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MORTGAGE, DEED OF TRUST, ASSIGNMENT OF PRODUCTION,
SECURITY AGREEMENT AND FINANCING STATEMENT

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF PRODUCTION, SECURITY AGREEMENT AND FINANCING STATEMENT (this "Mortgage") entered into as of the effective time and date hereinafter stated (the "effective Date") by and among TAYLOR ENERGY COMPANY, a Louisiana corporation, whose address for notice hereunder is 2-3-4 Loyola Building, Suite 500, New Orleans, Louisiana 70112 ("Mortgagor"), THE CHASE MANHATTAN BANK, N.A., a national banking association with offices and banking quarters at One Chase Manhattan Plaza, New York, New York 10081 and FIRST NATIONAL BANK OF COMMERCE, NEW ORLEANS, a national banking association with offices and banking quarters at 210 Baronne Street, New Orleans, Louisiana 70112 (the "Banks"),

W I T N E S S E T H:

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To secure payment of the indebtedness (as hereinafter defined) and the performance of the covenants and obligations herein contained and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration in hand paid by Banks to Mortgagor and in consideration of the debts and trusts hereinafter mentioned, the receipt and sufficiency of all of which is hereby acknowledged, Mortgagor does by these presents hereby GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY unto Robert C. Stone, Jr., of New Orleans, Louisiana, as Trustee, whose address for notice hereunder is P. O. Box 60279, New Orleans, Louisiana 70160 ("Trustee") and his successors and substitutes in trust hereunder, for the use and benefit of Banks, the following described real and personal property, rights, titles, interests and estates (collectively called the "Mortgaged Property"), to-wit:

(a) All rights, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to the oil and gas leases and/or oil, gas and other mineral leases and other interests and estates (collectively called the "Hydrocarbon Property") which is described on Exhibit A hereto or which Hydrocarbon Property is otherwise referred to herein and specifically but without limitation the undivided interests of Mortgagor which are more particularly described on attached Exhibit A.

(b) All right, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to (i) the properties now or hereafter pooled or unitized with the Hydrocarbon Property; (ii) all presently existing or future unitization, communitization, pooling agreements and declarations of pooled units and the units created thereby (including, without limitation, all units created under orders, regulations, rules or other official acts of any Federal, State or other governmental body or agency having jurisdiction and any units created solely among working interest owners pursuant to operating agreements or otherwise) which may affect all or any portion of the Hydrocarbon Property including, without limitation, those units which may be described or referred to on attached Exhibit A; (iii) all operating agreements, production sales or other contracts, farmout agreements, farm-in agreements, area of mutual interest agreements, equipment leases and other agreements described or referred to in this Mortgage or which relate to any of the hydrocarbon Property or interests in the Hydrocarbon Property

described or referred to herein or on attached Exhibit A or to the production, sale, purchase, exchange, processing, transporting or marketing of the Hydrocarbons (hereinafter defined) from or attributable to such Hydrocarbon Property or interests; and (iv) the Hydrocarbon Property described on attached Exhibit A and covered by this Mortgage even though Mortgagor's interests therein be incorrectly described or a description of a part or all of such Hydrocarbon Property or Mortgagor's interests therein be omitted; it being intended by Mortgagor and Banks herein to cover and affect hereby all interests which Mortgagor may now own or may hereafter acquire in and to the Hydrocarbon Property and lands described on Exhibit A notwithstanding that the interests as specified on Exhibit A may be limited to particular lands, specified depths or particular types of property interests.

(c) All rights, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to all oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined therefrom and all other minerals (collectively called the "Hydrocarbons") in and under and which may be produced and saved from or attributable to the Hydrocarbon Property, the lands covered thereby and Mortgagor's interests therein, including all oil in tanks and all rents, or attributable to the Hydrocarbon Property, the lands covered thereby and Mortgagor's interest therein which are subjected or required to be subjected to the liens and security interests of this Mortgage and including specifically but without limitation all liens and security interests in such Hydrocarbons securing payment of proceeds resulting from the sale of Hydrocarbons.

(d) All tenements, hereditaments, appurtenances and properties in anywise appertaining, belonging, affixed or incidental to the Hydrocarbon Property, rights, titles, interests and estates described or referred to in paragraphs (a) and (b) above, which are now owned or which may hereafter be acquired by Mortgagor, including, without limitation, any and all property, real or personal, now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with the operating, working or development of any of such Hydrocarbon Property (excluding drilling rigs, trucks, automotive equipment or other personal property which may be taken to the premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes and licenses together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing properties.

(e) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by Mortgagor or by anyone on Mortgagor's behalf; and the Trustee is hereby authorized to receive the same at any time as additional security hereunder.

(f) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by Mortgagor in and to the Hydrocarbon Property rights, titles, interests and estates and every part and parcel thereof, including, without limitation, the Hydrocarbon Property rights, titles, interests and estates as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Encumbrances (as hereinafter defined) to which any of the Hydrocarbon Property rights, titles, interests or estates are subject, or otherwise; together with any and all renewals and extensions of any of the Hydrocarbon Property rights, titles, interests or estates; all

contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by Mortgagor in and to the Hydrocarbon Property rights, titles, interests or estates.

(g) All accounts, contract rights, inventory and general intangibles constituting a part of, relating to or arising out of those portions of the Mortgaged Property which are described in paragraphs (a) through (f) above and all proceeds and products of all such portions of the Mortgaged Property.

Any fractions or percentages specified on attached Exhibit A in referring to Mortgagor's interest are solely for purposes of the warranties made by Mortgagor pursuant to paragraph (a) of Section III hereof and shall in no manner limit the quantum of interest affected by this Section I with respect to any Hydrocarbon Property or with respect to any unit or well identified on said Exhibit A.

