

SUBORDINATION AGREEMENT

This Subordination Agreement ("Subordination Agreement") is made and entered into this 10th day of December, 1988, by and between Offshore Pipeline, Inc., a Delaware corporation ("Offshore Pipeline"), Hall-Houston Offshore, a general partnership organized under the laws of the State of Texas ("Hall"), and MBank Houston, National Association ("MBank"), and will evidence the arrangements concerning Offshore Pipeline's subordination of certain liens to the liens held by MBank.

I. RECITALS

1. Pursuant to those certain (a) Contract Documents dated effective February 23, 1988, Hall-Houston Oil Company and Apache Oil & Gas Transmission, Inc., as builders and sellers, contracted with Texas Eastern Gas Pipeline Company, as purchaser, for the construction and sale of 7.1 miles of 16-inch pipeline and 1.3 miles of 10.75 inch pipeline from Main Pass, Block 162 to Chandeleur Pass, Block 164 in federal offshore waters more particularly described on Exhibit A attached hereto and (b) Contract Documents dated effective August 24, 1988, Hall-Houston Oil Company, as builder and seller, contracted with Texas Eastern Gas Pipeline Company, as purchaser, for the construction and sale of 8.8 miles of 12-inch pipeline from Main Pass, Block 202 to Main Pass, Block 164 in federal offshore waters more particularly described on Exhibit B attached hereto (such pipelines, contracts and all associated permits and contracts collectively, the "Property").

2. Hall has subcontracted with Offshore Pipeline to build such pipelines and has substantially completed such pipelines.

3. Under and by virtue of that certain Security Agreement dated December 13, 1988 and that certain Act of Collateral Mortgage, Act of Collateral Chattel Mortgage and Assignment of Accounts Receivable, Contract Rights and other Instruments dated December 13, 1988 (collectively, the "MBank Lien Documents"), Hall has encumbered the Property for the benefit of MBank to secure certain loans made by MBank to Hall ("MBank Debt") a portion of which has been used to pay Offshore Pipeline.

II. SUBORDINATION

1. In consideration of the above, Offshore Pipeline hereby subordinates all liens, security interests, rights, interests, claims or rights of claim against the Property (whether choate or inchoate, and including without limitation, all mechanic's and materialman's liens under the Constitution and statutes of the States of Texas and Louisiana) that Offshore Pipeline may now have, or that subsequently accrue or arise in favor of Offshore Pipeline, for or on account of any materials or services furnished or to be furnished and/or labor performed or to be performed in connection with the Property, (collectively, the "Subordinated Liens") to all liens, security interests, rights, interests, claims or rights of claim against the Property of MBank (collectively, the "MBank Liens").

2. Upon a default in the payment of principal or interest with respect to the MBank Debt, then unless and until such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by Hall with respect to any obligations owed Offshore Pipeline by Hall (the "Subordinated Debt"). In the event that, notwithstanding the foregoing, Hall shall make any payment of principal or interest on the Subordinated Debt, after the happening of such default, then, unless and until such default shall have been cured or waived or shall have ceased to exist, such payments shall be held in trust for the benefit of, and shall be paid over

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IN MORTGAGE FILE M-10-70

to, MBank for application to the payment of all MBank Debt remaining unpaid until all such MBank Debt shall have been paid in full.

3. If, otherwise than by reason of a default in the payment of principal or interest on the MBank Debt, Hall shall fail to comply with the terms of any covenant contained in the MBank Lien Documents, permitting MBank to accelerate the maturity thereof, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by Hall with respect to the Subordinated Debt. In the event that, notwithstanding the foregoing, Hall shall make any payment on the Subordinated Debt after the happening of such a default, then, unless and until such default shall have been cured or waived or shall have ceased to exist, such payment shall be held in trust for the benefit of, and shall be paid over to, MBank for application to the payment of all MBank Debt remaining unpaid until all such MBank Debt shall have been paid in full.

4. As long as there is any indebtedness owed to MBank by Hall, Offshore Pipeline will not declare the Subordinated Debt due, foreclose on, exercise any power of private sale or otherwise exercise any remedy provided for in any security agreement or by statute or law having the effect of foreclosure or declare in default the Subordinated Debt.

5. Upon any distribution of assets of Hall or upon dissolution, winding up, liquidation or reorganization (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of Hall or otherwise), then, in any such case MBank shall first be entitled to receive payment in full of the principal amount of the MBank Debt and the interest accrued and unpaid thereon before Offshore Pipeline shall be entitled to receive any payment upon the principal of or interest on the Subordinated Debt. MBank is irrevocably authorized and empowered to demand, sue for, collect and receive all such payments and distributions and to receipt therefor, and in connection therewith to file and prove all such claims and take all such other action, in the name of Offshore Pipeline, as MBank may determine to be necessary or appropriate to implement the provisions of this paragraph. Until the MBank Debt is fully satisfied or MBank consents in writing, Offshore Pipeline shall not initiate or join with any other creditor or Hall in initiating any plan or proceeding pursuant to any such bankruptcy or insolvency laws.

6. All Subordinated Liens shall be and remain inferior to all MBank Liens.

7. Notwithstanding any defect, deficiency, error or omission contained in the MBank Lien Documents, any other security instruments creating the MBank Liens or any instrument evidencing the MBank Debt or in the execution, acknowledgment or filing or recording of same, Offshore Pipeline hereby waives and relinquishes all rights to contest, question or raise any such defect, deficiency, error or omission. Offshore Pipeline hereby acknowledges, ratifies and confirms that the MBank Liens are valid, subsisting and perfected security interests and liens, and Offshore Pipeline acknowledges that any security interest heretofore or hereafter granted by Hall in favor of Offshore Pipeline covering the Property is and shall at all times remain subordinate, secondary and inferior to the MBank Liens.

8. This Agreement shall remain in effect, notwithstanding any renewal, extension or rearrangement of the MBank Debt. MBank may at any time, without the consent of or notice to Offshore Pipeline, and without incurring any responsibility to Offshore Pipeline, and without impairing or releasing any of the obligations, acknowledgments or agreements of Offshore Pipeline hereunder, upon any terms or conditions and in whole or in part,

(i) change the manner, place or terms of payment, or change or extend the time of payment of, renew, or alter the MBank Debt, and this Agreement shall apply to the MBank Debt as changed, extended, renewed or altered in any manner, (ii) exchange, release, surrender, realize upon or otherwise deal with, in any manner and any order, any property at any time covered by the MBank Liens, (iii) exercise or refrain from exercising any rights against Hall or others, or (iv) apply any sums paid to any liability or liabilities of Hall to MBank regardless of what liability or liabilities of Hall remain unpaid.

9. Offshore Pipeline hereby waives and agrees not to assert against MBank any rights which a guarantor or surety with respect to any indebtedness of Hall could exercise; but nothing in this Subordination Agreement shall constitute Offshore Pipeline a guarantor or surety.

III. MISCELLANEOUS

1. The Subordinated Debt shall not be assigned in whole or in part without the prior written consent of MBank obtained prior to such assignment. Any such assignment shall make specific reference to this Subordination Agreement, and the assignee shall agree in writing to be bound by the terms and provisions of this Subordination Agreement. Subject thereto, the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

2. No course of dealing on the part of MBank, its officers or employees, nor any failure or delay by MBank with respect to exercising any of its rights, powers or privileges under this Subordination Agreement or any MBank Debt shall operate as a waiver thereof. The rights and remedies of MBank under this Agreement, the MBank Debt and all security instruments securing same shall be cumulative and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

3. No provision of this Subordination Agreement shall be construed as imposing upon MBank any duty with respect to the preservation, protection or enforcement of any claim of Offshore Pipeline against Hall, including those claims related to the Subordinated Debt, or any instrument evidencing the same.

4. In the event any one or more of the provisions contained in this Subordination Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision set forth herein.

5. Neither this Subordination Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by all parties.

6. This Subordination Agreement shall be governed by, be construed in accordance with, and deemed to be a contract entered into under, the laws of the State of Texas.

WITNESS the execution hereof on the dates indicated above.

OFFSHORE PIPELINES, INC.

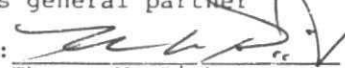
By: 
Frank Wade
President

Signatures Continued On Next Page

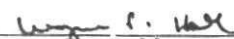
HALL-HOUSTON OFFSHORE, a general partnership

By: NRM Operating Company,
L.P., its general partner


By: Natural Resource
Management Corporation,
its general partner

By: 
Thomas W. Pickett
Vice President
Treasurer

By: Hall-Houston Oil Company,
its general partner

By: 
Wayne P. Hall
President

MBANK HOUSTON, NATIONAL ASSOCIATION

By: 
Printed Name: William S. Cobb
Title: Vice President

STATE OF TEXAS
COUNTY OF HARRIS

§
§
§

On this 17th day of December, 1988, before me appeared Frank Wade, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the President of Offshore Pipelines, Inc., a Louisiana corporation, and that said instrument was signed in behalf of said corporation by authority of its board of directors and said Frank Wade acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires:

Debra A. Dilord
NOTARY PUBLIC in and for

(PRINTED NAME OF NOTARY PUBLIC)

STATE OF TEXAS
COUNTY OF HARRIS

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§
§

On this 13th day of December, 1988, before me appeared Thomas W. Pickett, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the Vice President and Treasurer of Natural Resource Management Corporation, a Delaware corporation, acting herein in its capacity as a General Partner of NRM Operating Company, L.P., a Delaware limited partnership, which is acting in its capacity as a General Partner of Hall-Houston Offshore, a Texas general partnership, and that said instrument was signed in behalf of said corporation acting as General Partner for NRM Operating Company, L.P. acting as General Partner for Hall-Houston Offshore by authority of its board of directors and said Thomas W. Pickett acknowledged said instrument to be the free act and deed of said corporation acting as General Partner for NRM Operating Company, L.P. acting as General Partner for Hall-Houston Offshore.

My Commission Expires:

Marie Heard
NOTARY PUBLIC in and for

MARIE HEARD
Notary Public, state of Texas
My Commission Expires 11-21-89
(PRINTED NAME OF NOTARY PUBLIC)

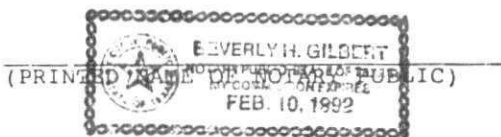
STATE OF TEXAS
COUNTY OF Harris

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On this 14th day of December, 1988, before me appeared Wayne P. Hall, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the 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, and that said instrument was signed in behalf of said corporation acting as General Partner for Hall-Houston Offshore, by authority of its board of directors and said Wayne P. Hall acknowledged said instrument to be the free act and deed of said corporation, acting as General Partner for Hall-Houston Offshore.

Beverly H. Gilbert
NOTARY PUBLIC in and for

My Commission Expires:



STATE OF TEXAS
COUNTY OF HARRIS

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§

On this 13th day of December, 1988, before me appeared William S. Cable, to me personally known, who, being by me duly sworn (or affirmed) did say that he is the Vice President of MBank Houston, National Association, a national banking association, and that said instrument was signed in behalf of said national banking association by authority of its board of directors and said William S. Cable acknowledged said instrument to be the free act and deed of said national banking association.

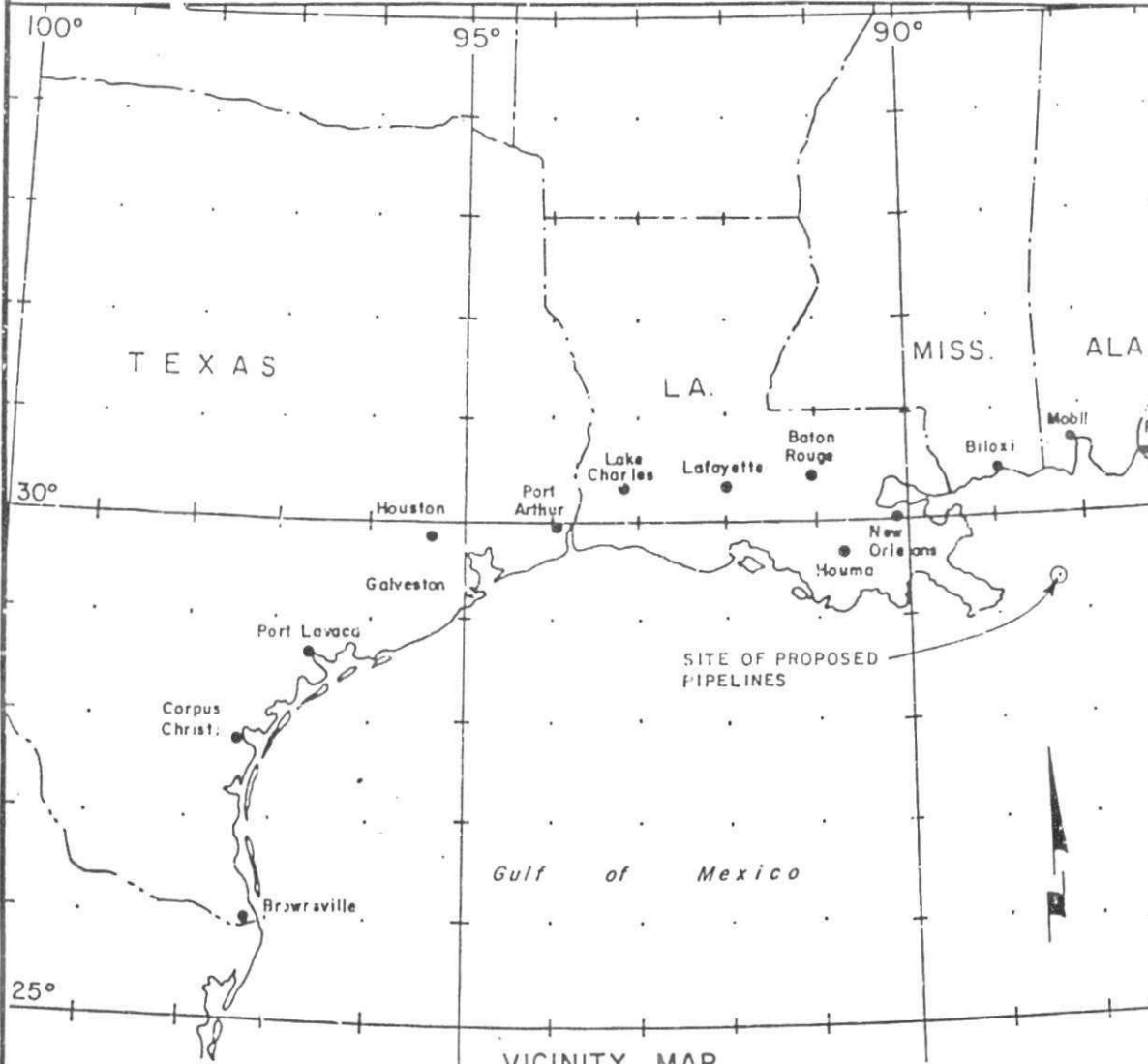
Marie Heard
NOTARY PUBLIC in and for

My Commission Expires:

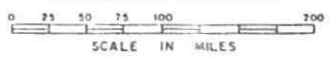
MARIE HEARD
Notary Public, State of Texas
My Commission Expires 11-21-89
(PRINTED NAME OF NOTARY PUBLIC)

EXHIBIT "A"

Such 16-inch and 10.75-inch pipelines are located in federal offshore waters with the nearest state shore being St. Bernard or Plaquemines Parish, Louisiana which location is more particularly described on the following pages to this Exhibit "A".



