to it.

Section 3.4 Mortgagee is hereby absolved from all liability for failure to enforce collection of the proceeds and amounts assigned under Section 3.1 above and from all other responsibility in connection therewith, except the responsibility to account to the Mortgagor for funds actually received. Mortgagor agrees to indemnify and hold harmless Mortgagee against any and all liabilities, actions, claims, judgments, costs, charges, and attorneys' fees by reason of the assertion that Mortgagee has received, either before or after payment and performance in full of the Note, funds from the production of Hydrocarbons claimed by third persons, and Mortgagee shall have the right to defend against any such claims or actions, employing attorneys of Mortgagee's own selection and, if not furnished with indemnity satisfactory to Mortgagee, Mortgagee shall have the right to compromise and adjust any such claims, actions, and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by Mortgagee in compromise, satisfaction, or discharge of any such claim, action, or judgment, and all court costs, attorney's fees, and other expenses of every character incurred by Mortgagee pursuant to the provisions of this Section shall be demand obligations owing by Mortgagor and shall

bear interest as set forth in Section 2.9 hereof, such interest to accrue from date of expenditure until paid and to be secured by this Mortgage.

Section 3.5 Nothing contained hereby shall limit Mortgagor's absolute duty to make payment of all amounts due and owing under the Note and all other indebtedness arising hereunder. Receipt of proceeds under Section 3.1 shall be in addition to all other security now or hereafter existing to secure payment of the Note.

Section 3.6 Notwithstanding anything herein to the contrary, Mortgagor shall be permitted to collect on behalf of the Mortgagee all of the Proceeds until the occurrence of an Event of Default.

ARTICLE IV.
EVENTS OF DEFAULT

Section 4.1 Upon an Event of Default, then Mortgagee, at its option, may seek and pursue all remedies set forth in Article 5 hereafter.

ARTICLE V.
REMEDIES UPON EVENT OF DEFAULT

Section 5.1 Upon the occurrence of an Event of Default and if such Event of Default shall be continuing, the Mortgagee shall have the right and power to foreclose on the Mortgaged Property and to sell through judicial process, either by ordinary or executory proceedings, to the extent permitted by law, without appraisement, at one or more sales, as an entirety or in parcels, as it may elect, the Mortgaged Property. In connection with any such foreclosure action Mortgagee shall have the right to appoint a keeper of the Mortgaged Property pursuant to the terms and provisions of Louisiana Revised Statute 9:5131, et seq, as amended.

Section 5.2 Upon the occurrence of an Event of Default and if such Event of Default shall be continuing, the Mortgagee, in addition to exercising the power of sale through foreclosure, may proceed for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted.

Section 5.3 The proceeds of any sale of the Mortgaged Property, or any part thereof, shall be applied as follows:

First: To the payment of all expenses incurred by the Mortgagee in the preservation of its rights hereunder, including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and, as well, court costs, compensation of agents and employees, and legal fees;

Second: To the payment of the obligations secured by the pledge of the Note with interest to the date of such payment; and

Third: Any surplus thereafter remaining shall be paid to the Mortgagor or the Mortgagor's successors or assigns, as their interests shall appear.

Section 5.4 The Mortgagor agrees, to the full extent that the Mortgagor may lawfully so agree, that the Mortgagor will not at any time insist upon or plead or in any manner whatsoever claim the benefit of any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or to hinder the enforcement or foreclosure of this instrument or the absolute sale of the Mortgaged Property or the possession thereof by any purchaser at any sale made pursuant to any provision hereof, or pursuant to the decree of any court of competent jurisdiction: but the Mortgagor, for the Mortgagor and all who may claim through or under the Mortgagor, so far as the Mortgagor or those claiming through or under the Mortgagor now or hereafter lawfully may, hereby waives the benefit of all such laws. The Mortgagor, for the Mortgagor and all who may claim through or under the Mortgagor, waives, to the extent that the Mortgagor may lawfully do so, any and all right to have the Mortgaged Property marshalled upon any foreclosure of the lien hereof, or sold in inverse order of alienation, and agrees that the Mortgagee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety. If any law now in force, of which the Mortgagor or the Mortgagor's successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the operation or application of the provisions of this paragraph.

