

005-6-5752

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF
REDUCTION, SECURITY AGREEMENT AND FINANCING STATEMENT**

Executed as of May 26, 1992
from
OFFSHORE BECHTEL ASSOCIATES LIMITED
(Mortgagor and Debtor)

RECEIVED

to

MAY 27 1992

Jay D. Squiers, Trustee

**Minerals Management Service
Leasing & Environment**

and

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
(Mortgagee and Secured Party)

The mailing address of the above-named Mortgagee and Secured Party is % Prudential Capital Corporation, 1100 Milam, Suite 3900, Houston, Texas 77002, the mailing address of Mortgagor and Debtor is 5555 San Felipe, Suite 600, P.O. Box 4253, Houston, Texas 77210-4253, and the mailing address of Trustee is % Prudential Capital Corporation, 717 N. Harwood, Suite 2670, Dallas, Texas 75201.

This instrument contains after-acquired property provisions and covers future advances.

ATTENTION RECORDING OFFICERS: This instrument is a Mortgage of both real and personal property and is, among other things, a Security Agreement and Financing Statement under the Uniform Commercial Code. This instrument creates a lien on rights in or relating to lands of the Mortgagor which are described in Exhibit A hereto and, where applicable, is to be tract indexed with respect to all lands described in said Exhibit A.

This instrument was prepared by, and recorded counterparts should be returned to:

W. Brad Bryan
Baker & Botts
800 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201-2916

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

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF PRODUCTION, SECURITY AGREEMENT AND FINANCING STATEMENT (herein called the "Mortgage"), dated effective as of May 26, 1992 (the "Effective Date"), from OFFSHORE BECHTEL ASSOCIATES LIMITED, a Texas limited partnership (herein called "Mortgagor"), to Jay D. Squiers, Trustee (herein called "Trustee"), for the benefit of THE PRUDENTIAL INSURANCE COMPANY OF AMERICA ("Mortgagee").

RECITALS

1. Mortgagor has authorized the issue of its senior secured promissory notes (the "Notes") in the aggregate principal amount of \$22,500,000, to be dated the respective dates of issue thereof.

2. Pursuant to the Shelf Agreement (defined below), Mortgagor has agreed to sell, and Mortgagee has agreed to purchase the Series 1992-A Notes (as defined in the Shelf Agreement) in the aggregate principal amount of \$12,500,000.

3. As security for the payment of the Notes, including without limitation the Series 1992-A Notes, and for all other indebtedness of Mortgagor to the Mortgagee now or hereafter owing, including, without limitation, all indebtedness arising under that certain Master Shelf Agreement (the "Shelf Agreement") of even date herewith, Mortgagor has executed this Mortgage in favor of Trustee and Mortgagee.

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the premises and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor does GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER and MORTGAGE unto the Trustee, for the use and benefit of Mortgagee, all of Mortgagor's right, title and interest in and to the following, whether now owned or hereafter acquired:

(a) the oil and gas and/or the oil, gas and mineral leases, mineral fee interests, surface fee interests, royalties, overriding royalties, production payments, carried interests, net profits interests and all of the interests in oil, gas or other minerals of any kind or character shown on Exhibit A which is attached hereto and made a part hereof for all purposes, even though Mortgagor's interest in the same may be incorrectly described on Exhibit A, all as the same shall be enlarged

by the removal of any burdens or encumbrances to which the same are subject (the "Leases"),

(b) all presently existing or future interests or estates in and to the properties now or hereafter pooled or unitized with the Leases and the properties covered by such units or pools (including without limitation, all units created under orders, regulations, rules or other official acts of any Federal, State or other governmental body or agency having jurisdiction) which may affect all or any portion of the Leases including, without limitation, those units which may be described or referred to in Exhibit A (the "Units") (the lands described in Exhibit A or covered by the Leases or Units being referred to herein as the "Lands");

(c) all presently existing or future unitization, communitization, pooling agreements and declarations of pooled units, all operating agreements, contracts, farmout agreements, farmin agreements, storage agreements, indemnity or waiver agreements and other agreements described or referred to in this instrument which relate to any of the Leases, Units or interests in the Leases described or referred to herein or in Exhibit A or to the production, sale, purchase, exchange or processing of the "Hydrocarbons" (hereinafter defined) from or attributable to such Leases or interests in the Leases, and all accounts and rights to payment arising thereunder (such contracts now existing or hereafter entered into being referred to as the "Contracts");

(d) all oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined therefrom and all other minerals in and under and which may be produced and saved from or attributable to the Leases, Units or Lands (herein collectively called the "Hydrocarbons"), including all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to the Leases, Units or Lands, and Mortgagor's interests therein which are subjected or required to be subjected to the liens and security interests of this Mortgage;

(e) All tenements, hereditaments, appurtenances and properties in anywise appertaining, belonging, affixed or incidental to the Leases, Units or Lands, including, without limitation, all easements, rights of way, surface leases, salt water disposal leases, injection leases, gas storage leases, water rights, permits, licenses, servitudes or other interests appertaining to the Leases, Units or Lands;

(f) any and all property, real or personal, now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with the exploration, operating, working or development of any of such Leases, Units or properties (excluding drilling rigs, drill pipe, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, water

wells, injection wells or other wells, plants, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, platforms, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing properties (the "Equipment");

(g) all lease records, well records, production records and accounting and other records and files which relate to any of the foregoing, and all maps, data bases, manuals, information and data which relate to any of the foregoing (including without limitation engineering, geological and geophysical data);

(h) all licenses, permits, orders, franchises, privileges and other government authorizations related to the Lands, Leases or Units;

(i) all warranties, indemnities, guaranties and insurance policies related to any of the foregoing, to the extent such are assignable by Mortgagor;

(j) all instruments, documents, chattel paper, accounts and general intangibles related to any of the foregoing;

(k) any liens and security interests in the above described property in favor of Mortgagor securing payment of proceeds from the sale of Hydrocarbons including, but not limited to, those liens provided for in Tex. Bus. & Com. Code. Ann. § 9.319 (Tex. UCC) (Vernon 1991) and all similar liens or security interests; and

(l) all products and proceeds of the items in subsections (a) through (k) above;

together with any and all corrections or amendments to, or renewals, extensions or ratifications of, any of the foregoing, all of the aforesaid properties, rights and interests subjected to the lien of this instrument, together with any additions that may be subjected to this Mortgage by means of supplements hereto, being hereinafter called the "**Mortgaged Property.**"

SUBJECT, HOWEVER, (a) to the Permitted Encumbrances (defined below), (b) to the terms and conditions hereof and (c) to the condition that neither the Trustee nor Mortgagee shall as a result of this Mortgage be liable in any respect for the performance of any covenant or obligation of Mortgagor with respect to the Mortgaged Property.

TO HAVE AND TO HOLD the Mortgaged Property unto Trustee, and Trustee's successors and assigns, forever, to secure payment of the Indebtedness (defined below) and in accordance with the terms and provisions hereof; and Mortgagor hereby covenants that Mortgagor is the lawful owner and holder of the Mortgaged Property, that Mortgagor has good right to transfer, assign and mortgage the Mortgaged Property, and that Mortgagor will warrant and forever defend the same against the claims of all persons whomsoever lawfully claiming or to claim the same or any part thereof.

The Mortgagor, in consideration of the premises, hereby covenants and agrees with the Trustee and Mortgagee as follows:

ARTICLE I

INDEBTEDNESS SECURED

1.1 This Mortgage is made by Mortgagor in trust, with power of sale, to secure and enforce:

- A. The indebtedness (principal, interest and Yield Maintenance Amount, as defined in the Shelf Agreement) of Mortgagor evidenced by the Notes;
- B. All other indebtedness of Mortgagor arising pursuant to this Mortgage;
- C. All costs of enforcing the Notes and this Mortgage;
- D. Any and all other indebtedness of Mortgagor to Mortgagee now or hereafter owing, regardless of how evidenced or arising, including but not limited to any future indebtedness incurred pursuant to the Shelf Agreement (including without limitation, those expenses set forth in paragraph 11B of the Shelf Agreement) or otherwise, it being contemplated that such indebtedness may in the future be incurred; and
- E. Any extensions or renewals of the indebtedness described in subparagraphs A through D above, whether or not Mortgagor executes any extension agreement or renewal instrument

(the foregoing being herein collectively referred to as the "Indebtedness").

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 A. Mortgagor represents and warrants to Trustee and Holder (said term as used herein being intended to mean the holder or holders of at least 66 2/3% of the aggregate amount of the Notes from time to time outstanding), and with each of them, both on and as of the date hereof as well as on and as of the date of any supplement to this Mortgage or the issuance of any Notes under the Shelf Agreement, as follows:

(a) All representations and warranties of Mortgagor set forth in the Shelf Agreement are true and correct.