TO HAVE AND TO HOLD the Mortgaged Property unto the Trustee and to his successors and assigns forever to secure the payment of the Indebtedness (hereinafter defined) and to secure the performance of the covenants, agreements, and obligations of the Mortgagor herein contained

II

This Mortgage is executed and delivered by Mortgagor to secure and enforce the Indebtedness described below:

(a) (i) Any and all indebtedness of Mortgagor to the Banks whether now existing or hereafter arising pursuant to the terms of the Revolving Credit and Term Loan Agreement of even date herewith among Mortgagor, Patrick F. Taylor and the Banks (such Loan Agreement as the same may be amended or supplemented from time to time, herein called the "Loan Agreement") and including, without limitation, all indebtedness of Mortgagor to the Banks whether now existing or hereafter arising and evidenced or to be evidenced by two Revolving Credit Notes (as defined in the Loan Agreement) of even date herewith executed by Mortgagor in the aggregate amount of \$43,000,000 payable to the order of each of the Banks on or before January 15, 1991 and two Term Loan Notes (as defined in the Loan Agreement) to be created and issued by Mortgagor on January 16, 1991 in the principal amount of the Revolving Credit Notes remaining outstanding on January 15, 1991, payable to the order of each of the Banks and with final maturity on January 15, 1994 (the Revolving Credit Notes and the Term Loan Notes herein sometimes called the "Loan Agreement Notes"); and

(ii) Those certain promissory notes dated October 26, 1989, October 27, 1989, October 31, 1989, May 31, 1989 and January 2, 1986 executed by Mortgagor in the aggregate principal amount of \$7,145,641.76 payable to the order of First National Bank of Commerce, New Orleans, on or before May 31, 1990, May 27, 1993, May 31, 1990, May 31, 1994 and January 20, 1991 respectively (the "non-Loan Agreement Notes").

The Loan Agreement Notes and the non-Loan Agreement Notes are herein collectively called the "Notes".

(b) The indebtedness evidenced by the Notes in the principal amount and with interest, collection and attorney's fees, all as provided therein; all renewals, modifications, rearrangements or extensions of the Notes, in whole or in part; and sums which may be advanced or paid by Banks or Trustee under the terms hereof on account of the failure of Mortgagor to comply with the covenants of Mortgagor contained herein; and all other

indebtedness of Mortgagor arising pursuant to the provisions of this Mortgage.

The term "Indebtedness" as used herein shall mean and include the Notes and all other indebtedness described, referred to or mentioned in paragraphs (a) and (b), inclusive, of this Section II.

III

Mortgagor hereby represents, warrants and covenants as follows:

(a) To the extent of the undivided interests specified on attached Exhibit A, Mortgagor has good and marketable title to and is possessed of the Mortgaged Property; the Mortgaged Property is free of any and all liens, encumbrances, security interests, contracts, agreements, preferential purchase rights, unitization agreements or unitization orders or other restrictions or limitations of any nature or kind (collectively called the "Encumbrances") except those Encumbrances which may be specified herein or on attached Exhibit A; that Mortgagor's ownership of the Hydrocarbon Property and the undivided interests therein as specified on attached Exhibit A will, after giving full effect to all Encumbrances, afford Mortgagor not less than those net interests in the production from or which is allocated to such Hydrocarbon Property as specified on attached Exhibit A and will cause Mortgagor to bear not more than that portion of the costs of drilling, developing and operating the wells identified on Exhibit A; Mortgagor has full power and lawful authority to bargain, grant, sell, mortgage, assign, transfer, convey and grant a security interest in all of the Mortgaged Property all in the manner and form herein provided and without obtaining the waiver, consent or approval of any lessor, sublessor, governmental agency or entity or person whomsoever or whatsoever; all rentals and royalties due and payable in accordance with the terms of any leases or subleases comprising a part of the Hydrocarbon Property have been duly paid or provided for and all leases or subleases comprising a part of the Hydrocarbon Property are in full force and effect; none of the Encumbrances include any "take or pay," gas balancing or other similar provisions in accordance with which Hydrocarbons have been or may be produced and delivered without Mortgagor then or thereafter receiving full payment therefor and no gas imbalances presently exist; except as otherwise disclosed by Mortgagor to Banks in writing, none of the Mortgaged Property is subject to any contractual or other arrangement whereby payment for production therefrom is to be deferred for a substantial period of time after the month in which such production is delivered (i.e., in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days); none of the Mortgaged Property is subject to a contractual or other arrangement for the sale of oil production which cannot be cancelled on 90 days (or less) notice; none of the Mortgaged Property is subject to a gas sales contract which contains terms which are not customary in the industry; none of the Mortgaged Property is subject at present to any regulatory refund obligation and no facts exist which might cause the same to be imposed; Hydrocarbons currently being produced and sold from or allocated to the Mortgaged Property are being purchased by those parties and entities identified as "Purchaser" on attached Exhibit A and Mortgagor is currently receiving payment and accounting for proceeds attributable to such Hydrocarbons from those parties or entities identified as "Remitter" on said attached Exhibit A.

(b) Mortgagor will warrant and defend the title to the Mortgaged Property against the claims and demands of all other

persons whomsoever and will maintain and preserve the lien created hereby so long as any of the indebtedness secured hereby remains unpaid. Should an adverse claim be made against or a cloud develop upon the title to any part of the Mortgaged Property, Mortgagor agrees it will immediately defend against such adverse claim or take appropriate action to remove such cloud at Mortgagor's cost and expense, and Mortgagor further agrees that the Trustee and/or Banks may take such other action as they deem advisable to protect and preserve their interests in the Mortgaged Property and in such event Mortgagor will indemnify the Trustee and Banks against any and all cost, attorney's fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud. Such obligation of Mortgagor shall be payable on demand and shall bear interest from the date of demand until paid at a per annum rate of interest equal to the lesser of (i) three percent (3%) above the rate of interest announced by The Chase Manhattan Bank, N.A. from time to time as its prime rate, or (ii) the maximum nonusurious rate allowed by applicable law (which rate is hereinafter called the "Expense Reimbursement Rate"). Except for sales of Hydrocarbons as and when produced and in the ordinary course of Mortgagor's business or as may be otherwise provided for in writing, Mortgagor will not sell, convey or in any manner dispose of the Mortgaged Property or any portion thereof without first securing the written consent of the Banks. Mortgagor will not enter into any arrangement with any gas pipeline company or other consumer of Hydrocarbons comprising a part of the Mortgaged Property pursuant to which such gas pipeline company or consumer may setoff any claim against Mortgagor by withholding payment for Hydrocarbons actually delivered.