VICINITY MAP

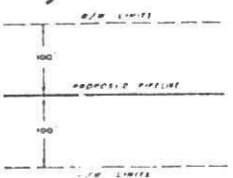


APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 MARCH 15, 1988

PROPOSED 16" & 10" GAS PIPELINE
 CHANDELEUR AREA
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 1 OF 3

FAIRWAY



THE RIGHT-OF-WAY OF PROPOSED PIPELINE IS ACCURATELY REPRESENTED.

Lionel J. Cormier
 REGISTERED LAND SURVEYOR NO. 4401
 STATE OF LOUISIANA
 JOHN E. CHANCE & ASSOCIATES, INC.

END OF PIPE 0+00
 X: 2,884,346.01'
 Y: 396,303.00'
 Lat. 29° 43' 36.862"
 Long 88° 32' 48.776"

34+1 0+00
 X: 2,885,342.00'
 Y: 395,704.00'
 Lat. 29° 43' 30.6-5"
 Long 88° 32' 35.383"

FROM E.O.P. 16+00.00'
 FROM 34+1 15+59.61'
 X: 2,884,346.01'
 Y: 394,703.00'
 Lat. 29° 43' 2' 026"
 Long. 88° 32' 49' 219"

HALL HOUSTON
 OCS-G-5742
 VALVE 110+65.00'
 X: 2,884,346.01'
 Y: 389,238.00'

149+73.00'
 X: 2,884,346.01'
 Y: 381,330.00'

C5X
 OCS-G-5703

SOUTH
 FLOW

PROPOSED 10" GAS PIPELINE
 TOTAL LENGTH = 1559.61' ± 30 MILE

PROPOSED 16" GAS PIPELINE
 TOTAL LENGTH = 36,506.22' ± 6.91 MILES

CHANDELEUR AREA
 MAIN PASS AREA

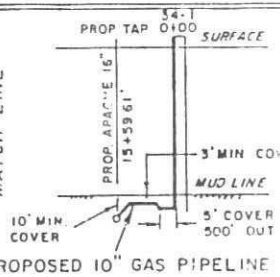
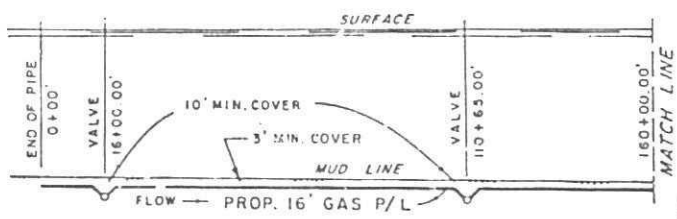
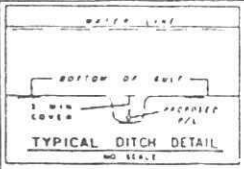
160+00.00'
 MATCH LINE

PLAN



THE DESIGN CHARACTERISTICS OF THIS PIPELINE ARE IN COMPLIANCE WITH D.O.T. REGULATIONS.

AREA ENGINEER



PROFILE

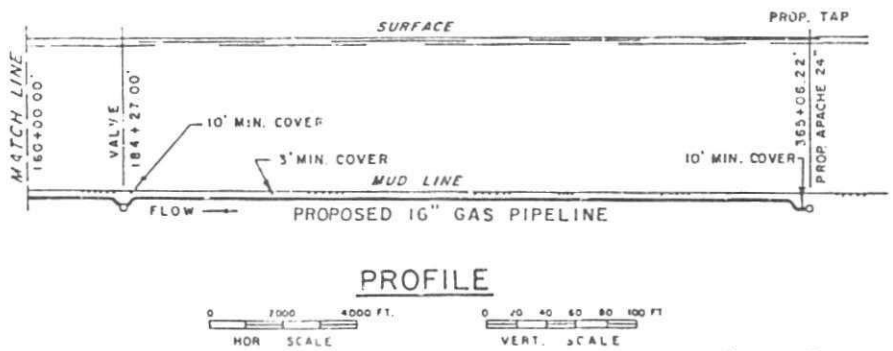
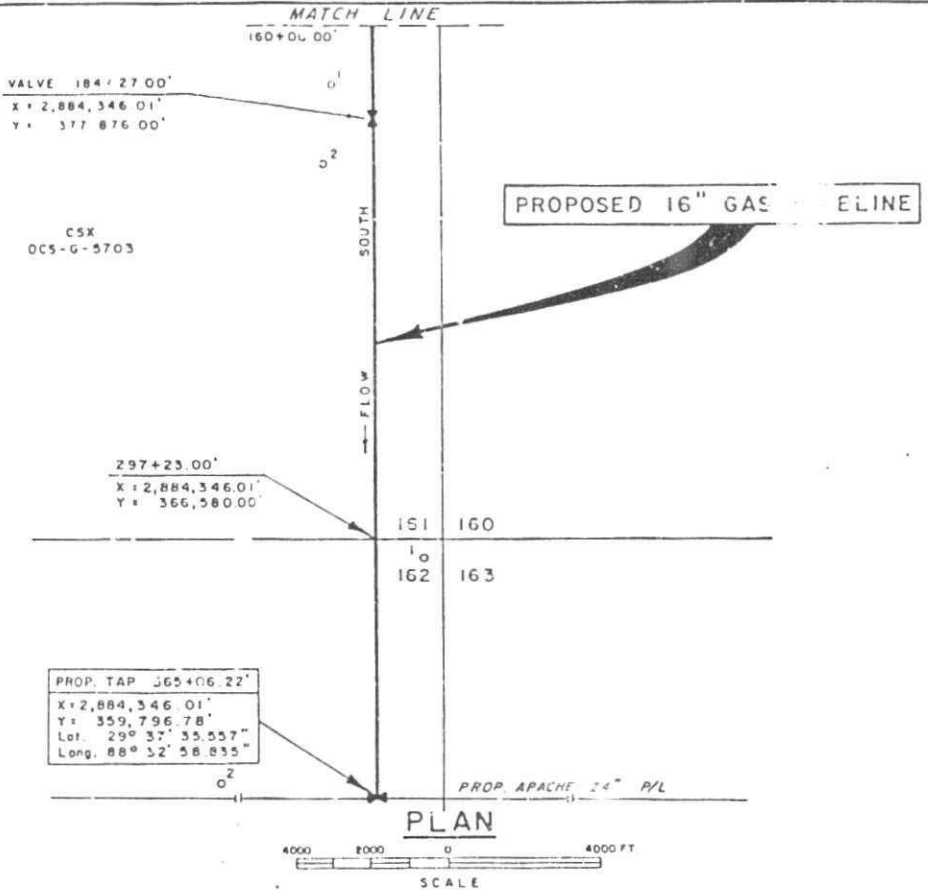


PROPOSED 16" & 10" GAS PIPELINE

APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 MARCH 15, 1988

CHANDELEUR AREA
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 2 OF 3



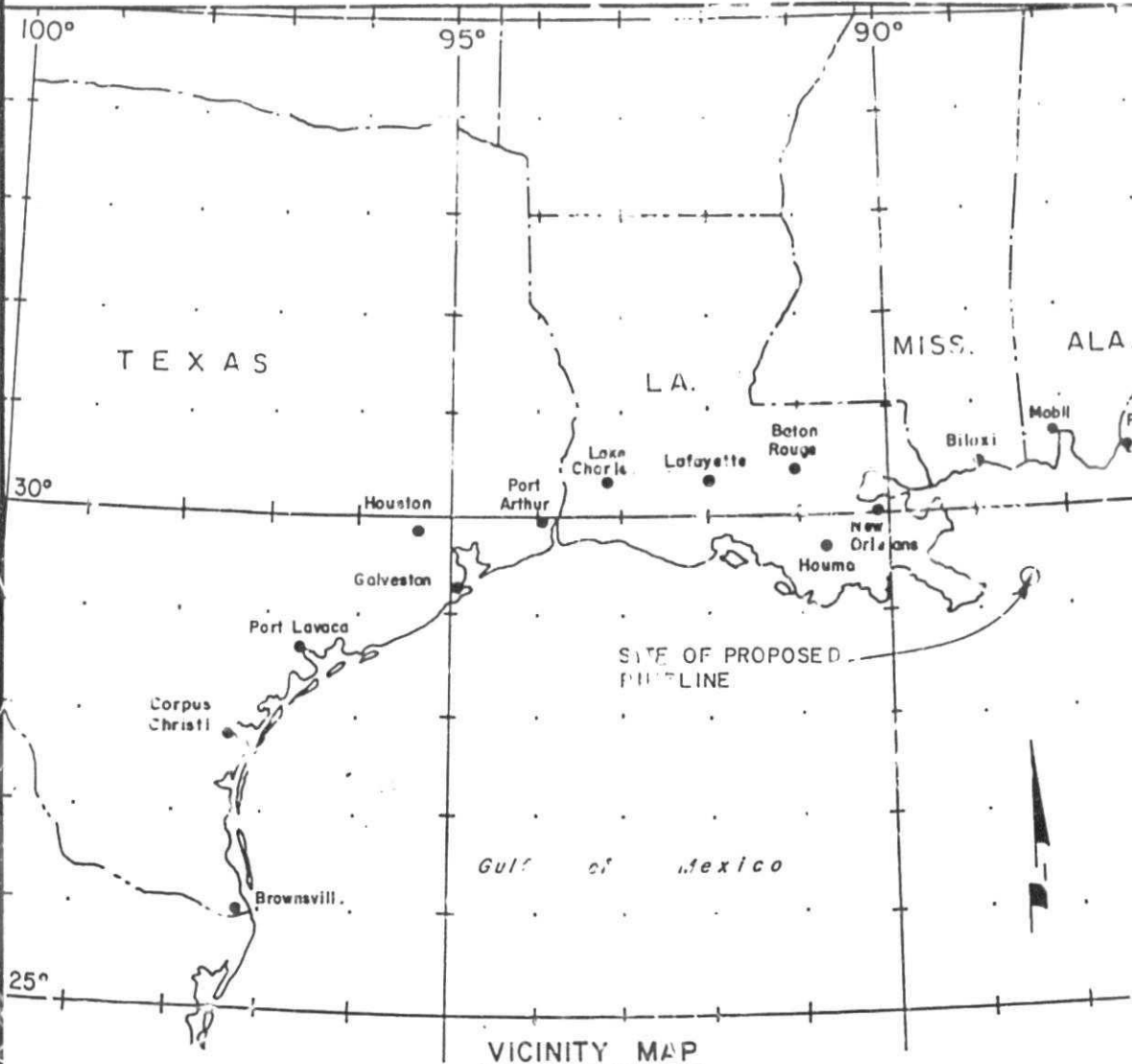
APPLICATION BY
APACHE OIL & GAS TRANSMISSION, INC.
HOUSTON, TEXAS
MARCH 15, 1988

PROPOSED 16" & 10" GAS PIPELINE

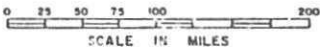
CHANDELEUR AREA
MAIN PASS AREA
GULF OF MEXICO

SHEET 3 OF 3

Such 12-inch pipelines is located in federal offshore waters with the nearest state shore being St. Bernard or Plaquemines Parish, Louisiana which location is more particularly described on the following pages to this Exhibit "B".



VICINITY MAP



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 OCTOBER 23, 1987

PROPOSED 12" GAS CONDENSATE PIPELINE
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 1 OF 4

MATCH LINE

180+00.00'

SHELL
025-G-5712

TOTAL LENGTH=45,865.25'+8.69 MILES

PROPOSED 12" GAS CONDENSATE P/L

N 00° 28' 20" W

3'

183

184

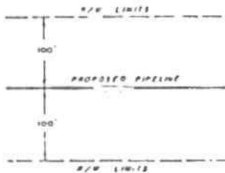
203

202

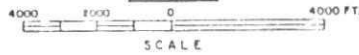
B2+48.99'
X=2,916,515.65'
Y=3,222,350.00'

HALL-HOUSTON
025-G-5714

202-A 0+00
X=2,916,471.49
Y=3,140,688.69'
Lat. 29° 29' 55.24"
Long. 88° 27' 03.44"



PLAN

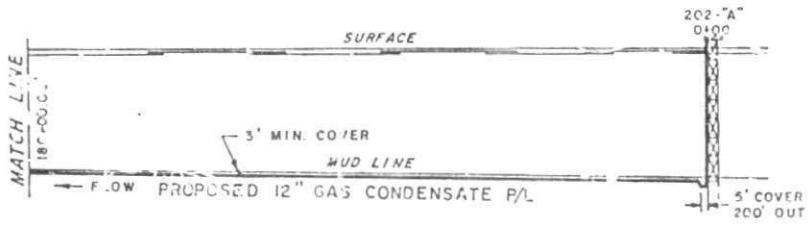


THE DESIGN CHARACTERISTICS OF THIS PIPELINE ARE IN COMPLIANCE WITH D.O.T. REGULATIONS

THE RIGHT-OF-WAY OF PROPOSED PIPELINE IS ACCURATELY REPRESENTED.