(b) This Mortgage, and the Notes, when executed and delivered by Mortgagor, constitute the legal, valid and binding obligation of Mortgagor, enforceable against Mortgagor in accordance with their respective terms, except to the extent that the enforceability thereof is subject to applicable bankruptcy, insolvency, reorganization and other laws in effect from time to time affecting the rights of creditors generally and that the enforceability thereof may be limited by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The Leases, the Contracts, and all assignments or conveyances under or through which any Lease or Unit or undivided interest therein is held, are in full force and effect; Mortgagor, and to the best of Mortgagor's knowledge, all other parties to such Contracts and instruments, have performed in all material respects all obligations required to be performed by them and are not in default under nor in receipt of any claim of default under any Lease or Contract; no event has occurred which, with the passage of time or giving of notice or both, would cause a material breach of, or default under, any Lease or Contract; and Mortgagor has no knowledge of any material breach or anticipated breach by the other parties to any Lease or Contract.

(d) To the extent of its interests specified in Exhibit A, Mortgagor has good and indefeasible title to and is possessed of the Lands, Leases, Units, Equipment and Hydrocarbons, free of any mortgage, deed of trust, pledge, priority, security interest, encumbrance, contractual deposit arrangement, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation (referred to herein as a "Lien") except Liens such as (i) the lien, assignment and security interest created

by this Mortgage, (ii) liens for taxes not yet due or that are being actively contested in good faith by appropriate proceedings, (iii) other liens incidental to the conduct of Mortgagor's business or the ownership of its property and assets (including landlord liens) that are not incurred in connection with the borrowing of money or the obtaining of advances or credit or the guaranteeing of the obligations of another person and that do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business, (iv) (1) liens in the nature of overriding royalties, net profits interests, carried interests or reversionary interests, and (2) liens in favor of operators, joint ventures or partnerships in which Mortgagor is a member, or in favor of other members of such joint ventures or partnerships, in either case so long as such liens are not in favor of or held, legally or beneficially, by any of the affiliates of Mortgagor, provided, however, that such liens described in this clause (2) shall cover only the Mortgagor's interest in such joint venture or partnership, Mortgagor's interest in the assets of such joint venture or partnership or Mortgagor's assets covered by the agreements with such operators; provided, further, that such liens described in clauses (1) and (2) (other than in the case of operators' liens) are not incurred in connection with the borrowing of money or the obtaining of advances or credit or the guaranteeing of the obligations of another person and do not in the aggregate materially detract from the value of the property or assets of Mortgagor or materially impair the use thereof in the operation of its business, (v) those encumbrances specified on Exhibit A and (vi) those encumbrances as may from time to time be consented to by Mortgagee in writing (herein collectively called the "**Permitted Encumbrances**"); Mortgagor owns an undivided working interest (defined in Exhibit A) and a net revenue interest (defined in Exhibit A) in the Leases of not less than those set forth in Exhibit A; Mortgagor has full power and lawful authority to bargain, grant, sell, mortgage, assign, transfer, convey and grant a security interest in the Mortgaged Property all in the manner and form herein provided and without obtaining the waiver, consent or approval of any lessor, sublessor, governmental agency or entity or party whomsoever or whatsoever.

(e) (i) As used in this Mortgage: (1) "**Environmental Claim**" means any investigative, enforcement, cleanup, removal, containment, remedial or other governmental or regulatory action at any time threatened, instituted or completed pursuant to any applicable Environmental Requirement against Mortgagor or against or with respect to the Lands or any use or activity on the Lands, and any claim at any time threatened or made by any person against Mortgagor or against or with respect to the Lands or any use or activity on the Lands, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from the violation of any Environmental Requirement or the release of or exposure to any Hazardous Substance; (2) "**Environmental Requirement**" means any law, rule, regulation, order, writ, judgment, decree, determination or award which pertains to ground or air or water or noise pollution or contamination, underground or aboveground tanks,

health or the environment, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), the Texas Water Code and the Texas Solid Waste Disposal Act, as amended, and the Alabama Environmental Management Act, Section 22-22A-1 et. seq., Code of Alabama (1975), as amended; and (3) "Hazardous Substance" means any substance, whether solid, liquid or gaseous: (x) which is listed, defined or regulated as a "hazardous substance", "hazardous waste" or "solid waste", or otherwise classified as hazardous or toxic, in or pursuant to any Environmental Requirement; or (y) which is or contains asbestos, radon, any polychlorinated biphenyl, urea formaldehyde foam insulation, or explosive or radioactive material; or (z) which causes a contamination on the Lands or a hazard to the environment or to the health or safety of persons on the Lands. As used in this paragraph (e), the word "on" when used with respect to the Lands or adjacent property means "on, in, under, above or about".

(ii) Mortgagor represents and warrants to Mortgagee, without regard to whether Mortgagee has or hereafter obtains any knowledge or report of the environmental condition of the Lands, as follows: (1) Mortgagor has received no notice and has no knowledge of any Environmental Claim or any completed (except as disclosed to Mortgagee or its counsel), pending, proposed or threatened investigation or inquiry by any governmental authority pursuant to any Environmental Requirement concerning the presence or release of any Hazardous Substance on the Lands or concerning whether any condition, use or activity on the Lands is in violation of any Environmental Requirement or requires any remedial action thereunder; (2) the present conditions caused by Mortgagor (or any operator, agent or contractor acting on its behalf, or, to Mortgagor's knowledge, any third parties) and the uses and activities by Mortgagor (or any operator, agent or contractor acting on its behalf, or, to Mortgagor's knowledge, any third parties) on the Lands do not violate any Environmental Requirement or require any remedial action thereunder and the use of the Lands which Mortgagor (and each operator, contractor or agent acting on its behalf) makes and intends to make of the Lands complies and will comply with all applicable Environmental Requirements; and (3) the Lands are not currently on, and to the best of Mortgagor's knowledge after inquiry in accordance with good commercial or customary practices, have never been on, any federal or state "superfund" or "superlien" list.

(f) Mortgagor is not obligated, by virtue of any prepayment under a production sale contract, any existing or past production imbalance under a gas balancing agreement (except production imbalances under a gas balancing agreement of less than fifteen percent (15%) of the aggregate value of proved reserves for the

particular property affected by such imbalance, as set forth in Mortgagor's most recent reserve report), any take or pay obligations or otherwise, to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor.

B. Mortgagor covenants and agrees with Trustee and Holder, and with each of them, so long as the Indebtedness or any part thereof remains unpaid, as follows:

(a) Mortgagor shall pay and discharge or cause to be paid or discharged all rentals, delay rentals, royalties, production payments, and indebtedness required to be paid by Mortgagor, and perform or cause to be performed, each and every act, matter, or thing required of Mortgagor by each and all of the Leases, assignments, deeds, subleases, Contracts and agreements in any way relating to the Mortgaged Property and do all other things necessary of Mortgagor to keep unimpaired the rights of Mortgagor thereunder and to prevent the forfeiture thereof or default thereunder.

(b) Mortgagor shall immediately notify Holder in the event of institution of any suit for the cancellation of any of the Leases, or challenging the title of Mortgagor thereto, or for the cancellation of the Contracts or in any manner affecting the Leases, the Contracts or the Lands, if the outcome of such suit, if determined adversely to Mortgagor, (i) could have an adverse effect in excess of \$200,000 on the value of the Leases or the Lands, or (ii) if such suit is instituted for the cancellation of the Contracts, could in the reasonable judgment of Mortgagor, have a material adverse effect on the value of the Leases or the Lands related to such Contracts.

(c) Mortgagor shall not place nor suffer to be placed any lien against, or any security interest in, any of the Mortgaged Property or encumber or allow to be encumbered any of the Mortgaged Property, other than Permitted Encumbrances.

(d) Mortgagor shall pay and discharge promptly all taxes, assessments, and governmental charges or levies imposed upon Mortgagor or upon the income of Mortgagor or upon the Mortgaged Property, this instrument, the interest of the Trustee or Mortgagee therein (other than taxes upon the gross income of the Trustee or Mortgagee) or upon Mortgagor's interest in the Hydrocarbons as well as all claims of any kind (including claims for labor, materials, supplies, and rent) which, if unpaid, might become a lien upon the Mortgaged Property or Hydrocarbons; provided, however, that Mortgagor shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted and if Mortgagor shall have set up reserves therefor adequate under generally accepted accounting principles.

(e) Mortgagor shall operate or cause to be operated the Mortgaged Property in a good and workmanlike manner as would a reasonably prudent operator and in accordance with the practice of the industry, applicable Contracts and in compliance with all applicable laws, rules and regulations, and, in the case of Leases, in compliance with all applicable proration and conservation laws of the State in which the Leases are situated, and all applicable laws, rules and regulations of every other agency and authority from time to time constituted to regulate the development and operation of the Leases and the production and sale of oil, gas and other minerals therefrom; provided, however, Mortgagor shall have the right to contest in good faith by appropriate proceedings, the applicability or lawfulness of any such law, rule or regulation and, pending such contest, may defer compliance therewith, so long as such deferment shall not subject the Mortgaged Property or any part thereof to foreclosure or loss.

(f) Mortgagor shall keep and maintain or cause to be kept and maintained all buildings, improvements, Equipment and other tangible personal property constituting part of the Mortgaged Property in good and effective operating condition at all times, and Mortgagor shall make all repairs, replacements, additions, betterments and improvements to the Mortgaged Property as are needful and proper so that the business carried on in connection therewith may be conducted properly and efficiently at all times. Mortgagor will not commit or suffer any strip or waste of the Mortgaged Property, or any violation of any law, regulations, ordinance or contract affecting the Mortgaged Property, and will not commit or suffer any demolition, removal or material alteration of any of the Mortgaged Property without the prior written consent of Holder, and shall guard every part of the Mortgaged Property from removal, destruction and damage and will not do or suffer to be done any act whereby the aggregate value of the Mortgaged Property would be materially lessened.