(c) This Mortgage is, and always will be kept, a direct first lien and security interest upon the Mortgaged Property subject only to the Encumbrances described on Exhibit A and Mortgagor will not create or suffer to be created or permit to exist any lien, security interest or charge prior or junior to or on a parity with the lien and security interest of this Mortgage upon the Mortgaged Property or any part thereof or upon the rents, issues, revenues, profits and other income therefrom, and Mortgagor will, from time to time, pay or cause to be paid as they become due and payable all taxes, assessments and governmental charges lawfully levied or assessed upon the Mortgaged Property or any part hereof, or upon or arising from any of the rents, issues, revenues, profits and other income from the Mortgaged Property, or incident to or in connection with the production of Hydrocarbons or other minerals therefrom, or the operation and development thereof; provided, that the foregoing covenant shall be suspended so long as the amount, applicability or validity of any such charges is being diligently contested in good faith by appropriate proceedings and if Mortgagor shall have set up reserve therefrom which are adequate under generally accepted accounting principles. Mortgagor will not change its name or identity or change the location of its chief executive office or its chief place of business or the place where it keeps its books and records concerning the Mortgaged Property including, particularly, the proceeds from the sale of Hydrocarbons) without notifying the Banks of such change in writing at least thirty (30) days prior to the effective date of such change.

(d) Mortgage will at its own expense do or cause to be done all things necessary to preserve and keep in full repair, working order and efficiency all of the Mortgaged Property, including, without limitation, all equipment, machinery and facilities, and from time to time will make all the needful and proper repairs, renewals and replacements so that at all times the state and

condition of the Mortgaged Property will be fully preserved and maintained.

(e) Mortgagor will promptly pay and discharge all rentals, delay rentals, royalties and indebtedness accruing under, and perform or cause to be performed each and every act, matter or thing required by, each and all of the assignments, deeds, leases, subleases, contracts and agreements described or referred to herein or affecting Mortgagor's interests in the Mortgaged Property, and will do all other things necessary to keep unimpaired Mortgagor's rights with respect thereto and prevent any forfeiture thereof or default thereunder. The Mortgaged Property (and properties unitized therewith) has been maintained, operated and developed 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 the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Property and other contracts and agreements forming a part of the Mortgaged Property; specifically in this connection, (i) after the Effective Date 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) prior to the Effective Date and (ii) none of the wells comprising a part of 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 well bores are wholly within, the Mortgaged Property (or, in the case of wells located on properties unitized therewith, such unitized properties). Mortgagor will operate the Mortgaged Property in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all applicable proration and conservation laws of the jurisdiction in which the Mortgaged Property is situated, and all applicable laws, rules and regulations of every other agency and authority from time to time constituted to regulate the development and operation of the Mortgaged Property and the production and sale of Hydrocarbons and other minerals therefrom. Mortgagor will do or cause to be done such development work as may be reasonably necessary to the prudent and economical operation of the Mortgaged Property in accordance with the most approved practices of operators in the industry, including all to be done that may be appropriate to protect from diminution the productive capacity of the Mortgaged Property and each producing well thereon including, without limitation, cleaning out and reconditioning each well from time to time, plugging and completing at a different level each such well, drilling a substitute well to conform to changed spacing regulations and to protect the Mortgaged Property against drainage whenever and as often as is necessary.

(f) Mortgagor will permit the Trustee and/or the Banks and the agents of any of them to visit and inspect any of the Mortgaged Property, to examine the books of account of Mortgagor and to discuss the affairs, finances or accounts of Mortgagor, and to be advised as to the same by any officer or employee of Mortgagor, all at such reasonable times or intervals as the Trustee or the Banks may desire.

(g) Mortgagor will promptly upon demand by the Banks pay all costs and expenses heretofore or hereafter incurred by the Banks for legal, engineering, geological or accounting services rendered to them in connection with the making and documenting of the initial or any future loan to Mortgagor secured in whole or

in part by the lien and security interest hereof an/or in connection with the enforcement of any of the Banks' rights hereunder. Mortgagor will indemnify and hold harmless the Trustee and the Banks from and against all claims, demands, liabilities, losses, damages, judgments, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by either of them on account of or in connection with any bodily injury or death or property damage occurring in or upon or in the vicinity of 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, save and except for their gross negligence or willful misconduct but specifically including their ordinary negligence. Any amount to be paid hereunder by Mortgagor to the Banks or the Trustee shall be a demand obligation owing by Mortgagor (which obligation Mortgagor hereby expressly promises to pay) to the Banks or the Trustee (as the case may be) and shall bear interest from the date such obligation is due until such obligation is paid, at the Expense Reimbursement Rate.

(h) Mortgagor will execute and deliver such further instruments and do such further acts as may be necessary or desirable or as may be reasonably requested by the Trustee or the Banks to carry out more effectively the purposes of this Mortgage and to subject to the lien created hereby any properties, rights and interests covered or intended to be covered hereby. At the request of the Banks, Mortgagor will deliver to Banks an inventory and/or financing statements describing and showing the make, model, serial number and location of all equipment and machinery forming a part of the Mortgaged Property.

(i) Mortgagor will maintain its existence as a corporation and will maintain and procure all necessary franchises and permits to the end that Mortgagor shall be and continue a corporation in good standing in the State of Louisiana, and duly qualified to do business in any other state in which the Mortgaged Property is situated with full power and authority to own and operate the Mortgaged Property as contemplated herein until this Mortgage shall have been fully satisfied.

(j) If any tax is levied or assessed against the Indebtedness described herein or any part thereof, or against this Mortgage, or against the Banks with respect to the Indebtedness or any part thereof or this Mortgage, Mortgagor shall promptly pay the same.

(k) All or portions of the Mortgaged Property may be comprised of interests in the Hydrocarbon Property which are other than working interests or which may be operated by a party or parties other than Mortgagor and with respect to all or any such Hydrocarbon Property, as may be comprised of interests other than working interests or which may be operated by parties other than Mortgagor, Mortgagor's covenants as expressed in paragraphs (d) through (f) inclusive of this Section III are modified to require that Mortgagor use its best efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Hydrocarbon Property.