Lionel J. Cormier
REGISTERED LAND SURVEYOR NO. 4401
STATE OF LOUISIANA
JOHN L. CAVANCE & ASSOCIATES, INC.

AREA ENGINEER



PROFILE

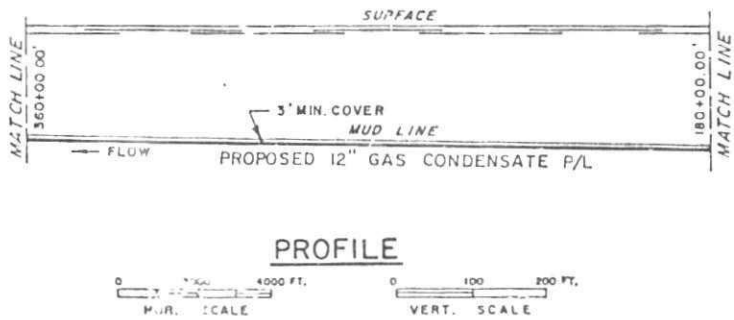
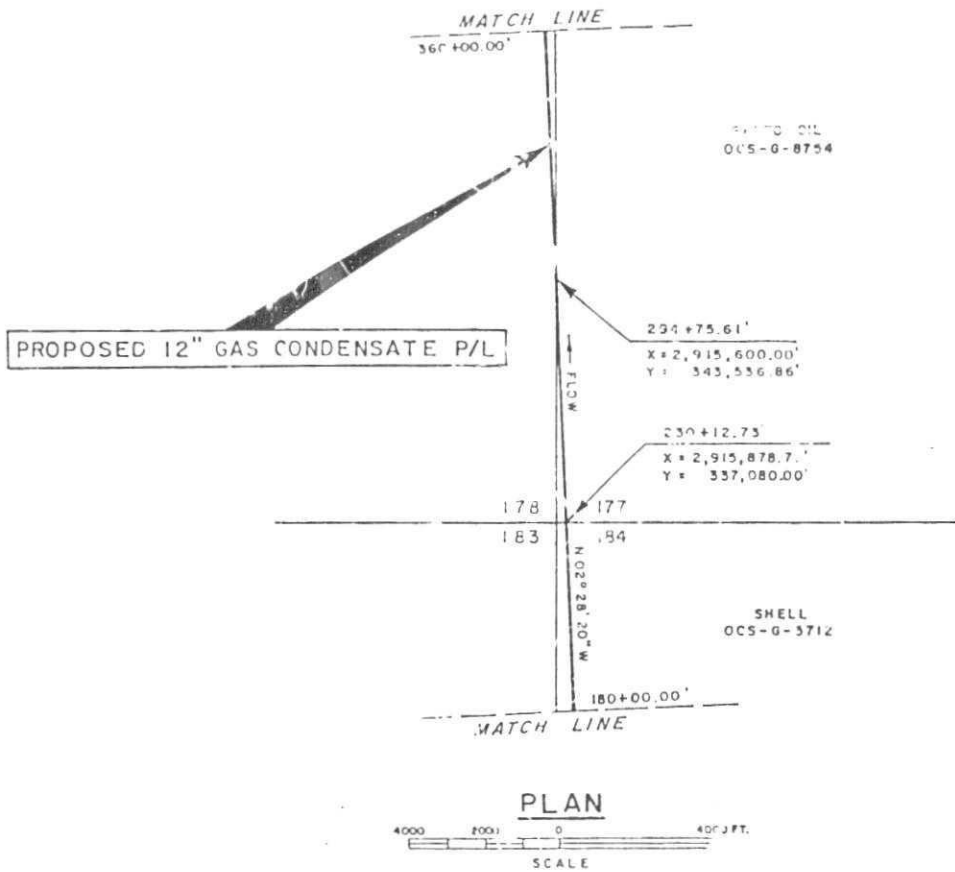


APPROX 15,355 CUBIC YARDS OF SPOIL
SPOIL TO BE DEPOSITED SO AS NOT TO REDUCE WATER DEPTH MORE THAN 0.5 FOOT.

APPLICATION BY
APACHE OIL & GAS TRANSMISSION, INC.
HOUSTON, TEXAS
OCTOBER 23, 1987

PROPOSED 12" GAS CONDENSATE PIPELINE
MAIN PASS AREA
GULF OF MEXICO

SHEET 2 OF 4

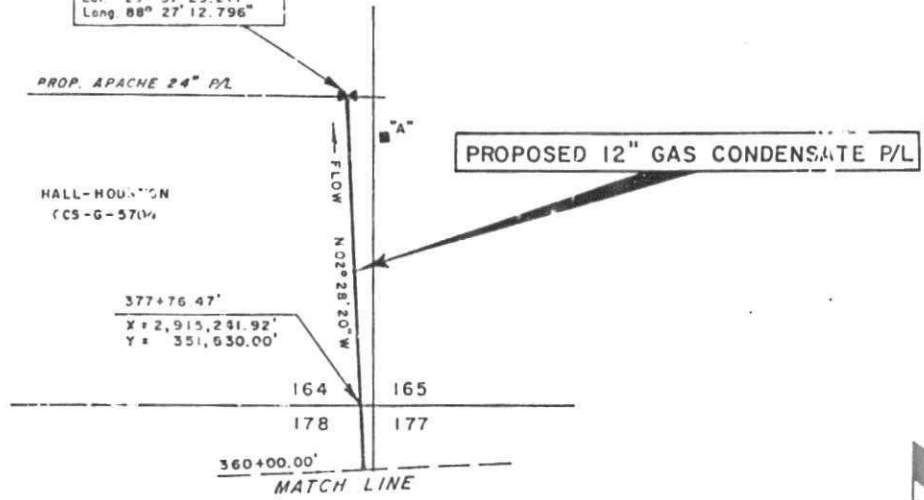


APPLICATION BY
APACHE OIL & GAS TRANSMISSION, INC.
HOUSTON, TEXAS
OCTOBER 23, 1987

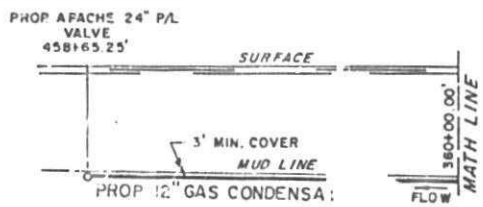
PROPOSED 12" GAS CONDENSATE PIPELINE
MAIN PASS AREA
GULF OF MEXICO

SHEET 3 OF 4

PROP VALVE 458+65.25
 X = 2,914,893.01'
 Y = 359,911.25'
 Lat 29° 37' 29.217"
 Long 88° 27' 12.796"



PLAN



PROFILE



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 OCTOBER 23, 1987

SHEET 4 OF 4

PROPOSED 12" GAS CONDENSATE PIPELINE
 MAIN PASS AREA
 GULF OF MEXICO

DOTSON, BABCOCK & SCOFIELD

ATTORNEYS AT LAW
1100 LOUISIANA, SUITE 4200
P O Box 4771
HOUSTON, TEXAS 77210-4771

TELEPHONE (713) 652-5100
TELECOPIER (713) 655-1625
TELEX 79-1932

L. L. & E. TOWER
909 POYDRAS, SUITE 2000
NEW ORLEANS, LOUISIANA 70112
TELEPHONE (504) 584-5200

January 4, 1988

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

Attn: Adjudication Unit, LE-3-1

Re: Loan to Hall-Houston Offshore
(Our File No. MBA10/206)

Gentlemen:

Enclosed are the following:

1. Act of Collateral Mortgage, Collateral Chattel Mortgage and Assignment of Accounts Receivable, Contract Rights and other Incorporeals dated December 13, 1988 by Hall-Houston Offshore and MBank Houston, National Association, covering the interest of Hall-Houston in lease Nos. 10070, 10071 and 9345.
2. Subordination Agreement dated December 9, 1988 by Offshore Pipelines, Inc., Hall-Houston Offshore and MBank Houston, National Association, covering the interest of Hall-Houston Offshore in OCS lease Nos. 10070, 10071 and 9345.

Please file the enclosed documents in the lease file for OCS-G 10070. Also enclosed are two (2) photocopies of this letter to be placed in the lease files for each of the remaining leases to evidence the filing of the Act of Collateral Mortgage in OCS-G 10070

We are also enclosing our check in the amount of \$150.00 in payment of your filing fees.

In addition, we are enclosing an additional photocopy of this letter as an acknowledgment of your receipt and filing of the enclosed documentation.

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Minerals Management Service
Leasing & Environment

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JAN 11 1989

Minerals Management Service
Leasing & Environment

THESE DOCUMENTS WILL BE FOUND
AT MORTGAGE FILE NO. 10070

United States Department of Interior
Minerals Management Service
January 4, 1988
Page 2

Thank you for your assistance, and should you have any questions, please contact the undersigned by collect call at the above Houston number.

Very truly yours,

A handwritten signature in cursive script that reads "Annette Vogel".

Annette Vogel
Recording Secretary

av
Enclosures

H 10070

ACT OF COLLATERAL MORTGAGE,
COLLATERAL CHATTEL MORTGAGE
AND ASSIGNMENT OF ACCOUNTS
RECEIVABLE, CONTRACT RIGHTS
AND OTHER INCORPOREALS

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UNITED STATES OF AMERICA

BY: HALL-HOUSTON OFFSHORE

STATE OF TEXAS

RECEIVED

JAN 11 1989

TO: ANY FUTURE HOLDER(S)

COUNTY OF HARRIS

Minerals Management Service
Leasing & Environment

BE IT KNOWN, that on this 13th day of December, 1988 before me, the undersigned Notary Public, and in the presence of the undersigned competent witnesses, personally came and appeared:

HALL-HOUSTON OFFSHORE, a general partnership organized and existing under the laws of the State of Texas ("Mortgagor"), whose address for all purposes is 700 Louisiana, Suite 2390, Houston, Texas 77002, appearing herein and represented by all of its general partners, who declared unto me as follows:

WHEREAS, Mortgagor declared and acknowledged as indebtedness to ANY FUTURE HOLDER OR HOLDERS of the hereinafter described Collateral Mortgage Note, the sum of SIX MILLION AND NO/100 DOLLARS (\$6,000,000), which indebtedness is evidenced by the following described Collateral Mortgage Note, to wit:

One Collateral Mortgage Note of even date herewith in the principal amount of SIX MILLION AND NO/100 DOLLARS (\$6,000,000) executed by Mortgagor payable on Demand to the order of Bearer ("Note");

WHEREAS, said Note, after having been paraphrased "Ne Varietur" by me, Notary, to identify the same with this Act of Collateral Mortgage, Collateral Chattel Mortgage and Assignment of Accounts Receivable, Contract Rights and Other Incorporeals (hereinafter referred to as this "Mortgage"), was delivered by me, Notary, to Mortgagor, who acknowledges the receipt thereof.

WHEREAS, Mortgagor declared that this Mortgage is executed and granted for the equal benefit and security of any future holder or holders of the Note at whatever period or for whatever cause or for any reason whatsoever the Note may be issued or reissued, the purposes of this Mortgage being to enable Mortgagor to pledge, pawn, hypothecate and deliver the Collateral described herein, on such terms as Mortgagor may deem advisable and proper, as security for future advances under the Note up to the Maximum Amount, as hereinafter defined, as Mortgagor may from time to time request from Mortgagee as its interest or convenience may require, without in any manner extinguishing or affecting the obligation of the Note or the security of this Mortgage. Mortgagor further declared that the Note would be negotiated for the purpose of raising funds as heretofore provided and Mortgagor does by these presents acknowledge to be indebted to Mortgagee in the full amount thereof, together with interest, attorneys' fees, and all other amounts provided therein and herein.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. As used in this Mortgage, the following terms shall have the following meanings, unless the context otherwise requires:

"Accounts" shall have the same meaning assigned to it in the Code or in the Louisiana Assignment of Accounts Receivable Act.

"Code" shall mean the Uniform Commercial Code as the same may from time to time be in effect in any applicable jurisdiction.

"Collateral" shall have the meaning assigned to it in Section 2 of this Mortgage.

"Contracts" shall mean, collectively, all contracts, agreements or other arrangements, whether now existing or hereafter entered into, between Mortgagor and any other person relating to the construction, purchase, sale, exchange or service of the Collateral, or otherwise relating to the Collateral, including, without limitation, those certain Contract Documents dated effective February 23, 1988 by and between Texas Eastern Gas Pipeline Company, as purchaser, and Hall-Houston Oil Company and Apache Oil & Gas Transmission, Inc., as sellers, all of whose rights and obligations have been assumed by Mortgagor, relating to the construction and sale of the First Pipeline Segment and those certain Contract Documents dated August 24, 1988 by and between Texas Eastern Gas Pipeline Company, as purchaser, and Hall-Houston Oil Company, as seller, all of whose rights and obligations have been assumed by Mortgagor, relating to the construction and sale of the Second Pipeline Segment.