(g) Mortgagor shall maintain insurance with respect to all of the Mortgaged Property of an insurable nature in accordance with the provisions of the Shelf Agreement. In the case of any fire, accident or other casualty causing loss or damage to any of the Mortgaged Property, the proceeds of any such insurance policy shall be used (i) to repair the damaged Mortgaged Property or (ii) to prepay the Indebtedness in any manner or order as elected by Holder. The loss payable clauses or provisions in said policy or policies shall be endorsed in favor of and made payable to Holder and as Holder's interest may appear, and shall provide for a minimum of thirty (30) days prior written notice to Holder of any cancellation.

(h) Mortgagor, at Mortgagor's expense, shall cure promptly any defects in the execution and delivery of this instrument. Mortgagor at Mortgagor's expense will promptly execute and deliver such other and further documents, agreements and instruments as in the opinion of the Trustee or Mortgagee may be necessary or desirable to comply with or accomplish the covenants and agreements

of Mortgagor herein or to further evidence and more fully describe the Mortgaged Property, or to correct any omissions in this instrument, or more fully to state the security obligations set out herein, or to perfect, protect and, or, preserve any lien or security interest created hereby, or to make any recordings, or to file any notices, or obtain any consents, all as may be necessary or appropriate in connection with any thereof. Mortgagor shall pay for all costs of preparing, recording and releasing any of the above.

(i) Mortgagor is and shall remain qualified, pursuant to the regulations of the Minerals Management Service of the Department of the Interior, 30 C.F.R. § 256.35, to hold oil and gas leases covering property in the U.S. Outer Continental Shelf.

(j) (i) Mortgagor will not cause, commit, permit or allow to continue any material violation of any Environmental Requirement with respect to the Lands by Mortgagor (or any operator, agent or contractor acting on its behalf), and will not cause, permit or allow to continue or the attachment of any environmental lien to the Lands; provided, however, that if Mortgagor promptly and diligently responds to the material violation and complies with all Environmental Requirements, including notices, orders, remedial actions, penalties, fines or requests in response to such material violation, the violation of such Environmental Requirement shall not be deemed to be an Event of Default with respect to the representations and covenants contained in Sections 2.1A(e)(ii) and 2.1B(j).

(ii) Mortgagor shall promptly deliver to Mortgagee a copy of each material report pertaining to the Lands prepared by or on behalf of Mortgagor pursuant to any Environmental Requirement. Mortgagor will promptly advise Mortgagee in writing of any pending or threatened Environmental Claim or of the discovery of any condition, use or activity on the Lands or any adjacent property that is in violation of any Environmental Requirement, promptly after Mortgagor first obtains knowledge thereof, including a full description of the nature and extent of the actual or potential Environmental Claim or violation of any Environmental Requirement and all relevant circumstances.

(iii) If any Environmental Claim is made or threatened or any condition, use or activity is discovered on the Lands in violation of any Environmental Requirement, provided no Default or Event of Default, as defined in the Shelf Agreement, shall have occurred, (1) Mortgagor will at its expense provide to Mortgagee copies of any report (including all drafts thereof if requested by Mortgagee) of an environmental assessment of the Lands made, to the extent Mortgagor determines in its sole discretion that in its reasonable business judgment that such report is necessary or prudent, and

(2) Mortgagor shall consult with Mortgagee concerning the advisability of obtaining such a report and if Mortgagor determines in its sole discretion that in its reasonable business judgment that such report is necessary Mortgagor shall consult with Mortgagee as to the consulting firm to be retained to prepare such report. Mortgagee may cause any such assessment to be made at Mortgagee's expense and risk if Mortgagor elects not to have such an assessment made. If any Environmental Claim is made or threatened or any condition, use or activity is discovered on the Lands in violation of any Environmental Requirement, and if a Default or Event of Default, as defined in the Shelf Agreement, shall have occurred, Mortgagor will at its expense provide to Mortgagee, upon Mortgagee's request, a report (including all drafts thereof if requested by Mortgagee) of an environmental assessment of the Lands made after the date of Mortgagee's request and of such scope as Mortgagee may request and by a consulting firm acceptable to Mortgagee. Mortgagor will cooperate with each consulting firm making any such assessment and will supply to the consulting firm, from time to time and promptly on request, all information available to Mortgagor to facilitate the completion of the assessment and report. Mortgagee may cause any such assessment to be made at Mortgagor's expense and risk if Mortgagor fails to comply punctually with such agreement to do so. In all events, Mortgagee and its designees are hereby granted access to the Lands at any time or times, upon reasonable notice and otherwise in compliance with paragraph 5B of the Shelf Agreement, and a license which is coupled with an interest and irrevocable, to make such environmental assessments.

(k) If at any time Mortgagor materially changes the nature or method of operations on the Mortgaged Property, any well is hereafter drilled and completed on the Mortgaged Property, or there occurs any event (whether natural or due to man) that materially affects the amount, cost, rate or lifespan of recovery of oil, gas or other minerals from the Mortgaged Property or there is a material adverse change in the price per unit received for the sale of oil, gas or other minerals produced from or attributable to the Mortgaged Property that could adversely affect Mortgagor's ability to pay the Indebtedness, Mortgagor shall immediately inform Holder of such change in operations, events or change in price, and upon request of Holder, Mortgagor will furnish or cause to be furnished to Holder monthly reports, acceptable to Holder, as to operations on the Mortgaged Property, production and runs from or attributable to the Mortgaged Property and information as to operating and development costs and expenses, each such monthly report to be furnished within thirty (30) days after the end of the month covered thereby.

(l) Except as otherwise provided in Section 8.7, Mortgagor will advise Holder upon the first filing of any petition or request with any governmental or regulatory agency regarding any pooling or unitization arrangement pertaining to the Mortgaged Property or any part thereof, and any pooling or unitization

arrangement which is imposed or which Mortgagor deems may be imposed on the Mortgaged Property or any part thereof, which would cause Mortgagor to suffer a reduction in income on a monthly basis from the Mortgaged Property or such part of the Mortgaged Property.

(m) Mortgagor will advise Holder immediately of (i) any lien, privilege, security interest, encumbrance or claim made or asserted against all or any part of the Mortgaged Property, (ii) any material change in the composition of any of the Mortgaged Property and (iii) the occurrence of any other event, including without limitation, the abandonment of any well or the forfeiture, surrender or release of any Lease, valued in the most recent reserve report in excess of \$500,000 (discounted to present value at ten percent (10%)) and the estimated amount of such loss, except for losses in value caused by (x) the production of Hydrocarbons therefrom or (y) any generally publicized condition or event affecting the domestic oil and gas industry or market generally, including without limitation, general changes in domestic oil and gas prices.

(n) Mortgagor will not forfeit, surrender or release any of its rights in any material Contracts without the prior written consent of Mortgagee except as otherwise provided in Section 2.2 hereof and in paragraph 6C(4) of the Shelf Agreement, if such forfeiture, surrender or release, taken together with all other such forfeitures, surrenders or releases, would materially affect the aggregate value of the Mortgaged Property.

(o) Mortgagor will not change its principle place of business, its name, its identity as a Texas limited partnership, or its partnership structure without prior notification to Holder.

(p) Anything in this Section 2.1.B to the contrary notwithstanding, Mortgagor, with respect to those Mortgaged Property that are operated by operators other than Mortgagor, shall not be obligated itself to perform undertakings performable only by such operators and that are beyond the control of Mortgagor. In each such case, however, Mortgagor shall promptly take all actions available to it, under applicable operating arrangements or otherwise, to bring about the performance of any such undertakings required to be performed by such operators.

(q) Mortgagor will warrant and forever defend, subject to the Permitted Encumbrances, the title to the Mortgaged Property unto the Trustee and Mortgagee against every person whomsoever lawfully claiming the same or any part thereof, and Mortgagor will maintain and preserve the lien and security interest created hereby so long as any Indebtedness remains unpaid. Should an adverse claim be made against or a cloud develop upon the title to any part of the Mortgaged Property or any legal proceedings affecting the lien hereof commence, Mortgagor agrees that it will promptly notify Mortgagee and the Trustee in writing of the same

and will immediately defend such adverse claim or take appropriate action to remove such cloud or take any action which may be necessary to preserve the Trustee's and Mortgagee's rights hereunder, at Mortgagor's expense, and Mortgagor further agrees that the Trustee and Mortgagee, or either of them, may take such other action as they deem advisable to protect and preserve their interests in the Mortgaged Property, and in such event Mortgagor will indemnify the Trustee and Mortgagee against any and all costs, attorneys' fees and other expenses which they may incur.