Section 5.5 All costs and expenses (including attorneys' fees) incurred by the Mortgagee in protecting and enforcing its rights hereunder shall constitute a demand obligation owing by the Mortgagor to the party incurring such costs and expenses and shall bear interest as set forth in Section 2.9 hereof.

Section 5.6 Upon the occurrence of an Event of Default and in addition to all other rights herein conferred on the Mortgagee, the Mortgagee, or any person, firm or corporation designated by the Mortgagee, shall have the right and power, but shall not be obligated, to enter upon and to take possession of any of the Mortgaged Property, to exclude the Mortgagor and the Mortgagor's agents or servants wholly therefrom, and to hold, use, administer, manage and operate the same to the extent that the Mortgagor shall be at the time entitled, in their place and stead. The Mortgagee, or any person, firm or corporation designated by the Mortgagee, may operate the same without any liability to the Mortgagor in connection with such operations, except to use ordinary care in the operation of such properties; and the Mortgagee, or any person, firm or corporation designated by the Mortgagee, shall have the right to collect, receive and receipt for all Hydrocarbons produced and sold from said properties, to make repairs, to purchase machinery and equipment, to conduct workover operations, to drill additional wells, and to exercise every power, right and privilege of the Mortgagor with respect to the Mortgaged Property. When and if the expenses of such operation and development (including costs of unsuccessful workover operations or additional wells) have been paid and the Note paid, said properties shall, if there has been no sale or foreclosure, be returned to the Mortgagor. The Mortgagor agrees to indemnify the Mortgagee and to hold the Mortgagee harmless from any and all claims, demands, actions or otherwise that may be asserted against the Mortgagee by any person in connection with or as a result of the Mortgagee's exercise of any of its rights under this Mortgage.

Section 5.7 All remedies herein expressly provided for are cumulative of any and all other remedies existing at law or in equity and the Mortgagee shall, in addition to the remedies herein provided, be entitled to avail itself of all such other remedies as may now or hereafter exist at law or in equity for the enforcement of the covenants herein and the foreclosure of the liens and security interests evidenced hereby, and the resort to any remedy provided for hereunder or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

ARTICLE VI.
MISCELLANEOUS

Section 6.1 The Mortgagor shall have the right, and is hereby authorized, to pool or to unitize all or any part of any tract of land described in Exhibit A, insofar as it relates to the Mortgaged Property, with adjacent lands, leaseholds and other interests, when, in the reasonable judgment of the Mortgagor, it is necessary or advisable to do so in order to form a drilling unit to facilitate the orderly development of that part of the Mortgaged Property affected thereby, or to comply with the requirements of any law or governmental order or regulation relating to the spacing of wells or the proration of the production therefrom; provided, however, that the Hydrocarbons produced from any unit so formed shall be allocated among the separately owned tracts or interests comprising the unit in proportion to the respective surface areas thereof. Any unit so formed may relate to one or more zones or horizons, and a unit formed for a particular zone or horizon need not conform in area to any other unit relating to a different zone or horizon, and a unit formed for the production of oil need not conform in area with any unit formed for the production of gas. Immediately after the formation of any such unit, the Mortgagor shall furnish to the Mortgagee a true copy of the pooling agreement, declaration of pooling or other instrument creating such unit, in such number of counterparts as the [illegible] may reasonably request. The interest in any such unit attributable to the [illegible] property (or any part thereof) included therein shall become a part of the [illegible] property and shall be subject to the lien hereof in the same manner and with [illegible] as though such unit and the interest of the Mortgagor therein were [illegible] described in Exhibit A. The Mortgagor may enter into pooling or unitization [illegible] hereinabove authorized only with the prior written consent of the Mortgagee.

Section 6.2 Each and every covenant herein contained shall be performed and kept by the Mortgagor solely at the Mortgagor's expense. If the Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this instrument, the Mortgagee may, but shall not be obligated to, make advances to perform the same in the Mortgagor's behalf; and the Mortgagor hereby agrees to repay such sums upon demand plus interest as provided in Section 2.9 hereof. No such advance shall be deemed to relieve the Mortgagor from any default hereunder.