"Event of Default" shall mean any of the following events or circumstances:

(a) any representation or warranty made in connection with this Mortgage or in any report, certificate, financial statement or other instrument furnished in connection with this Mortgage or with the execution and delivery of the Note or the borrowing thereunder shall prove to be false or misleading in any material respect;

(b) default shall be made in payment of the principal of, or premium or interest on, the Note when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration or otherwise;

(c) default shall be made with respect to any evidence of indebtedness or liability of Mortgagor (other than the Note) if an effect of such default is to accelerate the maturity of such evidence of indebtedness or liability or to permit the holder or obligee thereof to cause any indebtedness to become due prior to its stated maturity, or any such indebtedness shall not be paid when due;

(d) default shall be made in the due observance or performance of any covenant, condition or agreement to be observed or performed pursuant to the terms hereof;

(e) this Mortgage shall cease to constitute a valid first perfected security interest in the Collateral or any portion thereof;

(f) Mortgagor or any guarantor shall (1) be generally not paying its debts as they become due, (2) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (3) make an assignment for the benefit of its creditors, (4) consent to the appointment of a custodian, receiver, trustee, or other officer with similar powers of itself or of any substantial part of its property or (5) take corporate action for the purpose of any of the foregoing;

(g) a court or governmental authority of competent jurisdiction shall enter an order appointing a custodian, receiver, trustee or other officer with similar powers with respect to Mortgagor or any guarantor or with respect to any substantial part of its property, or constituting an order for relief or approving petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Mortgagor or any guarantor, or if any such petition shall be filed against Mortgagor or any guarantor;

(h) final judgment for the payment of money shall be rendered against Mortgagor or any guarantor and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed; or

(i) Mortgagor or any guarantor shall be dissolved without the consent of Mortgagee.

"Event of Loss" shall mean, with respect to either of the Pipeline Segments, (i) the actual or constructive total loss or an agreed or compromised total loss thereof occurring through any cause whatsoever, (ii) the sustaining of damage to either Pipeline Segment to an extent which makes repair thereof uneconomical, (iii) the condemnation or seizure of either Pipeline Segment by, the forfeiture of either Pipeline Segment to, or the requisition of title to or use of either Pipeline Segment by, any governmental authority or any other person or persons, whether or not acting under color of governmental authority, or (iv) any other event which continues for 90 days and which would, in the opinion of Mortgagee, materially impair its ability to obtain possession of and freely operate either Pipeline Segment in the exercise of its rights as Secured Party under the Mortgage if an Event of Default occurred hereunder.

"First Pipeline Segment" shall mean that certain 16 inch diameter gas pipeline approximately 7.1 miles in length, beginning in the Chandeleur Area, Block 22, Gulf of Mexico and terminating at Texas Eastern Gas Pipeline Company's 24 inch pipeline in the Main Pass Area, Block 162, Gulf of Mexico and that certain 10.75 inch diameter gas pipeline approximately .3 miles in length beginning at Mortgagor's production platform in the Chandeleur Area, Block 34, Gulf of Mexico and terminating at the above described 16 inch diameter gas pipeline in the Chandeleur Area, Block 22, Gulf of Mexico and consisting of, among other property, (i) all corporeal movables and fixtures of every character now or hereafter located in or on, or for use in connection with, the real property described in Exhibit A, as such lands are more particularly described in Exhibit C (which exhibits are attached hereto and made a part hereof) at which locations

Mortgagor operates a commercial enterprise, to wit: the operation of a gas gathering system for the transportation of natural gas and other gaseous and liquid hydrocarbons; it being the intention of Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by Mortgagor that are located from time to time on the lands described in Exhibit A, as such lands are more particularly described in Exhibit C (which exhibits are attached hereto and made a part hereof) including, without limitation, all pipelines, pumping stations, terminals, buildings, structures, plants, equipment, machinery, appliances, systems and lines, fittings, valves, connections, cathodic or electrical protection units, bypasses, regulators, drips, meters, measuring stations, controls, panels, power facilities (electric or otherwise), pipes, pumps, motors, compressors, gates, and appurtenances of every kind or nature whatsoever forming or to form part of such pipeline, as more particularly described in Exhibit A attached hereto and made a part hereof, and (ii) all immovable property interests, including servitudes, rights-of-way, easements, surface rights, grants, permits, licenses, authorizations, privileges, franchises, leases, consents and prescriptive rights, including, without limitation, the permits, rights of way and easements described in or attached hereto as Exhibit B affecting the lands described therein and in Exhibit C attached hereto and made a part hereof, and all other rights, titles and interests of every character heretofore or hereafter granted to or in any manner whatsoever acquired by, Mortgagor for the purpose of constructing, maintaining, operating, repairing, altering, replacing and removing a pipeline or pipeline gathering system or systems for the transportation of natural gas and other gaseous and liquid hydrocarbons.

"General Incorporeals" shall have the meaning assigned it in the Louisiana Civil Code and shall include incorporeals of Mortgagor in connection with or relating in any manner to the Contracts and the Accounts.

"Lien" shall mean any mortgage, privilege, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any security agreement or financing statement), other than liens or encumbrances being contested in good faith and for which adequate reserves have been made therefor.

"Note" shall mean the Collateral Mortgage Note evidencing certain indebtedness of Mortgagor to Mortgagee.

"Obligations" shall mean (i) the unpaid principal amount of, and accrued interest and premium on, the Note and (ii) all other obligations and liabilities of Mortgagor to Mortgagee, now existing or hereafter incurred, under, arising out of, or in connection with the Note and this Mortgage.

"Pipeline Segment" shall mean either the First Pipeline Segment or the Second Pipeline Segment and "Pipeline Segments" shall mean both the First Pipeline Segment and the Second Pipeline Segment.

"Proceeds" shall mean (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Mortgagor or Mortgagee from time to time with respect to any of the Collateral, (ii) any and all payments (in any

form whatsoever) made or due and payable to Mortgagor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color or governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Second Pipeline Segment:" shall mean that certain 12 inch diameter gas pipeline approximately 3.8 miles in length, beginning in the Main Pass Area, Block 202, Gulf of Mexico, at Mortgagor's platform and terminating at Texas Eastern Gas Pipeline Company's existing 24 inch diameter pipeline in the Main Pass Area, East Addition, Block 164, Gulf of Mexico consisting of, among other property, (i) all corporeal movables and fixtures of every character now or hereafter located in or on, or for use in connection with, the real property described in Exhibit D, as such lands are more particularly described in Exhibit F (which exhibits are attached hereto and made a part hereof) at which locations Mortgagor operates a commercial enterprise, to wit: the operation of a gas gathering system for the transportation of natural gas and other gaseous and liquid hydrocarbons; it being the intention of Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by Mortgagor that are located from time to time on the lands described in Exhibit D, as such lands are more particularly described in Exhibit F (which exhibits are attached hereto and made a part hereof) including, without limitation, all pipelines, pumping stations, terminals, buildings, structures, plants, equipment, machinery, appliances, systems and lines, fittings, valves, connections, cathodic or electrical protection units, bypasses, regulators, drips, meters, measuring stations, controls, panels, power facilities (electric or otherwise), pipes, pumps, motors, compressors, gates, and appurtenances of every kind or nature whatsoever forming or to form part of such pipeline, as more particularly described in Exhibit D attached hereto and made a part hereof, and (ii) all immovable property interests, including servitudes, rights-of-way, easements, surface rights, grants, permits, licenses, authorizations, privileges, franchises, leases, consents and prescriptive rights, including, without limitation, the permits, rights of way and easements described in or attached hereto as Exhibit E affecting the lands described therein and in Exhibit F attached hereto and made a part hereof, and all other rights, titles and interests of every character heretofore or hereafter granted to or in any manner whatsoever acquired by, Mortgagor for the purpose of constructing, maintaining, operating, repairing, altering, replacing and removing a pipeline or pipeline gathering system or systems for the transportation of natural gas and other gaseous and liquid hydrocarbons.

2. Grant of Mortgage. As collateral security for the full and complete payment and performance when due of all the obligations, Mortgagor hereby mortgages, pledges, assigns, conveys, alienates, and hereby grants unto and in favor of any holder or holders of the Note (hereinafter the term "Mortgagee" shall refer to any and all holder or holders of the Note) a first lien on, and a security interest in, to and under all rights, titles and interests of Mortgagor in, to and under the following, whether presently existing or hereafter created or acquired:

- (i) the Pipeline Segments;

- (ii) the Contracts;
- (iii) all Accounts now existing or arising in the future under or from the performance by Mortgagor under the Contracts or any contracts for the transportation, gathering, processing or sale of oil, gas and other hydrocarbons from the Pipeline Segment whether described herein or not, or connected therewith;
- (iv) all general incorporeals, now or hereafter existing, arising in respect of any one or all of the use of the above described property; and
- (v) all Proceeds of, accessions to, substitutions, and replacements for, insurance proceeds with respect to, and products of the above described property.

All of the properties and interests described in subsections (i), (ii), (iii), and (v) above are hereinafter collectively called the "Collateral".

3. Representations and Warranties. Mortgagor hereby represents and warrants that:

(a) Prior Filings. No mortgage, security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office.

(b) Location of Mortgagor, Collateral. Mortgagor's chief executive office and the place where its records concerning the Collateral are kept are located at the address set forth in Section 10 hereof, and Mortgagor will not change such principal place of business or remove such records unless it has given at least 45 days' prior written notice of such change or removal to Mortgagee, specifying the new location. The Pipeline Segment is located in federal offshore waters with the nearest state shore being in St. Bernard Parish, Louisiana.

(c) Description of Collateral. The descriptions of the Collateral and the location set forth in the Exhibit to this Mortgage are true and correct in all material respects.

4. Covenants. Mortgagor covenants and agrees with Mortgagee that from and after the date of this Mortgage and until the Obligations are fully satisfied:

(a) Maintenance of Records; Further Assurances. Mortgagor will at all times keep and maintain at its own cost and expense satisfactory and complete records of the Collateral including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. In addition, Mortgagor will promptly and duly execute and deliver to Mortgagee such further documents and assurances and take such further action as Mortgagee may from time to time reasonably request in order to more effectively carry out the intent and purpose of this Mortgage and to establish and protect the rights and remedies created or intended to be created in favor of Mortgagee hereunder, including without limitation, if requested by Mortgagee, the execution and delivery of supplements hereto and the recording or filing of counterparts hereof or thereof, in accordance

with the laws of such jurisdictions as Mortgagee may from time to time deem necessary.

(b) Limitations on Liens on Collateral. Except for the Liens created by this Mortgage, Mortgagor will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien upon the Collateral, and will defend the right, title, or interest of Mortgagee in and to any of its or Mortgagor's rights in, to and under the Collateral and to the Proceeds and products thereof against the claims and demands of all persons whatsoever.

(c) Insurance.

(1) All Risk. Mortgagor will maintain at all times "all risk" physical damage insurance (including, without limitation, against loss by fire, explosion, and theft) on the Collateral in an amount in United States Dollars which shall be not less than an amount equal to the unpaid principal amount of the Note; and in no event shall the amount of such insurance be less than the full insurable value of such Collateral as determined in good faith by independent insurance brokers and insurers selected by Mortgagor and satisfactory to Mortgagee.

(2) Liability. Mortgagor will maintain at all times general public liability and property damage insurance (comprehensive protection and indemnity insurance) covering any loss arising out of the use, possession or condition of the Collateral, which insurance shall be in such amounts, in such form and with such insurance companies as shall be satisfactory to Mortgagee and shall name Mortgagee as an additional insured.

(3) Additional insurance. Mortgagor shall carry such additional insurance, against such risks of loss and in such amounts as is customary in the business in which Mortgagor is engaged, which such additional insurance shall name Mortgagee as an additional insured.

(4) Payment and Application of Insurance Proceeds. Without limiting its other obligations under this Section 4(c), Mortgagor shall cause (i) all property loss or damage insurance maintained by Mortgagor with respect to the Collateral to state the Mortgagee is named insured and to contain a loss payable clause in favor of Mortgagee, (ii) all such insurance to provide that no cancellation, reduction in amount or change in coverage thereof shall be effective until at least 30 days after receipt by Mortgagee of written notice thereof and (iii) all insurance to provide that Mortgagee shall have no obligation or liability for premiums, assessments or calls in connection with such insurance. Any insurance proceeds received as the result of any property loss or damage constituting an Event of Loss with respect to the Collateral will be applied as a prepayment on the Note until same is paid in full. Any such proceeds received as the result of any property loss or damage not constituting an Event of Loss with respect to the Collateral will be applied, as provided below, in payment for any repair or replacement required by the terms of Section 4(b) hereof, and any balance remaining after any such repair or replacement shall be paid over to Mortgagor. If such repairs or replacements already have been paid for by Mortgagor and if no Event of Default shall have occurred and be continuing and if Mortgagee shall have received from Mortgagor a duly executed certificate certifying that the property so damaged has

been repaired in full, that the costs of such repair (which costs shall be specified in such certificate) have been paid in full, and that no Event of Default shall have occurred and be continuing, then Mortgagee shall pay to Mortgagor from any such insurance proceeds an amount equal to such specified costs.

(5) Compliance. Mortgagor shall not do any act, nor voluntarily suffer nor permit any act to be done, whereby any insurance required by this Section 4(c) shall or may be suspended, impaired or defeated, or suffer or permit the Collateral to be engaged in any activity not permitted under the policies of insurance then in effect without first procuring insurance satisfactory to Mortgagee in all respects for such activity.

(6) Policies. Mortgagor shall deliver to Mortgagee true copies of the policies, certified to the satisfaction of Mortgagee, evidencing the insurance maintained under this Section 4(c). Mortgagor will pay all premiums and other expenses relating to insurance described in this Section 4(c).

(d) Limitations on Dispositions of Collateral; Pacto de Non Alienando. Other than the sale of the Pipeline Segments to Texas Eastern Gas Pipeline Company, Mortgagor will not sell, alienate, encumber, transfer, lease, or otherwise dispose of Collateral or attempt, offer or contract to do so.