2.2 If, without the prior written consent of Holder, which consent may be given or withheld by Holder exercising reasonable business judgment in its sole and absolute discretion, all or any part of the Mortgaged Property is sold, transferred, assigned or otherwise conveyed, or Mortgagor enters into any contract agreeing to sell, transfer, assign or otherwise convey all or any part of the Mortgaged Property, or Mortgagor creates any lien or encumbrance other than a Permitted Encumbrance, subordinate to this mortgage, or Mortgagor grants any easement, right-of-way or any other right whatsoever materially affecting the value of the Hydrocarbons with respect to the Mortgaged Property (all and any of the above herein collectively called "Transfers"), irrespective of whether any such Transfers are evidenced by written instruments, and irrespective if such a written instrument is filed for record then Holder may, at its option, declare all or any part of the Indebtedness immediately due and payable, and Holder shall be entitled to exercise any and all remedies provided under this Mortgage; provided, however, that nothing in this Section 2.2 shall be construed as prohibiting the Mortgagor from: (i) transferring from time to time in the ordinary course of business rights in acreage not presently producing to third parties pursuant to farmout agreements or arrangements equivalent thereto; (ii) selling surplus equipment in the ordinary course of business; (iii) selling Hydrocarbons after severance in the ordinary course of business; (iv) executing and performing contracts for the sale of Hydrocarbons after severance in the ordinary course of business; or (v) making transfers in compliance with paragraph 6C(4) of the Shelf Agreement. Mortgagor may, if no Event of Default or Default (as each such term is defined in the Shelf Agreement) shall exist either immediately prior to or immediately following a Transfer affecting effect to the Transfer, convey, lease, assign, transfer or otherwise dispose of part of the Mortgaged Property, so long as such Transfer complies with the provisions of paragraph 6C(4) of the Shelf Agreement and the provisions of this Section 2.2. Mortgagee shall release from the lien and security interest hereof, portions of the Mortgaged Property in accordance with paragraph 6C(4) of the Shelf Agreement upon receipt by Mortgagee of the following:

A. a request ("Request") dated the date of delivery thereof to Mortgagee, requesting such release; and

B. the form of the instrument of release to be executed by Mortgagee, in such reasonable number of copies as Mortgagor may desire to be executed; and

C. a certificate signed by an officer of the general partner of Mortgagor, dated the date of the Request, certifying on behalf of Mortgagor that, (i) to the knowledge of Mortgagor, no Default or Event of Default (as such terms are defined in the Shelf Agreement) has occurred and is continuing, (ii) the release of such portion of the Mortgaged Property will not result in any Default or Event of Default.

2.3 If Mortgagor fails to perform any act which hereunder it is required to perform or to pay any money which hereunder it is required to pay, Trustee and Holder or either of them, may perform or cause to be performed such act or pay such money. Mortgagor will, upon request, promptly reimburse Holder for all reasonable amounts expended, advanced or incurred by Holder to satisfy any obligation of Mortgagor under this instrument or to protect the Mortgaged Property or to collect the Indebtedness or to enforce the rights of Holder under this instrument, which amounts will include all court costs, attorneys' fees, fees of auditors and accountants, and investigation expenses reasonably incurred by Holder in connection with any such matters. All such amounts shall constitute a demand obligation owing by Mortgagor to the party incurring such costs and expenses and shall draw interest at an annual rate equal to the lesser of the post-default rate of interest under the Series 1992-A Notes or the Maximum Rate (as defined in Section 8.6 below), all of which shall constitute a portion of the Indebtedness.

ARTICLE III

ASSIGNMENT OF PRODUCTION

3.1 For the purpose of additionally securing the payment of the Indebtedness and to facilitate the discharge of any of the Indebtedness and as cumulative of any and all rights and remedies herein provided for, effective as of the Effective Date, 7:00 a.m., Central Daylight Savings Time, Mortgagor hereby bargains, sells, transfers, assigns, sets over and conveys unto Holder, all of Mortgagor's right, title and interest in the Hydrocarbons, all products obtained or processed therefrom ("Products"), and all revenues now or hereafter attributable to the Hydrocarbons and Products ("Revenues"), as well as any liens and security interests securing the payment of proceeds from the sale of the Hydrocarbons or Products, including, but not limited to, those liens and security interests provided for in Tex. Bus. & Com. Code Ann. § 9.319 (Tex. UCC) (Vernon 1991). Mortgagor hereby directs and instructs each purchaser of the Hydrocarbons or Products, upon the occurrence of an Event of Default (the determination of the occurrence of an Event of Default by Holder shall as to all parties be conclusive as to the occurrence of an Event of Default) and so long as such Event of Default is continuing, to pay to Holder all of the Revenues until such time as such purchaser has been furnished evidence that all Indebtedness has been paid and that the lien evidenced hereby has been released. Mortgagor authorizes Holder, upon the occurrence of an Event of Default and so long as such Event of Default is continuing, to receive and collect all Revenues, and no purchaser

of the Hydrocarbons shall have the responsibility for the application of any funds paid to Holder.

3.2 Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute, upon the occurrence of an Event of Default and so long as such Event of Default is continuing, and deliver any and all transfer orders, division orders and other instruments that may be required by Holder or that may be required by the purchaser of the Hydrocarbons or Products for the purpose of effectuating payment for the Revenues to Holder.

3.3 The monthly Revenues actually received by Holder may be held by Holder and applied as follows:

First: To the payment and satisfaction of all costs and expenses incurred in connection with the collection of Revenues and to the payment and reimbursement of all Indebtedness then due and owing on the Notes, any instrument evidencing any Indebtedness and/or any instrument securing payment of same, including this Mortgage (in such order and manner as Holder, in its sole discretion, may elect); and

Second: Any surplus shall be released to Mortgagor.

In its sole discretion, Holder may elect to return any part of said funds to Mortgagor or to deposit the same to Mortgagor's account without applying it to the Indebtedness.

3.4 The receipt by the Holder of any monies, including but not limited to Revenues, shall not in any manner change or alter in any respect the obligations of Mortgagor under this Mortgage, the Notes or the Shelf Agreement or other evidence of the Indebtedness, and nothing herein contained shall be construed as limiting the Holder to the collection of any of the Indebtedness out of the Revenues. The Indebtedness shall continue as the absolute and unconditional obligation of Mortgagor to pay, as provided in the Shelf Agreement, the Notes or other instruments evidencing the Indebtedness, the amounts therein specified at their respective maturity dates, whether by acceleration or otherwise.

3.5 Holder is hereby absolved from all liability for failure to enforce collection of the Revenues and from all other responsibility in connection therewith except the responsibility to account to Mortgagor for funds actually received. Mortgagor agrees to indemnify and hold any Holder harmless against any and all liabilities, actions, claims, judgments, costs, charges and attorneys' fees by reason of the assertion that any Holder has received, either before or after the payment in full of the Indebtedness, funds from the sale of Hydrocarbons claimed by third persons. Any Holder shall have the right to defend against any such claims or actions, employing attorneys of its own selection. If not furnished with indemnity satisfactory to the Holder, Holder shall have the right to compromise and adjust any such claims, actions and judgments, and, in addition to the rights to be indemnified as herein provided, all amounts paid by any Holder in compromise, satisfaction

or discharge of any such claim, action or judgment and all court costs, attorneys' fees and other expenses of every character incurred by any Holder shall be a demand obligation owing by Mortgagor, shall be secured by the lien and security interest evidenced by this instrument and shall bear interest on each such amount at an annual rate of interest equal to the lesser of the post-default rate of interest under the Series 1992-A Notes or the Maximum Rate (as defined in Section 8.6 below).

3.6 Notwithstanding the other provisions of this Article III, the Trustee, Mortgagee, or any receiver appointed in judicial proceedings for the enforcement of this instrument shall have the right to receive all of the Hydrocarbons, Products and Revenue herein assigned after the Notes or any instrument evidencing any Indebtedness have been declared due and payable in accordance with the provisions of Section 5.1 hereof and to apply all of the Revenues therefrom as set forth in Section 3.3 hereof. Upon any sale of the Mortgaged Property or any part thereof pursuant to Article V, the Hydrocarbons thereafter produced from the Mortgaged Property so sold, and the Products and Revenues therefrom, shall be included in such sale and shall pass to the purchaser free and clear of the assignment contained in this Article.

3.7 Each of the provisions of this Article III shall be deemed a covenant running with the land and shall be binding upon Mortgagor, its successors and assigns, and inure to the benefit of Mortgagee, its successors and assigns.

ARTICLE IV

DEFEASANCE

4.1 If all Indebtedness be paid in full as the same becomes due and payable and if the covenants, warranties, undertakings and agreements made in this instrument are kept and performed, then and in that case only, this document shall have no force and effect, this conveyance shall become null and void, the property hereby conveyed shall become wholly clear of the liens, conveyances, assignments and security interest evidenced hereby, and all such liens, conveyances, assignments and security interest shall be released in due form at Mortgagor's cost.

ARTICLE V

EVENTS OF DEFAULT; ENFORCEMENT OF SECURITY

5.1 Each of the following events shall be considered an "Event of Default" if it shall occur and shall not be remedied within the time period, if any, provided for that purpose:

A. an "Event of Default" shall occur and be continuing under the Shelf Agreement, or

B. except for sales of Hydrocarbons in the ordinary course of Mortgagor's business, except as provided in Sections 2.2 and 8.7 hereof, Mortgagor shall sell, convey, mortgage, pledge, farmout, pool, unitize or otherwise dispose of or encumber the Mortgaged Property or any material portion thereof, or any of Mortgagor's right, title or interest therein, without the prior written consent of Mortgagee; or

C. any material portion of the Mortgaged Property shall be seized or taken by any governmental or similar authority, or any order of attachment, garnishment or any other writ shall be issued, or any other lawful creditor's remedy shall be exercised or attempted to be exercised, with respect thereto; or

D. the title of Mortgagor to the Mortgaged Property or any substantial part thereof shall become subject to any final judgment or order, or series of related final judgments or orders, in an amount in excess of \$500,000, and such judgment is not discharged within sixty (60) days after entry thereof.