(l) Mortgagor agrees to indemnify the Trustee and the Banks against all claims, actions, liabilities, judgments, costs, attorneys' fees or other charges of whatsoever kind or nature (all hereinafter in this paragraph (l) being called the "claims") made against or incurred by the Trustee or the Banks or any of them as a consequence of the assertion either before or after the

payment in full of all Indebtedness, that they or any of them received Hydrocarbons or the proceeds thereof claimed by third persons, and the Trustee and the Banks shall have the right to defend against any such claims, employing attorneys therefor, and unless furnished with a reasonable indemnity, they or any of them shall have the right to pay or compromise and adjust all such claims. Mortgagor will indemnify and pay to the Trustee, or the Banks any and all such amounts as may be paid in respect thereof or as may be successfully adjudged against the Trustee or the Banks or any of them. The obligations of the Mortgagor as hereinabove set forth in this paragraph (l) shall survive the release of this instrument. After receipt by an indemnified party under this paragraph of notice of the commencement of any action, such indemnified party will, if indemnification in respect thereof by the Mortgagor is to be required under this paragraph, notify the Mortgagor of the commencement thereof, but the omission so to notify the Mortgagor will not relieve it from any liability which it may have to aly indemnified party hereunder or otherwise. In case any such action is brought against any indemnified party and the indemnified party notifies the Mortgagor of the commencement thereof, the Mortgagor will be entitled to participate therein and to the extent that the Mortgagor may wish, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of such indemnified party, be counsel to the Mortgagor).

(m) Mortgagor agrees that if Mortgagor fails to perform any act or to take any action which Mortgagor is required to perform or take hereunder or pay any money which Mortgagor is required to pay hereunder, the Trustee and/or the Banks in Mortgagor's name or their own name may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by the Trustee or the Banks and any money so paid by the Trustee or the Banks shall be a demand obligation owing by Mortgagor to the Trustee or the Banks and the Trustee or the Banks, 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 holders of the Indebtedness and/or the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment or other occurrence which gives rise to such amount being owed to the Trustee or the Banks until paid at the Expense Reimbursement Rate, and all such amounts together with such interest thereon shall be a part of the Indebtedness and shall be secured by this Mortgage.

(n) To the best of its knowledge, Mortgagor has not violated any provisions of The Natural Gas Act or The Natural Gas Policy Act of 1978 or any other Federal or State law or any of the regulations thereunder (including those of the respective Conservation Commissions and Land Offices of the various jurisdictions having Mortgaged Property, and Mortgagor has made all necessary rate filings, certificate applications, well category filings, interim collection filings and notices, and any other filings or certifications, and has received all necessary regulatory authorizations (including without limitation necessary authorizations, if any, with respect to any processing arrangements conducted by Mortgagor or others respecting said Mortgaged Property or production therefrom) required under said laws and regulations with respect to all of the Mortgaged Property or production therefrom. Said rate filings, certificate applications, well category filings, interim collection filings and notices, and other filings and certifications contain no untrue statements of material facts nor do they omit any statements of material facts necessary in said filings.

IV

(a) If any of the following shall occur ("Event(s) of Default"):

(i) Default shall be made in the payment, in whole or in part of any of the Indebtedness or any installment thereof as and when the same shall become due and payable;

(ii) any indebtedness of Mortgagor to others is not paid when due, or becomes or is declared to be due and payable prior to its expressed maturity by reason of any default by Mortgagor in the performance or observance of any obligation or condition;

(iii) any warranty or representation made by Mortgagor herein or in any other instrument or document executed in connection with or as security for the Indebtedness is untrue in any material respect or any schedule, statement, report, notice or writing furnished by Mortgagor in connection herewith to the Banks is untrue in any material respect on the date as of which the facts set forth are stated or certified;

(iv) default or breach shall be made in the due performance of any covenant or agreement of Mortgagor contained herein or in the Loan Agreement or other agreement or instrument executed by Mortgagor in connection with or as security for any of the Indebtedness;

(v) an involuntary case or other proceeding shall be commenced against the Mortgagor which seeks liquidation, reorganization or other relief with respect to it or its debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 30 days; or an order for relief against the Mortgagor shall be entered in any such case under the Federal Bankruptcy Code; or

(vi) the Mortgagor shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to, or shall admit in writing its inability to pay its debts generally as they become due, or shall take any action to authorize or effect any of the foregoing;

then, upon the occurrence of any such Event of Default, Banks may, by written notice mailed to Mortgagor, postage prepaid, addressed to Mortgagor at its address set forth in the recitals hereof or at such other address as Mortgagor may furnish to Trustee in writing, declare the Notes to be due and payable whereupon the Notes shall provided, however, that the occurrence of an Event of Default as described in paragraphs (v) and (vi) of this Section IV shall result in the immediate and automatic

acceleration of maturity of the Notes and all other Indebtedness mentioned or referred to herein. All costs and expenses (including attorneys' fees) incurred by the Trustee or the Banks in protecting and enforcing their rights hereunder shall constitute a demand obligation owing by Mortgagor and shall draw interest at the Expense Reimbursement Rate, and shall constitute a portion of the indebtedness secured hereby and shall be for the benefit of the lien hereby created.