Section 6.3 The Mortgagor will promptly notify the Mortgagee in writing of the commencement of any legal proceedings affecting the lien hereof, or the Mortgaged Property, or any part thereof, and will take such action, employing attorneys agreeable to the Mortgagee, as may be necessary to preserve the Mortgagor's and the Mortgagee's rights affected thereby; and, should the Mortgagor fail or refuse to take any such action, the Mortgagee may, upon giving prior written notice thereof to the Mortgagor, take such action in behalf and in the name of the Mortgagor and at the Mortgagor's expense. Moreover, the Mortgagee may take such independent action in connection therewith as it may in its discretion deem proper, the Mortgagor hereby agreeing that all sums advanced or all expenses incurred in such action plus interest at the rate provided for in the Note will, on demand, be reimbursed to the Mortgagee or any receiver appointed hereunder.

Section 6.4 The maximum amount for which this Mortgage shall be deemed to secure all obligations, liabilities and indebtedness secured hereunder is hereby fixed at twice the original principal amount of the Note.

Section 6.5 The Mortgagee may, at any time, without notice to anyone, release any part of the Mortgaged Property from the effect of the Mortgage herein granted securing payment of the Note, or grant an extension or deferment of time for the discharge of any obligation thereunder, or release any one or more of the parties bound therefor from any or all of his or their obligations thereunder without affecting the personal liability of any other party then bound for the payment of the full indebtedness due thereunder or hereunder, for any other obligation thereunder or hereunder.

Section 6.6 The Mortgagee may waive any default without waiving any other prior or subsequent default. The Mortgagee may remedy any default without waiving the default remedied. Neither failure by the Mortgagee to exercise, nor delay by the Mortgagee in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by the Mortgagee of any right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by the Mortgagee and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice of demand in similar or other circumstances. Acceptance by the Mortgagee of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 6.7 In the event the ownership of the Mortgaged Property or any part thereof becomes vested in a person other than Mortgagor, Mortgagee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and to the indebtedness secured hereby in the same manner as Mortgagor, without in any way vitiating any rights under this Mortgage or vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Mortgaged Property, no forbearance on the part of the Mortgagee, and no extension of the time for the payment of the indebtedness secured hereby given by the Mortgagee, shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder for the payment of the secured indebtedness or the obligation of Mortgagor for the performance of the obligations secured hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 6.8 Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. Where the Mortgagor herein is more than one person, the term "Mortgagor" as used herein shall be deemed to be plural and to refer to each or every such person as the context may indicate, and all obligations of each and every one of such persons under the Note are and shall be joint, several and in solido.

Section 6.9 It is expressly agreed that, subject to and in accordance with the provisions of Subsection 10.13 of the Purchase Agreement, any and all stipulations, agreements and covenants by the Mortgagor in favor of the Mortgagee herein contained, and all rights, powers and privileges herein conferred on Mortgagee by any of the provisions hereof shall inure to and be for the benefit of and may be exercised by Mortgagee, Mortgagee's heirs, administrators, executors, successors and assigns, and by any future holder or holders of the Note, and the word "Mortgagee", unless the context otherwise requires, shall also mean and include the heirs, administrators, executors, successors and assigns of said Mortgagee, as well as any future holder or holders of the Note. All covenants and agreements herein contained to be observed or performed by

Mortgagor shall be binding upon Mortgagor and upon Mortgagor's successors and assigns, and any other person, firm or corporation acquiring title to any of the Mortgaged Property, by, through or under said Mortgagor.

Section 6.10 **IT IS FURTHER STIPULATED AND AGREED THAT THE NOTE HEREBY SECURED AND THIS MORTGAGE AND ALL MATTERS RELATING OR PERTAINING THERETO SHALL BE GOVERNED AND CONSTRUED BY AND UNDER THE LAWS OF THE STATE OF LOUISIANA WITHOUT REGARD TO WHERE THIS MORTGAGE MAY HAVE BEEN EXECUTED AND DELIVERED, OR PAYMENT OF THE LOANED FUNDS MADE OR ADVANCED.**

Section 6.11 The production of mortgage, conveyance and tax researches and all other usual and customary certificates is hereby waived by consent of all parties, and all parties agree to hold me, Notary, harmless for the failure to procure and attach same to this Act.

Section 6.12 The article headings are inserted only for convenience, and are in no way to be construed as a part of this Mortgage or as a limitation on the scope of the particular articles to which they refer.