Upon the occurrence of an Event of Default, Mortgagee may, at its option, declare the Notes and all other Indebtedness to be immediately due and payable as set forth in paragraph 7A of the Shelf Agreement, and may proceed to enforce its rights hereunder.

5.2 Upon the occurrence of an Event of Default, Mortgagor hereby authorizes and empowers the Trustee, and each and all of his successors in this trust, at the request of the Holder, at any time when Mortgagor shall be in default in the performance of any covenant or agreement hereunder or under the Shelf Agreement, to sell the Mortgaged Property that is situated in the State of Texas or in other portion of the Mortgaged Property subject to Texas law at public vendue to the highest bidder, for cash, between the hours of 10:00 a.m. and 4:00 p.m. of the first Tuesday of any month, after having given notice of the sale at least twenty-one (21) days prior to the date of the sale, in the manner herein after described, in the county in which the Mortgaged Property, or any part thereof are situated; provided that if the Mortgaged Property is situated in more than one county, such sale of the Mortgaged Property, or part thereof, may be made in any county in the State of Texas wherein any part of the Mortgaged Property is situated. The sale shall be made at the area of the County Courthouse designated for such sales by the County's Commissioners Court and which designation is recorded in the real property records of that County. If an area of the County Courthouse has not been designated for sales by recorded instrument in the real property records of the County, then the sale shall take place at the area of the County Courthouse designated in the notice of sale. The sale shall begin at the time stated in the notice of sale, or not later than three (3) hours after that time. The notice of sale shall include a statement of the earliest time at which the sale will occur and shall be given by posting (or by having some person or persons acting for Trustee post), for at least twenty-one (21) days preceding the date of the sale, written or

printed notice of the proposed sale at the Courthouse door of said county in which the sale is to be made, and if such property is in more than one county, one such notice of sale shall be posted at the Courthouse door of each county in which part of such property is situated and such property may be sold at the courthouse door of any one of such counties, and the notice so posted shall designate in which county such property shall be sold; in addition to such posting of notice, Holder shall, at least twenty-one (21) days preceding the date of sale, file a copy of such written notice of the proposed sale in the office of the county clerk of the county in which the sale is to be made, and if such property is in more than one county, a copy of such written notice of sale shall be so filed in the office of the county clerk of each county in which part of such property is situated; in addition to such posting and filing of notice, the Holder shall, at least twenty-one (21) days preceding the date of sale, serve written or printed notice of the proposed sale by certified mail on Mortgagor. Service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to Mortgagor at its most recent address or addresses as shown by the records of the Holder, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. Mortgagor agrees that no notice of any sale other than as set out in this paragraph need be given by Trustee, the Holder or any other person. Mortgagor hereby designates as its address for the purposes of such notice, the address set out on the cover page hereof, and agrees that such address shall be changed only by depositing notice of such change, enclosed in a postpaid wrapper, in a post office or official depository under the care and custody of the United States Postal Service, certified mail postage prepaid, return receipt requested, addressed to the Holder at the address for the Mortgagee set out on the cover page hereof (or to such other address as the Holder may have designated by notice given as above provided to Mortgagor), any such notice of change of address of Mortgagor shall be effective upon receipt by Holder. Any change of address of Holder shall be effective three (3) business days after deposit thereof in the above described manner in the care and custody of the United States Postal Service. Upon the occurrence of an Event of Default, Mortgagor hereby authorizes and empowers the Trustee, and each and all of Trustee's successors in this trust, to sell the Mortgaged Property, or any interest or estate in the Mortgaged Property together or in lots or parcels, as such Trustee shall deem expedient, and to execute and deliver to the purchaser or purchasers of the Mortgaged Property a good and sufficient deed or deeds of conveyance thereof and bills of sale with covenants of special warranty binding on Mortgagor and its successors and assigns.

In addition to the foregoing, to the extent the real property constituting a part of the Mortgaged Property is situated outside the State of Texas, upon the occurrence of an Event of Default, Trustee shall have the right and power to sell, to the extent permitted by and in accordance with applicable law, at one or more sales, as an entirety or in parcels, as Trustee may elect, such real property at such place or places and otherwise in such manner and upon such notice as may be required by applicable law, or in the absence of any such requirement as Trustee may deem appropriate, and to make conveyance to the purchaser or purchasers, which conveyance or conveyances shall bind Mortgagor to warrant and defend

title to such real property to such purchaser or purchasers. Trustee may postpone the sale of all or any portion of such real property by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. The right of sale hereunder shall not be exhausted by one or any sale, and Trustee may make other and successive sales until all of the Mortgaged Property be legally sold.

The proceeds of any sale or sales referred to in this Article V received by the Trustee shall be applied as follows:

First: To the payment of all expenses incurred by the Trustee or Mortgagee incident to the enforcement of this Mortgage, the Notes or any Indebtedness, including, but not limited to, a reasonable fee to Trustee, all expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, as well as attorney's fees, court costs and other legal expenses;

Second: To the payment of any other Indebtedness, other than that referred to in the following Paragraph Third;

Third: To the payment of accrued and unpaid interest on, principal of, and Yield Maintenance Amount (as defined in the Shelf Agreement), if any, owing in respect of, the Notes, in such order and manner as Mortgagee may elect; and

Fourth: The remainder, if any, shall be paid to the person or persons entitled thereto.

The recitals in any deed, assignment or other conveyance given by Trustee of a default, publication of notice of sale, demand that such sale should be made, postponement of sale, terms of sales, sale, name of purchaser, payment of purchase money and any other facts affecting the regularity or validity of such sale shall be conclusive proof of the truthfulness thereof, and such deed or deeds shall be conclusive against all persons as to all matters or facts therein recited.

5.3 In addition to all other remedies herein provided for, after a default has occurred Holder shall, as a matter of right, be entitled to the appointment of a receiver or receivers of its choice except as may be prohibited by law, for all or any part of the Mortgaged Property, whether such receivership by incident to a proposed sale of the Mortgaged Property or otherwise, and Mortgagor does hereby consent to the appointment of such receiver or receivers and agrees not to oppose any application therefor by Holder.

5.4 All remedies herein expressly provided for are cumulative of any and all other remedies now existing at law or in equity, and Holder shall, in addition to the remedies herein provided, be entitled to avail itself of all such other remedies as may now or hereafter exist at law or in equity for the collection of the Indebtedness and the

enforcement of the covenants herein and foreclosure of the liens evidenced hereby. The resort to any remedy provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy.

5.5 Any Holder shall have the right to become the purchaser or purchasers at any sale held by Trustee or by any receiver or public officer. Such Holder purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor the pro rata part of the Indebtedness owing to such Holder, accounting to the holder or holders of any portion of the Indebtedness not bidding or not bidding successfully at such sale or sales in cash for the portion of such bid or bids apportionable to such non-bidding holder or holders.

5.6 Holder may resort to any security given by this instrument or to any other security now existing or hereafter given to secure the payment of the Indebtedness, in whole or in part, and in such portions and in such order as may seem best to Holder in its sole and uncontrolled discretion. Any such action shall not in any way be considered as a waiver of any of the rights, benefits or liens evidenced by this instrument.

5.7 Mortgagor agrees, to the full extent that Mortgagor may lawfully so agree, for Mortgagor and all other makers, signers, sureties, guarantors and endorers of the Indebtedness, and all claiming through or under Mortgagor, that Mortgagor waives and will not at any time insist upon or plead or in any manner whatever claim the benefit of any appraisal, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage or the absolute sale of the Mortgaged Property or the possession thereof by any purchaser at any sale made pursuant to any provision hereof, pursuant to the Uniform Commercial Code or pursuant to the decree of any court of competent jurisdiction. Mortgagor, for Mortgagor and all other makers, signers, sureties, guarantors and endorers of the Indebtedness, and all claiming through or under Mortgagor, waives, to the extent that Mortgagor may lawfully do so, any and all right to have the Mortgaged Property marshalled upon any foreclosure of the lien hereof, or sold in inverse order of alienation, and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety. If any law which is referred to in this paragraph, which is now in force, and of which Mortgagor or other makers, signers, sureties, guarantors or endorers of the Indebtedness, or any claiming through or under Mortgagor, might take advantage despite the provisions hereof shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the operation or application of the provisions of this paragraph.

5.8 All costs and expenses (including attorneys' fees) incurred by the Trustee or Mortgagee in protecting and enforcing their rights hereunder, and in conducting operations under Section 5.9, shall constitute a demand obligation owing by Mortgagor to the party incurring such costs and expenses and shall draw interest at an annual rate equal to the lesser of the post-default rate of interest under the Series 1992-A Notes or the

Maximum Rate (as defined in Section 8.6 below), all of which shall constitute a portion of the Indebtedness.