(b) If the Notes or any of the Indebtedness shall become due and payable, and Mortgagor shall not promptly pay the same, the Banks shall have the right and option to proceed with foreclosure by directing the Trustee, or his successors or substitutes in trust, to proceed with foreclosure and to sell, to the extent permitted by law, all or any portion of the Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places and otherwise in such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Trustee may deem appropriate, and to make conveyances to the purchaser or purchasers. Any sale of any part of the Mortgaged Property located in the State of Texas shall be made at the area required by law (or if no area is required by law, the area designated in the notice of sale at the courthouse of the county in which such part of the Mortgaged Property to be sold at such sale is located) to the highest bidder for cash at public auction, after the Trustee shall have given notice of sale in accordance with the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust. Where any part of the Mortgaged Property located in the State of Texas is situated in more than one county, notices as above provided shall be posted and filed in all such counties, and all such Mortgaged Property may be sold in any such county and such notice shall designate the county where such Mortgaged Property is to be sold. The affidavit of any person having knowledge of the facts to the effect that such notice was completed shall be prima facie evidence of the fact of notice. In the event any sale hereunder is not completed or is defective in the opinion of the Banks, such sale shall not exhaust the power of sale hereunder, and the Banks shall have the right to cause a subsequent sale or sales to be made by the Trustee. Upon receipt of the sale price in the case of a third party purchase for upon the crediting of the Indebtedness to the sales price if the purchaser is the Banks, the Trustee is hereby authorized, empowered and directed to make due conveyance to the purchaser or purchasers, with general warranty binding upon Mortgagor and the heirs, successors and assigns of Mortgagor. The right of sale hereunder shall not be exhausted by one or more such sales, and the Trustee may make other and successive sales until all of the Mortgaged Property be legally sold or the Notes and all of the Indebtedness shall have been paid. Mortgagor hereby irrevocably appoints the Trustee to be the attorney of Mortgagor and in the name and on behalf of Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which Mortgagor ought to execute and deliver and do and perform any and all such acts and things which Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee. Upon any sale, whether under the power of sale hereby given or by virtue of judicial proceedings, it shall not be necessary for the Trustee or any public officer acting under execution or order of court to have physically present or constructively in his possession any of the Mortgaged Property, and Mortgagor hereby agrees to deliver all of such personal property to the purchasers at such sale on the date of sale, and if it should be impossible or impracticable to make actual delivery of such property, then the title and right of possession to such property shall pass to the purchaser at such

sale as completely as if the same had been actually present and delivered. Recitals contained in any conveyance made by the Trustee to any purchaser at any sale made pursuant hereto shall conclusively establish the truth and accuracy of the matters therein treated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, or the interest accrued on, the Notes or any of the Indebtedness after the same has become due and payable, advertisement and conduct of such sale in the manner provided herein and appointment of any successor trustee hereunder. Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of the Trustee, or of the officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers, his or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the Trustee or of such officer herefor, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication or nonapplication thereof. The Trustee or his successor or substitute may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Trustee, including the posting of notices and the conduct of sale, but in the name and on behalf of Trustee, his successor or substitute. If Trustee or his successor or substitute shall have given notice of sale hereunder, any successor or substitute Trustee hereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Upon receipt of the sale price in cash or as herein otherwise provided, the Trustee is hereby authorized, empowered and directed to make due conveyance to the purchaser or purchasers, with general warranty binding upon Mortgagor and the heirs, successors and assigns of Mortgagor. The right of sale hereunder shall not be exhausted by one or more such sales, and the Trustee may make other and successive sales until all of the Mortgaged Property be legally sold for the Notes and all of the Indebtedness shall have been paid. Mortgagor hereby irrevocably appoints the Trustee to be the attorney of Mortgagor and in the name and on behalf of Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which Mortgagor ought to execute and deliver, and do and perform any and all such acts and things which Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee. Upon any sale, whether under the power of sale hereby given or by virtue of judicial proceedings, the Trustee shall not be necessary for the Trustee or any public officer acting under execution or order of court to have physically present or constructively in his possession any of the Mortgaged Property, and Mortgagor hereby agrees to deliver all of such personal property to the purchaser at such sale on the date of sale, and if it should be impossible or impracticable to make actual delivery of such property, then the title and right of possession to such property shall pass to the purchaser at such sale as completely as if the same had been actually present and delivered. The Banks shall have the right to become the purchaser at any sale held by the Trustee or by any receiver or public officer and shall have the right to have the amount of Indebtedness then owing to the Banks credited against the amount of the bid made by the Banks at such sale. Recitals contained in any conveyance made by the Trustee to any purchaser at any sale made pursuant hereto shall conclusively establish the truth and accuracy of the matters therein treated, including, without limiting the generality of the foregoing, nonpayment of the unpaid principal sum of, or the interest accrued due and payable,

advertisement and conduct of such sale in the manner provided herein an appointment of any successor trustee hereunder. Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of the Trustee, or of the officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers, his or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the Trustee or of such officer therefor, be obliged to see to the application of such purchase money or be in anywise answerable for any loss, misapplication or non-application thereof.

(c) If the Notes or any of the Indebtedness shall become due and payable and shall not be promptly paid, the Trustee or the Banks shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Mortgaged Property under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Mortgaged Property under the order of a court or courts of competent jurisdiction or under executor or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Banks in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the Trustee and/or the Banks and shall bear interest from the date of making such advance by the Trustee and/or the Banks until paid at the Expense Reimbursement Rate. Mortgagor agrees to the full extent that it lawfully may, that, in case one or more of the Events of Default shall have occurred and shall not have been remedied, then, and in every such case, the Trustee or Banks shall have the right and power to enter into and upon and take possession of all or any part of the Mortgaged Property in the possession of Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude Mortgagor, its successors or assigns, and all persons claiming under Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Trustee may use, administer, manage, operate and control the Mortgaged Property and conduct the business thereof to the same extent as Mortgagor, its rights and powers as Mortgagor, in the name, place and stead of Mortgagor, or otherwise as the Trustee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Banks in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the Trustee and/or the Banks and shall bear interest from date of expenditure until paid at the Expense Reimbursement Rate, all of which shall constitute a portion of the Indebtedness and shall be secured by this Mortgage and by any other instrument securing the Indebtedness. In connection with any action taken by the Trustee and/or the Banks pursuant to this paragraph (c), the Trustee and/or the Banks shall not be liable for any loss sustained by Mortgagor resulting from any act or omission of the Trustee and/or the Banks in administering, managing, operating or controlling the Mortgaged Property unless such loss is caused by its own willful misconduct and bad faith, nor shall the Trustee and/or the Banks be obligated to perform or discharge any obligation, duty or liability of Mortgagor. Mortgagor shall and does hereby agree to indemnify the Trustee and/or the Banks for, and to hold the Trustee and/or the Banks harmless from, any and

all liability, loss or damage which may or might be incurred by the Trustee and/or the Banks by the exercise of this Mortgage or the exercise of rights or remedies hereunder; should the Trustee and/or the Banks make any expenditures on account of any such liability, loss or damage, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the Trustee and/or the Banks and shall bear interest from the date expended until paid at the Expense Reimbursement Rate, shall be a part of the Indebtedness and shall be secured by this Mortgage and any other instrument securing the secured indebtedness. Mortgagor hereby assents to, ratifies and confirms any and all actions of the Trustee and/or the Banks with respect to the Mortgaged Property taken under this paragraph (c).