(e) Maintenance. Mortgagor will at all times (i) keep or cause to be kept the Collateral in good and efficient working order, condition and repair, ordinary wear and tear excepted, and (ii) comply with all such operating or repair standards and periodic maintenance requirements and inspections as are (A) required to enforce warranty claims against manufacturers, subcontractors or installers in respect thereof, (B) established by such manufacturers, subcontractors or installers as normal operating or maintenance procedures, (C) required by any government or governmental commission, board or other authority having jurisdiction, and/or (D) customary in respect to property similar thereto.

(f) Further Identification of Collateral. Mortgagor will furnish to Mortgagee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Mortgagee may reasonably request, all in reasonable detail.

(g) Notices. Mortgagor will advise Mortgagee promptly, in reasonable detail, (i) of any Lien or claim made or asserted against any of the Collateral, (ii) of any material change in the composition of the Collateral, (iii) of the sale of the Pipeline Segment to Texas Eastern Gas Pipeline Company and (iv) of the occurrence of any other event which could have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereunder.

5. Mortgagee Appointed as Attorney-in-Fact.

(a) Mortgagor hereby irrevocably constitutes and appoints Mortgagee and any authorized officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Mortgagor and in the name of Mortgagor or in its own name, from time to time in Mortgagee's discretion, for the purpose of carrying

but the terms of this Mortgage, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Mortgage to do the following:

- (i) to pay or discharge any and all taxes and liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Mortgage and to pay all or any part of the premiums therefor and the costs thereof; except that so long as no Event of Default has occurred and is continuing, Mortgagee shall not pay any such tax, insurance premium or cost if (A) the validity thereof shall be contested by Mortgagor in good faith and by appropriate proceedings diligently prosecuted, (B) Mortgagor shall have set aside on its books adequate reserves, if any are required under generally accepted accounting principles, with respect thereto or (C) the failure by Mortgagor to pay any such tax, insurance premium or cost shall not subject any part of the Collateral to risk of seizure, loss or arrest or risk the lack or lapse of any insurance required to be in effect with respect thereto; and
- (ii) upon the occurrence and continuance of any Event of Default, (A) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral, (B) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with any documents relating to the Collateral, (C) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral, (D) to defend any suit, action or proceeding brought against Mortgagor with respect to any Collateral and (E) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Mortgagee may deem appropriate.

Mortgagor hereby ratifies all that said attorney shall lawfully do or cause to be done within the scope of the power of attorney granted hereunder. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) The powers conferred on Mortgagee hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Mortgagee shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to

Mortgagor for any act or failure to act, except for gross negligence or wilful misconduct.

(c) Mortgagor also authorizes Mortgagee, at any time and from time to time upon the occurrence and continuance of an Event of Default, (i) to initiate communications in the name of Mortgagee with any party (and Mortgagee may initiate any such communication without regard to the occurrence and continuance of an Event of Default, or an event which, with the giving or notice of lapse of time or both, would become an Event of Default, if such communication is necessary or desirable to protect or preserve its rights in the Collateral hereunder) and (ii) to execute, in connection with the sale provided for in Section 7(c) of this Mortgage, any endorsements, assignments, bills of sale or other instruments of conveyance or transfer with respect to the Collateral.

(d) Additional security may be taken on any property, movable and/or immovable to further secure the payment of the Note, provided that no additional security so taken, whether on immovable or movable property, shall impair the security given by this instrument, and no security now or hereafter existing in favor of Mortgagee shall be impaired by this instrument. Mortgagee shall have the right to resort to any security given herein or to any other security now or hereafter given to secure the payment of the Note or any obligation secured thereby.

6. Performance by Mortgagee of Mortgagor's Obligations.
If Mortgagor fails to perform or comply with any of its agreements contained herein, and Mortgagee shall itself perform or comply, or otherwise cause performance or compliance with any such agreement, the expenses of Mortgagee incurred in connection with such performance or compliance, together with interest thereon at the rate provided for in respect of the loans made by Mortgagee, shall be payable by Mortgagor to Mortgagee on demand and until such payment shall constitute Obligations secured hereby.

7. Confession of Judgment, Remedies, Rights Upon Default.

(a) Mortgagor hereby confesses judgment in favor of Mortgagee, for the entire indebtedness secured hereby, including the amount of said Note in principal, interest, attorneys' fees and all other costs and charges provided for herein.

(b) If an Event of Default shall occur and be continuing:

- (i) all payments received by Mortgagor under or in connection with any of the Collateral shall be held by Mortgagor in trust for Mortgagee, shall be segregated from other funds of Mortgagor and shall forthwith upon receipt by Mortgagor be turned over to Mortgagee, in the same form as received by Mortgagor (duly endorsed by Mortgagor to Mortgagee, if required); and
- (ii) any and all such payments so received by Mortgagee (whether from Mortgagor or otherwise) may, in the sole discretion of Mortgagee, be held by Mortgagee as collateral security for, and/or then or at any time thereafter applied in whole or in part by Mortgagee against all or any part of the Obligations in such order as Mortgagee shall elect.

(c) Mortgagor does hereby authorize Mortgagee, without making a demand or putting said Mortgagor in default, a putting in default being expressly waived, to cause all and singular the Collateral to be seized and sold under executory process or any other legal process at the option of Mortgagee. Mortgagor waives the benefit of appraisement of Collateral seized and sold under executory process or other legal proceedings, and consents that said Collateral be sold without appraisement to the highest bidder for cash or such terms as Mortgagee may direct.

(d) In the event any proceedings are taken under this Mortgage by way of executory process or otherwise, any and all declarations of facts made by authentic act declaring that such facts lie within the knowledge of the declarant, shall constitute authentic evidence of such facts for the purpose of executory process.

(e) Waiver of Notice and Delay. Mortgagor hereby expressly waives: (i) the benefit of appraisement, as provided in Articles 2332, 2336, 2723 and 2724, Louisiana Code of Civil Procedure, and all other laws conferring the same; (ii) the demand and three (3) days' delay accorded by Articles 2639 and 2721, Louisiana Code of Civil Procedure; (iii) the three (3) days' delay provided by Articles 2331 and 2722, Louisiana Code of Civil Procedure; and (iv) 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; and Mortgagor expressly agrees to the immediate seizure of the Collateral subject to this Mortgage in the event of suit hereon.

(f) Mortgagor also agrees to pay all costs of Mortgagee, including attorneys' fees, incurred with respect to the collection of any of the Obligations and the enforcement of any of its rights hereunder.

(g) Mortgagor hereby waives presentment, demand, protest or any notice (to the extent permitted by applicable law) of any kind in connection with this Mortgage or any Collateral.

8. Limitation on Mortgagee's Duty in Respect of Collateral. Beyond the exercise of reasonable care in the custody and preservation thereof, Mortgagee shall not have any duty as to any Collateral in its possession or control or in the possession or control of its agent or nominee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

9. Mortgagor's Duty in Respect of Collateral. Mortgagor shall use reasonable precautions to protect the Collateral from theft, vandalism and damage from the elements. Should Mortgagor fail to comply with this obligation or leave the Collateral under circumstances where it is in danger of theft, vandalism or damage from the elements, Mortgagee, in addition and without prejudice to the other other rights herein granted, may make any arrangements and reasonably necessary for the protection of the Collateral (any may charge to Mortgagor the reasonable expenses incurred therefor) until such time as Mortgagor shall make arrangements for garaging or protection of the Collateral.

10. Notices. All notices, requests, demands, and other communications required or permitted to be given hereunder shall be deemed to have been duly given or made when delivered or when deposited in the mail, first class postage prepaid, and addressed: (i) if to Mortgagee, 910 Travis, Suite 600, Houston, Texas 77002;

and (ii) if to Mortgagor, 700 Louisiana, Suite 2390, Houston, Texas 77002, or at such other address as may have been furnished in writing for such purpose by the Mortgagor or Mortgagee.

11. Severability. Any provision of this Mortgage which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Successors and Assigns; Governing Law. This Mortgage and all obligations of the Mortgagor hereunder shall be binding upon the successors and assigns of the Mortgagor, and shall inure to the benefit of Mortgagee and its successors and assigns. This Mortgage shall be governed by, and be construed and interpreted in accordance with, the laws of the State of Louisiana.

13. Uniform Commercial Code. To the extent that the perfection of the interests and security rights of Mortgagee under this act are or shall become subject to the Uniform Commercial Code of any jurisdiction, this Act shall constitute a Security Agreement within the meaning of any such Uniform Commercial Code. Mortgagee shall have and may exercise any and all rights and remedies of a secured party under such Uniform Commercial Code.

14. Further Indemnification. Mortgagor agrees to pay and to save Mortgagee harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or by Mortgagor in connection with any of the transactions contemplated by this Mortgage.

15. Maximum Amount of Mortgage for Insurance Premiums, Taxes, and Other Costs. The maximum amount (the "Maximum Amount") for which the Mortgage herein granted shall be deemed to secure the obligations of Mortgagor, as stipulated herein, to reimburse Mortgagee the amounts paid, advanced or incurred for insurance premiums, taxes and assessments, repairs to the Collateral, costs, attorneys' fees, charges and expenses of any and every kind for the full protection and preservation of this Mortgage, including payments required in respect to any lien, privilege or mortgage affecting the Collateral herein mortgaged, is hereby fixed in an amount equal to twice the face amount of the Note, which amount shall be exclusive of and in addition to the principal of the Note and this Mortgage with interest as therein set forth.

16. Appointment of Keeper. Irrespective of whether Mortgagee accelerates the maturity of all indebtedness secured hereby or institutes foreclosure proceedings, Mortgagee, at its option, may have a Receiver or Keeper appointed by the Court to take possession of the Collateral and to manage, administer, operate and conserve the value thereof and collect the rents, issues, revenues, proceeds and profits thereof. Mortgagee shall not be liable to account to Mortgagor for any act or acts in and about the performance of the powers herein granted. Pursuant to La.R.S. 9:5136 Mortgagor agrees that Mortgagee shall be authorized to name or appoint the Receiver or Keeper provided for under the terms of La.R.S. 9:5136 or any similar statute including, without limitation, La. R.S. 9:5132. Such Receiver or Keeper may be any firm, person or corporation named or nominated by Mortgagee at the time of seizure of the Collateral.

17. Chattel Mortgage Certificate. The production of a Chattel Mortgage Certificate is waived by consent, and all parties hereto agree to hold me, Notary, harmless for failure to procure and attach same to this act.

18. Payments. All payments on the Note and all additional amounts secured hereby shall be payable at the offices of MBank Houston, National Association, 910 Travis, Suite 600, Houston, Texas 77002.

AND NOW: Mortgagor presents the Note to me, Notary Public, which " " after having been paraphrased "Ne Varietur" for identificatio with, was delivered to Mortgagee through the undersigned ntative here present, a person of full age of majority, who, behalf and for the benefit and use of Mortgagee and any future holder or holders of said Note, hereby accepts the Note and all stipulations of this Act for MBank Houston, National Association, Mortgagee herein.

THUS DONE AND PASSED, in multiple originals, in my office, in the presence of the undersigned competent witnesses who have executed their signatures hereto, together with me, Notary, after reading of the whole.

MORTGAGOR:

WITNESSES TO ALL SIGNATURES:

HALL-HOUSTON OFFSHORE, a general partnership

Paul R. Hammon
(Printed Name of Witness)

By: NRM Operating Company, L.P., its general partner

By: Natural Resource Management Corporation, its general partner

Donna Alexander
(Printed Name of Witness)

By: Thomas W. Pickett
Thomas W. Pickett
Vice President
Treasurer

By: Hall-Houston Oil Company, its general partner

By: Wayne P. Hall
Wayne P. Hall
President

NOMINAL PARTY MORTGAGEE:

William S. Cobb
Printed Name: William S. Cobb

Marie Heard
NOTARY PUBLIC in and for

My Commission Expires: _____

MARIE HEARD
Notary Public, State of Texas
My Commission Expires 11-21-89
(PRINTED NAME OF NOTARY PUBLIC)

NATURAL RESOURCE MANAGEMENT CORPORATION
ASSISTANT SECRETARY'S CERTIFICATE

I, the undersigned, hereby certify to the below-named bank that I am the Assistant Secretary of Natural Resource Management Corporation ("Corporation"), a corporation duly organized and existing under the laws of the State of Delaware; that the following are exact resolutions of the Board of Directors of the Corporation adopted by the Board of Directors of said Corporation by Unanimous Consent of the Board of Directors of said Corporation, and that such resolutions have not been rescinded or modified and are in full force and effect:

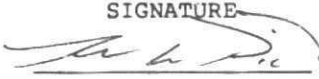
"WHEREAS, the Corporation is the general partner of NRM Operating Company, L.P., a limited partnership formed and existing under the laws of the State of Delaware ("NRM");

"WHEREAS, NRM is a general partner of Hall-Houston Offshore, a general partnership formed and existing under the laws of the State of Texas ("Hall-Houston"); and

"WHEREAS, MBank Houston, National Association, a national banking association (the "Bank"), has agreed to loan money to Hall-Houston in order to finance the construction of certain offshore pipelines to be sold upon their completion to Texas Eastern Gas Pipeline Company.