5.9 Following the occurrence of an Event of Default or upon maturity of the Notes, and in addition to all other rights herein conferred on the Trustee, the Trustee (or any person, firm or corporation designated by the Trustee) shall have the right and power, but shall not be obligated, to enter upon and take possession of any of the Mortgaged Property, and to exclude Mortgagor, and Mortgagor's agents or servants, wholly therefrom, and to hold, use, administer, manage and operate the same to the extent that Mortgagor shall be at the time entitled and in its place and stead. The Trustee, or any person, firm or corporation designated by the Trustee, may operate the same without any liability to Mortgagor in connection with such operations, and the Trustee or any person, firm or corporation designated by the Trustee, shall have the right and power, but shall not be obligated, to, among other things, collect, receive and give receipt for all Hydrocarbons produced and sold from the Mortgaged Property, make repairs, purchase machinery, equipment, conduit and power, conduct work-over operations, elect to participate or non-consent as to operations under operating agreements, drill additional wells and exercise every power, right and privilege of Mortgagor with respect to the Mortgaged Property. When and if the expenses of such operation and development (including costs of unsuccessful work-over operations or additional wells) have been paid and the Indebtedness paid, said properties shall, if there has been no sale or foreclosure, be returned to Mortgagor.

ARTICLE VI

TRUSTEE

6.1 The Trustee hereby accepts the trusts hereunder, but only upon the terms set forth in this Mortgage, including the following:

(a) It shall be no part of the duty of the Trustee to see to any recording or rerecording, filing, or refiling, or registration or re-registration of this Mortgage or any instrument in addition or supplemental hereto, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against Mortgagor, or to see to the performance or observance by Mortgagor of any of the covenants or agreements contained in this Mortgage.

(b) The Trustee shall have the right to employ and obtain the advice of counsel, who may also be counsel for Mortgagor (all fees and expenses of such counsel to be borne by Mortgagor), and shall not be liable hereunder for any action taken, suffered or omitted by him hereunder in good faith and in reliance upon such advice. The Trustee shall be protected hereunder in relying on any instrument,

document or signature believed by him to be genuine and to have been signed by the proper party or parties or by any person or persons authorized to act on its or their behalf.

(c) The Trustee shall not be required to take any action for the enforcement of this Mortgage or the exercise of any rights or remedies hereunder, or to appear in or defend any action, suit or other proceeding in connection herewith, where, in the opinion of the Trustee, such action will be likely to involve him in expense or liability, unless the Trustee has been tendered security or indemnity satisfactory to him against the costs, expenses and liabilities which might be incurred by him in connection therewith.

6.2 The Trustee shall not waive the exercise of any rights, powers, privileges or remedies granted to him under this Mortgage or any default by Mortgagor under this Mortgage or give any consent permitted to be given by him under this Mortgage, unless expressly directed to do so in writing by Mortgagee.

6.3 The Trustee may resign at any time by giving written notice thereof to Mortgagee or be removed at any time with or without cause by Mortgagee in a written instrument duly executed by or on behalf of Mortgagee. In case of the death, resignation or removal of the Trustee, a successor Trustee may be appointed by Mortgagee from time to time, without other formality than appointment and designation in writing. Such appointment and designation shall be conclusive evidence of the right and authority to make the same and of all facts therein recited. Upon making of any such appointment and designation this Mortgage shall be deemed to have been assigned to the successor Trustee all the estate and title of the prior Trustee in all of the mortgaged property and such successor Trustee shall thereupon succeed to all the rights, powers, privileges, immunities and duties hereby conferred upon Trustee named herein. All references herein to Trustee shall be deemed to refer to the Trustee from time to time acting hereunder.

ARTICLE VII

SECURITY AGREEMENT

7.1 To further secure the Indebtedness, Mortgagor hereby expressly GRANTS, ASSIGNS, TRANSFERS and SETS OVER unto Holder a security interest (i) in all of Mortgagor's rights, titles and interests in and to the Mortgaged Property insofar as such Mortgaged Property consist of the goods, equipment, accounts, contract rights, general intangibles, money, inventory, Hydrocarbons, fixtures and any and all other personal property of any kind or character (including both that now owned and that hereafter acquired) defined in and subject to the provisions of the Uniform Commercial Code of the state or states where such Mortgaged Property is located (the "Uniform Commercial Code"), and (ii) all of Mortgagor's other instruments, chattel paper, accounts and general intangibles, including the proceeds and products from any and all of such personal property (all of the

foregoing being in this Article VII collectively called the "Collateral"). The lien and security interest created by this Mortgage attaches upon the delivery hereof. Upon the occurrence of any Event of Default, Holder is and shall be entitled to all of the rights, powers and remedies afforded a secured party by the applicable Uniform Commercial Code with reference to the personal property and fixtures in which Holder has been granted a security interest herein, or the Trustee or Holder may proceed as to both the real and personal property covered hereby in accordance with the right and remedies granted under this instrument in respect of the real property covered hereby. Such rights, powers and remedies shall be cumulative and in addition to those granted Trustee or Holder under any other provision of this instrument or under any other instrument executed in connection with or as security for the Shelf Agreement or any of the Indebtedness. Mortgagor, as Debtor (and in this Article VII and otherwise herein called "Debtor") covenants and agrees with Holder, as Secured Party (and in this Article VII and otherwise herein called "Secured Party") that:

(a) Unless personal property to be sold is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Trustee or Mortgagee will give Mortgagor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of such personal property is to be made. The parties agree that this requirement of sending reasonable notice will be met if the notice is mailed by first class mail, postage prepaid, to Mortgagor at the address shown on the cover page hereof at least ten (10) days before the time of the sale or disposition. The Trustee or Mortgagee may postpone the sale of all or any portion of such property by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time and place of sale fixed by the preceding postponement.

(b) Upon the occurrence of any Event of Default, Secured Party is expressly granted the right at its option, to transfer at any time to itself or to its nominee the Collateral, or any part thereof, and to receive the monies, income, proceeds, or benefits attributable or accruing thereto and to hold the same as security for the Indebtedness or to apply it on the principal and interest or other amounts owing on any of the Indebtedness, whether or not then due, in such order or manner as Secured Party may elect. All rights to marshalling of assets of Debtor, including any such right with respect to the Collateral, are hereby waived.

(c) All recitals in any instrument of assignment or any other instrument executed by Secured Party incident to sale, transfer, assignment or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matter stated therein, no other proof shall be required to establish full legal propriety of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisite of such sale or other action and of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.

(d) All expenses of preparing for sale, or other use or disposition, selling or otherwise using or disposing of the Collateral and the like which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses and costs, shall be added to the Indebtedness and the Debtor shall be liable therefor.

(e) Should Secured Party elect to exercise its rights under said Uniform Commercial Code as to part of the Collateral, this election shall not preclude Secured Party or the Trustee from exercising any other rights and remedies granted by this instrument as to the remainder of the Collateral.

(f) Any copy of this instrument may also serve as a financing statement under said Uniform Commercial Code between the Debtor, whose present address is Mortgagor's address listed on the cover page of this Mortgage, and Secured Party, whose present address is Secured Party's address listed on the cover page of this Mortgage.

(g) So long as any amount remains unpaid on any of the Indebtedness, Debtor will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder, unless the prior written specific consent and approval of Secured Party shall have first been obtained.

(h) Secured Party is authorized to file, in any jurisdiction where Secured Party deems it necessary, a financing statement or statements, and at the request of Secured Party, Debtor will join Secured Party in executing one or more financing statements pursuant to said Uniform Commercial Code in form satisfactory to Secured Party, and will pay the cost of filing or recording this instrument, as a financing statement, in all public offices at any time and from time to time whenever filing or recording of any financing statement or of this instrument is deemed by Secured Party to be necessary or desirable.

(i) The office where Debtor keeps Debtor's accounting records concerning the Collateral covered by this Security Agreement is Mortgagor's address listed on the first page of this Mortgage.

7.2 Portions of the Collateral consist of (i) oil, gas and other minerals produced or to be produced from the lands described in the Leases, or (ii) goods which are or will become fixtures attached to the real estate constituting a portion of the Mortgaged Property, and Debtor hereby agrees that this instrument shall be filed in the real estate records of the counties in which the Mortgaged Property is located as a financing statement to perfect the security interest of Secured Party in said portions of the Collateral. The said oil, gas and other minerals will be financed at the wellhead of the oil and gas wells located on the lands described in the Leases. The name of the record owner of the Mortgaged

Property is the party named herein as Mortgagor and Debtor. Nothing herein contained shall impair or limit the effectiveness of this document as a security agreement or financing statement for other purposes.