Section 6.13 It is hereby agreed and understood that possession of the Note at any time by the said Mortgagor herein shall not in any manner extinguish the Note or the Mortgage securing the payment thereof; and the said Mortgagor shall have the right to issue and reissue the Note, from time to time, as his convenience may require, without in any manner extinguishing or effecting the obligation of the Note or the security of this Mortgage.

Section 6.14 Any notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered personally, by telegram or telex, by expedited delivery service with proof of delivery or by registered or certified mail (postage prepaid) at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice, request, consent, demand or other communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of telegram or telex, upon receipt.

Section 6.15 A determination that any provision of this Mortgage is unenforceable or invalid in any jurisdiction shall not affect the enforceability or validity of such provision in any other jurisdiction or the enforceability or validity of any other provision hereof in any jurisdiction and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable in any jurisdiction should not affect the enforceability or validity of such provision in any other jurisdiction or the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 6.16 Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all notice of security interests relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as the Mortgagee shall request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

Section 6.17 And now into these presents intervenes Kevin J. Finan, a person of the full age of majority and a resident of the Parish of Orleans, who accepts this mortgage on behalf of all future holders of the Note.

Section 6.18 Each and every right, power and remedy herein given to the Mortgagee shall be cumulative and not exclusive; and each and every right, power and remedy, whether specifically herein given or otherwise existing, may be exercised from time to time and so often and in such order as may be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy without so waiving said right. No delay or omission by the Mortgagee in the exercise of any right, power or remedy shall impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

Section 6.19 Except as provided below, by acceptance of the Note and this Mortgage (i) Mortgagee shall not and may not seek any judgment for a deficiency against the partners of the Partnership, in any action under the Note or this Mortgage, and (ii) in the event any suit is brought on the Note or this Mortgage, any judgment obtained in such a suit will be and can be enforced only against the Mortgaged Property and against any other assets of the Partnership but not any assets of the partners of the Partnership (other than their interests in the Partnership), individually or as partners; it being the intent

that, except as provided below, the partners of the Partnership shall have no personal liability under the Note or this Mortgage. Notwithstanding the preceding sentence, the partners of the Partnership shall be liable for any damages, losses, injuries or costs and expenses suffered or incurred by the Mortgagee: (a) as a result of a willful and material breach of any of the representations or warranties contained herein or in the other Purchase Documents (as that term is defined in the Purchase Agreement), (b) if any fraud is committed by any partner of the Partnership in connection with this Mortgage or any of the other Purchase Documents or (c) any partner of the Partnership conceals, removes or permits any concealment or removal of any of the Partnership's Property with the intent to hinder, delay or defraud the Mortgagee, or makes or suffers a transfer of any of the Partnership's Property which is determined to be fraudulent under any debtor relief laws; provided, however, that the Mortgagee shall pursue all available remedies against all or substantially all of the Mortgaged Property, unless such remedies are stayed or enjoined, prior to any action being brought against any partner of the Partnership. Nothing contained in this paragraph shall be deemed to constitute a release or impairment of the indebtedness evidenced by the Note, or of the mortgage lien and pledge created by this Mortgage, or shall preclude Mortgagee from foreclosing this Mortgage.

Section 6.20 Notwithstanding any provision hereof to the contrary, the mortgages, liens, charges and encumbrances created by this Mortgage are and shall remain junior, inferior and subordinate to all mortgages, liens, charges and encumbrances created by or arising under that certain Collateral Mortgage and Collateral Chattel Mortgage, Pledge and Assignment dated July 6, 1989 (the "First Mortgage Lien"), executed by Mortgagor to secure one Collateral Mortgage and Collateral Chattel Mortgage Note dated July 6, 1989 executed by Mortgagor in the original principal amount of $60,000,000 payable to the order of bearer on demand and any amendments, ratifications, extensions or transfers thereof on the terms and conditions as set forth in that certain Subordination Agreement dated as of June 28, 1989 between Mortgagor, Prudential-Bache Energy Growth Fund, L.P. G-2, Prudential-Bache Energy Growth Fund, L.P. G-3, Prudential-Bache Energy Growth Fund, L.P. G-4 and Manufacturers Hanover Trust Company.