"NOW, THEREFORE, BE IT

"1. RESOLVED, that the officer of this Corporation as listed below be and the same is hereby authorized and empowered on behalf of the Corporation in its capacity as the general partner NRM acting on behalf of NRM itself and on behalf of NRM as the general partner of Hall-Houston, as the case may be, (a) to negotiate on behalf of NRM acting as a general partner of Hall-Houston the terms of a loan facility from the Bank to Hall-Houston in the maximum principal amount of \$5,000,000.00, and, in connection therewith, (b) to execute and deliver (i) on behalf of NRM acting in its own behalf, a guaranty agreement by NRM for the benefit of the Bank and (ii) promissory notes, or other written obligations on behalf of NRM acting as a general partner of Hall-Houston, in such form, date and maturity and at such rate of interest, all as such officer of this Corporation on behalf of NRM acting as a general partner of Hall-Houston may approve, and the Secretary or any Assistant Secretary is authorized, but not required, to affix the corporate seal to any such instrument whenever necessary or required, and the execution and delivery by such officer of such instrument or instruments shall be conclusive evidence that such officer approves the terms of such instruments:

NAME	TITLE	SIGNATURE
Thomas W. Pickett	Vice President and Treasurer	

"2. IT IS FURTHER RESOLVED, that said officer is hereby authorized in the name of this Corporation to execute on behalf of NRM acting as a general partner of Hall-Houston security agreements, deeds of trust, acts of collateral mortgage, acts of supplement and amendment to acts of collateral mortgage, collateral pledge agreements, and any and all other security agreements, without limitation, to pledge as security for the payment of any such loan or loans, or extensions of credit, or guaranty obligations, and any extensions and renewals thereof, such assets of Hall-Houston, including, without limitation, contract

rights, as may be agreed upon between such officer of this Corporation on behalf of NRM acting as a general partner of Hall-Houston and the Bank, and in the name of NRM acting as a general partner of Hall-Houston, such officer is hereby authorized to renew or extend any loan or loans, from time to time, and to execute and deliver such promissory notes or other obligations of Hall-Houston therefor, or endorse such extension or extensions to any notes theretofore given.

"3. IT IS FURTHER RESOLVED, that all documents authorized to be signed by this resolution shall be in such form and contain such terms and conditions as the foregoing officer or officers deem necessary or appropriate, including, without limitation, certificates, confessions of judgment, pacts de non alienando, waivers of appraisalment, and waivers of notice and delay.

"4. IT IS FURTHER RESOLVED, that the foregoing resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by the Bank, and that receipt of said notice shall not affect any action taken by the Bank prior thereto."

I, the undersigned, further certify that the officer listed above has been duly elected to the office set opposite his name, that he continues to hold such office at the present time, and that the signature appearing hereon is the genuine original signature of such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of this Corporation this 13 day of December, 1988.



John H. Blair
Assistant Secretary

Corporate Seal

RSL0114A
MBA10/0206

HALL-HOUSTON OIL COMPANY
ASSISTANT SECRETARY'S CERTIFICATE

I, the undersigned, hereby certify to the below-named bank that I am the Assistant Secretary of Hall-Houston Oil Company ("Corporation"), a corporation duly organized and existing under the laws of the State of Texas; that the following is an extract of the minutes of the Board of Directors of the Corporation wherein the following resolutions were adopted by the Board of Directors of said Corporation by appropriate consent of the Board of Directors of said Corporation, and that such resolutions have not been rescinded or modified and are in full force and effect:

"WHEREAS, the Corporation is a general partner of Hall-Houston Offshore, a partnership formed and existing under the laws of the State of Texas ("Hall-Houston"); and

"WHEREAS, MBank Houston, National Association, a national banking association (the "Bank") has agreed to loan money to Hall-Houston in order to finance the construction of certain offshore pipelines to be sold upon their completion to Texas Eastern Gas Pipeline Company.

"NOW, THEREFORE, BE IT

"1. RESOLVED, that the officer of this Corporation as listed below be and the same is hereby authorized and empowered on behalf of the Corporation acting on its own behalf and in its capacity as a general partner of Hall-Houston, as the case may be, (a) to negotiate in its capacity as a general partner of Hall-Houston the terms of a loan facility from the Bank to Hall-Houston in the maximum principal amount of \$5,000,000.00, and, in connection therewith, (b) to execute and deliver (i) a guaranty agreement on behalf of the Corporation for the benefit of the Bank and (ii) promissory notes or other written obligations acting as a general partner of Hall-Houston, in such form, date and maturity and at such rate of interest, all as such officer of this Corporation acting as a general partner of Hall-Houston may approve, and the Secretary or any Assistant Secretary is authorized, but not required, to affix the corporate seal to any such instrument whenever necessary or required, and the execution and delivery by such officer of such instrument or instruments shall be conclusive evidence that such officer approves the terms of such instruments:

NAME	TITLE	SIGNATURE
Wayne P. Hall	President	<u>Wayne P. Hall</u>

"2. IT IS FURTHER RESOLVED, that said officer is hereby authorized in the name of this Corporation acting as a general partner of Hall-Houston to execute security agreements, deeds of trust, acts of collateral mortgage, acts of supplement and amendment to acts of collateral mortgage, collateral pledge agreements, and any and all other security agreements, without limitation, to pledge as security for the payment of any such loan or loans, or extensions of credit, or guaranty obligations, and any extensions and renewals thereof, such assets, including, without limitation, contract rights, of Hall-Houston as may be agreed upon between such officer of this Corporation, acting as a general partner of Hall-Houston and in the name of Hall-Houston and the Bank, and such officer is hereby authorized to renew or extend any loan or loans, from time to time, and to execute and deliver such promissory notes or other obligations of Hall-Houston

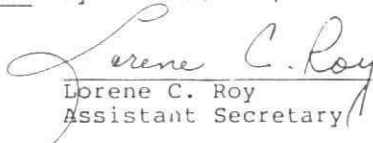
thereof, or endorse such extension or extensions to any notes theretofore given.

"3. IT IS FURTHER RESOLVED, that all documents authorized to be signed by this resolution shall be in such form and contain such terms and conditions as the foregoing officer or officers deem necessary or appropriate, including, without limitation, certificates, confessions of judgment, pacts de non alienando, waivers of appraisalment, and waivers of notice and delay.

"4. IT IS FURTHER RESOLVED, that the foregoing resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by the Bank, and that receipt of said notice shall not affect any action taken by the Bank prior thereto."

I, the undersigned, further certify that the officer listed above has been duly elected to the office set opposite his name, that he continues to hold such office at the present time, and that the signature appearing hereon is the genuine original signature of such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of this Corporation this 13th day of December, 1988.


Lorene C. Roy
Assistant Secretary

Corporate Seal

RSL0113A
MBA10/0172

EXHIBIT A

TO

ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPORAALS (THE "MORTGAGE")
DATED THE 13TH DAY OF DECEMBER, 1988

BY
HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE

This Mortgage, shall cover and include, without limitation, all of Mortgagor's equipment as identified on the Schedule of Equipment hereinafter set forth. Such equipment will, from time to time, change in specifics, but, generally, remain the same generic type of equipment. Mortgagor agrees that, notwithstanding any specific description of such equipment, this Mortgage is granted on such equipment as masses and assemblages of things, and the lien granted hereby shall attach to the purchases and other acquisitions made by Mortgagor to supply the place of any of such equipment disposed of and to other after acquired increases, substitutions, replacements, additions, and accessions to said equipment. The lien of this Mortgage shall cease as to all of such property disposed of by Mortgagor, in the normal course of business up to the time of foreclosure, but shall attach to the purchases and other acquisitions made by Mortgagor to replace such property disposed of and to other after acquired increases, substitutions, replacements, additions and accessions to said equipment. NOTWITHSTANDING THE FOREGOING, and except as provided in the Mortgage, no sale, alienation, mortgage, or other hypothecation of any of such equipment shall be effective as against Mortgagee in any case in which such sale is outside of the normal course of business or Mortgagor.

In addition, this Mortgage shall cover and include, without limitation, all corporeal movables of every character now or hereafter located in or on, or for use in connection with the lands described in Exhibit A, as such lands are more particularly described in Exhibit C, at which locations Mortgagor operates a commercial or industrial enterprise, to wit: the operation of a gas gathering system for the transportation of natural gas, other gaseous and liquid hydrocarbons; it being the intention of Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by Mortgagor that are located from time on the lands described in Exhibit A, as such lands are more particularly described in Exhibit C.

Schedule of Equipment

1. Approximately 0.3 miles of 10.75-inch O.D. x 0.500" W.T. x Gr. B pipeline and riser with tie-in to the 16-inch main line.
2. Approximately 7.1 miles of 16-inch O.D. x 0.438" W.T. 5L-X52 pipe.
3. Two (2) 12-inch side tap valve fabrications.
4. One (1) 8-inch side tap valve fabrication.
5. One (1) 16-inch main line valve fabrication.
6. One (1) 16-inch tie-in-valve fabrication.
7. One (1) 10.75-inch riser installed within jacket at splash zone area.

Location of First Pipeline Segment

The First Pipeline Segment and other property covered by this Mortgage are located and situated in federal offshore waters with the nearest state shore being in St. Bernard or Plaquemines Parish, Louisiana, which location is more particularly described on Exhibit C.

EXHIBIT B

TO

ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPORAALS
DATED THE 13TH DAY OF DECEMBER, 1988

BY

HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

1201 ELMWOOD PARK BOULEVARD
NEW ORLEANS, LOUISIANA 70123-2391

MAY 16 1988



In Reply Refer To: FO-2-2
OCS-G 10070

Chandeleur Area

Apache Oil & Gas Transmission, Inc:

Right-of-Way

ACTION: APPLICATION APPROVED

Your application for a right-of-way 200 feet in width for the construction, operation, and maintenance of a 10 3/4-inch natural gas pipeline, 0.30 mile in length, from Hall-Houston Oil Company's Platform A in Block 34, Chandeleur Area, to a subsea connection with Apache Oil & Gas Transmission, Inc.'s proposed 16-inch pipeline (OCS-G 10071) in Block 34, Chandeleur Area, dated April 5, 1988, with its attachments, is hereby approved subject to the following:

The grantee must contact the 159th Tactical Fighter Group, Air National Guard, Naval Air Station, Attention: Major John Posey/Major Bob Lemoine, New Orleans, Louisiana 70143, telephone (504) 393-3376/3377, regarding control of electromagnetic emissions and operations of boat and/or aircraft traffic into the designated W-453 Military Warning Area.

J. Rogers Pearcy
Regional Director

cc: Department of Transportation
2320 La Branch, Room 2116
Houston, Texas 77004 (w/enclosures)

VC: Anne Roy 5/17/88



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

1201 ELMWOOD PARK BOULEVARD
NEW ORLEANS, LOUISIANA 70123-2394



MAY 16 1988

In Reply Refer To: FO-2-2
OCS-G 10071

Chandeleur Area
Main Pass Area
South and East Addition

Apache Oil & Gas Transmission, Inc.

Right-of-Way

ACTION: APPLICATION APPROVED

Your application for a right-of-way 200 feet in width for the construction, operation, and maintenance of a 16-inch natural gas pipeline, 6.91 miles in length, from a capped end in Block 22, Chandeleur Area, across Block 34, Chandeleur Area; Block 161, Main Pass Area, South and East Addition, to a subsea connector with Apache Oil & Gas Transmission, Inc.'s proposed 24-inch pipeline (OCS-G 8619) in Block 162, Main Pass Area, South and East Addition, dated April 5, 1988, with its attachments, is hereby approved subject to the following:

1. The grantee shall contact the 159th Tactical Fighter Group, Air National Guard, Naval Air Station, Attention: Majors John Posey/ Bob Lemoine, New Orleans, Louisiana 70143, telephone (504) 393-3376/3377, regarding control of electromagnetic emissions and operations of boat and/or aircraft traffic into the designated W-453 Military Warning Area
2. The unidentified magnetic anomaly listed below may represent an archaeological resource. In accordance with Notice to Lessees and Operators No. 85-3 (Revision No. 1, Enclosure No. 3), you shall either determine that the potential archaeological resource does not have historic significance, or avoid it in conducting proposed activities as indicated below:

<u>Blocks</u>	<u>Line No.</u>	<u>Shot Point</u>	<u>Avoidance Criteria</u>
22	3	2.26	76m

3. The maximum allowable operating pressure for this pipeline will be 1,440 psig.

J. Rogers Percy
 J. Rogers Percy
 Regional Director

cc: Department of Transportation
2320 La Branch, Room 2116
Houston, Texas 77004 (w/enclosures)

cc: Louie Roy 5/17/88

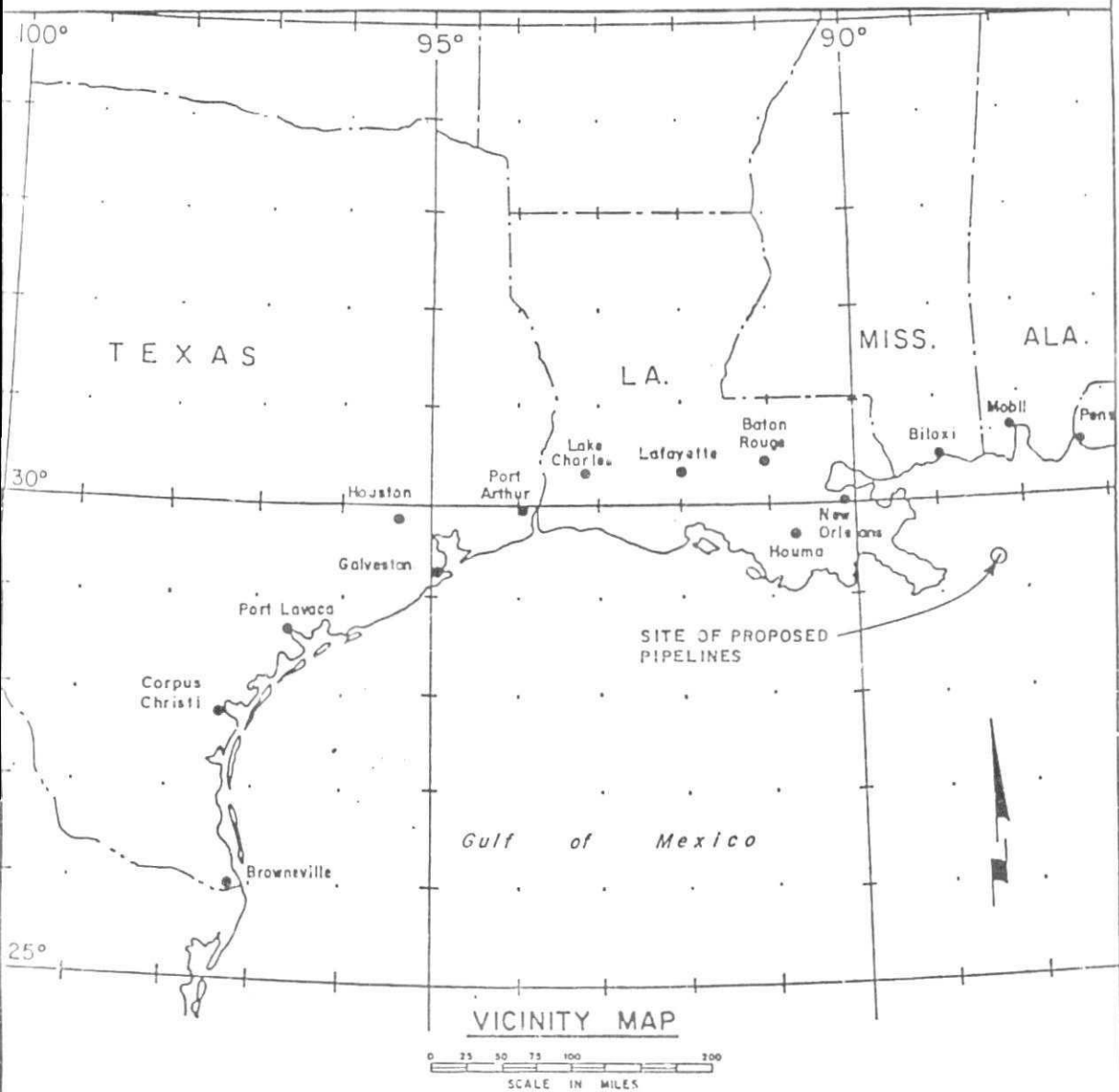
EXHIBIT C

TO

ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPOREALS
DATED THE 13TH DAY OF DECEMBER, 1988