7.3 Debtor further warrants and represents to Secured Party that, except for (i) the security interest in the Collateral granted hereby, and (ii) the Permitted Encumbrances, Debtor is owner and holder of the Collateral free of any adverse claim, security interest or encumbrance, and Debtor agrees to defend the Collateral against all other claims and demands against the same or any interest therein. Debtor further warrants and represents that there are no financing statements signed by Debtor relating to the Collateral now on file in any public office which have not been assigned to the Secured Party or terminated except those statements true and correct copies of which have been delivered to Secured Party.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 All options and rights of election herein provided for the benefit of Holder are continuing, and the failure to exercise any such option or right of election upon a particular default or breach or upon any subsequent default or breach shall not be construed as waiving the right to exercise such option or election at any later date. By the acceptance of payment of any sum secured hereby after its due date, Holder shall not be deemed to have waived the right either to require prompt payment when due of all other sums so secured or to regard as an Event of Default the failure to pay any other sums due which are secured hereby. No exercise of the rights and powers herein granted and no delay or omission in the exercise of such rights and powers shall be held to exhaust the same or be construed as a waiver thereof, and any such right and power may be exercised at any time and from time to time.

8.2 All notices or other communications provided for hereunder shall be in writing and sent by first class mail or nationwide overnight delivery service (with charges prepaid) and if to Mortgagee or Holder, addressed to it at the address specified for Mortgagee on the cover sheet hereof, or at such other address as it shall have specified to Mortgagee in writing, and if to Mortgagor, addressed to it at 5555 San Felipe, Suite 600, Houston, Texas 77210-4253, Attention: William J. Campbell, or at such other address as Mortgagor shall have specified to Mortgagee or Holder in writing.

8.3 Mortgagor hereby agrees to indemnify and defend Mortgagee, the Trustee, their affiliates and the respective directors, officers, agents, employees and counsel of each ("Indemnified Persons") from and hold each of them harmless against any and all losses, liabilities, claims, damages, deficiencies, interest, judgments or expenses imposed upon, asserted against, incurred or paid by any of them arising out of or by reason of or in connection with (i) any Environmental Claim related to the Mortgaged Property, (ii) the use

of proceeds of the Indebtedness under the Shelf Agreement, (iii) the breach by Mortgagor of any covenant, representation or warranty of this Mortgage or the Shelf Agreement, and (iv) any violation of law by Mortgagor, including, without limitation, amounts paid in settlement, court costs and the fees and disbursements of counsel incurred in connection with any investigation, litigation or other proceeding. All obligations provided for in this Section 8.3 shall survive the release or foreclosure of this instrument or conveyance in lieu thereof. Without limiting any provision of this Mortgage, it is the express intention of Mortgagor that each Indemnified Person shall be indemnified and held harmless against any and all losses, liabilities, claims, deficiencies, judgments or expenses arising out of or resulting partially or solely from the negligence (though not the willful misconduct) of such Indemnified Person. Promptly after receipt by an Indemnified Person of notice of any claim or the commencement of any action by any third party, such Indemnified Person shall, if any claim in respect thereof is to be made against Mortgagor under this Section 8.3, notify Mortgagor in writing of the claim or the commencement of that action; provided, that the failure by any Indemnified Person to give, or the delay in giving, any such notice shall not affect the indemnification obligations of Mortgagor (i) to any other Indemnified Person, or (ii) unless Mortgagor shall have been materially prejudiced by such failure or delay, to such Indemnified Person. Mortgagor shall not be liable for any settlement of any such claim or action involving the payment of monetary damages effected without its written consent, which shall not be unreasonably withheld. If any such claim or action shall be brought against an Indemnified Person and it shall notify Mortgagor thereof, Mortgagor shall be entitled to participate in the joint defense thereof. Except for the indemnification in connection with any Environmental Claim, this Section 8.3 shall not apply to losses, liabilities, claims, damages, deficiencies, interest, judgments or expenses caused by actions of the Indemnified Persons with respect to the Leases, Units and Lands after such Indemnified Persons have either (i) foreclosed their Lien and/or security interest in same pursuant to the terms of this Mortgage or other instruments executed as security for the Note or (ii) entered upon and taken possession of the Mortgaged Property, excluded Mortgagor and its agents or servants wholly therefrom and begun operating the same pursuant to Section 5.9 of this Mortgage.

8.4 The terms, provisions, covenants and conditions hereof shall be binding upon Mortgagor, Mortgagor's heirs, successors, legal representatives and assigns, and shall inure to the benefit of Trustee, Trustee's substitute or successors and assigns, and of Mortgagee, its successors and assigns, and all other Holders of the Indebtedness, or any part thereof, and their respective successors and assigns.

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

8.6 It is the intent of Mortgagor, Mortgagee, and Trustee to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between Mortgagee or any other holder of the Indebtedness or any part thereof and Mortgagor (or any other party liable with respect to any Indebtedness) are hereby limited by the provisions of this Section 8.6 which, together with the related provisions of the Shelf Agreement, shall override and control all such agreements, whether now existing or hereafter arising. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of maturity), shall the interest taken, reserved, contracted for, charged or received under any instrument evidencing the Indebtedness or otherwise, exceed the maximum nonusurious amount permitted by applicable law (the "Maximum Amount").

The term "Maximum Rate" as used in this Mortgage means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or state law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby.

If, from any possible construction of any document, interest would otherwise be payable in excess of the Maximum Amount, any such construction shall be subject to the provisions of this Section 8.6 and such document shall be automatically reformed and the interest payable shall be automatically reduced to the Maximum Amount, without the necessity of execution of any amendment or new document. If the holder of any Indebtedness shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the Maximum Amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Indebtedness in the inverse order of its maturity and not to the payment of interest, or refunded to Mortgagor or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal. The right to accelerate maturity of the Indebtedness does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and each holder of any Indebtedness does not intend to charge or receive any unearned interest in the event of acceleration. All interest paid or agreed to be paid to the holder of any Indebtedness shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of such Indebtedness so that the amount of interest on account of such Indebtedness does not exceed the Maximum Amount. If the Yield Maintenance Amount payable under the Shelf Agreement following an Event of Default constitutes interest under applicable law, such Yield Maintenance Amount, together with all other amounts that constitute interest under applicable law, will not exceed the Maximum Amount for the actual period the Notes as to which such Yield Maintenance Amount is payable are outstanding. As used in this Section 8.6, the term "applicable law" shall mean the laws of the State of Texas or the federal laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

8.7 Notwithstanding anything herein to the contrary, Mortgagor shall have the right, and is hereby authorized, to pool or unitize all or any part of the Leases with adjacent lands, leaseholds and other interests, when, in the reasonable judgment of Mortgagor, it is necessary or advisable to do so in order to form a drilling unit to facilitate the orderly development of that part of the Mortgaged Property affected thereby, or to comply with the requirements of any law or governmental order or regulation relating to the spacing of wells or the proration of production therefrom, or otherwise conduct its business in a prudent manner. Any unit so formed may relate to one or more zones or horizons, and a unit formed for a particular zone or horizon need not conform in area to any other unit relating to a different zone or horizon, and a unit formed for the production of oil need not conform in area with any unit formed for the production of gas. Upon the written request of Mortgagee, Mortgagor shall furnish to the Trustee and Mortgagee true copies of the pooling agreements, declarations of pooling or other instruments creating such units. The interest in any such unit attributable to the Mortgaged Property (or any part thereof) included therein shall become a part of the Mortgaged Property and shall be subject to the lien hereof in the same manner and with the same effect as though such unit and the interest of Mortgagor therein were specifically described in Exhibit A.

8.8 To the extent that any of the Indebtedness represents funds utilized to satisfy any outstanding indebtedness or obligations secured by liens, rights or claims against the Mortgaged Property or any part thereof, the Trustee shall be subrogated to any and all liens, rights, superior titles and equities owned or claimed by the holder of any such outstanding indebtedness or obligation so satisfied, regardless of whether said liens, rights, superior titles and equities are assigned to the Trustee by the holder(s) thereof or released. The Trustee shall be subrogated to all covenants and warranties heretofore given or made with respect to the Mortgaged Property.

8.9 This Mortgage shall be deemed to be and may be enforced from time to time as an assignment, contract, deed of trust, real estate mortgage, security agreement or financing statement, and from time to time as any one or more thereof.

8.10 Insofar as this Mortgage relates to the creation, perfection or foreclosure of liens and security interests and the enforcement of rights and remedies against the Mortgaged Property, it shall be governed by the laws of the States where the Mortgaged Property is located. With respect to all other matters, this Mortgage shall be governed by and construed in accordance with the laws of the State of Texas.

8.11 This instrument may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all of which are identical except that, to facilitate recordation, in any particular counterpart portions of Exhibit A which describes properties situated in counties other than the county in which such counterpart is to be recorded may have been omitted.


IN WITNESS WHEREOF, this instrument is executed as of the 26th day of
May, 1992.

MORTGAGOR:

**Offshore Bechtel Associates Limited, a Texas
limited partnership**

**By: Offshore Bechtel Exploration Corporation,
a Texas corporation, its general partner**

By:


R. J. Connelly
Executive Vice President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned Notary Public in and for said county and state hereby certify that R. J. Connelly, whose name as Executive Vice President of Offshore Bechtel Exploration Corporation, a Texas corporation, as general partner of Offshore Bechtel Associates Limited, a Texas limited partnership, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such Executive Vice President and with full authority, executed the same voluntarily for and as the act of said corporation as general partner of said limited partnership. Given under my hand this 26th day of May, 1992.