THUS DONE AND PASSED, in my office at Houston, Texas, in multiple original, on the day, month and year herein first above written, in the presence of the undersigned competent witnesses, who hereunto sign their names with the said appearers, and me, Notary, after reading of the whole.

WITNESSES:

Lorine C. Ray

Kady Camp

The address of each Mortgagor is:

700 Louisiana, Suite 2610
Houston, Texas 77002

HALL-HOUSTON OFFSHORE

By: Hall-Houston Oil Company, as General Partner

By: Wayne P. Hall
President

By: NRM Operating Company, L.P., as General Partner

By: Edisto Resources Corporation, as General Partner

By: Bennett A. Thomas
Executive Vice President

HALL-HOUSTON OIL COMPANY

By: Wayne P. Hall
President

Kevin J. Finan
INTERVENOR

NOTARY PUBLIC

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Wayne P. Hall, President of Hall-Houston Oil Company, a Texas corporation, acting herein in its capacity as a General Partner of Hall-Houston Offshore, a Texas general partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act of such corporation acting as General Partner for Hall-Houston Offshore, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 10th day of October, 1989 A.D.

Beverly H Gilbert
NOTARY PUBLIC in and for the
State of Texas

My Commission Expires at death.

BEVERLY H. GILBERT
Notary Public
STATE OF TEXAS
My Comm. Exp. Feb. 10, 1992

BEVERLY H. GILBERT
(Printed Name of Notary Public)

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Bennett A. Thomas, Executive Vice President of Edisto Resources Corporation, a Delaware corporation, acting herein in its capacity as a General Partner of NRM Operating Company, L.P., a Delaware limited partnership, acting herein in its capacity as a General Partner of Hall-Houston Offshore, a Texas general partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act of such corporation acting as a General Partner for NRM Operating Company, L.P., which is acting as a General Partner of Hall-Houston Offshore and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 10th day of October, 1989

Beverly H. Gilbert
NOTARY PUBLIC in and for the
State of Texas

My Commission Expires at death.

BEVERLY H. GILBERT
Notary Public
STATE OF TEXAS
My Comm. Exp. Feb. 10, 1992

BEVERLY H. GILBERT
(Printed Name of Notary Public)

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Wayne P. Hall, President of Hall-Houston Oil Company, a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act of such corporation and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 10th day of October, 1989 A.D.

Beverly H Gilbert
NOTARY PUBLIC in and for the
State of Texas

My Commission Expires at death.

BEVERLY H. GILBERT
Notary Public
STATE OF TEXAS
My Comm. Exp. Feb. 10, 1992

BEVERLY H. GILBERT
(Printed Name of Notary Public)

EXHIBIT "A"
(Louisiana Properties)

As used in this Exhibit, "HHOC" shall refer to Hall-Houston Oil Company, which holds title to interests and enters into agreements solely in its capacity as nominee for Hall-Houston Offshore or in its capacity as operator under applicable operating agreements.

1. An undivided 62.50% interest in the operating rights before payout and an undivided 46.8752% interest in the operating rights after payout to that certain Oil and Gas Lease OCS-G 6825, effective June 1, 1984, from the United States of America, as Lessor, to Cities Service Oil and Gas Corporation, as Lessee, covering all of **Block 227, Main Pass Area**, South and East Addition, as shown on OCS Leasing Map, Louisiana Map No. 10A, from the surface of the earth down to and including but not below the stratigraphic equivalent of 5,681' (as identified on the Electric Log of the OCS-G 6825 Well No. 2), which interest would entitle HHOC to not less than a 41.875% net revenue interest before payout and a 34.0625% net revenue interest after payout, subject to the terms of: (i) the Oil and Gas Lease described above; (ii) that certain Farmout Agreement, dated May 29, 1987, as amended, by and between Cities Service Oil and Gas Corporation, Canadian Occidental of California, Inc. and HHOC; and (iii) that certain Operating counterparts by Cornerstone Energy Corporation, Ridgewood Energy 1987-II Drilling and Completion, L.P. and HHOC. In addition to the above specified undivided interests, HHOC holds certain interests in said lease as nominee for certain other parties pursuant to various Participation Agreements, which if said interests held by HHOC as nominee were assigned to such other parties, HHOC would be the owner of the undivided interests specified above.