BY

HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 MARCH 15, 1988

PROPOSED 16" & 10" GAS PIPELINE
 CHANDELEUR AREA
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 1 OF 3

FAIRWAY

END OF PIPE 0+00
 X=2,884,346.01'
 Y=396,303.00'
 Lat. 29° 43' 36.862"
 Long. 88° 32' 48.775"

34-1 0+00
 X=2,885,322.00'
 Y=393,040.00'
 Lat. 29° 43' 30.045"
 Long. 88° 32' 35.383"

SHELL
 OCS-G-5739

2+14.95'
 X=2,884,346.01'
 Y=396,088.05'

PROPOSED 10" GAS PIPELINE
 TOTAL LENGTH = 1559.61' = .30 MILE

FROM E.O.P. 10+00.00'
 FROM 34-1 15+59.61'
 X=2,884,346.01'
 Y=394,703.00'
 Lat. 29° 43' 21.026"
 Long. 88° 32' 49.219"

PROPOSED 16" GAS PIPELINE
 TOTAL LENGTH = 36,506.22' = 6.91 MILES

HALL HOUSTON
 OCS-G-5742

VALVE 110+65.00'
 X=2,884,346.01'
 Y=385,238.00'

149+73.00'
 X=2,884,346.01'
 Y=381,330.00'

CSX
 OCS-G-3703

160+00.00' MATCH LINE

CHANDELEUR AREA
 MAIN PASS AREA



THE RIGHT OF WAY OF PROPOSED PIPELINE IS ACCURATELY REPRESENTED.

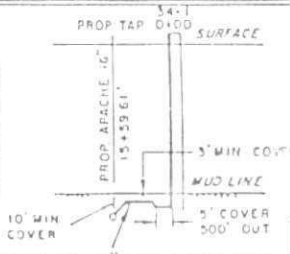
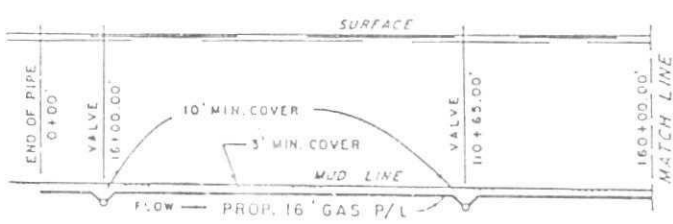
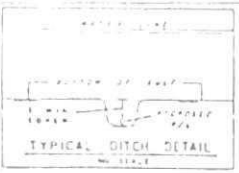
Lionel J. Cormier
 REGISTERED LAND SURVEYOR NO. 4401
 STATE OF LOUISIANA
 JOHN E. CHANCE & ASSOCIATES, INC.

PLAN



THE DESIGN CHARACTERISTICS OF THIS PIPELINE ARE IN COMPLIANCE WITH D.O.T. REGULATIONS.

AREA ENGINEER



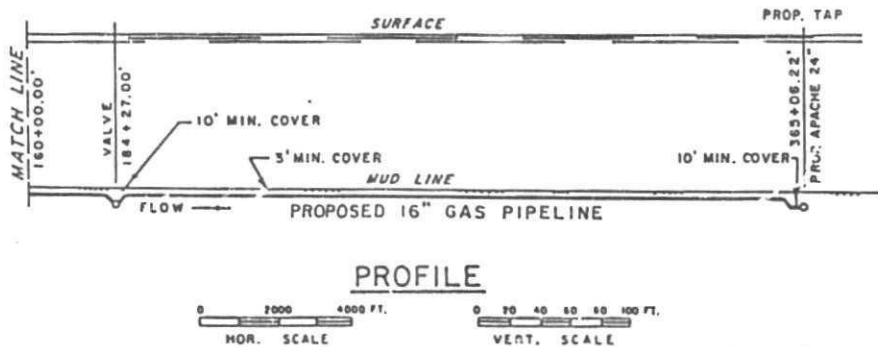
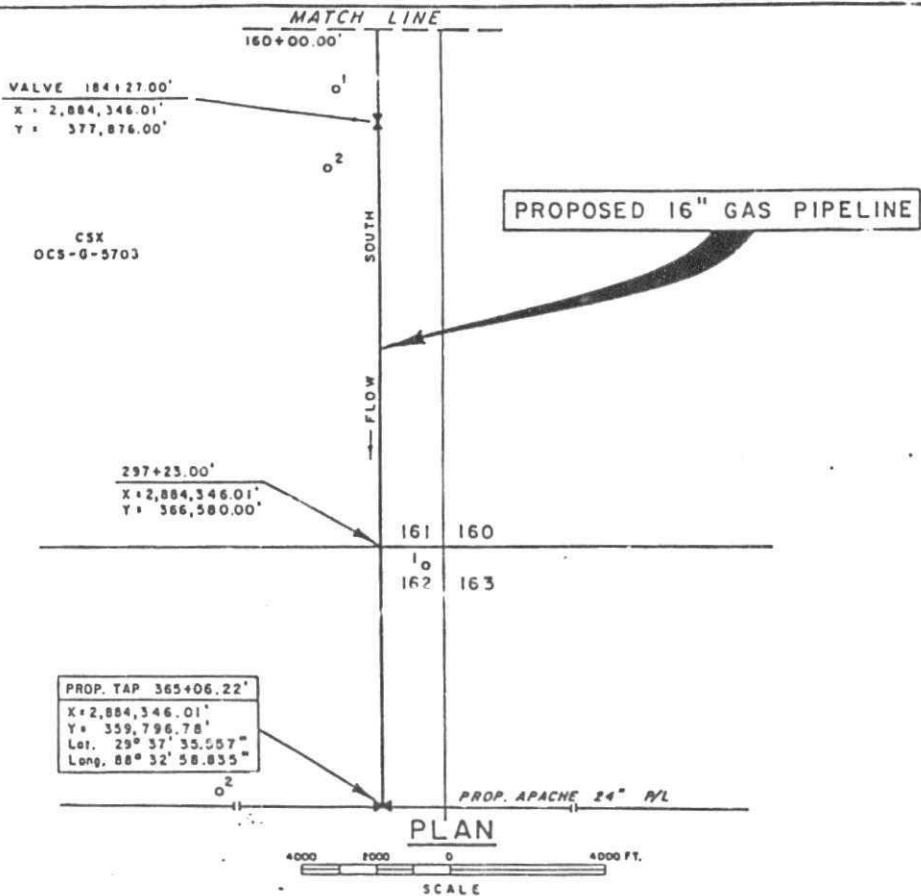
PROFILE



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 MARCH 15, 1988

PROPOSED 16" & 10" GAS PIPELINE

CHANDELEUR AREA
 MAIN PASS AREA
 GULF OF MEXICO



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 MARCH 15, 1988

PROPOSED 16" & 10" GAS PIPELINE

CHANDELEUR AREA
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 3 OF 3

EXHIBIT D

TO

ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPOREALS (THE "MORTGAGE")
DATED THE 13TH DAY OF DECEMBER, 1988

BY
HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE

This Mortgage, shall cover and include, without limitation, all of Mortgagor's equipment as identified on the Schedule of Equipment hereinafter set forth. Such equipment will, from time to time, change in specifics, but, generally, remain the same generic type of equipment. Mortgagor agrees that, notwithstanding any specific description of such equipment, this Mortgage is granted on such equipment as masses and assemblages of things, and the lien granted hereby shall attach to the purchases and other acquisitions made by Mortgagor to supply the place of any of such equipment disposed of and to other after acquired increases, substitutions, replacements, additions, and accessions to said equipment. The lien of this Mortgage shall cease as to all of such property disposed of by Mortgagor, in the normal course of business up to the time of foreclosure, but shall attach to the purchases and other acquisitions made by Mortgagor to replace such property disposed of and to other after acquired increases, substitutions, replacements, additions and accessions to said equipment. NOTWITHSTANDING THE FOREGOING, and except as provided in the Mortgage, no sale, alienation, mortgage, or other hypothecation of any of such equipment shall be effective as against Mortgagee in any case in which such sale is outside of the normal course of business or Mortgagor.

In addition, this Mortgage shall cover and include, without limitation, all corporeal movables of every character now or hereafter located in or on, or for use in connection with the lands described in Exhibit D, as such lands are more particularly described in Exhibit F, at which locations Mortgagor operates a commercial or industrial enterprise, to wit: the operation of a gas gathering system for the transportation of natural gas, other gaseous and liquid hydrocarbons; it being the intention of Mortgagor to mortgage and affect all corporeal movables now or hereafter owned by Mortgagor that are located from time on the lands described in Exhibit D, as such lands are more particularly described in Exhibit F.

Schedule of Equipment

1. Approximately 8.8 miles of 12.750-inch O.D. x 0.406" W.T. 5L-X42 pipe.
2. Three (3) 8-inch side tap valve fabrications.
3. One (1) 12-inch mainline tie-in valve fabrication.
4. One (1) 12.750-inch riser installed within jacket at splash zone area.
5. Platform piping consisting of 16-inch sphere launching facilities, ESD valve and tie-in to Seller's meter skid.

Location of Second Pipeline Segment

The Second Pipeline Segment and other property covered by this Mortgage are located and situated in federal offshore waters with the nearest state shore being in St. Bernard or Plaquemines Parish, Louisiana, which location is more particularly described on Exhibit E.

EXHIBIT E

TO

ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPORAALS
DATED THE 13TH DAY OF DECEMBER, 1988

BY

HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

1241 ELMWOOD PARK BOULEVARD
NEW ORLEANS, LOUISIANA 70123-2394 FEB 18 1988

In Reply Refer To: FG-2-2
OCS-G 9345

RECEIVED

Main Pass Area
South and East Addition

Apache Oil & Gas Transmission, Inc.

FEB 22 1988

Right-of-Way

ACTION: APPLICATION APPROVED

Your application for a right-of-way 200 feet in width for the construction, operation, and maintenance of a 12 3/4-inch natural gas pipeline, 8.69 miles in length, from Hall-Houston Oil Company's proposed Platform A in Block 202, Main Pass Area, South and East Addition, across Blocks 184, 177, and 178, Main Pass Area, South and East Addition, to a subsea connection with Apache Oil & Gas Transmission, Inc.'s proposed 24-inch pipeline (OCS-G 8619) in Block 164, Main Pass Area, South and East Addition, dated December 1, 1987, with its attachments, is hereby approved subject to the following:

1. The maximum allowable operating pressure (MAOP) for this pipeline will be 1,440 psig due to the MAOP of the receiving pipeline.
2. Please be advised that there are unidentified magnetic anomalies located within 150 meters of the proposed pipeline route. Should these anomalies represent a hazard to the pipeline laying activities, precautions as outlined in Notice to Lessees and Operators No. 83-3, Section IV.B.1. shall be taken prior to conducting operations.