E. B. Hearn III
Notary Public, State of Texas

[SEAL]

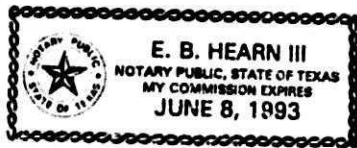


EXHIBIT A

ATTACHED TO AND MADE A PART OF THAT CERTAIN MORTGAGE, DEED OF TRUST, ASSIGNMENT OF PRODUCTION, SECURITY AGREEMENT AND FINANCING STATEMENT BETWEEN OFFSHORE BECHTEL ASSOCIATES LIMITED AND THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

DATED MAY 26, 1992

PREAMBLE TO EXHIBIT A

I

DEFINITIONS

The following terms shall have the following respective meanings when used in the exhibit to which this preamble is attached:

"Bechtel" shall refer to Bechtel Energy Partners Ltd.

"BPO and APO" shall mean Before Payout and After Payout, respectively, as those terms may be defined in any applicable Contract.

"Oil, Gas and Mineral Lease" shall refer to any Oil and Gas Lease, Oil, Gas and Mineral Lease or Oil and Gas Lease of Submerged Lands Under the Outer Continental Shelf Lands Act, notwithstanding the actual name of such lease.

"Unit Net Revenue Interest" shall refer to Bechtel's share of unit production after satisfaction of all royalties, overriding royalties, production payments or other similar non-operating interests.

"Unit Working Interest" shall refer to Bechtel's share of expenses in a drilling and production unit.

"Unit Overriding Royalty Interest" shall refer to Bechtel's share of unit production arising from or attributable to lease(s) which are free from the expenses of production.

For the purposes of this exhibit, unless the context otherwise requires, all other terms employed herein shall have the meanings stated in the instrument to which this exhibit is attached.

II

The well information and the terms "Unit Net Revenue Interest," "Unit Working Interest" and "Unit Overriding Royalty Interest," and any fraction or decimal interest recited in connection therewith are intended for warranty and informational purposes only. This information is not intended to increase or limit in any way whatever the interests affected by the Mortgage. Notwithstanding anything herein to the contrary, all Bechtel's right, title and interest now owned or hereafter acquired in and to any and all of the property described (whether or not accurately described) is subject to the Mortgage.

Reference in this exhibit to any instruments (whether accurately described herein or not) shall be deemed to include all instruments of ratification, amendment or reformation thereto, whether or not expressly mentioned herein.

**THE WELLS COVERED BY THE INSTRUMENT
TO WHICH THIS EXHIBIT "A" IS ATTACHED
ARE DESCRIBED AS FOLLOWS:**

Well Name: Mobile 961-1
Field: Mobile Area
County: Offshore Baldwin County
State: Alabama
Description of Unit: All of Block 961, Mobile Area, OCS Official Protraction Diagram NH 16-4

	<u>BPO</u>	<u>APQ</u>
Unit Working Interest:	8.7000%	8.7000%
Unit Net Revenue Interest:	7.2500%	7.2500%

The decimal interests in the property recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the property hereinbelow described.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated July 1, 1983, from United States of America, Lessor, to Chevron U.S.A., Inc. et al., Lessee, Lease No. OCS-G-5761, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

**THE WELLS COVERED BY THE INSTRUMENT
TO WHICH THIS EXHIBIT "A" IS ATTACHED
ARE DESCRIBED AS FOLLOWS:**

Well Name: Mobile 958-1
Field: Mobile Area
County: Offshore Baldwin County
State: Alabama
Description of Unit: All of Block 958, Mobile Area, OCS Official Protraction Diagram NH 16-4

	<u>BPO</u>	<u>APQ</u>
Unit Working Interest:	8.000%	8.0000%
Unit Net Revenue Interest:	6.6667%	6.6667%

The decimal interests in the property recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the property hereinbelow described.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated July 1, 1983, from United States of America, Lessor, to Chevron U.S.A., Inc. et al., Lessee, Lease No. OCS-G-5758, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

**THE WELLS COVERED BY THE INSTRUMENT
TO WHICH THIS EXHIBIT "A" IS ATTACHED
ARE DESCRIBED AS FOLLOWS:**

Well Name: Mobile 917-1
Field: Mobile Area
County: Offshore Baldwin County
State: Alabama
Description
of Unit: All of Block 917, Mobile Area, OCS Official Protraction Diagram NH
16-4

	<u>BPO</u>	<u>APQ</u>
Unit Working Interest:	8.7000%	8.7000%
Unit Net Revenue Interest:	7.2500%	7.2500%

The decimal interests in the property recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the property hereinbelow described.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated July 1, 1983, from United States of America, Lessor, to Chevron U.S.A., Inc. et al., Lessee, Lease No. OCS-G-5754, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

**THE WELLS COVERED BY THE INSTRUMENT
TO WHICH THIS EXHIBIT "A" IS ATTACHED
ARE DESCRIBED AS FOLLOWS:**

Well Names: Mobile 916-1 and Mobile 916-2
Field: Mobile Area
County: Offshore Baldwin County
State: Alabama
Description of Unit: All of Block 916, Mobile Area, OCS Official Protraction Diagram NH 16-4

	<u>BPO</u>	<u>APQ</u>
Unit Working Interest:	8.7000%	8.7000%
Unit Net Revenue Interest:	7.2500%	7.2500%

The decimal interests in the property recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the property hereinbelow described.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated July 1, 1983, from United States of America, Lessor, to Chevron U.S.A., Inc. et al., Lessee, Lease No. OCS-G-5753, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

**THE WELLS COVERED BY THE INSTRUMENT
TO WHICH THIS EXHIBIT "A" IS ATTACHED
ARE DESCRIBED AS FOLLOWS:**

Well Name: Mobile 915-1
Field: Mobile Area
County: Offshore Baldwin County
State: Alabama
Description of Unit: All of Block 915, Mobile Area, OCS Official Protraction Diagram NH 16-4

	<u>BFO</u>	<u>APQ</u>
Unit Working Interest:	8.7000%	8.7000%
Unit Net Revenue Interest:	7.2500%	7.2500%

The decimal interests in the property recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the property hereinbelow described.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated July 1, 1983, from United States of America, Lessor, to Chevron U.S.A., Inc. et al., Lessee, Lease No. OCS-G-5752, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

**THE OIL, GAS AND MINERAL LEASES COVERED
BY THE INSTRUMENT TO WHICH THIS
EXHIBIT "A" IS ATTACHED ARE DESCRIBED AS FOLLOWS:**

1. Oil, Gas and Mineral Lease dated May 1, 1991, from United States of America, Lessor, to Unocal Exploration, et al, Lessee, Lease No. OCS-G-13043, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: All that part of Block 826, Mobile Area, Mobile Official Protraction Diagram, NH 16-4 lying seaward of the federal/state boundary, specifically described in the Supplemental Official OCS Block Diagram.

Unit Working Interest: 14.0000%*

Unit Net Revenue Interest: 11.6667%*

* BPO and APO

2. Oil, Gas and Mineral Lease dated May 1, 1991, from United States of America, Lessor, to Chevron U.S.A., Inc., et al, Lessee, Lease No. OCS-G-13044, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: N/2 and N/2 S/2 of Block 871, Mobile Area, OCS Official Protraction Diagram, NH 16-4

Unit Working Interest: 8.0000%*

Unit Net Revenue Interest: 6.6667%*

* BPO and APO

3. Oil, Gas and Mineral Lease dated May 1, 1991, from United States of America, Lessor, to Chevron U.S.A., Inc., et al, Lessee, Lease No. OCS-G-13044, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: S/2 S/2 of Block 871, Mobile Area, OCS Official Protraction Diagram, NH 16-4

Unit Working Interest: 8.7000%*

Unit Net Revenue Interest: 7.2500%*

* BPO and APO

4. Oil, Gas and Mineral Lease dated May 1, 1990, from United States of America, Lessor, to Chevron U.S.A., Inc., et al, Lessee, Lease No. OCS-G-12114, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: All of Block 918, Mobile Area, OCS Official Protraction Diagram, NH 16-4

Unit Working Interest: 8.7000%*

Unit Net Revenue Interest: 7.2500%*

* BPO and APO

5. Oil, Gas and Mineral Lease dated May 1, 1991, from United States of America, Lessor, to Chevron U.S.A., Inc., et al, Lessee, Lease No. OCS-G-13046, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: Block 957, Mobile Area, OCS Official Protraction Diagram, NH 16-4

Unit Working Interest: 8.7000%*

Unit Net Revenue Interest: 6.6667%*

* BPO and APO

6. Oil, Gas and Mineral Lease dated May 1, 1990, from United States of America, Lessor, to Chevron U.S.A., Inc., et al, Lessee, Lease No. OCS-G-12115, recorded in the records of the Minerals Management Service of the U.S. Department of Interior.

Lease Description: All of Block 962, Mobile Area, OCS Official Protraction Diagram, NH 16-4

Unit Working Interest: 8.7000%*

Unit Net Revenue Interest: 7.2500%*

* BPO and APO

The decimal interests in the leases recited hereinabove are intended merely to be descriptive of the interests which Mortgagor believes it holds and not as a limitation on the interests mortgaged. Notwithstanding anything herein to the contrary, Mortgagor intends to mortgage and does hereby mortgage all of its right, title and interest in and to the leases hereinabove described.