2. An undivided 75% interest in the operating rights to that certain Oil and Gas Lease OCS-G 5357, effective July 1, 1983, from the United States of America, as Lessor, to Sun Exploration and Production Company, Diamond Shamrock Corporation and Anadarko Production Company, as Lessee, covering all of **Block 628, West Cameron Area**, South Addition, OCS Leasing Map, Louisiana Map 1B, INSOFAR AND ONLY INSOFAR AS said lease covers and applies to all depths down to 100 feet below the stratigraphic equivalent of 6,295' Measured Depth (5,500' True Vertical Depth) as seen in the Dual Induction Focused/Gamma Ray Log in the OCS-G 5357 No. 2 Well, which interest would entitle HHOC to not less than a 51.9999975% net revenue interest, subject to the terms of: (i) the Oil and Gas Lease described above; (ii) that certain Farmout Agreement, dated May 18, 1988, as amended, by and between Anadarko Petroleum Corporation, and Hall-Houston Oil Company; and (iii) that certain Operating Agreement, effective May 18, 1988, executed by Ridgewood Energy 1988-II Drilling and Completion, L.P. and Hall-Houston Oil Company. In addition to the above specified undivided interests, HHOC holds certain interests in said lease as nominee for certain other parties pursuant to various Participation Agreements, which if said interests held by HHOC as nominee were assigned to such other parties, HHOC would be the owner of the undivided interests specified above.

3. An undivided 75.0% interest in the record title to that certain Oil and Gas Lease OCS-G 5618, effective July 1, 1983, from the United States of America, as Lessor, to Amoco Production Company and Sun Exploration and Production Company, as Lessee, covering all of **Block 221, South Timbalier Area**, South Addition, OCS Leasing Map, Louisiana Map No. 6A, which interest would entitle HHOC to not less than a 58.5% net revenue interest, subject to the terms of: (i) the Oil and Gas Lease described

above; (ii) that certain Letter Agreement dated November 14, 1988, by and between Amoco Production Company and Hall-Houston Oil Company; and (iii) that certain Letter Agreement dated November 9, 1988, by and between Sun Operating Limited Partnership and Hall-Houston Oil Company. In addition to the above specified undivided interests, HHOC holds certain interests in said lease as nominee for certain other parties pursuant to various Participation Agreements, which if said interests held by HHOC as nominee were assigned to such other parties, HHOC would be the owner of the undivided interests specified above.

4. An undivided 37.50% interest in the record title to that certain Oil and Gas Lease OCS-G 10541, effective May 1, 1989, from the United States of America, as Lessor, to Hall-Houston Oil Company, as Lessee, covering all of **Block 57, West Cameron Area,** OCS Official Leasing Map, Louisiana Map No. 1, which interest would entitle HHOC to not less than a 28.49999% net revenue interest, subject to the terms of: (1) the Oil and Gas Lease described above; (2) that certain Operating Agreement, effective May 1, 1989, executed in multiple counterparts by Wayman W. Buchanan, Inc., Ridgewood Energy 1989-II Drilling and Completion, L.P., and Hall-Houston Oil Company. In addition to the above specified undivided interests, HHOC holds certain interests in said lease as nominee for certain other parties pursuant to various Participation Agreements, which if said interests held by HHOC Company as nominee were assigned to such other parties, HHOC would be the owner of the undivided interests specified above.

5. An undivided 90.00% interest in the record title to that certain Oil and Gas Lease OCS-G 10602, effective July 1, 1989, from the United States of America, as Lessor, to Hall-Houston Oil Company, as Lessee, covering all of **Block 607, West Cameron Area, South Addition,** OCS Leasing Map, Louisiana Map No. 1B, which would entitle HHOC to not less than a 69.075% net revenue interest, subject to the terms of: (i) the Oil and Gas Lease; (ii) that certain Operating Agreement, effective July 1, 1989, executed in multiple counterparts by Hall-Houston Offshore, Ridgewood Energy 1989-I Drilling and Completion, L.P., and Hall-Houston Oil Company. In addition to the above specified undivided interests, HHOC holds certain interests in said lease as nominee for certain other parties pursuant to various Participation Agreements, which if said interests held by HHOC Company as nominee were assigned to such other parties, HHOC would be the owner of the undivided interests specified above.