J. Rogers Percy
J. Rogers Percy
Regional Director

cc: Department of Transportation
2320 La Branch, Room 2116
Houston, Texas 77004 (w/enclosures)

cc: Kathy Camp
2-23-88

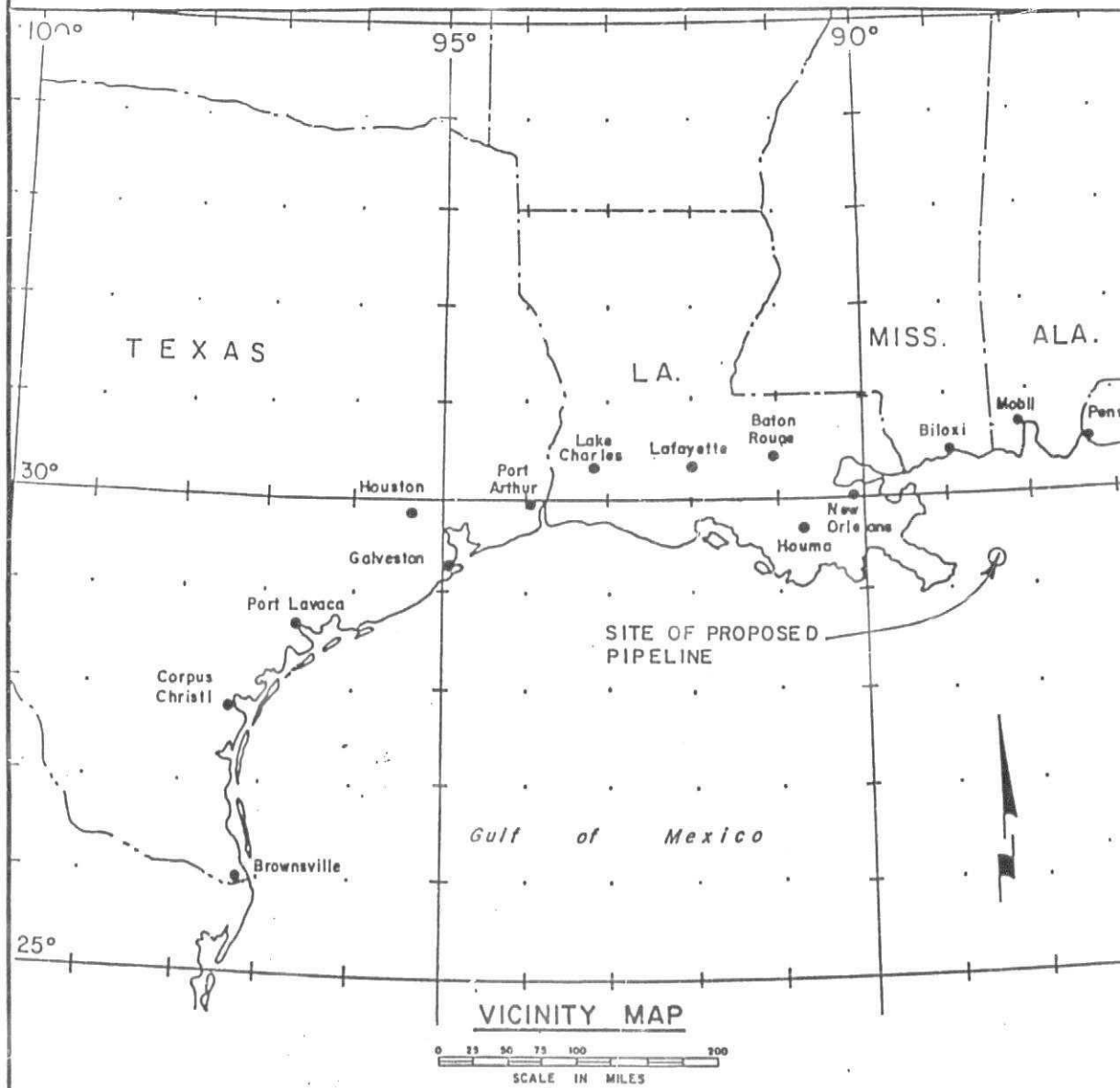
EXHIBIT F

TO

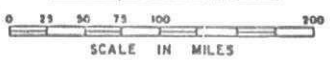
ACT OF COLLATERAL MORTGAGE, COLLATERAL CHATTEL
MORTGAGE AND ASSIGNMENT OF ACCOUNTS RECEIVABLE,
CONTRACT RIGHTS AND OTHER INCORPOREALS
DATED THE 13TH DAY OF DECEMBER, 1988

BY

HALL-HOUSTON OFFSHORE
IN FAVOR OF ANY FUTURE HOLDER OR
HOLDERS OF A \$6,000,000 COLLATERAL
MORTGAGE NOTE



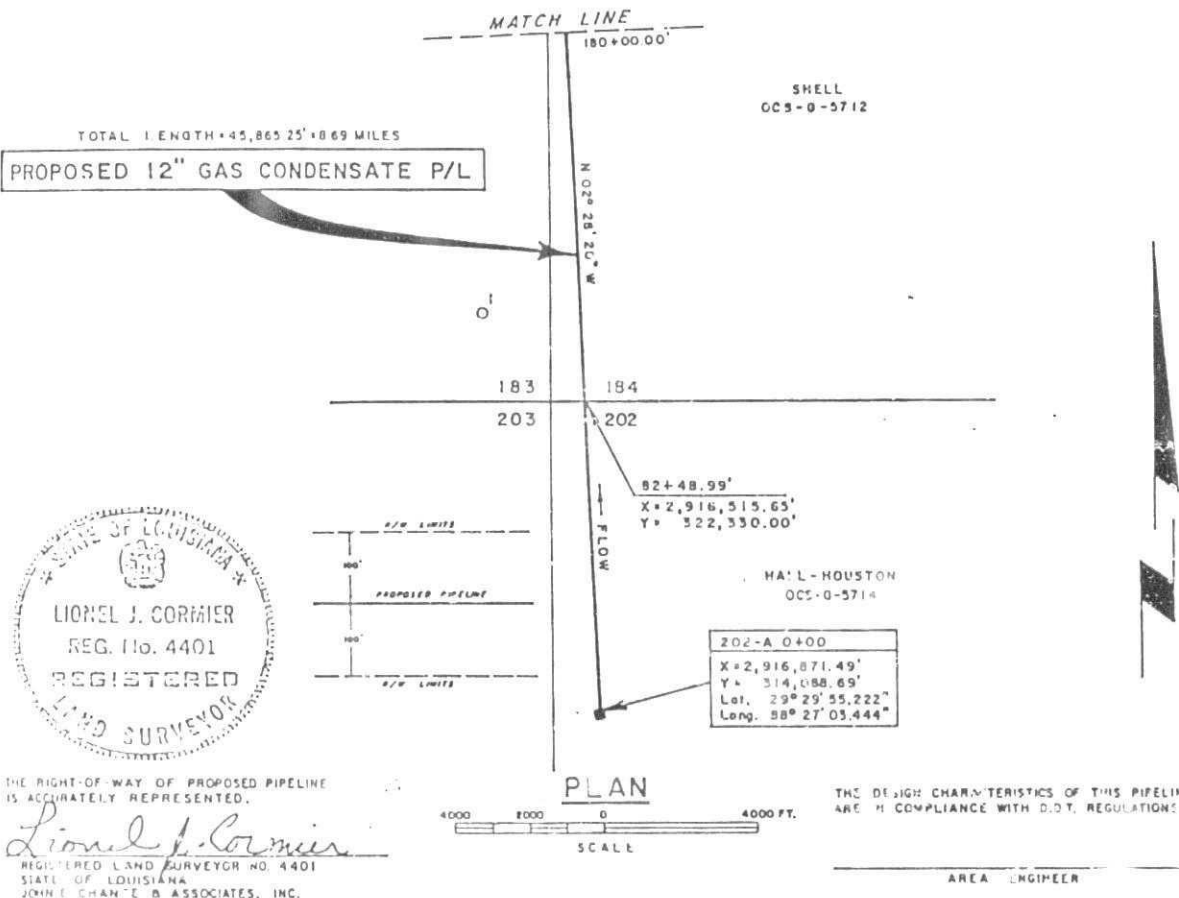
VICINITY MAP



APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 OCTOBER 23, 1987

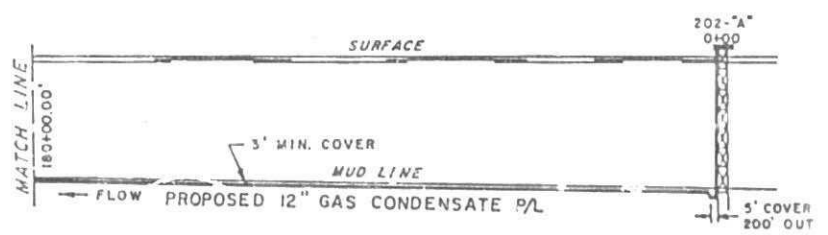
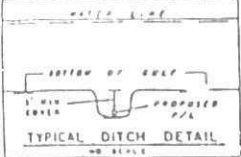
PROPOSED 12" GAS CONDENSATE PIPELINE
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 1 OF 4



THE RIGHT-OF-WAY OF PROPOSED PIPELINE
IS ACCURATELY REPRESENTED.

Lionel J. Cormier
REGISTERED LAND SURVEYOR NO. 4401
STATE OF LOUISIANA
JOHN E. CHAMBERLAIN ASSOCIATES, INC.

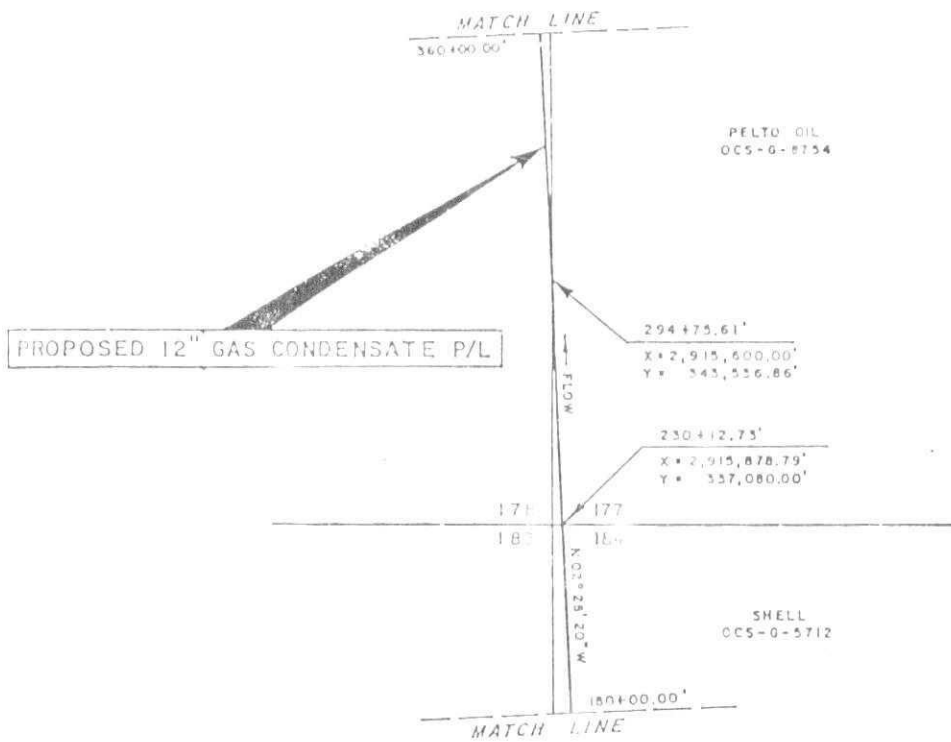


APPROX. 15,333 CUBIC YARDS OF SPOIL
SPOIL TO BE DEPOSITED SO AS NOT TO REDUCE
WATER DEPTH MORE THAN 0.5 FOOT.

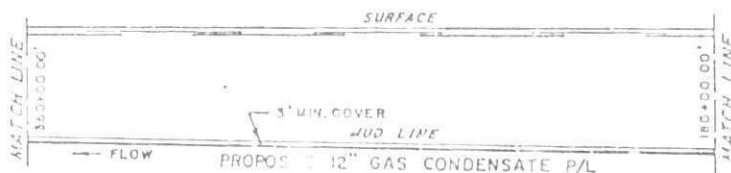
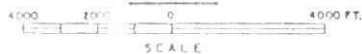
APPLICATION BY
APACHE OIL & GAS TRANSMISSION, INC.
HOUSTON, TEXAS
OCTOBER 23, 1987

PROPOSED 12" GAS CONDENSATE PIPELINE
MAIN PASS AREA
GULF OF MEXICO

SHEET 2 OF 4



PLAN



PROFILE

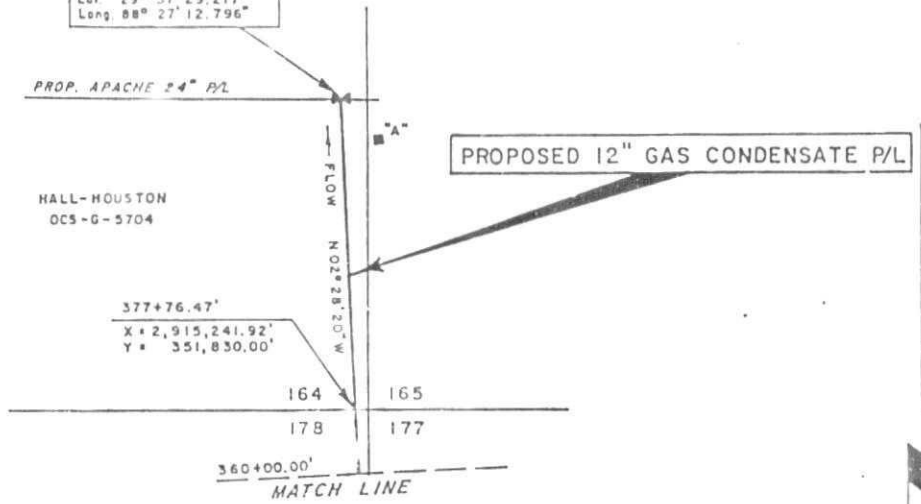


APPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 OCTOBER 23, 1987

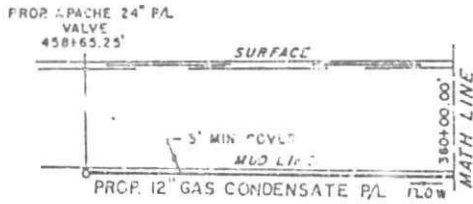
PROPOSED 12" GAS CONDENSATE PIPELINE
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 3 OF 4

PROP VALVE 458+65.25'
 X = 2,914,893.01'
 Y = 359,911.25'
 Lat. 29° 37' 29.217"
 Long. 88° 27' 12.796"



PLAN



PROFILE



REPLICATION BY
 APACHE OIL & GAS TRANSMISSION, INC.
 HOUSTON, TEXAS
 OCTOBER 23, 1987

PROPOSED 12" GAS CONDENSATE PIPELINE
 MAIN PASS AREA
 GULF OF MEXICO

SHEET 4 OF 4