(d) Every right, power and remedy herein given to the Trustee or the Banks shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute; 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 expedient by the Trustee or the Banks, and the exercise, or the beginning of the exercise, of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power or remedy. No delay or omission by the Trustee or the Banks in the exercise of any right, power or remedy shall imperil any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

(e) Any sale or lease of the Mortgaged Property or any part thereof whether under the power of sale herein granted and conferred or under and by virtue of judicial proceedings, shall operate to exhaust all right, title, interest, claim and demand whatsoever, either at law or in equity, of Mortgagor of, in and to the premises and the property sold, and shall be a perpetual bar, both at law and in equity, against Mortgagor, its successors and assigns, and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through or under Mortgagor, its successors and assigns; and Mortgagor, if requested by the Trustee or the Banks so to do, shall join in the execution and delivery of all proper conveyances, assignments and transfers of the properties so sold. The proceeds of any sale of the Mortgaged Property or any part thereof and all other moneys received by the Trustee in any proceedings for the enforcement hereof, whose application has not elsewhere hereon been specifically provided for, shall be applied first, to the payment of all expenses incurred by the Trustee or the Banks incident to the enforcement of this Mortgage, the Notes or any of the Indebtedness (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement hereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting), and to the payment of all other charges, expenses, liabilities and advances incurred or made by the Trustee or the Banks under this Mortgage or in executing any trust or power hereunder; then to payment of the Loan Agreement Notes in full, and then to payment of the non-Loan Agreement Notes. The Banks may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of any of the Indebtedness secured hereby, in whole or in part, and in such portions and in such order as may seem best to the Banks in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the

rights, benefits or liens created by this Mortgage. Mortgagor agrees, to the full extent that it may lawfully so agree, that it will not at any time insist upon or plead or in any manner whatever claim or take the benefit or advantage of any reappraisal, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage 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 Mortgagor, for itself and all who may claim through or under it, so far as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws. Mortgagor, for itself and all who may claim through or under it, waives to the extent that it may lawfully do so, any and all right to have the property included in the Mortgaged Property marshaled upon any foreclosure of the lien hereof and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety or in parcels. If any law referred to herein and now in force, of which Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall not hereafter be deemed to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof.

v

(a) Mortgagor has absolutely and unconditionally assigned, transferred, and conveyed, and does hereby absolutely and unconditionally assign, transfer and convey unto Banks, their successors and assigns, all of the Hydrocarbons and all products obtained or processed therefrom, and the revenues and proceeds now and hereafter attributable to the Hydrocarbons and said products and all payments in lieu of the Hydrocarbons such as "take or pay" payments or settlements. The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Banks, free and clear of all taxes, charges, costs, and expenses; and all such revenues and proceeds shall be paid directly to the Banks, at their respective banking quarters with no duty or obligation of any party paying the same to inquire into the rights of the Banks to receive the same, what application is made thereof, or as to any other matter. Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders, and other instruments as may be required or desired by the Banks or any party in order to have said proceeds and revenues so paid to the Banks. The Banks are fully authorized to receive and receipt for said revenues and proceeds; to endorse and cash any and all checks and drafts payable to the order of Mortgagor or the Banks for the revenues or proceeds and apply the proceeds thereof to the payment of the Indebtedness in the order provided in Section IV (e) when received, regardless of the maturity of any of the Indebtedness, or any instalment thereof; and to execute transfer and division orders in the name of Mortgagor, or otherwise, with warranties binding Mortgagor. The Banks shall not be liable for any delay, neglect, or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Banks shall have the right, at their election, in the name of Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Banks in order to collect such funds and to protect the interests of the Banks, and/or Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by Mortgagor. Mortgagor hereby agrees to indemnify the Banks against all claims, actions, liabilities, judgments, costs,

charges and attorneys' fees made against or incurred by it based on the assertion that the Banks have received funds from the production of Hydrocarbons claimed by third persons either before or after the payment in full of the Indebtedness. The Banks shall have the right to defend against any such claims, actions and lawsuits, employing its attorneys therefor, and if the Banks are not furnished with reasonable indemnity, they shall have the right to compromise and adjust any such claims, actions and judgments. Mortgagor agrees to indemnify and pay to the Banks any and all such claims, judgments, costs, charges and attorney's fees which may be paid in any judgment, release or discharge thereof or as may be adjudged against the Banks. Such obligation shall be payable on demand and shall bear interest from the date of demand therefor until paid at the Expense Reimbursement Rate. Mortgagor hereby appoints Banks as its attorneys-in-fact to pursue any and all rights of Mortgagor to liens on and security interests in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons, including but not limited to those liens and security interests provided for by Section 9.319 of the Texas Business and Commerce Code and/or any similar laws of any other states in which the Mortgaged Property or any part thereof may be located. In addition to the rights granted to Trustee or Banks in Section 1 (c) of this Mortgage, Mortgagor hereby further transfers and assigns to the Banks any and all such liens, security interests, financing statements or similar interests of Mortgagor attributable to its interest in the Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Banks in this paragraph, being coupled with an interest, shall be irrevocable so long as the Indebtedness or any part thereof remains unpaid.

(b) Nothing herein contained shall modify or otherwise alter the obligation of Mortgagor to make prompt payment of all principal and interest owing on the Notes and all other Indebtedness when and as the same become due regardless of whether the proceeds of the Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Indebtedness.

(c) To further secure the Indebtedness, Mortgagor hereby grants to the Banks a security interest in and to the Mortgaged Property insofar as the Mortgaged Property consists of equipment, accounts, contract rights, general intangibles, inventory, Hydrocarbons, fixtures and any and all other personal property of any kind or character defined in and subject to the provisions of the applicable Uniform Commercial Code, including the proceeds and products from any and all of such personal property. Upon the happening of any of the Events of Default, the Banks are and

shall be entitled to all of the rights, powers and remedies accorded a secured party by the applicable Uniform Commercial Code with reference to the personal property and fixtures in which the Banks have been granted a security interest herein, or the Trustee or the Banks may proceed as to both the real and personal property covered hereby in accordance with the rights and remedies granted under this Mortgage in respect of the real property covered hereby. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Banks under any other provision of this instrument or under any other instrument executed in connection with or as security for the Notes or any of the Indebtedness. Written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of any part of the Mortgaged Property which is personal property subject to the provisions of the Uniform Commercial Code, or prior to the date after which private

sale of any such part of the Mortgaged Property will be made, shall constitute reasonable notice.

(d) Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portion of the goods described or to which reference is made herein are or are to become fixtures on the land described or to which reference is made herein or on attached Exhibit A; (ii) the security interests created hereby under applicable provisions of the Uniform Commercial Code of one or more of the jurisdictions in which the Mortgaged Property is situated will attach to Hydrocarbons (minerals including oil and gas) or the accounts resulting from the sale thereof at the wellhead or minehead located on the land described to which reference is made herein; (iii) this instrument is to be filed of record in the real estate records as a financing statement, and (iv) Mortgagor is the record owner of the real estate or interests in the real estate comprised of the Mortgaged Property.

VI

(a) It shall be no part of the duty of the Trustee to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against Mortgagor, or to see to the performance or observance by Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Banks. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for his own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

(b) The Trustee may resign by written notice addressed to or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Banks. In case of the death, resignation or removal of the Trustee, a successor trustee may be appointed by the Banks by instrument of substitution complying with any applicable requirements of law, or, in the absence of any such requirement, without other formality than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Banks to Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited, and, upon the making of any such appointment and designation, this Mortgage shall vest in the successor trustee named all the estate and title in and to all of the Mortgaged Property, and he shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate a successor Trustee hereunder but such right may be exercised repeatedly as long as any Indebtedness remains unpaid hereunder. If no successor Trustee shall have been appointed as

contemplated by the foregoing provisions, or if appointed shall not have accepted the appointment, within 30 days after the resignation of, or the occurrence of a vacancy in the office of, the Trustee, then upon application of the Banks or the retiring Trustee, a successor Trustee may be appointed by any court of competent jurisdiction. In case the Notes or any or all of the Indebtedness shall be come due and payable and shall not promptly be paid, then upon request of the Banks, the Trustee shall give security, satisfactory to the Banks, for the faithful performance and discharge of his duties hereunder. The cost of, or premium paid for, any bond which may be given as all or part of such security shall be an expense of the Trustee for which he is entitled to reimbursement as provided herein. To facilitate the administration of the duties hereunder, the Banks may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Banks may designate.

VII

(a) With respect to any portions of the Mortgaged Property located in any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Banks and the rights and authority granted to the Trustee herein may be enforced and asserted by the Banks in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Banks as to any or all such portions of the Mortgaged property in any manner permitted by the law of the jurisdiction in which such portions of the Mortgaged Property is so situated.

(b) If all Indebtedness secured hereby shall be paid, this Mortgage shall become null and void and the Mortgaged Property shall revert to Mortgagor, and the Banks shall forthwith cause satisfaction and discharge of this Mortgage to be entered upon the record at the expense of Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of satisfaction and reassignment as may be appropriate. Otherwise, this Mortgage shall remain and continue in full force and effect.

(c) If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee and the Banks in order to effectuate the provisions hereof, and the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

(d) This instrument may be construed as a mortgage, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the lien hereof and the purpose and agreements herein set forth.

(e) The term "Mortgagor" as used herein shall mean and include all and each of the individuals, partnerships, corporations or other legal entities or persons executing this Mortgage. The number and gender of pronouns used in referring to Mortgagor shall be construed to mean and correspond with the number and gender of the individuals, partnerships, corporations or other legal entities or persons executing this Mortgage as

Mortgagor. The term "Banks" as used herein shall mean and include any legal owner, holder, assignee or pledgee of any of the Indebtedness secured hereby. The terms used to designate Trustee, Banks and Mortgagor shall be deemed to include the respective heirs, legal representatives, successors and assigns of such parties.

(f) To the extent that proceeds of the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Mortgaged Property, such proceeds have been advanced by the Banks at Mortgagor's request, and the Banks shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such other indebtedness by the Bank, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

(g) This instrument is made with full substitution and subrogation of the Trustee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

(h) The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

(i) If any of the terms or provisions hereof or of any note or other evidence of the Indebtedness secured hereby is susceptible of being construed as binding or obligating Mortgagor or any other person or concern obligated, either primarily or conditionally, for the payment of any Indebtedness secured hereby, under any circumstances or contingencies whatsoever, to pay interest in excess of that authorized by law, it is agreed that such terms or provisions are a mistake in calculation or wording and, notwithstanding the same, it is expressly agreed that neither Mortgagor nor any other person or concern obligated in any manner on any such Indebtedness shall ever be required or obligated under the terms hereof or under the terms of any such note, or other evidence of any of the Indebtedness or otherwise, to pay interest in excess of that authorized by law. It is the intention of the parties hereto to conform strictly to the usury laws now in force in the States of Louisiana and New York, applicable Federal law and the law of any other jurisdiction which may be applicable. In furtherance thereof, such persons stipulate and agree that none of the terms and provisions hereof or any note or other evidence of the Indebtedness secured hereby shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect. Banks expressly disavow any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of any Indebtedness is accelerated. If (a) the maturity of any Indebtedness is accelerated for any reason, (b) any Indebtedness is prepaid and as a result any amounts held to constitute interest which would otherwise increase the interest on any or all of the Indebtedness to an amount in excess of that permitted to be charged by applicable law then in effect, then all such sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Indebtedness or, at such holder's

option, promptly returned to the Mortgagor or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable law, Banks and Mortgagor (and any other payors thereof) shall to the greatest extent permitted under applicable law, (i) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Indebtedness in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable law in order to lawfully charge the maximum amount of interest permitted under applicable law.

(j) All 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 by registered or certified United States mail, postage prepaid, or by personal service (including express or courier service) 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 or communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery at the address and in the manner provided herein, upon receipt; provided that, service of notice as required by Texas Property Code §51.002, as amended, or as required by any laws of any other state in which portions of the Mortgaged Property may be situated shall for all purposes be deemed appropriate and sufficient with the giving of such notice.

(k) In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Mortgaged Property by, through or under Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction. The purchaser or purchasers at foreclosure shall have the right to affirm or disaffirm any lease of the Mortgaged Property or any part thereof.

(l) This instrument is being executed in several counterparts, all of which are identical. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

WITNESS THE EXECUTION HEREOF, this 20th day of February, 1990, to be effective as of the 1st day of February, 1990 (the "Effective Date").

MORTGAGOR:

ATTEST:

TAYLOR ENERGY COMPANY

By: 

By: 

Name: Frank D. Babin III

Name: Patrick F. Taylor

Title: Secof. Asy

Title: Chairman of the Board

The name and address of the Debtor is:

Taylor Energy Company
2-3-4 Loyola Avenue
Suite 500
New Orleans, Louisiana 70112

The names and addresses of the Secured Parties are:

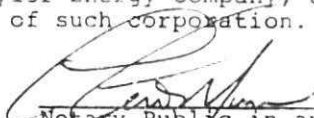
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10081

First National Bank of Commerce, New Orleans
210 Baronne Street
New Orleans, Louisiana 70112

THE STATE OF LOUISIANA:

PARISH OF ORLEANS :

THIS INSTRUMENT was acknowledged before me on February 20, 1990 by Patrick F. Taylor, Chairman of the Board and Chief Executive Office of Taylor Energy Company, a Louisiana corporation, on behalf of such corporation.



Notary Public in and for the Parish
of Orleans
State of Louisiana
Printed Name: L. Linton Morgan
My Commission Expires: At Death

EXHIBIT "A"
TO
MORTGAGE, DEED OF TRUST, ASSIGNMENT OF PRODUCTION,
SECURITY AGREEMENT AND FINANCING STATEMENT

Oil and Gas Lease OCS-G 3467, Matagorda Block A-7, granted by the United States of America to Shell Oil Company by act dated effective as of August 1, 1977, covering all of Block A-7, Matagorda Island Area as shown on OCS Official Leasing Map Tex. Map No. 4.

Working Interest	100%
Net Revenue Interest	83.3%

Oil and Gas Lease OCS-G 3086, Matagorda Block 619, granted by the United States of America to Shell Oil Company by act dated effective as of April 1, 1975, covering all of Block 619, Matagorda Island Area as shown on Outer Continental Shelf Official Leasing Map Tex. Map No. 4.

Working Interest	100%
Net Revenue Interest	83.3%

Oil and Gas Lease OCS-G 3087, Matagorda Block 620, granted by the United States of America to Shell Oil Company by act dated effective as of April 1, 1975, covering all of Block 620, Matagorda Island Area as shown on Outer Continental Shelf Official Leasing Map Tex. Map No. 4.

Working Interest	100%
Net Revenue Interest	83.3%

(The South Half of the Southwest Quarter (S/2 SW/4) and the South Half of the North Half of the Southwest Quarter (S/2 N/2 SW/4) to a measured depth of 11,550 feet in Matagorda Island Block 620 has been sold to Enron Oil & Gas Company)

Oil and Gas Lease OCS-G 7155, North Padre Island Block A-59, granted by the United States of America to Texaco, Inc., et al, by act dated effective as of September 1, 1984, covering all of Block A-59, North Padre Island Area, East Addition as shown on Outer Continental Shelf Official Leasing Map Tex. Map No. 4)

Working Interest	50%
Net Revenue Interest	37% Before Payout 35% After Payout

(Borrower has operating rights in the above described lease from the surface to a depth 100 feet below the stratigraphic equivalent of 7121 feet (TVD) as identified on the log for the OCS-G 7155 Well No. 1.

Oil and Gas Lease OCS-G 10197, Matagorda Island Block 603, granted by the United States of America to Amoco Production Company by act dated August 13, 1988 covering all of Block 603, Matagorda Island Area, Offshore Texas as shown on the OCS Leasing Map, Texas Map No. 4.

Working Interest	
Net Revenue Interest	

(Borrower has operating rights to the area in the southeast quadrant of said lease from the surface to a depth 100 feet below the stratigraphic equivalent of the base of the Marginulina Ascensionensis Sand).

Oil and Gas Lease OCS-G 11212, North Padre Island Block A-44, granted by the United States of America to Taylor Energy Company and Coho Resources, Inc. by act dated effective October 1, 1989 covering all of Block A-44, North Padre Island Area, East Addition, OCS Leasing Map, Texas Map No. 2A.

Working Interest	50.00000%
Net Revenue Interest	41.66666%

Oil and Gas Lease OCS-G 11373, High Island Block A-96, granted by the United States of America to Taylor Energy Company by act dated effective November 1, 1989 covering all of Block A-96, High Island Area, OCS Leasing Map, Texas Map No. 7.

Working Interest	100.00000%
Net Revenue Interest	83.33333%

Oil and Gas Lease OCS-G 11374, High Island Block A-107, granted by the United States of America to Taylor Energy Company by act dated effective November 1, 1989 covering all of Block A-107, High Island Area, OCS Leasing Map, Texas Map No. 7.

Working Interest	100.00000%
Net Revenue Interest	83.33333%

MORGAN & WILLIAMS, LTD.
ATTORNEYS AT LAW
1015 PINE STREET
NEW ORLEANS, LOUISIANA 70112
504 584 1411

RECEIVED

FEB 21 1990

Minerals Management Service
Leasing & Environment

February 20, 1990

Minerals Management Service
Gulf of Mexico OCS Region Office
United States Department of Interior
Jefferson Parish, Louisiana

Re: OCS-G 10197
Block 603
Matagorda Island Area

Gentlemen:

With reference to the captioned lease, enclosed herewith is an executed Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement, dated February 20, 1990, executed by Taylor Energy Company and affecting all of the said company's interest in the lease, or in operating rights therein.

Please place the instrument in the file maintained by your office for the captioned lease; please stamp the enclosed copy of this letter to indicate your receipt of the said document and return it to us.

Your cooperation in this matter is very much appreciated.

Yours very truly,

MORGAN & WILLIAMS, LTD.



L. Linton Morgan

LLM:kpk
Enclosure